DOI: 10.20472/IAC.2018.035.024

JANA KLIESTIKOVA
University of Zilina, Faculty of Operation and Economics of Transport and Communications, Department of Economics, Slovak Republic

ANNA KRIZANOVA
University of Zilina, Faculty of Operation and Economics of Transport and Communications, Department of Economics, Slovak Republic

MARIA KOVACOVA
University of Zilina, Faculty of Operation and Economics of Transport and Communications, Department of Economics, Slovak Republic

OLD MCDONALD'S HAD A BRAND...: HOW TRADITIONAL BRANDS LOSE THEIR BREATH

Abstract:

Traditional brands have to review implementation of previously used concepts and techniques of brand value building and management. The reason of such a managerial decision consists in the evolution of the market and buying decision stereotypes. So far, branding theory do not know how to explain that traditionally valuable brands lose their value sharply despite their position in global brand value rankings have not indicated it. The danger of this situation is really high. So, the aim of this paper is to verify through the cluster analysis based on secondary data from Interbrand ranking our hypothesis that the scissors between actual brand value of traditional and modern brands are opening more and more. And at the same time to predict which brands will have to face the threat of brand value decrease.

Keywords:

brand, brand value, brand value sources, brand management

JEL Classification: C00, C90, M31

ISBN ISBN 978-80-87927-45-8, IISES

1 Introduction

Branding strategies have to be reviewed over time. Marketing managers face to the decision whether to implement concept of consistency or radical change. In case of traditionally valuable brands, the implementation of modern branding concepts has a lot of risky aspects. It is because in case of its inadequate implementation, it can cause opposite effect to the desired – i.e. the brand value can decrease instead of its increase or at least stagnation. This is the reason why traditional brands tend to be more conservative and to avoid unnecessary interventions into its identity. As the brand value is based from the marketing point of view on subjective perception of consumers, it is not desirable to shock them by brand identity modification. And precisely this can be caused by implementation of modern and unconventional branding patterns which are not convergent with traditional sources of brand value and the essence of brand identity.

But implementation of such a branding patterns is vital form long term point of view. It is because although traditional brands seem to be constantly valuable perceived, more detailed analysis shows that the trend of its brand value development is not so optimistic. It is because brands with long term satisfactory position in international brand value ranking lose their vigilance and do not pay attention to the growing difference between them and brands leading the ranking. And only by systematic benchmark realized focusing on progressive concepts of brand value building and management practice, it is possible to hold the position between most valuable brands worldwide. This is how brands can avoid their exclusion not only from the market but also from the minds of consumers.

2 Literature review

Gomez-Suarez et al. (2017) states that consumer-brand relationships encompass several dimensions, most of which have attracted growing research attention during the last years. Building these relationships is especially important in the marketing 3.0 era, where it is suggested that customers will choose those brands that satisfy their deepest needs. With these ideas in mind, they provide a review of two key concepts implied in such relationships: brand love and customer engagement. Although both conceptions focus on different stages of consumer-brand relationships, they actually cover different perspectives on the same process. Moreover, they come from diverse conceptual paradigms: whilst brand love comes from the psychology discipline, engagement derives from diverse areas of the marketing field (e.g., the service-dominant logic perspective).

According to Hegner et al. (2017) brand hate is triggered by three determinants (negative past experience, symbolic incongruity, ideological incompatibility) and leads to three behavioral outcomes (brand avoidance, negative word-of mouth, brand retaliation).

