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1 Introduction

As the markets are becoming more interdependent and competitive while consumers on the other hand are becoming more selective, many companies stand in front of the decision how effectively address this changing climate. On one hand there is a need of differentiated product for the different needs of the different target groups and on the other hand standardisation of the products is necessary to save costs in the whole process of production and distribution to be competitive. Therefore many international companies try to find internationally valid marketing strategy for its products and brands that will allow them to standardize at least some parts of the marketing mix on more than one market.

Saturation of even less developed markets with a large number of competitive products, leads to domination of branded products. Not to get lost in the overload of products on the market, producers with their brands try to achieve clear brand image in the eyes and minds of consumers.

Such brand perception is often not just a bundle of real values, which are being offered to the consumer, but in a large proportion emotional experiences, feelings, and memories about the brand. In a simple way said, brand does not only address specific needs of consumers but they also appeal on emotional psyche of the consumer, hoping to build a long-term relation.

To achieve such a relationship is a long and complicated process, which requires development of a strong and unique marketing strategy based on an in-depth analyses and knowledge of the market. As one of the key decisions on the way to successful marketing strategy is being in most of the theoretical as well as practical literature mentioned positioning of the product and its brand.

Positioning is a key element of the marketing strategy. It identifies the target consumer and the unique benefits, which the product (brand) offers to this target consumer and which differentiates it from its competitors. And these are the vital decisions in creating successful and unique marketing strategy.

Positioning is relatively broadly used tool of marketing strategic planning on corporate level, but in theoretical literature not very deeply described topic. Therefore the *target* of this work was

- ***To analyse existing theoretical fundamentals of positioning and its outcomes demonstrate on a real life example. Aim was to show one of the possible ways of current attitudes to positioning, formulate its definition and demonstrate on a specific example from practice, that this theory is an important tool of marketing planning***

For the purpose of verification of the theoretical fundamentals I have closely cooperated with the company Bosch und Siemens Hausgeräte (BSHG).

During the process analyzing of current status of one of their major brands Bosch and development of positioning for this brand, I have spent 10 month on research-fellowship in headquarters of BSHG. Results of my both theoretical as well as practical research on the topic of positioning are summarized in the following chapters.

Chapters 2 and 3 deal with theoretical fundamentals of positioning. Chapter 2 tries to outline the major interdependence between marketing strategy, positioning and brand. Second part of this chapter elaborates different attitudes toward positioning and their development. Based on this elaboration is at the end of this chapter defined positioning as a practical tool of strategic marketing planning.

All aspects of positioning strategy development are described in the 3rd chapter. It shows what type of analyses should precede to positioning development and how to summarize and combine large number of data, obtained from the research in a meaningful way. The chapter deals with all necessary steps that should be considered while developing positioning strategy - from the first analyses and market research to definition of positioning strategy.

The theoretical fundamentals from chapters 2 and 3 are demonstrated on a real life example of the Bosch household appliance. Chapters 4, 5, and 6 showed a process of positioning strategy development of Bosch brand of home appliances for Western European market.

With help of data available from BSHG and from other sources as well as based on the theoretical bases I analysed the current status of the Bosch market position on Western European markets and evaluate the possibility of unique positioning on these markets as a base for common or at least partially common marketing strategy on these markets. These analyses were based and compared to theoretical knowledge and attitudes.

There was a target set together with BSHG before the research and development of the strategy started, which was specified consecutively:

- ***To analyse current status of Bosch brand of household appliances to confirm current or if necessary to re-define new positioning of the Bosch household appliances in Western Europe***

To be able to analyse companies' brand, it is important to get to know the company itself first. Chapter 4 includes all important characteristics of Bosch und Siemens Hausgeräte (BSHG). It handles with its history and culture, its looks closer on its products and brands, its organization.

The whole analytical and research process of gaining the data, necessary to compose an initial picture of a home appliances market in Western Europe is described in chapter 5. It goes through market analyses, competitive analyses, consumer analyses and very importantly also brand (Bosch brand) analyses.

Based on the result of analyses of initial situation on the studied markets, especially due to eroding status of Bosch brand was decided to develop improved positioning strategy for Bosch brand of home appliances for Western Europe. Process of identification of positioning elements and prove of their validity is described in the chapter 7. This chapter shows how theoretical fundamentals of positioning strategy can be applied in practice.

2 Marketing Strategy, Positioning and a Brand

2.1 Brand and its role in today's market place

Over the past decades, business environment has been changing and the pressures on companies have been mounting. Continued shareholders' expectations of ever increasing share price, combined with the dynamics of the stock markets demanding that analysts' expectations on earnings are consistently met, have led to a situation where short-term profits growth has become the prevailing target of companies' management. In many companies, this has resulted into a lack of strategic focus and as a result, cost management became in practice more important than long-term development of core assets of those companies. While this is also true for various traditional assets, e.g. infrastructure, research and development etc., it is even more valid for the development of brands, since as a consequence of current accounting rules, investments in brands are considered as expenses burdening the current period's Profit & Loss statement.

Failure to capture the quality of intangible assets of the company, including brands, human capital, innovation a customer relationships, belongs to the main shortfalls of current financial reporting standards. Despite the fact that based on some reputable studies¹ (Brand Leadership, Aaker) value of brands² represents up to 80% of the market capitalization of some companies, including giants like McDonalds, BMW, Ford or Coca-Cola, the value of their brands is not recorded in their balance sheets and annual reports. Therefore, changes in value of those brands do not represent a part of the standard financial analysis and as a consequence, cannot be explained by analysts and communicated effectively to the stock markets. As

¹ Aaker, D. A., Joachimsthaler, E.: Brand Leadership, The Free Press, 2000, page 18

² A brand is understood in this sence as a distinguishing name and/or symbol intended to identify the goods or services of ether one seller or a group of sellers and to differentiate these goods or services from those of other producers. (Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 7)

a result, a 15% miss on the quarterly earnings forecast might hit a company more than a significant change in the perception of its brand, which has been carefully built over half-a-century. Paradoxically as it may look, in line with accounting standards, an investment into a brand reduces company's (accounting) equity instead of increasing the (brand) equity and therefore appears to be destroying shareholders' value. This causes a huge conflict in reality of company's strategic management. On one hand pressure from shareholders on earnings and profits, on the other hand competitive pressure forces managers to think more and more in long term strategies to ensure companies success on the market. And one of the most important long term strategies is building brand equity.

Brand or so call brand equity is together with people, information technology considered by majority of companies as their biggest asset. Paradoxically, none of the three most important assets appears on the balance sheet. This issue has been recognized and is being heavily discussed as one of the many components of "value-based" reporting and accounting, but will take many years to change. The main and, of course valid, argument is that market value (meaning if exchanged for cash) of a brand is much harder to estimate than that of a traditional asset measured by invoices or discounted cash flows.

Despite this hurdle in financial reporting and result reporting the most successful companies have recognized the importance of brands and their management in a long-term strategy. Overcapacity, tough price competition, proliferation of exchangeable products and growingly powerful retailers force managers to think not only in financial term, but to find a long term, sustainable strategies for their companies. There exist several methods, based on which can be value of a brand estimated, but none of them is precise. They are rough estimates with a wide margin of error up to 30%. But these estimates can at least give a frame of reference in case of strategic planning and investment decision making process, including those heading into the brand building programs.

Companies must operate with a completely new set of values than several years ago. The traditional supply-demand economic models are being completely re-evaluated. Intangible assets of the companies become more valuable than tangible assets. The economic base has shifted from production to consumption, from industrially driven economy, where machines are the keystone toward a people driven economy where consumers are decisive for success of each product and producer. Companies have realized, that the new long-term market opportunities are not based on minimizing costs and aggressive profit growing, but are all based on long term consumer focused concepts, that will help to differentiate its products from those of competitors.

"Creativity is overtaking capital as the principal elixir of growth. And creativity, although precious, shares few of the constraints that limit the range and availability of capital and physical goods. In the new business atmosphere, ideas are money. Ideas, in fact, are a new kind of currency

altogether – more powerful than money. One single idea – especially if it involves a great brand concept – can change a company's entire future”³

In this sense, brands are one of the most valuable (although not financially reported) assets of the companies, which they have invested in and developed over time. Although manufacturing process and factory designs often can be duplicated, strongly held beliefs and attitudes established in the minds of consumers usually cannot be so easily reproduced. This is what makes brands not only valuable, but unique asset of the company.

Not only marketing and brand managers, but also top managers and strategic planners have accepted brands as an important or even inevitable tool insuring a long term companies goals. Since late 1980-ties when first appeared concept of brand equity, a concept for long-term brand management, slowly one industry after another realized, how important brands and brand equity are. Since then brand and brand equity management became for the most companies central to long-term strategic management.

2.2 Why it is worth to build brands

In our day-to-day life we are in continuous touch with selling and purchasing tangible and intangible goods. To all of these goods we can refer as to products. Product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy need or want. Thus a product may be a physical good, service, retail store, person, organization, place or idea⁴. In spite of that there are several reasons, why companies measure value of their brands. First and largest is usually necessity of setting a price of brand that is to be sold. But smart companies try to set price or so called brand value to be able to evaluate investments in brand as there are always competing projects whose return on investment needs to be compared. There are also several approaches how to set value of a brand, based for example on consumer preference, earning power of a brand or replacement value of a brand.

To differentiate products from those of others producers started already in antiquity put names on their products. But it has not been until twentieth century that brands and brand associations became so central to competition among different producers.

It is important to distinguish between a brand and a product. Product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy need or want “A brand is a distinguishing name and/or symbol (such as logo, trademark, package design) intended to identify the goods or services (a product) of either a seller or a group of sellers and to differentiate those goods or services (products) from those of

³ Gobé, M.: Emotional Branding, The New Paradigm for Connecting Brands to People, New York, Allworth Press, 2001, page 14

⁴ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 4

competitors. A brand thus signals to the customer the source of a product and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical.”⁵ “ According to American Marketing Association, a brand is a name, term sign, symbol or design or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.”⁶

But why do brands matter so much? They are the differentiating dimension of a product and the product from specific producer. On more and more saturated markets brands are becoming the most valuable asset of many companies. To establish new brand is much more difficult and expensive today than it was few decades ago. Brand names often do not represent just the name, logo and symbols of the brand but the whole set of assets that the company owns to produce distribute and promote the brand. The brand name, logo and symbols and everything what they represent are often the highest asset of the whole company.

Brand value, understood as “added value” is difficult to set. There are no standard measures to set a financial value of a brand value. Brand value is not an asset reported in annual financial reports, which makes its value a bit vague. How and why brand equity represents a value of a brand? What generates the value of brand equity?

Brand equity brings its value to its owner only thanks to the fact, that it brings value to the customer. That is because customers buy only products, which they presume more satisfactory than other similar products of other brands. From the point of the producer we can say, that the brand possesses a positive customer based equity⁷.

But there are several reasons why a brand can bring value to the customer (possesses positive customer based equity). Level of their importance depends on the preferences of the customer (may differ by different target groups), on the type of product and its usage, etc.

The main value of brand equity for the consumer is its information content. Brand with its equity represented by all its assets helps the consumer to sort out the huge amount of information about available product. Brand makes the product familiar, represents certain quality and price level.

Thanks to set of information about product and its distribution, brands save consumers’ time and effort while collecting and sorting out of information about on the market available comparable products.

⁵ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 7

⁶ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 2

⁷ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 46

By supplying certain information about itself, brand also limits consumers' risk of the purchase decision. There exist whole set of risks, that brand can help consumer reduce or complete eliminate. There are different risks that consumers may perceive, when buying and using a product –

- Functional: product does not perform up to expectations
- Financial: product is not worth the price
- Social: product results in embarrassment from others
- Emotional: product does not fulfill emotional expectations
- Time risk: Loss of time connected to research of information, purchase or even replacement of the product

Consumer knows what quality, what features, what emotions he or she buys. Brand is virtually labeled with all these and many more rational and emotional features.

Associations connected to the brand and its image may affect usage satisfaction. Brand with high perceived quality may give consumer better feeling about the usage compare to the same product with brand of lower perceived quality. The same case is about emotional feelings based on consumer previous experience or someone's recommendations etc.

Some brands are even purchased to reflect consumer's personality, appurtenance to certain social group or his or her aspirations. Especially by some product categories, where the purchase is led by emotions, consumers' satisfaction is led mainly by purchase of the brand name not the product itself (fashionable goods). The substance of the brand and its name is the pure benefit carrier.

The owner of a brand generates profit from consumers' differentiation and acceptance of the brand also in several different ways. The benefits from brand equity could be divided into two groups, factors related to profitability (premium pricing, brand loyalty, lower price elasticity, lower, advertising/sales ratio, trade leverage) and factors related to growth (brands' ability to attract new customers, resist competitive activity, introduce line extensions, cross international borders)⁸.

Premium pricing. Firstly brand name is a differentiating element representing value, which usually allows the producer to charge premium price over non-branded (general) products and increase its margin. Very often are consumers less sensitive to price changes of well-established brands. They are simply willing to pay more for the value the brand brings.

Brand name generates consumer loyalty. Brand name with high awareness, strong associations and high perceived quality gives not only reason to buy the product, but it gives reason, why not to try and therefore

⁸ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 53

switch to other brand. Loyal consumers are satisfied and have no reason for changing their brand. They belong to the biggest assets of a brand.

Increased marketing communication effectiveness. Brand with strong associations, perceived quality and loyal consumers (with positive brand equity) may achieve much higher effectiveness of marketing communication and activity thanks to its focusing. There is one model considering consumer response to marketing communication, which is based on hierarchy of effects. It assumes, that consumers move through series of mental states starting with exposure to, attention to, comprehension of, yielding to, retention of, and behaving on the basis of marketing communication⁹. A brand with existing positive brand equity has already created some knowledge structure in consumers' mind. Thanks to that consumers are more likely to notice the brand and its advertising, sales promotion, direct mail, PR activity etc and react positively to them. The company does not need any more to allocate financial resources behind generating awareness, but behind strengthening its current equity or attracting new consumers. The marketing activity is more effective and brings more effect for fewer resources.

Another important advantage and value creating factor of strong brand equity is **relation with trade partners** especially with growing strength of retail and wholesale chains. Strong brand with high awareness and consumer loyalty is more likely to receive retailers and other middleman support. Channel members are less likely to require any marketing "push" from the manufacturer and are more likely to except recommendations from manufacturer on stock, reorder or product display matters. They are also more likely to pass through promotions, give more favorable shelf space and position, as there is little risk for the trade partner and pretty stable expected sales.

Brand name also gives its owner option to extend the name and symbols on new product in the same category (line extension) or a product in new categories (category extension). An extension allows the firm to capitalize on consumer knowledge of the brand to raise the awareness and suggest associations for the new product (brand extension). Extension may enhance the parent brand image by improving the strength, favorability and uniqueness of the brand associations. Although extensions carries also threats for the parent brand equity, there are many chances for future potential growth.

