

An overview of Retail Branding and Positioning as Marketing Management concepts. The advantages of establishing a strong brand image for retailers

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Abstract

Even though retailing has long had the opportunity to be marketing oriented because retailers are in closer contact with customers than manufacturers, mass retailing has been slow to take advantage of this aspect. Higher priority has been placed on buying decisions, operational concerns and short term objectives than on strategic marketing concepts. A lack of a well defined differentiation from competitors has been a frequently criticized consequence in many retail sectors. However, this has changed. Mainly as a result of changing industry conditions and increasing management capability in retail companies, a change of attitude towards strategic marketing can be observed. Within the context of strategic marketing, the relevance of establishing a clear cut and differentiated profile is clearly recognized by retailers, and retail brands are systematically being established and managed.

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Retailers as Brands

While in the past, the term *brand* has been applied mainly to manufacturer brands (such as *Coca-Cola*, *Nokia* or *Gillette*), the brand concept can be applied to all kind of products and services, including retailers. Some authors define a brand as a name or formal sign. According to the *American Marketing Association*, a brand is a “name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers”. However, separating the brand name from the product or service alters the nature of the brand. If one were to take the *IKEA* logo and link it to a grocery supermarket, it may keep part of its brand strength, but the character of the brand would change with the underlying product.

Other definitions therefore encompass the brand name (or brand logo, brand sign) and the branded product to define a brand: “A brand is therefore a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need”. *Retail branding* is a strategy based on the brand concept and which transfers it to a retail company. A retailer’s “products” are his stores that can be marketed in a similar way to a branded good. A *retail brand* is then a group of the retailer’s outlets which carry a unique name, symbol, logo or combination thereof. While all retailers constitute brands to some extent, some retail brands are strong, while many are not. Recognition and appreciation by consumers are the essential elements of a strong retail brand. Retail branding can be understood as a comprehensive and integrated marketing management concept, focusing on building long term customer loyalty and customer preference.

The term *retail brand* has to be distinguished from the term *store brand*. While *retail brand* refers to stores, the term *store brand* refers to the product level and is used synonymously with private label. Often, the retail brand is also used to label the store brands, though this is not a universal characteristic. Retail brands are characterized by enormous complexity, which results from the service attributes of retailers as well as from the multiplicity of brand attributes and

consumer retailer interactions. While manufacturers frequently offer only a few products under one brand and the industrial production process is completed through quality control, customer experience with the retail brand is often shaped by several hundred outlets, with different locations and store designs, thousands of products, and dozens of employees in each store, who are also influenced by their moods and emotions. A uniform, consistent, and standardized performance and brand message is therefore difficult to convey.

Establishing a strong brand can be the key to long term performance by providing the retailer with considerable **advantages**:

- An existing retail brand strengthens brand awareness and differentiation from the competition, because it can serve as an anchor for associations with the brand.
- From the consumer perspective, strong retail brands *simplify the purchasing process* because there is already some knowledge about the retailer and buyers do not have to search for additional information about as assortments, prices, service etc. Strong retail brands also reduce perceived purchasing risk.
- Strong brands exert *halo effects*. A positive general attitude towards the brand in total positively influences the perception of all specific brand attributes. Considering the impact of these evaluations on the general attitude, a *virtuous cycle* can develop.
- Strong brands not only represent functional benefits, they can also serve as *symbolic devices*. They represent different values, traits, and characteristics. Shopping at a certain retailer might, therefore, allow consumers to project a certain self image to themselves and others.
- If a retail company operates in different market segments, *differentiated marketing* with different retail brands facilitates approaching each market segment with a targeted approach. Cannibalisation is easier to avoid and each retail brand can develop its own image – without contradictory image transfers. Conversely, a strong brand can be used as a platform for expansion. This already occurs when retailers open new outlets, which, from the very start, are loaded with a certain image. Franchising concepts, in which the retail brand is transferred to independent shop owners, clearly illustrate this advantage. A strong retail brand can also facilitate diversification into new product ranges. This type of brand extension occurs when retailers use their image in one merchandise category to expand into additional categories.

Brand architecture refers to the internal structuring of the retailer's brands and revolves around how many and what kinds of offers are provided under a certain brand. Within the *brand hierarchy*, a retailer's brands can be divided into different levels. Retailers have brand names at the level of the retail company as a whole ("corporate brand"), the retail stores, the merchandise (e.g. the store brands), and specific retail services (i.e. banking services or loyalty programmes). Besides the individual branding decision at each level, the interconnection between the levels has to be considered. As in industrial multiproduct companies, retailers with more than one store have to decide whether the stores should carry the same or different brands.

Three general branding strategies can be distinguished at the level of the retail brand:

- an *umbrella brand strategy*, where all the stores of the company carry the same brand, in most cases differentiated by a sub-brand;
- a *family brand strategy*, in which groups of stores of the retail company (usually different retail formats) carry different brands, i.e. the brands are strictly separated;
- a *mixed strategy*, which applies an umbrella brand for some store formats and separates others by using different brand names.

The main decision in this context is brand image transfer vs. brand image separation. Using an umbrella brand strategy, the common brand name leads to a substantial image transfer. Consumers transfer the associations they carry for *Tesco Superstores* at least partly to *Tesco*

Express stores. All stores are part of one large brand and have to convey the same message to the consumer, if the brand image is to remain strong. A family brand strategy, on the other hand, is usually the result of market segmentation and an unambiguous brand focus with different brand attributes for each store format. *Carrefour* hypermarkets, for example, target a different market segment than *Carrefour's* discount chain *Dia*. An image transfer would, therefore, probably not benefit either of the stores.