Currently, science of branding has moved from its quantitative corpus to its qualitative essence. Even more, the searching for relevant attributes of brand value subjective perception has exceed the marketing theory and tends to find answers in psychology and sociology. Unfortunately, this forming branding school is very heterogeneous. Scientists separates individual emotions and cognitive aspects of brands what leads to the various misunderstandings in subsequent commentary. So, for example, recent academic discussions about the concept of brand happiness have introduced brand happiness as a promising new branding asset and a key research area. There is scientific evidence that its strong desirability, its characteristic of greatest emotional fulfillment, and its superior power to influence brand behavior qualify brand happiness as an important brand goal and differentiate it from other emotional-relational concepts (e.g., emotional brand attachment, customer delight). However, there is no evidence on the effectiveness of brand happiness. To provide essential new insights in this research field, the authors theoretically develop an appraisal framework of the determinants and consequences of brand happiness and empirically verify it in four industry sectors. On the cross-industry level, brand relationship quality, brand self-relevance, brand goal-congruence, and actual and ideal brand self-congruence are confirmed to be important brand appraisal determinants of brand happiness, and pleasantness, fairness, and certainty are confirmed to be important situational appraisal determinants of brand happiness. The behavioral power of brand happiness was supported by showing that brand happiness strongly predicts five coping strategies; namely, the problem-focused coping strategies of (re-)purchase intention and price premium, and the emotion-focused coping strategies of word-of-mouth, brand evangelism, and brand forgiveness. On an industry-specific level, differences are observed regarding the influence of some of the brand appraisal determinants on brand happiness and regarding the influence of some of the situational (Schnebelen & Bruhn, 2018).

The result of this research indicates that so called brand happiness has a crucial position in brand value perception and overall loyalty towards the brand. So, it is vital to identify individual sources of brand happiness and factors which influence them. Some indicators for detection of these factors are disseminated over the previous scientific literature.

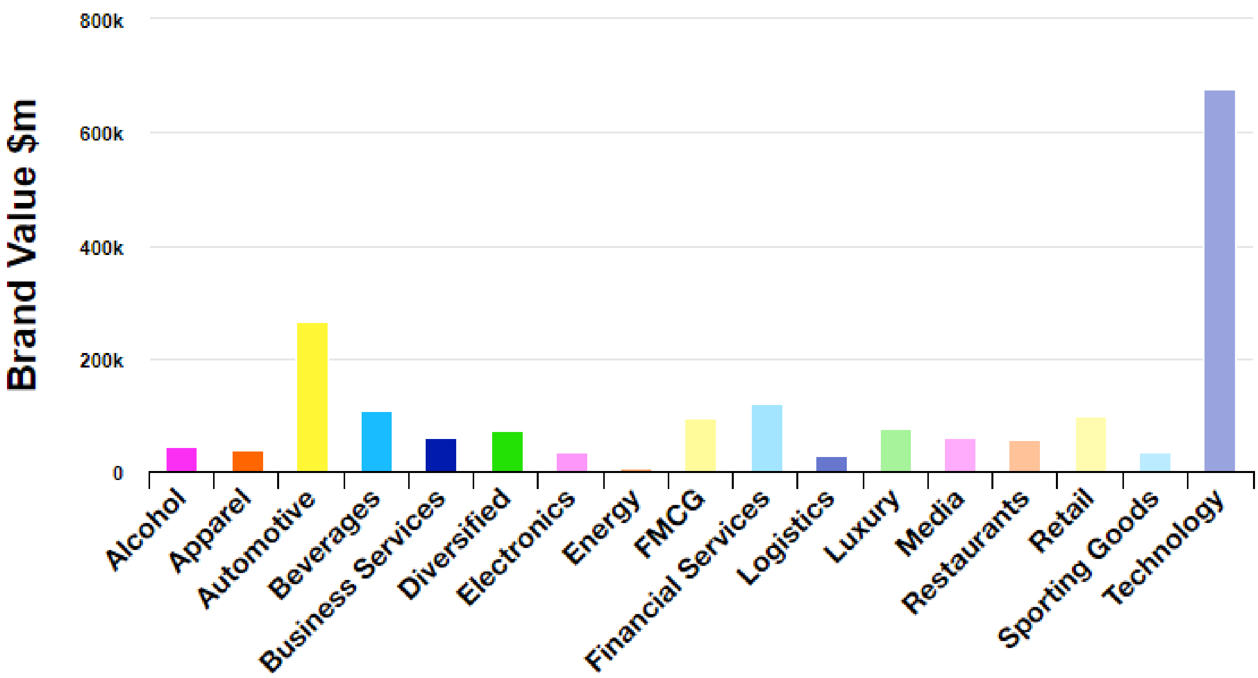
Norskov et al. (2015) found that innovation attributes have an effect on brand equity, and this effect differs between low and high-equity brands, with a low-equity brand being benefited more than a high-equity brand from perceptions towards a product's innovation attributes. Additionally, it was found that the impact of complexity and relative advantage on brand equity increases when consumer innovativeness increases in the case of a high-equity brand. However, no significant difference was found between low- and high-equity brands regarding the proposed moderating effect of innovativeness. The idea of innovation as a significant source of brand value is relatively new despite the issue of brand and innovation penetration has been discussed intermittently in a scientific literature (Lowe & Alpert, 2015). Up to now, innovation in scope of its branding implications has been analysed mainly partially, without coherent theory creation and highlighting different points of view. Thus, for example Aaker as a “god father” of brand theory states that not brands should be innovated but on the contrary, innovations should be branded. This perspective is ideologically significantly different from modern theory of brand and innovation penetrance. Mentioned theory is based on the assumption that brand strategy can be crucial to the success of innovation, especially in the long run. There are times when a company literally needs to label innovation or lose it. Without a successful branding strategy, innovation may be short-lived - scattered on a confused, scattered impact market - or become another forgotten internal initiative. In such cases the brand can do everything. The mark to emphasize does not simply mean putting the name and logo on innovation. This means that the brand is an integral part of a coherent strategy that supports actively managed and adequately funded branding programs (Aaker, 2007). So, brand is not an addressee of the innovative managerial activities but only a tool of ensuring the market acceptance of such activities. But innovation is not always perceived without restrictions as positive. There are indications that a company needs to consider consumer perceptions of the company as a whole, and not just new products and technologies, and take into account a functional-cognitive perspective as well as consumer emotions and experiences (Kunz et al., 2011). The extension of this theory has been made later investigating the question if it is possible to affect negatively perceived value by exploring how consumers view and evaluate brands following an innovation failure. It has been proven that innovation failures are more detrimental to high-equity brands that have preannounced the innovation and to low-equity brands that do not receive supportive word-of-mouth from an opinion leader after the failures occur (Liao & Cheng, 2014).