Brand equity represents a **competitive advantage**, which helps to resist competitive activity. Once a brand possesses a brand equity connected with certain market position (Colgate Total is the antibacterial toothpaste that protects your gums against periodontitis), it is than difficult for the competitors to persuade consumers, that their product has the same or even better effect, despite it may have it.

⁹ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 64

A brand offers also a **legal protection** for unique features and aspects of the brand. Intellectual property rights give producers on majority of markets also protection of the intangible benefits and values consumers perceive when buying specific brand.

Brand differentiates product from those produced by competitors. It is the name, logo, package design, etc, which represent product characteristics differentiating the brand in the eyes of consumers from competitors. The reason, why producers concentrate their efforts and most importantly financial resources on building brands are values that brands brings them. But also consumers benefit from purchasing branded products. Summary of brand values for both, consumers and producers summarizes following table.

Table 1: Brand Equity Values

Brand Equity assets and liabilities	
Value for the buyer	Value for the brand owner:
Identification of product, source of information	Efficiency of marketing program
Time saver	Price/margin
Risk reducer	Brand extension
Usage satisfaction	Trade relationship
	Competitive advantage
	Legal protection

Source: author

These advantages are reason, why both consumers and producers increasingly extend interest in branded products - consumers by purchasing them and producers by investing in their building. Brand equity represents for many companies the major asset and therefore it requires careful management of resources invested into these assets. This is the main reason, why many producers include brands and building of brand equity into strategic planning.

2.3 Marketing Planning and the Role of Positioning

Brand and brand equity are usually responsibility of companies marketing department. But as many companies realize the importance of brands and their impact on company's results, brands are becoming more commonly part of the strategic company planning.

Current conditions on the markets, which are more and more characterized by growing differentiation, individually oriented offers and diminishing borders between traditional markets and competitors create all the time tougher conditions for the companies to generate necessary growth in stagnating or declining markets. To secure relatively stable position on the

markets through relevant market and profit growth, it is vital to create integral marketing concept. Such marketing concept shall include three integral parts – target, strategy and tools, through which the targets will be achieved.

- Marketing targets must be in line with company's business targets expressed by development of turnover, margins market share or other business variables. These business plans shall be translated into specific marketing targets as development of market share, brand image, brand value or similar. These marketing targets are at the same time targets of positioning. These are the variables that shall be achieved through the process of correct positioning.
- Strategy shall give the mandatory guidelines how to achieve the marketing and through them also business targets. To improve our market share, brand value or brand image, we need to satisfy more consumers that mean we need to attract their attention. But to achieve this in today's jungle of similar or even completely undifferentiated products and brands we need to gain clear perception of a product or brand in consumers' minds. How a brand is perceived in the mind of target group is called positioning and positioning is centre to marketing and marketing strategy.
- Tools are the specific steps to be undertaken to fulfill the marketing strategy. Marketing theory as well practitioners most commonly name the marketing toolkit as marketing mix. Marketing mix are the four (sometimes also 5 or 6) major marketing tools, which bring strategy into reality. They are so call four Ps – product, price place (meaning distribution) and promotion (representing the whole scale of marketing communication from advertising via promotion to PR and event marketing). As positioning is one of the main pillars of marketing strategy, marketing mix is the tool to reflect the positioning statement into reality. Advertising is sometimes being mentioned as the most important P in positioning strategy. But all four Ps must be coherent with the positioning and are equally important otherwise the picture of the brand or brand image will be diluted in consumers mind. All four Ps are necessary to create the clear perception of the product in the consumer mind – right product, satisfying specific needs, priced according to consumer's aspirations and needs, available at the place suiting the consumer and communicated in a way that clearly represents the expected perception.

There are different concepts of complex brand equity management. One of the widely used concept or strategy is called positioning. Positioning is closely connected with brand equity and both of these concepts are in strategic point of view interdependent. Positioning is a concept based on consumer perception of a brand versus competitive brands. It is consumer-oriented concept, which stresses connection between brand equity and consumer perception of the brand, consumer base for interest or disinterest in the brand in competitive milieu.

In broader context, positioning is an important element of a long-term marketing strategy and belongs into strategic marketing planning process.

As such writes about positioning Philip Kotler in the Foreword to the last edition of *Positioning Battle for your mind*¹⁰: where he explains very precisely how positioning should fit into this process: "For years, all of us in marketing taught our students to build a marketing around the "four Ps". I began to realize that important steps needed to precede the four Ps... All good marketing planning must start with R, research... research reveals that customers differ greatly in their needs; therefore customers need to be classified into S Segments. A company must select a segment that it can serve at a superior level, this is T, targeting. ... Now there is one more step before 4P planning can take place. That is P, Positioning. Positioning is a revolutionary idea precisely because it cuts across the other four Ps".

Positioning is one of the marketing strategies that are used to strengthen position of a brand on the market and to increase the value of a brand. In strategic point of view is necessary to see positioning strategy as an investment project, because strong brand well targeted with unique differentiating benefit will bring additional value to its owner. In a simple way we may say, that the earlier mentioned values, that a brand brings to its owner are also main reasons, why brand shall have a clear positioning strategy. Clear and successful positioning on the market is one of the main presumptions to the success of a brand. Positioning is a concept that can be applied on all levels of management and can be reflected in all three integral parts of strategic marketing planning.

Positioning is in contemporary marketing practice of big and successful companies relatively widely used concept. It is quite new concept (it started to be used more widely some two decades back), which is probably the reason, why positioning is relatively scarcely referred to in theoretical literature. Many, mostly European authors, when talking about positioning, describe theoretical principals and mathematical models. These theoretical principals and models is where the basics for contemporary positioning started several decades ago, but is just a fragment of what brand positioning and positioning strategy is today about.

There are not many authors, who would conceptually write about contemporary positioning. They are mostly American authors, who describe positioning as one of important brand management techniques. The newer publication, the more strategically oriented role is dedicated to positioning. Its role has over the time shifted from an advertisement planning tool to concept of strategic planning of a brand and whole company. Next chapter describes different attitudes toward positioning and shows some trends in its development.

¹⁰Trout, J., Ries, A.: *Positioning: Battle for your mind*, McGraw-Hill, 2001

2.4 Development of positioning models

Although positioning is used very widely and has already relatively long history in marketing theory and practice, there are quite many different attitudes and understandings of what positioning really is. Theoretical attitudes may in certain cases differ a lot from practical ones, as well as some of originated in Europe from those in the USA. All concepts of positioning have common bases. Positioning is a concept of a brand based on consumers' perception of a brand compare to perception of competitive brands. Management of brand equity through positioning is based on consumers and their past, current and expected future perception of a brand. Positioning though can be understood in different depth and breath.

Theoretical models of positioning are mostly based on transformation of certain brand positioning relevant market research data, through mathematical and quantitative methods into simplified model of reality. This model is to help managers to decide how the brand should develop in the future to satisfy consumer needs

Practical models are more based on research of different elements and aspects of brand and its equity, consumer and competitive situation. Through analyses of these elements they try to suggest how the brand shall develop to satisfy consumers and differentiate itself from competitors.

Short introduction in the different attitudes and their classification is topic of this chapter. The aim is not only to review all existing attitudes and concepts of positioning, but to define positioning concept for the purpose of strategic planning as well as for analyses throughout of my practical research summarized in case study of Bosch home appliances.

2.4.1 Theoretical Attitudes to Positioning

2.4.1.1 Classical positioning model

This model has been used since 1970ties, when it was developed to visualize consumer preferences and to place products on the market (or better reflect products places on the market) according to these preferences. The model tries to picture graphically a position of a brand versus a competition brand and versus an ideal product based on selected preferences of the consumer.

Consumer selects and buys a product, who's perceived features match the best his needs and expectations. This statement is vital for explanation of the classical positioning model. Classical positioning model reflects positions of different competitive products in so call positioning or perceptual map. Perceptual map is usually two- or three-dimensional diagram with axis representing features of the product, which are relevant for consumers purchase decision. Within the diagram are placed different competitive

products according to their perception in the consumer mind evaluated according to selected features.

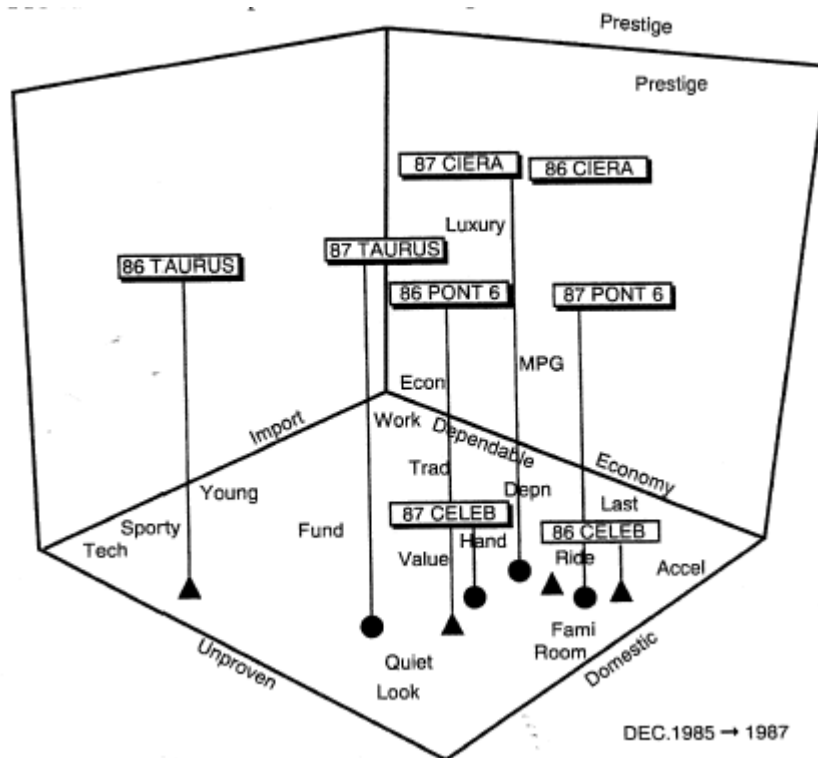
Perceptual map simplifies the reality in a huge way. In the reality, there are definitely more factors than two or three, influencing consumers purchase decision. On the other hand it gives us an idea, how consumer evaluates our product based on the selected decision factors.

In the classical positioning model we can in a same way reflect competitive products, which give us idea how consumers perceive our product compare to the competition. We can see the simplified situation of the real market.

Perceptual map is interesting, as it shows if a brand can differentiate itself enough from the competition. Such a perceptual map does not show consumers preferences and how much which brand matches them and which is likely to be preferred and why. But if we can identify characteristics of the product, that the consumer would prefer the most, we can add this so-called "ideal product" to our perceptual map. Ideal product is product, that consumer would wish to buy to perfectly satisfy his needs and expectations (in this case only in selected two or three dimensions of a product).

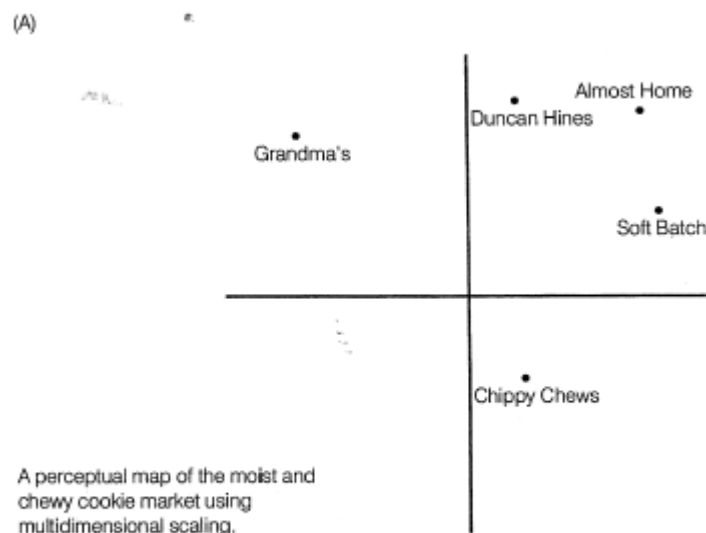
This perceptual map represents simplified picture of the market situation. We can see position of a brand compare to competitor as perceived by consumers and the ideal product position of the selected target group or groups. The distance between position of a brand and of the ideal product position shows how likely will be these products selected by this target group. The closer is a brand to the ideal product, the higher is the consumers purchase motivation to buy this brand.

Figure 1: Perceptual Map, 3 dimensions



Source: Aaker, D.A.: Managing Brand Equity, page 134

Figure 2: Perceptual Map, 2 Dimensions



Source: Schultz, D., E., Tannenbaum, S. I., Lauterborn, R.F: The New Marketing Paradigm, page 130

As was already mentioned, classical positioning very much simplifies the reality and therefore needs to be understood as a helpful tool by evaluating, planning and managing positioning of the product, but in no way the only tool to be used. Classical positioning model can help us to analyze in which extend our product matches needs and expectations of the consumers. If we compare the perceptual maps in time, we can identify changes in positioning of our product (changed perception of our product in consumers' minds), which can be a good control tool. Here we can also identify change of ideal position, which shows change in consumer preferences and identifies necessity of change in our strategy. Perceptual map helps to plan positioning of new brands and the repositioning of the brands. Decision about target markets, marketing mix and differential advantages must be integral to any positioning strategy.

On the other hand, there are issues, which make classical positioning model just a model and one of many tools to be used while working with brand positioning, but not a method to create positioning. Majority of authors shrink this model of positioning just to the perceptual map. They work with just two or three variables – selected consumer benefits. But the other elements of positioning like brand equity and its components (brand image, brand loyalty, brand associations etc.), consumer characteristics (segmentation and targeting), and competitive research are usually take for given. The key problem of development of positioning and marketing strategy is its human dimension. There is a lot of information as will be discussed later in the text that needs to be researched and carefully put together, before process of perceptual map development can begin. The classical positioning model is a good tool that can be used in a process of positioning strategy development, but for several reasons not the only to be used.

Issues of classical positioning model:

- Selection of the **purchase relevant feature** of the product may be tricky. There are many factors in today's marketplace, which influence the consumers purchase decision. Many of them are rational but increasing number of them is irrational, emotional and even to the consumer himself unknown. This makes it very difficult to shrink the whole market reality into two or three factors influencing consumer's decision and totally ignoring the rest of them. If the classical positioning model shall be used the decision making factors shall be carefully selected. This decision shall be supported by a good knowledge of the consumer and relevant market segments, based on subjective knowledge and experience of marketing managers as well as on the objective data collected from market research. Combination of these both is being usually used.