Strategic brand management starts with a clear understanding of what the brand is to represent and how it should be positioned relative to competitors. *Positioning* is the deliberate and proactive process of defining and influencing consumer perceptions of a marketable object, with a strong focus on the competitive position. A product is thus positioned in the minds of the consumers. Positioning usually applies certain fixed dimensions along which the retail brand defines its position relative to its competitors. Market segmentation is often considered necessary for successful brand positioning. Market segmentation refers to the process of dividing a total market by certain attributes into (more homogeneous) partial markets. Segmentation criteria can be demographic, socioeconomic, lifestyle, geographic location and many others. Segmentation therefore includes the selection of one or several market segments and targeting the marketing towards the purchasing behaviour, motives, or expectations of these groups. However, segmentation is often considered difficult for retailers with given catchment areas and the need for high customer traffic in their stores which require appealing to broad customer groups. Successful positioning can be based on any retail activities and a unique profile along the various dimensions yields a clear position that is the prerequisite of a strong brand. At the same time, the advertising spending of retailers has increased strongly over the last few decades and – as an indicator of the increasing relevance of retail branding – in many countries, retail stores are among the most heavily advertised “products” in terms of media spending.

Retail brand positioning is based on a set of fixed dimensions along which a retailer is perceived to be located. However, the retail brand is broader than the actual positioning. The total brand knowledge which a consumer associates with a brand is relevant to the brand strength. The *associative network* model views memory as consisting of a network of nodes, representing stored information, and connecting links. Any type of information connected to the brand is stored in the memory network, including verbal, visual, abstract, and acoustic information. *Retail brand image* can be defined as perceptions about a retailer as reflected by the brand associations stored in consumer memory. The strength of the brand can be evaluated by analyzing the various relevant associations. Their uniqueness, favourability, strength, and the certainty with which consumers link the information with the brand, are the dimensions to consider. The retail brand image is complex and it is connected to an array of other images, both at a higher level as well as in the form of sub-images. The retail store format image (i.e. category “killer image”), shopping centre image, location image, price image, merchandise image and other components of the store or its context are all connected to the retail brand image and are part of the memory network of the consumer.

Principles of Successful Retail Branding

All retail marketing instruments affect the retail brand, as illustrated by the notion of the comprehensive retail brand image, which is made up of a universe of interconnected associations. To develop a strong and successful brand, three basic principles are mentioned in literature:

- differentiation from competitors
- long term marketing continuity

- coherence of different marketing components.

Achieving *differentiation* (in consumers' minds) is a central characteristic of a brand. Higher levels of differentiation from the competitor are expected to lead to higher profitability. Only brands that are well distinguished from their competitors can build up long term customer loyalty and avoid store switching by the consumers. Establishing a clear brand image is a long term process. Brands are established through consumer learning processes. Consumers store associations in their memory. Brand associations become stronger over time and must be reinforced by repeated exposure to the same brand messages, because they might otherwise fade away. The past investment in the brand building is at least partly lost if the brand marketing is changed. Thus, *continuity* is important. Also, risk reduction is one of a brand's main functions. Consumers trust a brand, because it entails a standardized and uniform offer under a certain brand name. Some of the world's most successful brands demonstrate that retaining the same brand message and communication (with slight variations) for years and even decades is one of the key prerequisites of successful branding. The *retail marketing mix* includes all marketing instruments that a retailer can deploy. The term *mix* indicates that the instruments are not used in isolation, but that they jointly influence the consumer. In order to be successful, all marketing measures must be coordinated to ensure a close *fit* with one another and that all measures convey the same brand message. Because inconsistency makes a brand image fragile and consumers strive for internal harmony or congruity in their knowledge and information ("theory of cognitive dissonance"), creating *coherence* between all the different facets of the retail brand is crucial for success. Considering the complexity of the retail environment, ensuring a fit among the marketing instruments and all brand contact points is challenging. *IKEA, Sephora, The Body Shop, Boots, Zara* and others are examples of successful brands that succeed in projecting a uniform image with their store atmosphere, merchandise, pricing, communication and service.

Conclusion and Outlook

Some of the most successful retailers in the world have developed into strong brands without having consciously managed their brands. While this is true, it is important to note that many successful retailers have developed strong brands by – even if unconsciously, adopting the above mentioned principles of branding. From the very beginning, *Aldi, IKEA, Tesco, WalMart, Lidl* and others have had a clear and distinct profile. They pursued their own marketing approach over several decades and, supported by a strong corporate culture, have been very coherent in all their activities. Differentiation, continuity and coherence in these cases were often ensured by the founder(s), who, over the years, developed a clear understanding of what their company should stand for – and followed that through rigorously.

Brand management gains additional relevance through the internationalisation of retailers (e.g. should retailers use the same name in all countries?), with the ongoing wave of mergers & acquisitions in retailing (e.g. should an acquired retailer keep his retail brand or be adapted to the acquirer's brand?) and with multi-channel retailing. Especially in the case of store retailers expanding their business to the Internet, the strategic decision on using the same retail brand across channels or separating the Internet shop from the store outlets, is crucial and far-reaching.

In recent years, competition and changing consumer behaviour have increased the relevance of retail branding tremendously. Such branding aims at enhancing differentiation and customer loyalty. Retail brand management includes all components of the retail marketing mix and develops a strategic understanding of the intended positioning of the retail company. Developing a retail branding strategy helps to ensure the coherence of all marketing messages

and market appearances of the company. Successful companies change over time, but considering the prerequisites of successful branding, the brand core should remain stable.

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