It has been proven that innovation as a factor influencing happiness in scope of brand purchase, is significant when the prognosis of the brand value evolution is realized. Optimal source of information for brand benchmark focused on detection of competitive position are worldwide brand rankings. But Starr and Brodie (2016) states that two key approaches to supporting the brand value proposition-certification and authentication-have had minimal academic study. They respond to this research need by defining the key concepts of certification and authentication and examining their effects in the context of branding. Based on this finding, Chehab et al. (2016) analyze the relationship between brand value and short and long-run stock performance. An equally-weighted portfolio of the American non-financial companies recognized by Interbrand as part of the 100 most valuable global brands earned an eleven-day cumulative abnormal returns (CARs) of 0.54% (17.79% annually) and a three-day CARS of 0.31% (37.97% annually) from 2001 through 2012. The four-factor monthly alpha averaged 1.1428% (13.7136% annually) over the risk-free rate and 1.3317% (15.9804% annually) over the S&P 500 index. Regression results show that the companies' brand values and capitalization were significant contributors to CARS. In addition, the average buy-and-hold return for a portfolio with annual rebalancing to include the recognized companies the preceding year was 15.29%. The annually rebalanced portfolio outperformed the industry average by 3.45% and the S&P 500 by 8.99%. All the above mentioned returns were significant at the 1% level. However, the data shows that consumer reaction to brand ranking is positive but not significant. So, the influence of the brand ranking on perceived brand value is negligible. But according to us, there is a strong informative ability of ranking position towards the prognosis of brand value development and long term perspective of its market existence. Until now, there has not been developed any coherent concept of relevant brand value psychographic components identification. Recently, only few authors develop in isolation their theories of brand value sources readable from brand value rankings.