- To identify purchase relevant features and ideal product, it should be considered to **identify target consumers**. We need to decide whom we are actually addressing with a product and a brand. In today's marketplace there are many consumers with the similar needs but different expectation of the way to satisfy them. Therefore it's often necessary to segment the market to be able to identify the groups of people, who share some common characteristics and that are different from the others in their needs

satisfaction. Market segmentation belongs to one of the most important decisions in marketing planning and will be in more detail mentioned further in the text, as it is also inherent element of positioning. For different target segments the perceptual map will look different. Segmentation should be done with respect to development of positioning strategy

- To place the products as well as ideal products into the perceptual map, there are different vectorial and multivariate analyses. These models require special mathematical knowledge, which is the biggest obstacle to the practical usage of the classical positioning model. In practice these methods are sometimes being replaced by experience and knowledge of the marketing manager. The positions of the competitive products as well as ideal product can be then determined based on the experience (subjective knowledge) as well as on the results of market research (objective knowledge). Though in this case is the accurateness of the model can happen to be misleading.

- With the growth of individual demand of the consumers on very competitive markets, there is strong trend in unification of the offered products. As the companies are trying to find out more and more about consumers splitting market into new segments, they are using similar market research analyses and as a result of that create similar strategy for the same market segments based on similar market data. This leads to functional as well as emotional similarities of the products, which are from the consumer's point of view difficult to differentiate, and the perceptual map is losing its reflection capability.

- The model is too much oriented into the history. It shows the current situation on the market, which may already be a history. Therefore it's not very suitable for future planning, but rather for evaluation of the old strategies and

The development of the model started in the beginning of 1970ies and some temporary authors call it also passive positioning strategy or model because it is oriented in past rather than future. Some authors¹¹ also claim that in this way constructed positioning model can only be used on the operation level of management, rather than strategic.

Classical positioning model is even now a day one of the important positioning tools, although in the practice not necessarily used for the reasons mentioned above. On the other hand all the newer attitudes and views reflect perceptual map and its elements. It is being still widely used as a helpful tool especially as a part of competitive and self-analyses preceding the positioning strategy development. For this purpose there are several theories, which try to eliminate some of the weaknesses of the classical model.

¹¹ Tomczak, T., Rudolph, T., Roosdorp, A.: Positionierung, Kernentscheidung des Marketings, Verlag THEXIS St. Gallen 1996, page 21

2.4.1.2 Active classical positioning model

Active positioning tries to eliminate some issues of the classical positioning model by adjusting more to the needs of current competitive markets, fast changing consumer needs and fast introduction of new products. It tries to orient the model to the future rather than to the past, what is the case of the classical model. The difference is in a source of the information about consumers and the market. Active model tries to anticipate the consumers thinking and to identify important elements for the consumers purchase decision. It tries not just to identify the different products on the market and their current position, but tries to find an interesting new positioning for a brand, if it needs it. It requires much more creative attitude and more research data following lifestyle trends, market segmentation development, and good intuition for the market development than the classical model, as it tries to predict the future.

According to some authors, there can be applied two different attitudes toward active positioning¹²:

- Outside-In-Positioning tries to first identify latent needs and preferences of the consumer and in the second steps looks for the best potential solutions for these needs.
- Inside out Positioning in the first step creates innovative product and in the second step looks for the suitable consumer segment whose needs can be satisfied with this innovation.

Outside-In-Positioning

With this strategy we are looking for new, latent, at this moment to the consumer unknown needs and preferences that shall in the future appear. This requires quite high level of innovative thinking and creativity as well as freedom from current market clichés and stereotypes. These latent needs of consumer cannot be identified by any classical method of market research. The search for these needs requires very bright source of information from all kinds of areas, internal as well as external. We need to perfectly understand today's consumers to be able to predict their development. We need to understand many consequences of the product usage and other similar situation in which the product may also be used. We need to understand not just the consumer's needs and preferences; we also need to understand consumers feeling and emotional inducements. We need to understand what consumer thinks and feels about brands.

Whatever method and source of information is being used, it is important to stress that the information need to be carefully evaluated and creatively

¹² Kuss, A., Tomczak T.: Marketingplanung, Wiesbaden, Gabler 1998, srr. 112

used to develop successful, new but for consumer relevant and for the company realistic concept.

Inside-out-Positioning

This model is based on some technological innovation or other innovative concept for which is being traced target consumer or in other words, the need or preference of the consumer. A firm develops a new product based on certain new, so far unique technology or know-how, which it believes, will bring certain consumer benefits. As every product or service can give very different benefits to different consumers, it is vital to understand the needs and expectations certain market has. In the second step with similar methods as by Outside-in-Positioning are being analyzed potential needs of the different target groups of consumers who could be satisfied by this new innovation. Such innovation can bring long-term differentiation and competitive advantages if it is relevant for certain target group and satisfaction of its needs. And it is the vital presumption of this model.

The firm also needs to make sure, that the target market or segment is large enough to meet required business targets and that the company has enough material resources (capital equipment, production capacity, distribution possibilities etc) and immaterial resources (technological know-how, company reputation, brand name and its image) to satisfy this market with its innovative product.¹³.

This model is viable only if following presumptions are fulfilled¹⁴:

- Uniqueness of the innovation. Company must historically have certain unique technology, which gives it competitive advantage against competitors. This technology does not have to be of technical nature, it may also be certain know-how in management, distribution, human resources or marketing know-how, company culture that is unique enough, that it is impossible for the competitors to adopt this know-how.
- The market offers large enough opportunity that it is economically effective to introduce this innovation to the market with costs necessary for its development and launch. Some innovations may satisfy some very intensive needs but the target group may be too small or price of development and introduction of the innovation too high to make it economically acceptable.

This model may be in practical life quite risky. The company needs to invest sometime quite high resources to create the innovation and it is very uncertain, if the innovation will be reflected by consumers needs. Using this

¹⁴ Tomczak, T., Rudolph, T., Roosdorp, A.: Positionierung, Kernentscheidung des Marketings, Verlag THEXIS St. Gallen 1996, page 31

approach is also more likely to underestimate consumer research of target audience needs and preferences. R&D department with high degree of persuasion of consumer usage and therefore also demand may develop innovations that will never be accepted by consumers. Losses in this case are much higher than in case of outside in positioning. On the other hand, there are certain industries, which must rely on an insight-out positioning strategy, as the lead-time for development of new products is much longer than lifetime of the product itself.

Combination of outside in positioning and Inside out Positioning

The golden way to long-term competitive advantage is the combination of the both attitudes. Based on the analyses of the current and future consumer needs and with use of all know-how and technology of the company develop new products and concepts. Close cooperation of marketing and R&D teams can allow quick development of innovations already based on knowledge of target audience and its needs. This is the best way that leads to most successful concepts as it respects and researches future consumer needs as well as respects company's own resources and capabilities.

To summarize we can say that active positioning model is working with the same toolkit as the classical positioning model, perceptual map, but unlike classical model it tries to identify future. Based on deeper market research data it tries to predict future latent needs of the consumer and use them as variables for the model. It tries to reflect market situation in certain time point in the future.

2.4.1.3 Classical Positioning Model – Conclusion

All of the mentioned classical positioning models have one common characteristic. Their main focus is on the position of the product respective brand on the market at certain time point or period of the time. The major weakness of the model is its neglecting of brand equity. Classical positioning model considers product or brand more or less as an object with certain attributes. And from those attributes are only two to three selected as variables for construction of perceptual map. The whole model is not oriented on understanding of the whole complex of brand equity, its meaning to the consumer.

There is also relatively little insight into the market itself. The models work with relatively limited amount of information compare to that of that need for creation of complex marketing strategy with help of positioning. There is much larger scope of the issues, that needs to analyzed to be able to learn enough about the market to be able to create strategic positioning of the brand (which can than perhaps be visualized as a perceptual map)

The everyday marketing practice shows, that strategic positioning is much broader than classical model shows. It is based on whole lot of marketing categories, their deep analyses and their careful evaluation and assembly into the positioning strategy.

2.4.2 Practical Attitudes to Positioning

As it has been already mentioned brand became very powerful vehicle in the growing competitiveness of the markets. There are several reasons, why brands are important asset of a company. Brands bring value to both consumer and the producer. Consumer receives through brand certain level of information about the product and its attributes. To the company brand provides value through brand equity¹⁵.

From the consumer's point of view is a brand important orientation point on the market. The market offers so many different products in different mutations under even more brands, that it is impossible to even consider them all.

Already according to data from 1989¹⁶, 75% of the world markets were saturated. The products are becoming from the point of functional quality more and more equal. The quality differences of beer, cigarettes, refrigerators and even some classes of car brands are diminishing, as the quality is becoming a matter of course. To avoid this interchange ability, producers try to go deeper in consumes needs and preferences and split the markets into the smaller segments to identify more individual needs. This market segmentation leads to product extensions, which give to a producer larger chance to succeed on the saturated market. The result is immense growth of the product offerings on the market and unclear differentiation for the consumer. Such over saturated market with undifferentiated products evokes another vital reason for differentiating the product through brand. Brand, if well established, may be important informant.

As mentioned, consumers are unable to collect all the necessary and available information about the product relevant to purchase decision. Same as with oversaturated markets with products, similar situation, if not even worse is in the world of median and information as general.

The amount of information, that flows into our minds have grown enormously in past few decades. We are every day becoming overloaded by information flow from all sorts of media. There are numerous channels of television; radio stations almost countless number of newspapers and magazines, not mentioning books published every year. The information is bombarding us all over, there are billboards, posters, streetcar advertising, almost any product we use bears some brand and information. In his book from 1976¹⁷ mentions Jack Trout, that already at that time, were in the USA published 30.000 books every year, average American consumer bought around 94 pounds (approx. 45 kg) newsprint a year, and average American family watched TV 7 hours a day, which meant that they were exposed to approximately 750.000 pictures a day. He called American society as over

¹⁵ brand equity will be in detail discussed in the further txt

¹⁶ Kroeber-Riel, W., Esch, F.R.: Strategie und Technik der Werbung, Stuttgart, Berlin, Köln, Kohlhammer 2000
¹⁷ Trout, J., Ries, A.: Positioning: Battle for your mind, McGraw-Hill, 2001

communicated. But Europe was quickly catching up on this trend. According to Kroeber-Riel and Esch¹⁸, the media overload in 1980 was in the USA about 99,6% while in Germany 98%. Not a big difference any more. In this communication jungle it is not easy to reach everyone with general information. It is necessary to be selective, concentrate on the narrow targets with specific offers and messages and through selected media. If there is an established brand, the communication effort needs to be much lower.

So a well-established brand has its clear target consumers who have certain associations with the product. Such a brand can help to interpret process and store huge amount of information about product. It can also affect confidence in the purchase decision due to familiarity with the brand and its characteristics. More importantly, the familiarity and perceived quality of the brand may enhance consumer's satisfaction with the product and the usage experience. Consumers develop certain emotional personal relationship towards the brand which gives them assurance with the purchase and in large or even completely eliminates difficult decision-making process

As a result of that, a brand brings also high value to the owner of the brand. It generates brand loyalty of consumers, which enables the producer to charge higher prices and receive higher margins. It increases efficiency of marketing activities as they can be focused on reinforcement of the brands image and targeted toward specific market segment. Brand with strong image and position also establishes good relationship with trade partners, as brand appearing on consumers shopping lists may not miss out in good store.

Brand that has such a strong market position and clear image in consumer's minds has clear market position. To create this clear market position is a task of positioning or positioning strategy. Positioning strategy became one of the mostly used tools in marketing planning on all strategic levels.

Practical attitudes to positioning are, as the term indicates, based on everyday marketing practice of the leading international brands. As already mentioned, brand is a very valuable asset for majority of companies and therefore they invest large amounts of financial resource in development of brand strategies. Positioning is an integral part of brand and marketing strategy of major international brands and their authors are often also co-authors of complex company strategy.

Thanks to very close connection to the everyday practice are practical attitudes up-to-date. They are based on the practices of the best marketing corporation of the world and give a good guideline and clue what positioning is in modern marketing and how to proceed when creating a positioning strategy of a brand.

¹⁸ Kroeber-Riel, W., Esch, F.R.: Strategie und Technik der Werbung, Stuttgart, Berlin, Köln, Kohlhammer 2000

Major disadvantage of practical attitudes is their un-uniformity. Every author defines positioning differently, works with different marketing categories and their content. In other word, there is no one unique attitude or definition of positioning. Top marketing authors, specialized in this topic, distinguish in the breadth and depth of positioning concept. They work with different marketing categories and their definition.

To illustrate variability of different positioning concepts, in following paragraphs I will shortly mention several of them.

Many authors associate the importance of positioning with advertising. It makes sense if we consider that advertising plays very important role in communication with consumers. And if we need to establish clear position of the brand in the consumers mind, we need to advertise the right message to the right consumer. But the advertising is only the last step in the positioning process, the execution of the positioning elements, although very important and not easy. In many cases this last step is the most difficult, as it needs to transform idea or better call positioning statement into piece of advertising which will in consumers mind create such associations that are equal to the positioning statement. It is difficult to manage this last step successfully and many big brands have failed to do so at certain stage of their development.

Among these authors belongs also Jack Trout, one of the recognized marketing gurus and the first to popularize the idea of positioning products. He describes positioning in one of his books as: "an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances"¹⁹. In his books on positioning he associates positioning in a great deal with successful communication, leaving the preceding process of developing the strategy for this communication (and positioning of a brand or idea) a bit aside, which also illustrates his statement: "The term positioning means, that the company concentrates on one idea or slogan, with which the consumer identifies himself"²⁰.

A. Ries and L. Ries in their book 22 Immutable laws on branding also consider positioning closely connected with advertising. But they also stress importance of consumer: "Advertisers and agencies do not position product. Consumers do. Companies need to determine what position their products already occupy in the consumers mind and relative to other products: only than they can act to reinforce or change that position."²¹ The important object in positioning is not the producer (marketer, advertiser) of the brand but the consumers. Key is the consumers' current or future perception of a brand.

