[](http://www.businessmanagementib.com)

[www.Business**Management**IB.com](file:///C:\Users\derek.burton\Google%20Drive\BAM%20Website\Teacher%20Planning\www.BusinessManagementIB.com)

# **The importance of Branding**



**Branding**: Branding is a way for a firm to differentiate its products from that of its competitors. The brand is the distinguishing name or symbol that is used to differentiate one manufacturer’s products from another.

Branding can have a real influence on marketing. It can create a powerful image or perception in the minds of consumers – either negative or positive – and it can give one firm’s products a unique identity. Successful brands can often charge premium prices as consumers are loyal to the product and the image that it generates.

However, attempting to establish a new brand is often expensive. Increasing brand awareness and brand loyalty are primary goals of promotional activity in the early months or years of a product’s launch. It can cost millions of dollars to attempt to create an effective brand image – and success cannot be guaranteed. If a brand image receives bad publicity – such as Nestlé’s marketing of powdered baby milk in developing countries – then the image of all products in the ‘corporate brand’ will be damaged.

Having a recognisable brand increases a firm’s competitive advantage as there is a greater chance of the product being sold – **brand loyalty** or perceived **trustworthiness**.

## **Advantages of successful Branding**

Firms that’s sell **undifferentiated** products that have a variety of substitutes tend to compete on price and find it difficult to charge higher prices than their rivals.

The best brands are more likely to be **stocked in retail outlets**, given better store locations, and shelf positions. A good brand will enable the product to ‘fly off the shelf’!

## **Key Terms:**

**Brand**: an identifying symbol, name, image or trademark that distinguishes a product from its competitors brand awareness extent to which a brand is recognised by potential customers and is correctly associated with a particular product – can be expressed as a percentage of the target market.

**Brand awareness**: measures the extent to which a particular brand is recognised amongst potential customers or the general public. It is usually measured as a percentage; e.g., if 999 out of 1000 people surveyed recognise the brand Coke®, then Coke’s brand awareness is 99.9 per cent.

**Brand development**: measures the infiltration of a product’s sales, usually per thousand population. If 100 people in 1000 buy a product, it has a brand development of 10.

**Brand loyalty**: the faithfulness of consumers to a particular brand as shown by their repeat purchases irrespective of the marketing pressure from competing brands.

**Brand value**: The premium that accrues to a brand from customers who are willing to pay extra for it.

[*www.Business****Management****IB.com*](http://www.BusinessManagementIB.com)