Based on all above mentioned, we assume in accordance with Harjoto and Salas (2017) that brand rankings are very strong prognostic tool which is insufficiently used. Its main informative value consists in early detection of pathological trends in scope of brand value evolution trends. In connection with other recently highlighted phenomena, we can observe the impact of unconventional branding patterns and innovation implementation on brand ranking and its value.

As it can be visible on Fig. 1, the most valuable brands have technological character what implicates existence of strong positive correlation between perceived brand value and innovative attitudes of brands.

Figure 1: Structure of 100 most valuable brands according to Interbrand 2017 ranking



Source: http://interbrand.com/

ISBN ISBN 978-80-87927-45-8, IISES

3 Methodology and data

To verify our hypothesis, we realized cluster analysis. We used selection of secondary data from Interbrand ranking ((available at: http://interbrand.com/) supplemented by empirically collected data about innovative concepts, techniques and overall attitudes towards innovation (Kliestikova & Kovacova, 2017).

Interbrand's brand valuation methodology seeks to provide a rich and insightful analysis of your brand, providing a clear picture of how your brand is contributing to business growth today, together with a road map of activities to ensure that it is delivering even further growth tomorrow. The brand valuation model also provides a framework for conducting one-off business case models to evaluate brand strategy options; such as positioning, architecture, and extension; and make the business case for growing your brand in new directions. Finally, when Interbrand conducts valuations for financial reasons, strategic branding recommendations are provided, in addition to delivering a rigorously analyzed and defensible valuation number. This delivers value to the business beyond the knowledge of the valuation amount. To be included in Best Global Brands, a brand must be truly global, having successfully transcended geographic and cultural boundaries. It will have expanded across the established economic centers of the world and entered the major growth markets. In measurable terms, this requires that:

- at least 30 percent of revenue must come from outside of the brand's home region,
- the brand must have a significant presence in Asia, Europe, and North America as well as broad geographic coverage in emerging markets,
- there must be sufficient publicly available data on the brand's financial performance,
- economic profit must be expected to be positive over the longer term, delivering a return above the brand's cost of capital,
- the brand must have a public profile and awareness across the major economies of the world.

These requirements (that a brand be global, visible, growing, and relatively transparent with financial results) explains the exclusion of some well-known brands that might otherwise be expected to appear in the ranking. There are three key components to all of our valuations: an analysis of the financial performance of the branded products or services, of the role the brand plays in purchase decisions, and of the brand's competitive strength. (available at: http://interbrand.com/).

Basic method for processing of secondary data is cluster analysis. The objective of this analysis consists in clustering of the objects into the groups with condition that two objects from the one cluster were more similar each other than two objects from different cluster. The cluster analysis consists of following steps 1) selection of input database; 2) selection of parameters; 3) name of the object; 4) choice of clustering technique; 5) choice of using distance; 6) placing in clusters; 7) choice of distances in Dendrogram; 8) selection of appropriate techniques for creation of Dendrogram; 9) an explanation of the best Dendrogram similarities of objects and variables. Input for clustering in terms of data analysis is data matrix. Data matrix contains variables (in our case selected attributes) in m columns and n rows (in our case brands) on which these characters are measured.

Every object it means the row of data matrix (1), that is, xiT = (xi,1, ...xi,j,... xi,m) is characterized by its characteristics. Tab. 1 provides a basic set of data which we need for realizing the cluster analysis of brands; this table consists of 1) annual change in brand value; 2) inter-brand difference in evolution of brand value; 3) brand value evolution in time; 4) total page likes on social network Facebook and 5) innovative character of brand.

Parameters "total page likes on social network Facebook" and "innovative character of brand" have been chosen as a significant due to the presumption that social acceptance of brand and innovation increases brand value (Davcik & Sharma, 2015).