¹⁹Trout, J., Ries, A.: Positioning: Battle for your mind, McGraw-Hill, 2001

²⁰ Trout, J., Rivkin, S.: New positioning: Das neueste Business-Strategie N. 1, Düsseldorf, Econ Verlag 1996

²¹ Ries, A., Ries, L.: 22 Immutable laws of Branding, HarperBusiness, 1998

Schultz, D.E., Tannenbaum, S.I., Lauterborn, R.F.: The New Marketing Paradigma, Integrated Marketing Communication, Chicago, NTC Business Books, 1994, page 7

Some other authors relate positioning closely to segmentation of the market and achieving competitive advantage through differentiation. Kuss and Tomczak understand under positioning “achieving a competitive advantage throughout specific target group”²², and according to Belch and Belch it is “the art and science of fitting the product or service to one or more segments of the broad market in such a way to set it meaningfully apart from competition”²³,

Other authors go still further behind targeting and differentiation. They assume, positioning is not just about rational attributes and promises to specific group of consumer (market segment), but it is also closely related to categories like brand associations, brand image, and brand perceptions. Kroeber-Riel and Esch define positioning as “measures leading to subjective customer perception of the offer, which is differentiated from the competition and therefore preferred”²⁴, more descriptive are characteristics of positioning from Kevin Keller: “The essence of positioning is that the brand has some sustainable competitive advantage or *unique selling proposition*.”²⁵ Such a selling proposition gives consumer a compelling reason why they should buy a particular product. Thus one critical success factor for the brand is that it has some strongly held, favorably evaluated associations that function as a point of differentiation and are unique to the brand and imply superiority over other competing brands”²⁶

David Aaker, one of the most respected authors on the topics of brand and brand equity relates in his book managing brand equity positioning close to the associations. “A well-positioned brand will have a competitively attractive position supported by strong associations. Positioning is closely related to the association and image concepts except that it implies a frame of reference, the reference point usually being a competition”²⁷. In his following publication from 1996 he was far more specific on what brand positioning is “Brand position is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage.”²⁸ His definition contains four major components of positioning: “part”, “target audience”, “actively communicated”, demonstrates advantage”. That illustrates, how is positioning developing as a part of strategic and operational planning of the companies.

Variety of definitions and their development over time shows, that positioning is very alive in current marketing. It is broadly used planning and strategic tool for brand management. But there is no unique definition and now unique understanding of what positioning really is. Therefore every author and every

²² Kuss, A., Tomczak T.: Marketingplanung, Wiesbaden, Gabler 1998

²³ Belch, G. E., Belch M.A.: Advertising and Promotion: an intergarated marketing communications, Irwin 1995

²⁴ Kroeber-Riel, W., Esch, F.R.: Strategie und Technik der Werbung, Stuttgart, Berlin, Köln, Kohlhammer 2000

²⁵ Concept of Unique selling proposition (UPS) has been developed by Rosser Reeves and Ted Bates advertising agency in the 1950ies. The original idea behind UPS was, that advertising (and of course the brand) should give consumers a compelling reason to buy a product that competitors could not match.. The concept of UPS stress the unique benefit of the brand as central to the marketing concept.

²⁶ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 77

²⁷ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 110

²⁸ Aaker, D. A.: Building Strong Brands, The Free Press, 1996, page 176

manager needs to understand what is the target of positioning in specific case and how broad and deep strategic span he needs to consider. The more strategic target the deeper and broader concept of positioning should be used.

2.4.3 Definition of Positioning

Positioning is quite wide and dynamic category. Every author stresses slightly different aspect of it and may use it in a different context with its practical use. Some of them stress its necessity in the process of marketing planning, some in the process of managing brands some in context with successful advertising. Up-to-here the text concentrated on how positioning fits into companies marketing and general strategy. From now on I will concentrate on what positioning is if understood as a strategic marketing planning tool used to support and strengthen brand equity.

There are differences in how the positioning and positioning models are being described by theory and practitioners. While theory, widely represented in European literature puts a lot of emphases on strict mathematically underlain models (classical model), practitioners widely represented by American literature emphases more or less intangible values associated with positioning like brand equity, brand image, brand perceptions and their establishment through advertising as a core of positioning.

But if we look closer into these positioning descriptions and definitions we will see, that all of them mention certain core elements of positioning. We can identify the major elements of positioning. Positioning is about brand and consumers, and not any consumers but specific consumers with specific needs differentiating the brand from its competitors. Positioning is how marketers want the brand to be perceived in the minds of the consumers relatively to other brands. Positioning is about finding the right product (brand) for the right consumer (segmentation) or rather specific consumer needs (targeting through benefit) that can be satisfied in a unique way (differentiation from competitor).

Target of positioning is to create in consumers' minds a clear position of the brand, which differentiates it from its competitors and represents clear benefit or value to the consumer. This short statement contains a large amount of information and issues, which need to be solved, before any product can reach certain positioning. In the first step we need to answer following questions:

- Who are the consumers of my product
- What is their problem (need), that I can offer to satisfy.
- Who are the competitors, offering to satisfy similar needs of the same consumers
- How can I satisfy the problem (need) of the targeted consumers – what product/brand I can offer them

In other words, if we want to achieve certain positioning we are looking for competitive advantages and differentiations that we can achieve by offering certain product (satisfaction of a need) to certain target group (group of consumers).

Although this description is very short and simple, it hides under itself the whole mystery of not just marketing but also business success. The vital presumption is good knowledge of the market, consumers and their needs and competitors.

Definition of positioning understood in a sense of strategic planning tool used further on in this text is:

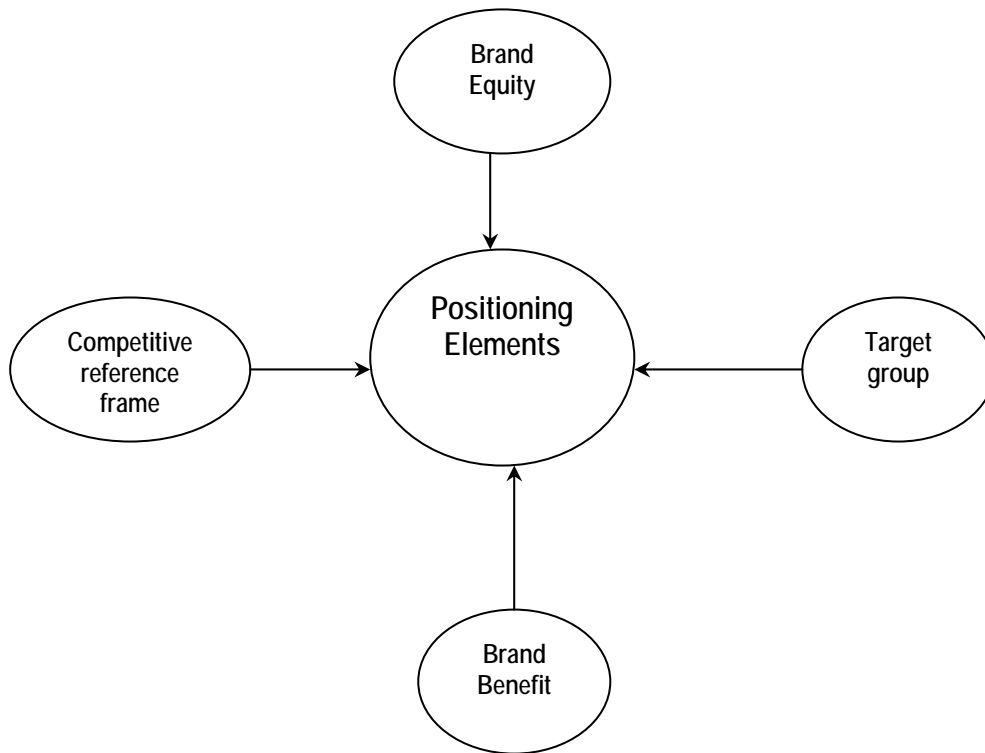
Positioning is how marketers want a brand to be perceived by consumers (group of consumers) in comparison to a brand of a competitor.

Positioning elements

Behind positioning definition²⁹ are hidden four core elements of positioning. First of them is of course a brand. But it is not a brand as seen and understood by its owners, but as it is perceived by consumers. Logically second element is consumers. Who they really are, how do I identify typical consumer of the brand. Third element is the reason, why consumers buy the brand, what benefit, what value this specific brand brings them and how it differentiates from competitor. And the fourth element is the competitor, what and how differentiates the brand from the competitor, who the competitor actually is and what he offers with what we have to compete.

²⁹ Positioning is how marketers want a brand to be perceived by consumers (group of consumers) in comparison to a brand of a competitor.

Figure 3: Positioning Elements



Source: Author

1. Brand – brand is now-a-day for a large number of companies the most valuable asset and this trend is growing. This reality contributes to growing importance that is given to brands and their management. Brands are becoming central to strategic management of companies. Brands therefore receive more attention than ever. There have been developed many ways how to analyze and understand brand equity and their value for the company. There are subcategories of the brand that need to be analyzed to understand what the brand stands for in eyes of consumers. We need to deeply understand current position of the brand, of the product its awareness, perceived attributes, its image, associations, perceived quality and personality. It is also worthwhile to analyze associations and emotions connected with brand name and its visuals. We shall in depth understand what different target groups think and feel about the brand³⁰. In this process we may identify strength of the brand, but also weaknesses.
2. Target group-consumer is the decision maker of a purchase. There are many different consumers of each product with different

³⁰ Brand analyses come in account when we work with already existing brand. If we are looking for a positioning of completely new brand, analyses around brand will concentrate on the brands attributes as brand name, slogan, visual image etc. It is important create such visual and emotional attributes of the brand, that will create expected association. More on this topic will be discussed in the chapter....

preferences and needs. It is vital carefully analyze the consumer needs, their motivations for certain product purchase, usage habits and satisfaction with product, As it is with majority products impossible to personally address each consumer, there is need for certain grouping of consumers, segmentation. Such market segments can be easier addressed with suitable brand attributes and associations – the brand image can be targeted. For the purpose of the following text the end-consumer will be understood under customer or target audience (not trade partners, retailers and other trade chain intermediates, who in reality are customers as well and need to be targeted with specially adjusted brand strategy)

3. Benefit – as mentioned, each consumer is different. To be able to address certain target group we need carefully analyze, what product attributes are for the consumers (target audience) important, what benefit they expect. There are many important aspects of decision-making process (rational, emotional, before purchase, usage experience, satisfaction level, etc.), which need to be evaluated before specific consumer benefit of a brand can be formulated.
4. Competition – positioning is how consumers perceive or we want them to perceive a brand compare to the other competitive brands. It is illusion to remove a brand from natural competitive environment. To be able to differentiate a brand from the competitors and find for it a unique benefit (unique selling proposition), it is inevitable thoroughly analyze position of the competitive brands on the market. Who the consumers of these brands, what are their brand associations, which attributes of these brands they value and vice versa, what is their perceived brand image and so on. It is vital to know the competitor very well to be able to find and attractive space on the market, which can be reflected on positioning or perception map.

These four key elements identify areas of deep analyses, which are vital for formulation of a brand positioning. As a result of these analyses needs to be identified target group and product benefit, image and brand associations that will be prior for the target group and will differentiate it from its competitors.

3 Positioning strategy development

The development of positioning relies on a thorough understanding of the firm's consumers, competitors and business strategies. To be effective, brand positioning needs to resonate with customer, differentiate the brand from competitors and represent what the organization can and will do over time. Customers ultimately drive brand value and a brand strategy and positioning needs to be based on a powerful and precise segmentation strategy as well as in-depth knowledge of customers' needs and motivations. Competitor analysis is another key because there needs to be developed differentiation for the brand. To the development of positioning and definition of positioning statement need to precede three types of analyses –customer analyses, competitor analyses and self-analyses.

The self-analyses give information on current status and perception of the brand and whether the brand has the resources and the capability to become what we expect it to be. The successful brand strategy and positioning strategy need to capture the soul of the brand. To do so, the analyses need to uncover brand image, loyalty, perceived quality, awareness, but also, brand heritage, personality and other strength and limitations of the brand as well as organization.

The customer analyses need to get beyond what consumers say and to what lies underneath what they do. It is important to understand the motions and motivations of consumer behavior to identify the decisive aspects of consumer benefit. Another challenge is to develop a segmentation that can drive strategy. To do that, it is important to identify such segmentation variables, which have real leverage as well as understand the size and dynamics of each segment.

The competitor analysis examines current and potential competitors to make sure that the strategy (positioning) will differentiate the brand and that communication programs will break away from the clutter. It is vital to understand competitive brand strength and weakness, their heritage, current image, perceived benefits and so on. The more we understand about competitive brands, their positioning, their brand equity, their consumer perceptions, the better we will be able to find strong differentiating points for our brand.

Creating positioning is very complex process using a huge number of information. Positioning is very closely related to the market segmentation, targeting and differentiation of the product, but also brand image, brand associations and others. All of these categories are interdependent with positioning, as they are integral part of positioning and a vital source of information for the positioning elements. To avoid confusion from all this information or misleading or blurred interpretation strategic planners tend to formulate a short and specific positioning statement that specifies brand and product, its target consumer, benefit for the consumer and relevant competitive reference³¹.

Positioning statement should be short, if possible one sentence, expression of positioning containing specification of four positioning elements - branded product, target consumer, consumer benefit and differentiating competitive reference point. Positioning statement helps to achieve a summary of all analyses done in the process of positioning development. It helps in orientation what is the aim of all the analyses preceding formulation of each positioning element.

³¹ Example of positioning statement which arouse from deep brand analyze of Bosch home appliances in the case study in second part of this work "Bosch home appliances are premium, high quality, usage oriented home appliances, which offer to sociables (family oriented with sense of responsibility and quality consciousness) convenience and user friendliness through superior technical and technological quality for enhanced quality of life."

Positioning statement also helps to avoid misleading interpretation of positioning strategy in course of its implementation. Positioning statement also helps to control uniqueness of brand positioning strategy. If the branded product in the positioning statement can be substituted with competitive product and the statement is close to the consumer's perception of that brand, the positioning is not unique and will not lead to development of strong brand equity.

Helpful can also be picturing position of a brand in positioning and perceptual maps. As previously mentioned perceptual maps are static tool with relatively limited accurateness (maximum three attributes can be used), but they may very well help to visualize market situation. It can (with respect to the limitations) visualize contrast between individual competitive brand positions and consumer preferences

As in many other areas of life, there is not one perfect way how to develop positioning of a brand. This whole work is trying to find one of the many possible and to do so, there is necessary to develop a certain methodology, which will be followed in the course of the process of positioning development as understood in this work.

The core of positioning are thorough analyzes of the consumer, benefit, competitor and brand itself. The following four chapters will go in detail in each of this element. I will try to identify important categories within each of the element as well as connections among these elements that are important for formulation of positioning strategy. The chapters will be organized according to the four major elements. On this basis has also been constructed case study in the second part of the work, concentrated on home appliance brand Bosch on west-European market.

Each of the core elements of positioning - product/brand, consumer, product benefit and competition is elaborated in separate subchapter. They all require different attitudes while analyzed, they have different structure and from that arises the fact that structure of following chapter somewhat differs. Each of them tries to put down several key pieces of information important from the point of positioning formulation. Every chapter starts with definition of given element³². Than it goes deeper in the categories that form each element, in the influence of the element on the market positioning of the brand and it also tries to analyze ways, how each element can be influence or formed to fit together with all other elements to create strong positioning strategy.

