

Benefits and disadvantages of branding



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In this article, I am going to introduce what is branding? Why does branding? and analyze both the advantage and disadvantage of branding. In addition, I will use some examples to support my critical viewpoint. First part, it introduces about “ what is brand”, branding is a thing combine with our regular life, and how to recognize it. Second part, it elaborates some examples to support the analysis of the advantage of branding. The advantages can be explored from both company side and customer side. Third part, it will talking about the disadvantage, so I using some reference to support disadvantage.

A definition for a brand has been shown in the Journal of Marketing Management by Professor Peter Doyle of Warwick University: “ A name, symbol, design, or some combination which identifies the product of a particular organization as having a substantial, differentiated advantage” (O’Mally, 1991, p. 107). Besides, company use branding as a tool to engage the customers buying their goods, also doing some promoting value, making some branding image, or attach consumers’ lifestyle (Rooney, 1995). On the other hand, customer use branding as a advantage to receive the benefits from the brands. As Ronny (1995) said that “ branding is a technique to build a sustainable, differential advantage by playing on the nature of human beings”.

Brand offer service to customer through advertising, promotion, and some e-media. Therefore, organizations use these tools as a media to attract consumers doing some economic and business active in the trade market.

Advantage:

Both branding and no branding have two-sides effect, the essential problem is how it has been done. For example, branding could help the brand promote their brand images in the trade market, also could earn some brand loyalty and increasing some brand value. On the other hand, no brand could has lower production cost, lower marketing cost, and lower legal cost than branding.

After the organization entering the trade market, using the branding to communicate with their customer, they could receive benefit from branding. Such as reputable brand name, possible brand loyalty, brand value, maximum marketing efficiency, and even reduction of advertising costs (Onkvisit and Shaw, 2001).

“ Branding name is a thing, a tool which companies use in the trade market. They admit that brand name may not set up or break down the organization but it would be a key point in their success or failure” (Ronny, 1995).

Normally, the organization use their brand name as part of their product even selling point, for example: Coke Cola, they use their brand name as the selling point, sales their products. Coke Cola is a famous brand around the world, moreover, in Chinese the “ Cola” means “ could be fun”, so that in Chinese culture the brand name plays a way in the trade market.

It is easy for general public to think Microsoft, Apple, Asus and Acer as examples of famous brand. Actually, in marketing, brand has wider meanings rather than merely a name of a product. In the other hand, the simplest example to says is that a chocolate is a kind of food originally,

however, if a company gives chocolate a name as “ Godiva”, it becomes a branding name, therefore, the brand values comes appear, too. Moreover, according to Millward Brown Optimor website(2010) statistic, that technology industries brand value top 5 are Google(\$114260million), IBM(\$86383million), Apple(\$83153million), Microsoft(\$76344million), and HP(\$39717million), moreover, their brand value has changed about 14% (Google), 30%(IBM), 32%(Apple), 0%(Microsoft), and 48%(HP). Originally, those names consist of ordinary alphabet letters. But due to the branding activity in which the owners put great resource, those names, in itself, obtain marvelous values

Generally, branding is not only a product that selling from business to customers , however, at the top of trade market, “ brand” could be a product that selling and purchasing between business to business. Normally, small companies may merger other brand value and asset. The most famous example is that “ Lenovo” merged “ IBM’s PC department”, after the merger, Lenovo has become the third top of pc manufacturers. Also their brand value has increased a lot. Another case in this point is Cisco. Cisco internet company in 20th century, through the acquisition over hundreds of time, their products manufactured by a simple router extended their product line from simple router to 25 kinds of network equipment. Each product has been ranked first or second in its industry.

Brand loyalty is one of the advantage, too. Normally, we use return customer rates as away to test brand loyalty. For example, according to Ishii (2008) said that we could traced a customer’s purchased records, if we would found that they had bought some products from same company more than three

times, then we could think this is a loyalty customer. But, in higher price product, for example, car, laptop, and house so on, we couldn't expect that customer would do repeat purchase very often. So, we might use brand image to be a method to test the brand loyalty. " the competitive strength of an international brand is that it tends to be associated with status and prestige, while providing convenient identification for international travelers" (Onkvisit and Shaw, 2001).

Disadvantage:

Obviously, branding, of course, not only has advantages, but also disadvantages. In analysis above, the benefit for small company to merge a big company with famous brand is obvious. But it always is combined with high risk. Concentrating on economic benefit, market share and production capability, companies involved in merger and acquisition usually ignored divergence between different corporate cultures. Also, the new business line may not be appropriately melt into of their existing products categories. What's worse, even the enterprise are constrained with limited financial resource to handle the merger and the following painful adjustment, which could be fatal to both companies in that merge case. The most well-known example is the convergence of BenQ and Siemens. BenQ has invested Siemens over six billion (EUR). But at the end of the investment, BenQ has announced the cessation of all investment for Siemens. Due to the unmatched business line and corporate culture, BenQ, without possessing proper knowledge and ability of merger, has made a big lost on these investment, leading an decrease of both BenQ and Siemens' brand value.

Another disadvantage of branding is its high legal cost. From the virtual to real, ideal to design, and picture to image...so on, the intellectual right are everywhere, even though it is only a sentence, all associated with legal cost. As Onkvisit and Shaw (2001), said that " a brilliant brand name is useless, unless it is legally protected". For brand, the slogan, logo, even the design, these all are the part of brand value. If someone copies it without permission, or in a illegal way to make money, then the legal cost has appeared. Business would lost a huge amount of income , because of the illegal product had appeared in the trade market. Normally, the illegal products are far cheaper than the genuine ones, because they don't have any R&D cost. So in the trade market, lower priced pirate products usually are more popular among consumers. For example, computer software is easily to copy. The biggest victim is Microsoft Windows systems. Their brand income are lost almost more than ten billion per year.

Nevertheless, while the brand doing business activities, marketing cost and product cost are two things that they have to considerate. It might be the disadvantage, because from the beginning, the company is just set up, they had to spent some cost on promotion and launches some advertisement to increase their branding image and attract new customers. Every manufacture produce their product, not only original cost, but also involve labor cost, transfer cost, official cost...so on, these cost are all their necessary manufacture cost. Extra funds need to be raised for marketing and branding, which causes more pressure to companies who are already heavily concerned with manufacturing cost.

Conclusion:

Finally, to brand or no to brand is the first question of the new company which is just set up. No matter which way the company has chosen, it may have effected of company. To branding, the manufacturer would face some problems to deal with. For example, they have to think a advertise to promote their brand at the beginning. Then they have to do some strategies to compete with their competitors. They need to render benefit to customers, therefore they could receive some brand royalty of customer.

Another way for company to increase its brand value is to purchase other company. First of all, they might need to take the culture into consideration. Secondly, they might concern whether company can take the high-risk in investment or not. Thirdly, they might think of the marketing cost and product cost.

However, the most important thing is the legal cost, it might plays an important role of the branding, because the value of the whole business lost, have influenced the enterprise lot. The cost of illegal product might influence the company's income, the brand value and even brand image. Customer might prefer lower price of product of high quality. In addition, if the organization could offer higher quality of service and same quality of quantity, customers would still be loyalty of the brand.

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