Table 1: Set of input data for cluster analysis[1]

Brand	Change in BV in % (2017 vs 216)	Difference in BV	BV evolution	Total page likes on FB	Innovative character
Apple	3	0	1	8 430 460	1
Google	6	0	1	24 031 259	1
Microsoft	10	2	0	10 917 908	1
Coca Cola	-5	2	2	105 905 475	0
Amazon	29	1	1	27 905 019	1
Samsung	9	1	1	3 951 056	1
Toyota	-6	2	0	3 607 607	1
Facebook	48	1	1	191 165 586	1
Mercedes Benz	10	2	1	20 847 149	1
IBM	-11	1	2	954 757	1
GE	3	2	0	1 990 116	1
Mc Donalds	5	2	1	73 565 251	0
BMW	0	1	1	20 147 652	1
Disney	5	2	1	51 058 660	0
intel	7	2	0	38 659 288	0
CISCO	3	2	1	860 914	0
oracle	3	2	1	837 026	0
Nike	8	1	1	29 020 033	1
Louis Vuitton	-4	2	0	20 459 686	0
Honda	3	2	0	4 595 104	0

Source: self-elaboration according to http://interbrand.com/ and Kliestikova & Kovacova (2017)

As a clustering method we used "nearest neighbour method" which is based on the minimum distance. It is that this method finds two objects which are separated by the shortest distance and placed them into the cluster. Another cluster is formed by adding a

[1] Column "Difference in brand value": 0 - parrarel, 1 - sharp, 2 - flat
Column "Brand value evolution": 0 - fluctuation, 1 - increase, 2- decrease
Column "Innovative character": 0 - absence of innovations, 1 - presence of innovations

third nearest neighbour. This process is repeated until all objects are in a common cluster. The distance between two clusters is defined as the shortest distance of any point in the cluster to any point in another cluster.

4 Findings

Realization of cluster analysis indicated 5 clusters of top 20 most valuable brands worldwide according to Interbrand ranking 2017:

Cluster 1: Apple, Google, Amazon, Samsung, Mercedes Benz, IBM, BMW, Nike

Cluster 2: Microsoft, Toyota, GE

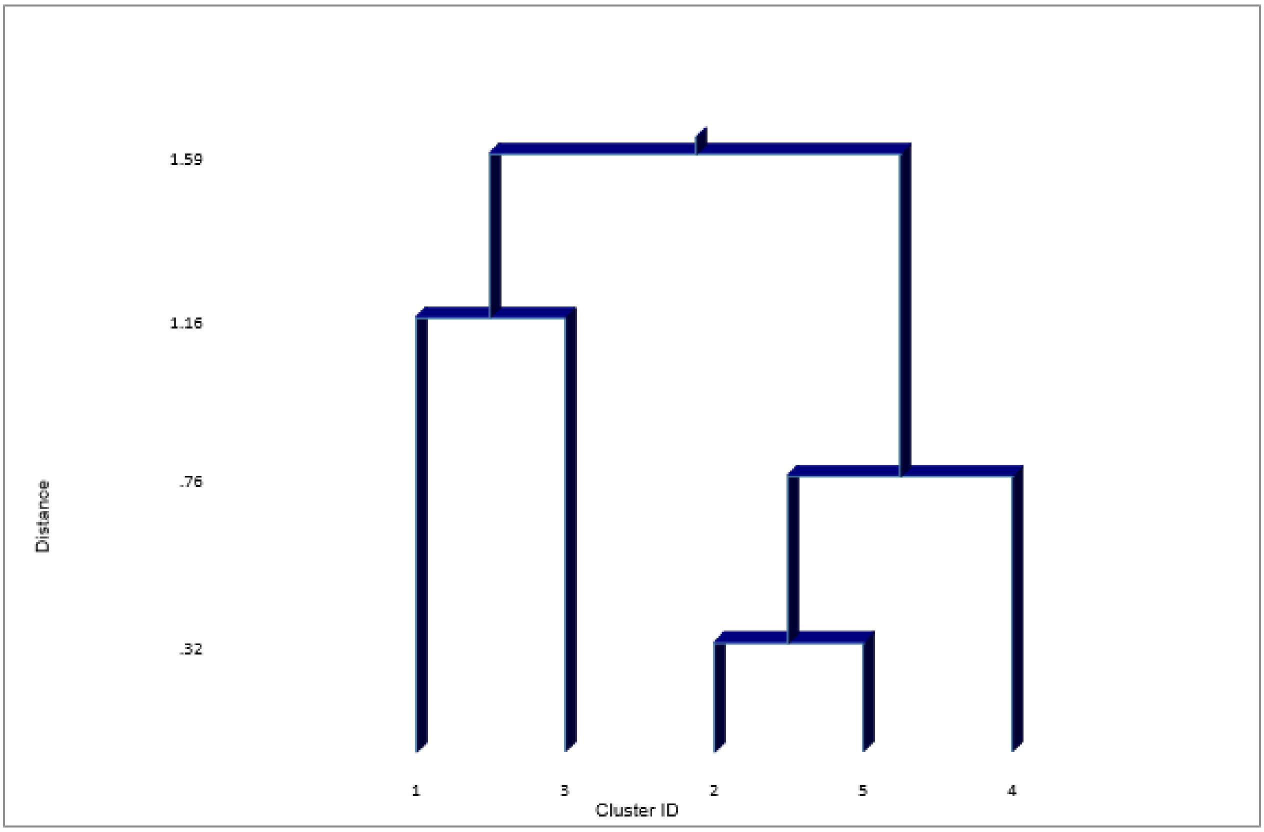
Cluster 3: Facebook

Cluster 4: Coca Cola, McDonald's, Disney, CISCO, Oracle

Cluster 5: intel, Louis Vuitton, Honda

This output of cluster analysis verifies our presumption that traditionally valuable brands has different characteristics from progressive ones despite both groups of brands are nowadays ranked at the top of the list. For graphical representation of cluster distribution see Fig. 2.

Figure 2: Cluster Dendrogram of most valuable brands



Source: self-elaboration

As it is shown in Fig. 2, Facebook (cluster 3) verified its unique position. It is because its innovative leadership and social acceptance. These two factors influence positive attitudes of consumers towards brands. Also brands which are in cluster 1 have strong and prospective market position. It is because these brands are clustered close to cluster 3 when the prospective of vertical axis is taking into account. These brands are: Apple, Google, Amazon, Samsung, Mercedes Benz, IBM, BMW, Nike. Notice that these brands (cluster 3 and 1) are all characterized by its innovative and unconventional branding patterns regardless to the social acceptance. This factor varies from 954 757 (IBM) to 29 020 033 (Nike).

We can state that despite the general diversity of analysed brands, the greatest degree of convergence is between clusters 2 and 5. So, the greatest degree of inter-group similarity occurs between Microsoft, Toyota, GE and intel, Louis Vuitton, Honda. This finding is surprising because there are both types of brands – i.e. those with positive innovative attitudes (cluster 2) and those without it (cluster 5). Although, these brands have common very important characteristic – so called inter-brand difference in evolution of brand value when their brand value evolution is compared with the Apple as the most valuable brand. In scope of this, both clusters have flat curve of evolution what causes hat the scissors between them and most valuable brand are opening more and more. This trend should be alarming for marketing managers because indicates possible deterioration of their ranking status.

According to above mention is the greatest degree of divergence logically between these clusters (2 and 5) and clusters 1 and 3. Cluster 4 has autonomous position in the middle distance to both marginal clusters aggregation. There are Coca Cola, McDonald's, Disney, CISCO, Oracle in this cluster. Their common specific is the absence of innovative branding patterns and flat curve of brand value evolution when it is compared with most valuable brand. Despite the fact that brands with similar substance have been clustered also in cluster 4, cluster 5 is the riskiest from the point of view of brand value building and managing. It is because cluster 5 still tends to the so called "save area" where is still possibility to change the trend according to practice of cluster 2 where brands with long term positive perspective are grouped.