What all elements have in common is the fact, that the core of analyses is market research. There are very many different methods and procedures, studies and market research tricks that can be used when analyzing elements of positioning. The problem is that nobody, even the strongest

³² In marketing majority of categories may have different definition as their extend, breadth and depth of their conception. It is therefore better to give at least wider explanation or definition of major categories, to avoid misunderstandings.

multinational companies are capable to use all of him or her. There are many hurdles from which the biggest are usually limited financial resources. Market research is very expensive and there needs to be always done compromise in their allocation. Common mistake, that research is considered too expensive because the market situation is relatively clear and the resources are badly needed for media campaign or other communication must be it strategic cases like formulation of positioning avoided.

3.1 Product, brand and brand equity

As it has been mentioned, brands can bring value to both, consumers and producers if well established. But what does it really mean that brand is well established? What shall we know about brand to be able to manage already existing brand or even establish a new brand? Although firms stimulate brand creation through their marketing programs and other activity, a brand ultimately is something that resides in the minds of consumers. David Aaker describes this relationship aptly “A brand is a perceptual entity, rooted in reality, but also reflecting the perceptions of consumers”³³.

To brand a product, it is necessary to teach the consumer, who the product and its brand is – it is not only necessary to give the brand a name and create other components (logo, slogan, packaging etc.) to help identify it, but more importantly it is also necessary to provide a meaning for the brand, the reason why consumer should care. The key about brand is that consumers perceive differences among brands in a product category, which lead to different purchase decision. And if brand gives a product an advantage against a competitive product, than we can say about this brand that it possesses brand equity.

Positioning is one of the marketing strategies that are used to strengthen position of a brand on the market and increase the value of a brand. In this context it is necessary to see positioning strategy as an investment project, because strong brand, well targeted with unique differentiating benefit will bring additional value to its owner. In a simple way we may say, that advantages, that a brand brings to its owner as well as consumer are also main reasons, why brand shall have a clear positioning strategy. Clear and successful positioning on the market is one of the main presumptions to the success of a brand.

Definition Brand equity

Since 1980ties, when the concept of brand equity arouse have been formulated different concepts of brand equity. Unfortunately the problem with differentiated concepts of brand equity is, as with many others in marketing,

³³ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991

that there is variety of definition of brand equity, which differs in its content and methodology. There is no common viewpoint so far as to how brand equity should be defined and measured, but most authors agree, that brand equity relates to the fact, that different outcomes result from the marketing of a product or service labeled with a brand name or some other brand elements compare to results if that same product or service did not have this brand identification. Brand equity represents the “added value” endowed to a product as a result of past investment in the marketing for the brand³⁴³⁵.

Every brand name, regardless of fame, image and awareness has certain brand equity. Some brands have very strong positive brand equity, which represents high value of this brand for its owner, some have weaker positive brand equity which represent lower value, some may have negative brand equity, which represent almost non value and may be more costly to build them up again than creating completely new brand.

Brand equity is according to David Aaker, who wrote several books on this topic, “a set of brands assets and liabilities linked to a brand, its name and symbols that add to or subtracts from the value provided by a product or service to a firm and/or to this firm’s customers”³⁶. Brand equity represents difference between marketing of an unbranded product and branded product.

Brand equity is formed by a set of several important brand characteristics, which all need to be carefully managed in order to support brand equity.

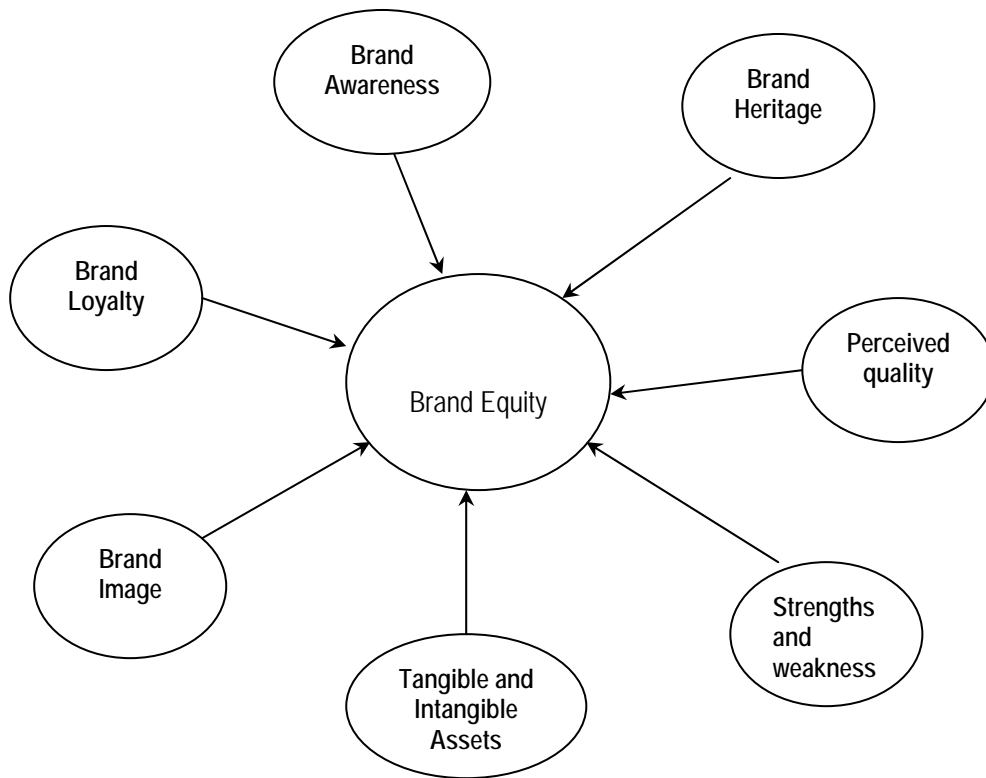
Brand equity consists from a set of brands assets and liabilities which link a brand, its name and symbols with customer. These assets and liabilities add to or subtracts from the value provided by a product or service to a company as well as to the company’s customers. Brand equity is formed by a set of several important brand characteristics, which all need to be carefully managed in order to support brand equity.

³⁴ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 44,

³⁵Brand value, understood as “added value” is difficult to set. There are no standard measures to set a financial value of a brand value. Brand value is not an asset reported in annual financial reports, which makes its value a bit vague. In spite of that there are several reasons, why companies measure value of their brands. First and largest is usually necessity of setting a price of brand that is to be sold. But smart companies try to set price or so called brand value to be able to evaluate investments in brand as there are always competing projects whose return on investment needs to be compared.

³⁶ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 15

Figure 4: Brand Equity Elements



Source: Author

The brand equity exists only if the brand characteristics are directly linked to the name and symbols of the brand, that means they cannot be easily or at all transformed to another brand. If brand name or symbols should be changed, the assets or liabilities would change or even disappear. As these brand characteristics are core of brand equity and brand strategy, it is vital to summarize a short definition of each of them.

- Brand loyalty

Brand loyalty represents level of tight between consumer and the brand, which is reflected in consumers' probability to buy a specific brand. It reflects how likely a customer is to switch to another brand, especially if that makes a change in price or product features.

- Brand awareness

Brand awareness is related to the strength of the brand linkage in memory between product category and brand. It is reflected by consumers' ability to identify the brand under different conditions. Brand awareness is the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category

- Perceived quality of a brand

Perceived quality may be defined as the consumer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives³⁷. Perceived quality is based on consumer perception of what they think constitutes a quality product and how well the brand rates on those dimensions.

- Brand image and brand association

Brand image is a consumer projection of a brand reflected as a set of associations connected to the brand, held in consumers' memory³⁸. It is a set of associations, usually organized in some meaningful way³⁹.

Brand associations are informational links in consumers' memory and contain a certain meaning of the brand for the consumer. A brand association is anything linked in memory to a brand. Strength and intensity of associations depend into a large extent on personal experience and on the exposures to brand communication and its context.

- Brand heritage

Brand heritage is an intangible value of the brand, which has been built over many years of the brands presence on the market. Brand heritage are usually a set of associations connected to the brand, which has its roots in a history of a brand. These associations are linked or better to say represent core value of the brand to the consumer.

All these dimensions are necessary to manage carefully, so they all together make a brand value and brand equity. For successful brand management that leads to increasing brand value is important good knowledge and understanding to the brand, its equity and all its dimensions. These dimensions are core of the brand; its "soul" and therefore successful brand management as well as positioning, must be based on thorough analyses of brand dimensions. Brand dimensions are the basis of the brand and key to its management. They indicate strength of the brand on the market. They also indicate strength and quality of the brand customer relationship. And therefore they require in the first place thorough analyses and understanding. The following subchapters will talk about different analyses of important elements of brand equity, their influence on brand equity and ways how is possible to manage each of these elements to

³⁷ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 85

³⁸ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 49

³⁹ Aaker, D. A.: Building Strong Brands, The Free Press, 1996, page 109

3.1.1.1 Brand loyalty

Brand loyalty is an important element of brand equity. Brand loyalty represents level of tight between consumer and the brand, which is reflected in consumers' probability to buy a specific brand. It reflects how likely a customer is to switch to another brand, especially if that makes a change in price or product features. "With the growing brand loyalty the tendency of the consumer to switch a brand is decreasing. Also consumers loyal to a brand are less likely to switch as a result of price increase and more likely to increase the quantity of brand purchase as a result of price decrease."⁴⁰ Consumers differ in the level of their loyalty and there can be usually recognized 5 different levels of loyalty spreading from switchers as the least loyal to committed buyers.

Table 2: Levels of consumer Loyalty

Level of loyalty	Characteristics of consumer
Switcher	Indifferent to the brand, each is considered to be same. Buy according to the price, usually what is on sale or in promotion
Habitual buyers	Satisfied or at least not dissatisfied with brand they usually buy. Have no stimulus to switch to other brand unless competitor creates a visible benefit for switching. In this case would be vulnerable to switch
Satisfied buyer with switching costs	Are also satisfied and on the top of that, competitors would have to overcome the switching costs (uncertainty connected to purchase of unknown brand) by its offer or extra benefit. As switching costs may be large for some products, level of loyalty increases
Likes the brand	Consumers are with the brand connected by emotional feelings. Their preference of the brand is based upon associations, usage experience, perceived quality or other emotional relationship with the brand.
Committed consumer	Have not just emotional feelings and tights to the brand but are proud of the brand they are using. They will not just use the brand and enjoy the level of satisfaction but also will recommend the brand to other potential buyers.

Source: Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, pages 56-60

Brand loyalty is vital for the health of the brand as it is one of the major indicators of future sales. "Brand loyalty is qualitatively different from the other major dimensions of brand equity, as it is more closely tied to usage experience. Brand loyalty cannot exist without prior purchase and usage. In contrast, awareness, associations and perceived quality may often be

⁴⁰ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, pages 56-60

created in consumers' minds without any direct usage experience with the brand."⁴¹

Values of loyalty contributing to brand equity

According to David Aaker⁴² brand loyalty is very important element of brand equity as it has proven direct effect on future sales, which can contribute to the profit of the company. There are several ways in which loyalty more or less directly influences the profit generation.

Loyalty contributes to reduction of marketing costs, as to keep a loyal consumer is less costly than to get new ones. New consumers may lack motivations to change from their current brand and will need a substantial reason to risk buying and using other brand (if they tend to have loyalty in given product category).

Loyalty of existing consumers also **represents an entry barrier to competitors**. The more loyal consumers brand has, the more costly would be for potential competitors to persuade about its brands benefits and advantages.

High level of consumer loyalty **gives trade leverage**. Brand with a highly loyal target audience will receive a preferred shelf, as their high turnover will bring higher profit also for the trade partner. Brands with loyal customers and stable sales will not as easily be pushed into price promotions of retailers, which are usually costly as well as harmful for brand image and brand equity.

Loyalty of current buyers may be a good reason and argument to attract new buyers. Loyalty of current users gives assurance to prospective buyers. It usually requires designing a special promotion program or advertising to spread the knowledge about a high consumer loyalty to the brand. Recommendation of satisfied brand user is usually one of the top reasons for a purchase of a brand.

Under certain circumstances the high level of brand loyalty may allow a firm to select **a less risky follower strategy** as loyal consumers have little incentive to change even if exposed to new or improved competitive product.

Loyalty is being influenced and partially determined by other dimensions of brand equity like brand awareness, brand associations and perceived quality. So brands with high awareness and strong image (brand associations) are more likely to have loyal customers. What is important to differentiate, if the loyalty is to the brand or to the product. Loyalty connected to a product but not to a brand cannot positively influence brand equity. Brand loyalty is inseparably connected with the brand, its name and symbols

⁴¹ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page

41

⁴² Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991

3.1.1.2 Brand Awareness

Brand awareness is related to the strength of the brand linkage in memory between product category and brand. It is reflected by consumers' ability to identify the brand under different conditions. Brand awareness is the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category. Similarly as with brand loyalty, there are several levels of brand awareness ranging from brand recognition – reflecting the ability of consumer to confirm prior exposure to the brand, brand recall – reflecting the ability of consumer to retrieve the brand when given a product category to dominant brand – reflecting the ability of consumer to recall just one brand in the category.

Table 3: Levels of Brand Awareness

Level of brand awareness	Characteristics of consumer
Brand recognition	Is the lowest level of brand awareness? Respondents identify to them known brand names in certain product category from a group of given names. It so call " <i>aided recall test</i> ". The link between the product and the brand exists but is quite weak. Brand recognition may play important role when an undecided buyer chooses a product from a shelf.
Brand recall	Consumer is asked to name all brands in the category, he or she heard of before. It is so call " <i>unaided recall test</i> ". Brands named in unaided test have stronger positions that those in aided test. These brands already posses relatively high level of awareness in the consumer mind.
Top of mind recognition	The first brand named in unaided test has a specific position in consumers mind. It is the prior brand, consumer knows. It is so called Top of mind awareness and the most likely the first on to be considered for purchase.
Dominant brand	The only brand recalled for high level of the respondents To be dominant brand provides a strong competitive advantage. In many purchase situations it means that no other brand will even be considered.

Source: Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 62

Creating brand awareness involves giving the product identity by linking brand elements to a product category and associate it to purchase and consumption or usage situation. Brand recognition represents consumers' ability to confirm prior exposure to the brand when given the brand as a cue. The recognition of a brand is vital first step in communication with consumer. First after consumers recognize the brand, makes sense to communicate

special attributes of the brand and created a position of the brand in consumers mind.

Developing recall is more difficult than developing recognition. Recall as a higher level of memorability of a brand presumes stronger associations with a brand and stronger links between a brand and a product category in the consumers mind than in case of recognition. "Brand recall relates to consumers ability to retrieve the brand from memory when given the product category, the need fulfilled by a product from product category or a purchase or usage situation as a cue"⁴³. Brand recall requires, that consumer correctly generate the brand from memory, when given a relevant reason.

Recognition is likely to persist much longer without an update than recall, which decays through time. The higher level of awareness consumers has the higher level of regular repetition of brand reminder (through advertising or other means of communication) or even better usage experience necessary to keep this level. But on the other hand, the higher level of awareness the more targeted and effective marketing communication can be.

It is vital not only that the brand will be recalled, but it also needs to be at the right time and right place "Brand awareness can be characterized by depth and breadth. The depth of brand awareness relates to the likelihood that the brand can be recognized or recalled. Brand that can be easily recalled has a deeper level of brand awareness than one that only can be recognized. The breadth of brand awareness relates to the variety of purchase and consumption situations in which the brand comes to mind. The breadth of brand awareness depends to a large extend on the organization of brand and product knowledge in the memory. Breadth is often a neglected consideration"⁴⁴, but not less important than depth of brand awareness.

Values contributing to brand equity

Brand awareness has again few important attributes, which create value for a brand and help to enhance the brand equity. They are:

- ***Inevitable presumption for creation of other association connected to the brand.*** Without knowledge, awareness and recognition of a brand, no attributes and benefits can be recognized. In awareness, brand name and symbols play a special role, as they are usually the most important recognition elements of a brand. A necessary condition for the creation of a brand image is that brand has been established in consumers' memory.
- ***Awareness provides to a brand certain level of familiarity.*** And consumers prefer familiar contrary to unknown and risky. In the absence of

⁴³ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 49

⁴⁴ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, pages 50,88,90

other purchase motivation familiarity (awareness) may be enough to drive a buying decision.

- **Brand awareness is important for making purchase decision.** In decision-making process usually a group of brands is identified by the consumer, which is then evaluated for the final decision. To get into this group, brand needs to be recalled. Generally if a brand is not recalled, it will not be included in the consideration set. Research in psychology showed, that recall of some information may inhibit recall of other information⁴⁵. In other words, if a German house-wife considers by purchasing a new refrigerator Miele, because she has had it for 20 years, or possibly Bosch or AEG as German brands, it is less likely, she will recall Zanussi or Whirlpool
- **Brand awareness may affect choice among brands in consideration set.** Even in consideration set brand familiarity and perception of substance associated with the brand awareness can make all the difference in purchase decision. This is valid especially in case of new purchase in certain product or some larger investment.

Building brand awareness is a step-by-step process. Analyzing ways how to increase brand awareness, both recognition and recall, involves two tasks. At first it's necessary to find ways how to gain brand name identification and then how to link it in consumers' mind to the product category, its purchase or usage situation. In achieving awareness plays important role communication strategy especially advertising and PR, which should follow several basic guidelines:

- Brand needs to differentiate itself and to give reason to be purchased. Unique consumer benefit needs to be formulated into communication message that gives reason to be noticed and remembered contrary to competitors. The task of creating awareness is more effective by creating slogan, jingle or symbol that has direct logical or metaphorical connection to the brand. Slogan or jingle with strong links to the brand and possible also to the product category may be important awareness creating element, especially after awhile. If brand possesses a symbol, which represents a visual image connected to the brand, it makes it much easier for the consumer to recall it and assure the brand awareness in consumers mind.
- Public relations may be a very effective way how to create awareness, if well suited events with good-targeted audience are selected. Public relations allows to create brand awareness not only with the product itself but can also deliver a strong message about product attributes (Bosch as a producer of high quality home appliances sponsors a prestigious cooking TV program and competition) and so strengthen the link between the brand and the product category.
- A way to increase brand awareness may be a brand extension. The new products under an established brand will create a new consumer

⁴⁵ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 91

exposure, which will lead to increase brand awareness. Brand extension must be considered very consciously as unsuccessful brand extension may harm the original brand equity.

Brand awareness represents in a certain way level and strength of a brand's presence in a consumer mind Brand awareness is a level of knowledge and familiarity with certain brand. Awareness can be increased through repeated exposures. Brand repetition increases the strength of the brand linkage in memory to the appropriate product category, or even better, purchase situation or even consumption situation and its recognition.

For brand management is necessary to analyze level of brand awareness. According to that can be selected strategic and operational tools that either improve level of awareness or build on the current level of awareness other dimensions of brand equity.

3.1.1.3 Perceived Quality of a Brand

Perceived quality may be defined as the consumer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives⁴⁶. Perceived quality is based on consumer perception of what they think constitutes a quality product and how well the brand rates on those dimensions. Perceived quality as its name indicates is not actual objective quality of a product based on its usage comfort, or product quality based on its ingredients and features or even manufacturing quality represented by low level of breakdowns.

It is imagination driven, emotion influenced perception of quality of an individual consumer. Achieving a satisfactory level of a perceive quality has become more difficult as continues product improvement over the years have led to heightening the consumer expectations. Perceived quality depends on judgment about what is important to the consumer. And consumers differ in their personalities, preferences, ways and reasons of usage etc. "Perceived quality is defined relatively to an intended purpose and a set of alternatives, which strongly depend on consumers preferences."⁴⁷ Therefore perceived quality shall be considered with respect to different target groups and segments.

Perceived quality is an intangible, emotional feeling about a brand. Perceived quality is usually based on few dimensions, which include product characteristic such as reliability and performance, but they are not the only ones, which usually influence perceived quality. Other especially emotional dimensions depend upon product category. It may be worth to conduct a specific market research to find out the key dimensions for a specific product category and target groups. In general there are several elements

⁴⁶ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 85

⁴⁷ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 85

influencing perceived quality of a brand dimensions connected to the product, its performance and features and services around the product⁴⁸. The following table shows the summary of the most crucial ones.

Table 4: Forms of Perceived Quality

Performance	Primary operating characteristics of a product. How well the product fulfills its purpose. Customers may differ in their expectation towards performance and it is vital to identify these differences among various consumer segments.
Features / usage comfort	Features are minor elements of product usually connected with usage comfort of the product that can make a difference in decision-making process (how complicated is to set the right program of a washing machine – press one button or needs more operations?)
Absence of defects	Traditional manufacturing oriented view of quality.
Reliability	Consistency of the performance during the whole product “life”. How often it breaks down or loses its ability to service its purpose.
Durability	How long will the product serve its purpose, how long is its “life”?
Serviceability	How easy or difficult it is to service the product in case of break down. How efficient, competent, convenient and fast is the service
Design and finish	This represents design as well as outer technical finish of the product (design of a cooker, used material). Appearance makes important criteria of consumer’s judgment as it is visible on the first sight and immediately influences both rational and emotional feelings about the product.
Before sales, sales and after sales service	Availability of information about a brand and product, responsiveness, credibility and trustworthiness of sales people or outlet. Availability and information about sales and after sales service (free delivery of new freezer, pick up and recycling of the old etc, reliability and speed of service.). This element may have relatively large influence on purchase decision, although it is not always fully in direct influence of the brand owner. Therefore good and highly cooperative environment between the retail seller of the brand and the brand owner is required.

Source: Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 85

Perceived quality generates in several ways value for the brand and thus builds and strengthens brand equity. It is actually one of the most important pillars of brand equity and may be a long-term winner for a brand. Perceived quality gives a **reason to buy**. For many products it is perceived quality that leads to the purchase decision. Consumers are often unable or unwilling to

⁴⁸ These elements may slightly differ in services business

collect all the information on objective quality, so they decide based on perceived quality. Perceived quality directly influences purchase decision and therefore is also an important element for advertising and promotional activity, which can effectively stimulate quality perception and support future sales.

Perceived quality is closely connected with **pricing**. Consumers often combine quality perception with cost perception to achieve expected value of a product. Satisfaction differs from attitude. Positive attitude may be generated because a product of superior perceived quality is very expensive. Conversely a person could have a negative attitude towards a high quality product because it is overpriced. Such a customer may be satisfied with a low price brand of lower perceived quality. Considering this expected product value, it is vital to realize that it is not restricted only to the actual monetary price, but as well reflects opportunity costs of time, energy psychological involvement in decision that consumers may have.

Based on the expected product value we can recognize several market segments, which are present in most product categories. They are super premium, premium, value and economy segments. They represent segments with decreasing perceived quality of brand/products and price (value of the product). High-perceived quality gives the opportunity to charge premium for the brand. Increased margin gives opportunity to reinvest at least part of it in brand building activities like enhancing brand awareness and associations, motivation programs for trade partners, or in improvement of the product, research and development of new products. These activities create strong base for further strengthening of brand equity.

Important aspect of high-perceived quality is **interest of trade partners**. Trade partners are important for gaining distribution, but also in pursuing some elements of marketing. Trade partners are important deliverers of brand message at the point of sale. The comfort of shopping, availability of information, and many others are in hands of trade partners and therefore is very important to create a good relationship as well as ability to pursue certain elements of brand own marketing tools. Brands with high-perceived quality brings higher profit for trade partners as well as can afford good motivation and trade support programs that go along with the brand image.

Perceived quality is important factor influencing business performance and therefore it is mentioned as brand equity asset rather than one of the brands associations. According to D. Aaker and his examinations of the relationship of perceived quality and other key strategic variables⁴⁹, perceived quality **creates profitability** as it affects market shares (product of higher perceived quality are favored and have higher market share) and allows higher product pricing. It has also additional positive impact on profitability (if not reflected increased market share and price), as retention of current customers is less costly. Consumers of brands with high perceived quality tend to be more

⁴⁹ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 89

loyal. Perceived quality contrary to many believes does not increase costs at all. Some other studies came to similar conclusions; perceived quality is important for long-run business success⁵⁰.

To achieve high-perceived quality, a brand must really perform as a high quality product. If the consumers experience with the brand false to confirm the high-perceived quality status, the image cannot be maintained. The firm must create certain presumptions to build or maintain high-perceived image of a brand. The quality of the product must be one of the top priorities of the company. It must not be compromise for sake of short-term profits or other targets. High quality of the products must be reflected in a culture of the organization. Quality needs to be a norm or symbol to every employee. It is useful to motivate everyone to keep an eye on quality by for example implementation of quality into reward system or by support of employee improvement initiatives.

To assure high-perceived quality the consumer needs and expectations must be followed. It is not the managers, who shall decide, what important feature of a product is. Some companies have introduced so called "return on quality"⁵¹ system, which is based on the idea, to improve quality only on those dimensions that produce tangible customer benefit, lower cost or increase sales. The aim of this system is to ensure, that the quality of the product is in fact the quality consumer actually wants. Up-to-date consumer input shall be obtained either by market research methods or by regular contact of managers with customers. The method and periodicity depends upon type of product and resources available for this task.

But creating a product /brand with actual quality does not automatically meant, that the brand will receive a perceived quality. Customer perception must be created or changed. The quality must be communicated to the consumer, but in a creative way. Consumers are too much used to hearing about every and any product, which is the best one. It is necessary to support the quality claim by reasoning. Such a reasoning needs to be persuasive, understandable, and the most importantly, addressing the target consumer with its potential needs.

Some studies show that perceived quality has major influence on general perception about the brand. If perceived quality improves, so do generally other elements of consumers' perception of the brand.⁵² On the other hand, companies need to be causes to understand deeply, what dimensions consumers consider important in creating their perception on perceived quality. As consumers usually do not have information or time to consider all aspects of product quality, they create their perception based on just few dimensions, which need not be rational for real quality. To influence

⁵⁰ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 90

⁵¹ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, str. 178

⁵² Aaker, D. A.: Building Strong Brands, The Free Press, 1996, page 19

perceived quality, it is necessary to understand and manage these dimensions of the brand.

Perceived quality is one of the core dimensions of brand equity. Perceived quality may be effective source of differentiation and one of the elements of positioning as consumer benefit. It is closely connected with brand perception, which makes it very important for brands strategic management.

3.1.1.4 Brand Image and Brand Associations

Marketing programs, which link strong favorable and unique associations to the brand in memory of consumers, create brand image. Brand image is a consumer projection of a brand as reflected by brand associations held in consumers' memory⁵³. It is a set of associations, usually organized in some meaningful way⁵⁴. Brand associations are informational links in consumers' memory and contain a meaning of the brand for the consumer. The strength, favorability, and uniqueness of brand associations play an important role in consumers' decision-making process, especially in high-involvement settings, where consumers' motivation, information and decision-making ability are relatively high.

A brand association is anything linked in memory to a brand. Strength and intensity of associations depend into a large extend on personal experience and on the exposures to brand communication and its context. A link to a brand will be stronger when it is based on many experiences and exposures to communication rather than few.

Image, representing all associations, together with perceived quality is the major influencers of brand perception, which may more or less correspond with objective reality. Many existing product related factors or by more abstract non-product related imaginary which are all together called associations may determine image.

Brand associations are one of the broadest categories of marketing as actually everything, that consumer has in his mind linked with brand may be considered as an associations. But for the marketing and brand managers are primarily important those brand associations, which directly or indirectly influence purchase decision. Therefore it is vital not just to identify the associations themselves, but also find out, if they are shared across the market or only typical for certain segments, how strong they are and how likely they are to be overshadowed by competitor. In different product categories different associations are important for purchase decision.

"Product attributes or customer benefits are important class of associations, but there are others that can also be important in some context. Some will reflect the fact, that products are used to express life-styles, social positions

⁵³ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 49

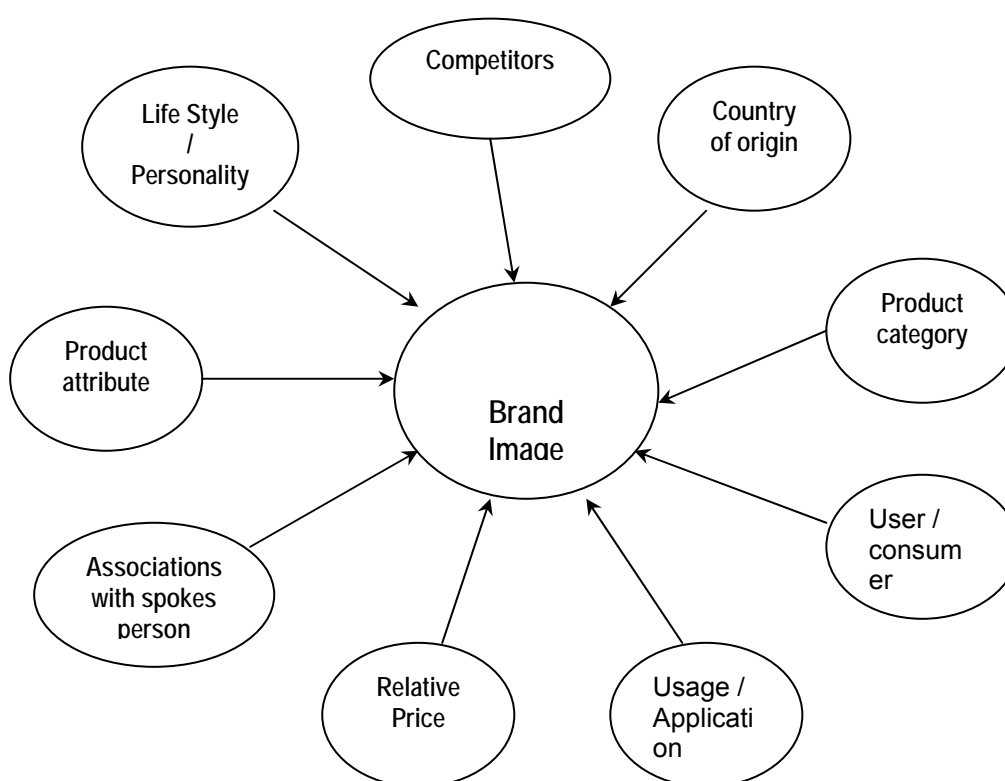
⁵⁴ Aaker, D. A.: Building Strong Brands, The Free Press, 1996, page 109

and professional roles. Still others will reflect associations involving product application, types of people that might use the product, stores that carry the product, or sales people that handle it. The names, slogans and symbols are indicators of a brand but also important associations.”⁵⁵

Types of associations and their influence on the brand are extremely important for development of any marketing and brand strategy. Some of the most important associations identified in marketing are in more described in the following paragraphs.