5 Conclusion

The changes which occurs not only in society but also in market reality leads to the need of review of traditional managerial patterns. This is valid also in reality of branding. According to the provided literature research we assumed that brands which avoid intervention to their brand identity by abstracting from progressive branding patterns, have to face the threat of brand value decrease and possible exclusion from the most valuable brands rankings worldwide. We verified this by realization of cluster analysis in scope of selected brand characteristics extracted from Interbrand rankings 2017 and own previous empirical research focused on innovation attitudes of brands. Providing this, we found out that most valuable brands with constant and mainly sharp evolution of their value are brands with innovative character. Brands which are not leaders in scope of innovative approach have prospective of their long term market performance with increase of their social acceptance. The riskiest group is formed by brands with strong tradition, but without innovative patterns of branding and with steady social acceptance. So, we can conclude that traditional brands are losing their breath. Only way how to save them is to provide them artificial respiration in the form of innovation inclusion into their branding practice with respect to the main pillars of their brand identity.

Acknowledgment

The research leading to these results has received funding from the project titled "Integrated model of management support for building and managing the brand value in the specific conditions of the Slovak Republic" in the frame of the programme of Slovak Research and Development Agency under the grant agreement number APVV-15-0505.

Reference

AAKER, D. (2007) Innovation: Brand It or Lose It. *California Management Review*. 2007, Vol. 50, No. 1, pp. 8-24.

DAVCIK, N.S. and SHARMA, P. (2015) Impact of Product Differentiation, Marketing Investments and Brand Equity on Pricing Strategies: A Brand Level Investigation. *European Journal of Marketing*, 49(5-6), 760-781.

GOMEZ-SUAREZ, M.; MARTINEZ-RUIZ, M.P. and MARTINEZ-CARABALLO, N. (2017) Consumer-Brand Relationships under the Marketing 3.0 Paradigm: A Literature Review. *Frontiers in Psychology*. 2017, Vol. 8, Article 252.

HARJOTO, M.A. and SALAS, J. (2017) Strategic and Institutional Sustainability: Corporate Social Responsibility, Brand Value, and Interbrand Listing. *Journal of Product and Brand Management.* 2017, Vol. 26, No. 6, pp. 545-558.

HEGNER, S.M.; FETSCHERIN, M. and VAN DELZEN, M. (2017) Determinants and Outcomes of Brand Hate. *Journal of Product and Brand Management.* 2017, Vol. 26, No. 1, pp. 13-25.

CHEHAB, A.; LIU, J. and XIAO, Y.B. (2016) More on Intangibles: Do Stockholders Benefit from Brand Values? *Global Finance Journal.* 2016, Vol. 30, pp. 1-9.

INTERBRAND METHODOLOGY (2018) [Online] Available at: http://interbrand.com/best-brands/best-global-brands/methodology/.

KLIESTIKOVA, J. and KOVACOVA, M. (2017) Motion to Innovation: Brand Value Sources Have (Not) Changed Over Time. In: *Innovative economic symposium 2017: strategic partnership in international trade*. Ceske Budejovice: Czech Republic, Article no. 01010.

KUNZ, W.; SCHMITT, B. and MEYER, A. (2011) How Does Perceived Firm Innovativeness Affect the Consumer? *Journal of Business Research*. 2011, Vol. 64, No. 8, pp. 816-822.

LIAO, S. and CHENG, C. C. J. (2014) Brand Equity and The Exacerbating Factors of Product Innovation Failure Evaluations: A Communication Effect Perspective. *Journal of Business Research*. 2014, Vol. 67, No. 1, pp. 2919-2925.

LOWE, B. and ALPERT, F. (2015) Forecasting Consumer Perception of Innovativeness. *Technovation.* 2015, Vol. 45-46, pp. 1-14.

NORSKOV, S.; CHRYSOCHOU, P. and MILENKOVA, M. (2015) The Impact of Product Innovation Attributes on Brand Equity. *Journal of Consumer Marketing.* 2015, Vol. 32, No. 4, pp. 245-254.

SCHNEBELEN, S. and BRUHN, M. (2018) An Appraisal Framework of the Determinants and Consequences of Brand Happiness. *Psychology & Marketing*. 2018, Vol. 35, No. 2, pp. 101-119.

STARR, R.G. and BRODIE, R.J. (2016) Certification and Authentication of Brand Value Propositions. *Journal of Brand Management.* 2016, Vol. 23, No. 6, pp. 716-731.