Types of associations and their influence on the brand are extremely important for development of any marketing and brand strategy. Some of the most important associations identified in marketing are in more described in the following paragraphs.

Figure 5: Brand Associations



Source: Author

Product attributes

Every product has several attributes which consumers associate with it and why they usually buy the product. Product attribute is one of the most common associations and in many cases they are the ones to differentiate a brand from its competitors. But product attributes are usually common to all

⁵⁵ Aaker, D. A.: Building Strong Brands, The Free Press, 1996, page 114

products in certain product category. To be able to create a special and unique association with certain product attribute for some brand, it is necessary to persuade consumers on exceptional quality and/or uniqueness of this specific attribute. Bosch appliances are by its users associated with high technical quality and durability. Siemens home appliances try to create associations of a top design brand, for example by a product line designed by Porsche. It is usually difficult to find an attribute that is meaningful and important to a major consumer segment and at the same time not already claimed by competitor. But once associations based on product attribute exist, they tend to be very strong and long lasting.

- Relative price

Relative price is another important cue for brand association. Relative price compares a brand versus its competitors in one of the most important decision-making attributes. In certain product categories or in certain consumer groups, plays relative price important decision making role. Relative price may be an important association that determines a positioning of a brand versus its competitors. In most product categories have developed five price segments, low price, and economy, mid range, premium and luxury (super premium). Relative price needs to be carefully considered with respect to the whole brand concept and to those of competitors. The most tempting for producers are usually the premium and luxury (super premium) segments as those represent the areas with high growth and high margin. But to be able to part of this segment, the brand has to offer credible perceived quality and most importantly, status worth a premium price, which depends on its overall image and perception. In other words, depends on some other associations, consumers must have connected to the brand.

- Usage/ application

One of the important associations is product usage. Association of usage gives a new dimension to the product attributes. It connects the product with certain experience while using the product, usage situation, milieu and feelings, memories and emotions about it. It evokes different dimension of the brand, which is connected to experiencing the brand while used. It creates atmosphere of customer-brand relationship. For example there are different associations one has with using home appliances. Ideally one should have it connected not with the fact, that there is a lot of unpleasant housework to be done, but with the feeling, that the appliances do help to do the housework easier, quicker and even fun to do. Usage and application is usually good way of creating emotional consumer benefit as it creates feelings about the situation or purpose of the brand usage.

- User/consumer

Association with a type of its user may be very effective when it is achieved. User positioning strategy is effective, because it can match with a segmentation strategy, which is a very important aspect of positioning strategy. If the target audience can identify itself with the brand and its common user, the appeal of the brand increases. Such an association can also be effectively communicated as the typical user can be well visualized. The types of psychographic factors making up user imagery might include typical characteristics like age, gender, race, but as well attitudes towards career, possession, social issues etc. Rather deep knowledge about the target audience is necessary in order to be able to identify a real imagery of the user, which will be recognized by the target group and with which the target group will associate itself.

On the other hand strong associations with user type creates limitations to the brand. The target audience is usually limited to one specific segment and it is difficult to attract consumers from other segments.

- Product category

A brand may be connected through associations with certain product category. Market is usually segmented into different product categories and a brand may be associated with some of them. Some producers have established a new market segments to differentiate their product and became symbols of the specific market segment. Some brands managed to create such a strong association with a product category, that their names became generic names for certain market segment (on some markets Pampers stands for any paper dippers, or on Czech market Rama for margarine)

- Competitors

Competitor should be important reference point in any marketing and positioning strategy. In some cases (follower strategy) a competitor or competitor's reference can be a dominant aspect of creating and strengthening brands' associations. Creating associations against a competitor gives the opportunity to use competitors well-crystallized image developed over many years as a reference point in developing own image. Comparison with such a competitor may help to develop an image and association with respect to product characteristic, product class, quality or relative price. Such associations are often achieved with help of comparative advertising. One of the famous positioning strategies built against a competitor is that of car rental company Avis. Being for years number two behind Hertz, they came up with campaign "we are number two, we try harder". The message clearly said that Avis is smaller than Hertz, and

therefore it tries to concentrate more on quality and satisfaction of its customer.

- Country or geographical origin

Country or geographic origin may be a strong symbol, which may largely help in development of image. French and Californian wine is considered to be high quality, German cars and technical products are considered to be the top technology as well as price. There are even certain products, where its production is limited traditionally and now a day even legally to certain areas. Many of those are in food industry arising from its origin as Scott, Irish or Canadian whisky. On the other hand associations connected with product origin may differ tremendously. Some nations are more sensitive to country of origin than other. The associations about different country of origin may also largely differ in different countries. Issue about country association may therefore become both complex and important when producers try to develop global strategies.

- Association with spokes person

It is often very difficult to convince people that certain brand has superior design and quality. And the challenge is not only to create a credible argument, but also to get people to listen to it and believe to it in the face of similar competitive claims. And that is the key point, why connecting brand with a spokes person is often used. Celebrities from all areas of public life have strong images and usually represent certain associations linked to them. Connecting a brand with certain celebrity can transfer those associations to the brand. It is very common to connect young pop stars with trendy goods for youngsters, sports products with names of famous sportsmen and so on. A classical example of such connection was Nike's Air Jordan basketball shoes, which became a super success. In this case, the new technology of the shoe was endorsed by number one NBA basketball player Michael Jordan and presented by him in advertising.

But spokes person does not necessarily need to be a celebrity from sports, show business or other areas of public life. Spokes person can be made up person, a symbol like Marlboro man or even a cartoon character (Azurit rabbit on Czech market etc). The important aspect is that the spokes person needs in a long run represent such brand attributes that translate into desired associations of the target group.

- Life-style, Personality

If a brand suddenly became a human being, what type of person would it be? Young or middle age, energetic discoverer or convenience lover, family oriented or single, sporty or sociable etc. A brand represents a complex personality and a life-style pattern. Every brand should represent such a personality which should be created by marketing activities and which should represent target consumer or his or her ideal.

Life-style and personality of a brand became a very important issue in the process of creating associations. Brands which consumers buy, often represent their social status, a life-style they venerate. To be able to associate a brand with certain personality and especially life-style, a deep analysis of consumer segments is necessary. There are many specialized studies, oriented on life-styles, which give a general overview of different existing life-style groups. But the detail and specific attitudes of these life-style groups, when concerns specific product category, needs to be researched separately, as they may deeply differ. Personality and life style associations became recently a very important aspect of brand image not even for fashionable product categories. They are perfect basis for creating emotional and self-expressive benefits for the brand.

On the other hand strong life-style association may also be limitation for a brand as it may be too strongly focus on just certain segment.

- Building high image, brand-customer relationship

The named association types are just the most common once. There can be others and the borders to source of associations are limited only by marketers' abilities and skills to create these associations in consumer minds. There are many marketing tools used to created associations. Among the most common count advertising, PR activities, loyalty programs and promotions that enhance purchase and usage under circumstances that connect the brand with specific association.

Associations can be of different strength. The strength of associations is vital for what information will be recalled by consumers and therefore effects their purchase decision. The associations can be form by three different ways, which also represent levels of strength:

- Associations based on direct experience with brand - the strongest source of brand associations
- Associations based on some kind of information about the brand – there are many different sources of information about brands. From those the most reliable are those creating strongest associations are recommendations of friends, than price, and non-commercial sources. The weakest associations are created by sources influenced by the producer or seller (advertising).

- Associations based on assumptions made from some other brand-related information

Brand image, a set of brand specific associations (consumer associations connected to the brand) is an important source of brand equity. To create brand equity, it is important that the brand have some strong, favorable and unique brand associations at the time. It does not matter how unique a brand association is unless consumers evaluate the association favorable and it does not matter how desirable and favorable the brand association is unless it is sufficiently strong enough so that consumers actually recall it. It needs to be considered that not all strong associations are favorable and not all favorable associations are unique.⁵⁶

The value of brand image and brand associations is its meaning to the people. Associations represent basis for purchase decision and for brand loyalty and the more favorable they are the more likely is the brand to be chosen. There are several ways in which associations and image enhance brand equity. They help to process information, differentiate the brand, and create reason to buy as well as feelings about the brand.

Associations represent certain **picture about the brand, product attributes, usage, origin, and price**. "Favorable brand associations are created by convincing consumers that the brand possesses relevant attributes and benefits that satisfy their needs and wants, so that they form a positive overall brand attitude."⁵⁷ Associations may reflect brands or consumers personality, life-style or other attitudes real or aspirational. This information, which becomes available over the time of brand presence on the market not from advertising, but from any other activity of a company as well as consumer experience, would be otherwise quite difficult for consumers to collect and for the company to advertise. Associations also help to interpret new information about the product and influence recall of information.

Associations **differentiate the brand from others**. Strong associations can be a competitive advantage. If a brand has strong brand image based on key product attribute, product usage, specific user group or other association important in the product class, competitor will find it difficult to attack the brand.

Associations often involve such a customer benefit, which represents certain life-style, or offer application or usage, that they provide a specific reason to buy and use the brand. They **represent basis for purchase decision and brand loyalty**. Some associations are for the consumer pleasant and create a positive feeling that transfers into the positive feeling about the brand. Consumer likes the brand.

⁵⁶ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 102

⁵⁷ Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 52

“Brand image is created by a whole set of associations that consumers make with a brand. Brand associations are not only important asset of the brand equity, but are also vital for creating and managing brand positioning, as they represent consumers perception of the brand.”⁵⁸

Brand image and brand associations are very closely connected to consumer benefit. Consumer benefit, defined as one of the four core elements of positioning, is certain set of associations, linking in consumers’ minds their needs and aspirations with the brand. Associations that are unique and address consumers needs translate into consumer benefit. How to find the right consumers and the right benefit for them is discussed in detail in following chapters.

3.1.1.5 Brand Heritage

Every brand, which have been on the market for certain time has so called brand heritage. Brand heritage is an intangible value of the brand, which has been built over many years of the brands presence on the market. Brand heritage are usually a set of associations connected to the brand, which has its roots in a history of a brand. These associations are linked or better to say represent core value of the brand to the consumer. Sometime consumers may not realize these associations as the first popping up in their minds as the image of the brand may have changed over the time to follow trends and development in the product category, society etc. (some of the brands are more than 100 years old). But the core value of a brand has usually strong associations tights in consumers’ minds even if only indirectly.

The core value inherited and build over the decades is often the strongest association and value of the brand. Consumers tend to be rather conservative and like to avoid risks connected with purchase of unknown products. Brands, which have been around for years and decades, created consumers associations based on their own experience and or direct recommendation. These associations belong among the strongest and the most-trustworthy experiences

Brand heritage is one of the inseparable elements of brand equity. To be able to leverage the benefit of the brand heritage it is important to know when and how the brand first started, what it meant to consumers at that time. Has the perception of the brand changed in meanwhile and how? Brand heritage analysis can generate an important strategic insight in the core values of the brand. No by a chance a whole number of brands have got into trouble by drifting away from their heritage and core value to find out, that returning to it can help to restore the brand to its original strength.

A strong heritage of a brand may be aside from its core traditional values and associations (perceived quality, geographical origin etc.) reflected in

⁵⁸ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, pages 109-110

brand name, brand symbol or slogan. They are the main holders of the associations representing the brand heritage.

Brand heritage is a value that has been build over a long period of time. It connects consumers' perceptions of the brand with its existence on the market, memories of its usage, advertisement and other experiences. Brand heritage is a value that is being built over a long period of time and tends to be long lasting. Brand heritage is ultimately limited to the brand name and some symbols representing the brand.

If a brand becomes a really well established, with high recognition as a result of many exposures and usage experiences, **recognition tends to stay high over long period of time even without or with minimum advertising support**. As one of many examples can be named result of an awareness study made in mid 80ties in USA on blenders. Consumers were asked to recall all brands of blenders, they could. As number two scored GE, which had not been producing blenders since 20 years⁵⁹. Another study compared in 22 categories the brand leader in the USA in the year 1925 and 1985. Amazingly in 19 categories was the market leader same⁶⁰. Table shows an example of few, which have been well -known brands for years on European market.

Table 5: History of Market Leadership

Product category	Market leader 1925	Market leader 1985
Breakfast cereal	Kellogg	Kellogg
Cameras	Kodak	Kodak
Chewing gum	Wrigley	Wrigley
Raiser	Gillette	Gillette
Sewing machine	Singer	Singer
Soft Drink	Coca-cola	Coca-cola
Tea	Lipton	Lipton
Toothpaste	Colgate	Crest*

* Colgate became again market leader on the US market in 1998

Source: Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 70

The implication is that a strong brand name anchored by high brand awareness has created an enormous brand heritage, which can even be translated in **brand asset**. This asset grows over the years as the number of exposures and usage experiences grows. Heritage of a strong brand name creates also huge **competitive advantage**, as even with enormous

⁵⁹ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 70

⁶⁰ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 70

advertising budget and superior well-positioned products or services competitors find it difficult to fight their way into consumers' minds.

Similarly, but in no mean as strongly as brand name, work brand symbols whether visual or acoustic and slogans. If brand symbols or slogan connected to the brand name, they can help to create and maintain awareness.

Symbols involve a visual image, which is much easier to learn and to recall than a word or phrase. Further, there are often creative ways to gain symbol exposure besides using advertising. Symbols are more meaningful if they involve a metaphor, with the symbol or symbol characteristic respecting a functional, emotional or self-expressive benefit. If such a symbol used consequently over years and decades it gains irreplaceable position in consumers' minds. And that's what is the brand heritage all about.

Brand names, symbols and slogans are brand heritage of a high importance thanks to their awareness and consumer associations anchored to them.

It is important to follow these historical tights and core values when developing new positioning strategy. Strategy that goes against brand heritage is very likely to be unsuccessful as consumers are in general very conservative and tend not to do experiments with unknown. Repositioning of a brand or any change in core values needs to be done very cautiously and respect brand heritage. On the other hand building a new positioning around a brand heritage may bring a new potential in brands image and brand equity.

3.1.1.5.1 *Strengths, Capabilities*

Strengths and capabilities are not an element of brand equity, but it is a way, an attitude, how to see and analyse a brand, no matter if own or competitive. Concept of strength and weaknesses is not specifically marketing and brand management procedure. It has wide use in other business areas as strategic planning, finance and others. What make it specific are areas of business that are being analysed.

In the process of brand strategy and position development are the analyses focused on the brand and its equity. The target of the research are analyses elements of brand equity (brand awareness, brand image, perceived quality, brand loyalty and brand heritage) and conclusion, which of them influence brand equity rather positively and which of them rather negatively. Based on this conclusion further strategies and actions may be developed and planned.

There are two types of strengths and weaknesses influencing brand and brand equity. Firstly there are those, which are directly concerning product and brand. The second group of strength and weakness are those that originate from companies structure, organizations or procedures, so called organization strengths and weaknesses. It is important to develop such

strategy that uses all possible strength and minimizes or eliminates threats from the weakness

The process shall start by determining the strength and weakness of current product and brand status. All the elements/assets of brand equity (brand awareness, brand image, perceived quality, and brand loyalty) shall be analyzed to see where improvements are needed and where on the other hand the brand has strengths. It is also vital, especially if the brand is not showing expected performance, to check consumer product satisfaction. It is helpful to compare own strengths and weakness with those of competitors. It is important for differentiation element of positioning strategy where the brands strengths against the direct competitor are. Results of a deep competitor analyses, should be used also when considering strength and weaknesses.

To this point needs to be mentioned, that the desired positioning needs to be seen realistically. As a part of strength and weakness analyses shall be evaluated companies resources, capabilities and priorities. It would be waste of time and resources to develop positioning strategy to find out, that the company does not have production capacity to produce satisfactory amount of products, or enough R&D resources for continues development of new products or financial resources for necessary marketing program to communicate to the target audience intended message. It is important to identify potential weaknesses of the companies organization, production or resources capability, but also sales and distribution areas before the strategy is implemented. It happens all over that after new product launch or media campaign capacity of production is not able to keep up with demand, or distribution is not well developed etc. It is very important to identify and summarize all strength and weaknesses on both brand and organization levels before developing positioning strategy.

3.1.1.6 Relation between brand equity and its elements and positioning strategy

Each of the elements of brand equity generates certain value of a brand and contributes to the creation of brand equity, as an asset for the owner is result of a brand management. Positioning is one of the marketing strategies that are used to strengthen position of a brand on the market and increase the value of a brand. In this context it is necessary to see positioning strategy as an investment project, because strong brand, well targeted with unique differentiating benefit will bring additional value to its owner. In a simple way we may say, that brand equity and its value is a main reason, why brand shall have a clear positioning strategy. Clear and successful positioning on the market is one of the main presumptions to the success of a brand

Brand equity is a complex structure of brands awareness, brand image, loyalty of its consumers, its personality and heritage. Each of these elements

creates and supports brand equity in a different way⁶¹ and each of them has its individual influence on brands positioning.

Brand loyalty represents level of knowledge of the brand by certain target audience. If the brand has a loyal target audience it is worth to evaluate future of this connection and possibly build on it.

Brand awareness, representing certain level of brands knowledge, can also be seen as bases for potential future target audience. On the top of that, brand awareness represents certain level of differentiation of the brand from its competitors. The differentiation point may become base for future product and brand benefit in positioning strategy.

Perceived quality is closely connected with consumer benefit. Some brands managed to leverage perceived quality as a core, direct brand benefit on which is the brand positioning build. Many others (majority of others) use perceived quality as indirect product benefit. They target consumers emotions which have anyway somewhere in the background perceive quality as a base for the emotional enjoyment connected to the brand.

Brand image, set of associations connected to the brand, has very close relation to the positioning of the brand. Brand image has a large influence on consumer's perception of the brand. Target of the positioning strategy and its execution is to create such brand associations and image that support brands wished perception. What in theory may seem relatively easy task, in practice is tremendously complicated, because brand image influences many other aspects like competitive actions, changes in consumer psyche etc.

Brand heritage represents a relationship between the brand and a consumer, which has been build over a long period of time and is very strong and very hard to change. Brand heritage usually represents core brand values to the consumer. With this in mind, marketers shall respect brand heritage, when creating brands positioning strategy and execution. Ideally positioning of a brand should be build around brands heritage – core value. In other words, dress the old good associations and values in a new and modern coat.

Brand equity needs to be managed in short as well as long term with respect to all its elements. The brand equity management system needs to be tailored maid to specific brand depending on its market status, its strengths and weaknesses. Brand equity needs to be managed with respect to the consumers, their needs and wishes. But brand equity needs to be managed also with respect to the competitive market situation.

⁶¹ discussed in this chapter

Creating favorable and unique associations with the brand requires careful analysis of consumers and competition to determine optimal positioning for the brand. In the most basic sense, convincing consumers, that the brand possesses relevant benefits that satisfy their needs and wishes, creates favorable brand associations. Such a positioning is also prerequisite for marketing communication program that would generate necessary brand awareness and create brand loyalty.

“Brand equity is reinforced by marketing actions that consistently convey meaning of the brand to the consumer in terms of what product the brand represents, what core benefits it supplies, what needs it satisfies, and how the brand makes those products superior and which unique brand associations shall be strengthen in the minds of consumers. The most important consideration in reinforcing brands equity is the consistency of marketing support that the brand receives.”⁶² A strategy to manage and build brand equity is positioning of the brand. Brand needs to have specific, unique, from competitors’ differentiated position on the market that is compelling for the consumer from target group. And vice versa, to be able to create powerful positioning strategy for a brand, it is vital to well understand what the brand stands for at the starting point, what consumer’s thing, imagine and associate with the brand, how strong their feelings and beliefs are. And to be able to do that, full brand equity knowledge on on-going basis is necessary.

3.2 Target Consumer

3.2.1 Target Consumer and Positioning Concept

A key positioning objective is to develop such a brand perception that will resonate with consumer’s expectations because of compelling value proposition or because other benefit, that differentiates the brand in consumers mind compare to other competitors. The core of this objective is the consumer and his or her perception of a brand. To be able to create a positioning strategy leading to desired brand perception, we need to understand the consumer. And consumers are different. They are of different age, social class, education, nationality etc, they have different values, preferences and motivations and therefore they are buyers and users of different products and services. Target consumer, as one of the key positioning elements is not just anybody from the mass. Target consumer in positioning concept is possibly homogenous group of consumers interested in similar benefits accommodating certain need or wish. To be able to develop positioning strategy of a brand, it is vital to identify and deeply understand to target consumer.

⁶² Keller, L. K.: Strategic Brand Management, Prentice hall, 1998, page 80

At first we need to identify potential target audience –consumers with similar needs and expectations. Then we also need to learn about consumers motivation for a purchase of a certain product and for a certain brand. It is necessary to understand the purchase decision-making process and the motivations behind. Why the consumer buys certain product, when and why he or she is using it what kind of benefit has or expects to have from the product and from the brand.

People may be very different, may be interested in completely different products or may use the same products for different purposes, at different occasions or at different times. They may expect or enjoy different benefits by using the different product. Consumers and the benefit they expect from products and brands are very closely interconnected (benefit is usually one of the decisive sorting criterion among potential target groups). But in the process of positioning it is useful to separate two from each other. Target consumer needs to be identified. Therefore we need to specify characteristics of him or her to be able to differentiate them from other consumers. We need to know whom we are directly addressing with our offer. In positioning concept is benefit, which is consumer actually buying with purchase of certain product, is the major potential differentiating element versus competitors. It needs to be studied more in depth than is usually common for identification of target audience (target segment). Therefore target consumer and target benefit are two separate, interchangeable and equally important elements of positioning.

Search for target consumer is a long and never-ending process of collecting, evaluating and selecting information about consumers. Based on this information, marketers may decide if the brand may be interesting for the total market or just for part of it. This idea of splitting the market into smaller markets according to different consumer characteristics is not new to marketing since positioning concept has been introduced. It is called segmentation and has been developed over the time, as the consumers' expectations of level of satisfaction and diversity of offered products has been growing.

In 1960ties prevailing trend was mass marketing. Producers did not differentiate their products according to different consumer preferences. In 1970ties markets became more developed, competition tougher and producers started to search for more sales opportunities. They realized that they could gain competitive advantage by offering specialized products for different groups of consumers. They started to research the market and split consumers into different groups according to different criterions – the segmentation became popular. But the development went further and in 1980ties target marketing became so precise that niche markets emerged. Now a day we have one to one marketing, which satisfies individual needs of individual consumers. New products and services are created to satisfy the more specific requirements emerging from newly fragmented markets. As a result of that most markets today are becoming even more fragmented into smaller and smaller segments.

Segmentation is vital for positioning. It is a key tool to identification of target consumer as well as important cue for benefit identification. In this chapter I will refer to segmentation as a tool of target audience and its profile identification.

3.2.2 Segmentation

As already mentioned, people are different. They are interested in purchase of different products as they have different needs and expectations. They are willing to pay different prices for similar products, shop at different places and different types of stores. They use different products for the same purpose or same products for different purpose or under different circumstances. Not all the products address all consumers. To be able to create a product that will attract at least certain part of consumers, it is vital to know the market, to understand the consumer and to be able to identify such a group of consumers that will be interested in purchasing this product or rather this benefit. Because of that, companies develop different marketing strategies to satisfy needs of different consumer groups, so called market segments, they implement in their marketing strategy segmentation and targeting

Segmentation is extremely important element of positioning strategy. Segmentation identifies types of consumers and their profiles. From the positioning point of view it is very important to look into motivations for the purchase that means what kind of benefit or service the consumer expects from the product. Way of usage and occasions of usage usually help to understand them. Different segments may also be reached by different types of media and promotions, which is very important for advertising and communication. There are many product-relevant characteristics according to which segmentation splits consumers into groups (age, sex, income, lifestyle (where and how they live), loyalty to certain product or service, intensity of usage (heavy or light users) or behavior patterns). There are many different criterions, upon which the total market can be divided into groups of consumers with similar expectations and needs. The limit to segmentation is only the imagination of the marketers.

As different consumer groups require different solutions, it is worth to get to know the consumers and segment the market. Market segmentation is dividing up a market into distinct groups that have common needs and will respond similarly to a marketing action⁶³. It is vital to identify, what each segment wants, what it can afford, if it is loyal to particular competitor and how it might respond to new offer. Segmentation helps to address target consumers more effectively. If we do not know, what you are aiming at, we cannot hit the target. Segmentation and targeting allows the marketers to hit the target, focus on it.

⁶³ Belch, G. E., Belch M.A.: Advertising and Promotion: an integrated marketing communications, Irwin 1995, page 133

Segmentation is only possible if based on the relatively large amount of information about consumers and effective and professional evaluation of them. The smaller and homogenous segments we try to find, the more information we need. And this information is not always easy and cheap to find.

On the top of that, we need to know, what to do with the collected information. There is a large amount of information that can be misleadingly interpreted or may even be completely irrelevant for specific purpose. Therefore it is in process of segmentation very important to know what and why to research and how to research.

A creative ways of segmentation are more and more necessary to discover new segments. Some market research companies, media agencies and multinational companies have developed own, new and creative ways of segmentation to overcome hurdle of traditional market research used the same way by competitors. One of the effective ways to discovery new segments is studying of consumer behavior. Knowledge of hierarchy of decision making, purchase and usage process may help to discover important aspects of segmentation

Segmentation is a creative process limited only by marketers' imagination and companies' resources. Segmentation is not a static process. It needs to be periodically repeated, as the markets are dynamic and consumers behavior is changing naturally along with changes in lifestyle, life cycle stage as well as reaction to competitive activity, social milieu development etc.

Criteria of segmentation

Segmentation forces marketers to learn more about the customers. The more marketers segment the market, the more precise they can understand it. But the more market becomes divided, the fewer consumers are in each segment. Thus one of the key decisions is how far should the segmentation process go. Marketers need to consider several aspects of segmentation, to find the right compromise of the segmentation depth.

As already mentioned, there are different types of information - criteria according to which the markets can be segmented. There is unlimited amount and type of information and variable, according to which segment marketer markets. And there are, as a result of research for new unoccupied markets, all the time emerging new ones. But in marketing theory majority of authors recognize five groups of variables of segmentation. Some of these criteria (demographic, geographic) have rather descriptive character, while others, like psychographic and behavior patterns are oriented on consumer preferences, feelings and perceptions. Those are important not just for target audience identification and description, but as well for benefit identification.

- Geographic

In the geographic segmentation, markets are divided into different geographic units. These units may include cities, regions, countries or continents. Consumers sometime may have different buying habits, needs and expectations depending on where they live. Geographic segmentation is used not just because of technical reasons (company may not have resources to operate on whole market, different regulations in different countries etc) so it selects certain area, but also as consumers may differ. There might be parts of large city, where more likely lower income level people live who tent to have different lifestyle, usage and media consumption habits than in other part of the city where the upper class tents to live. This type of segmentation is more likely to be used on the execution level rather than strategic level of planning. Geographic segmentation is more often used for planning of marketing mix. On the level of strategic planning, geographic segmentation is more likely to be used for description and identification of the target segment.

- Demographic

In the demographical segmentation are markets divided into segments on the basis of demographic criteria like age, sex, family size, education, income or social class. Demographic segmentation is one of the most commonly used methods and often results in identifying attractive segments. Firstly consumers with similar demographical variables tent to have similar expectations, preferences and usage habits. Secondly the demographical variables are, compare to other segmentation variables, relatively easy to obtain and evaluate.

But demographic segmentation has its limits. With the growth of market fragmentation and product and service diversity, more in depth knowledge of consumer behavior may be necessary for identifying homogenous segments. Many consumer attitudes and behaviors are not demographically driven and, in many cases, are not even demographically related. Broad demographic segments may include consumers who behave very differently. Therefore the marketer shall involve additional basis for segmentation. Demographical segmentation, similarly to geographical segmentation, is often used as a tool for identification and description of segments.

- Geo-demographic

Geographical and demographical variables are the most commonly used as they are the easiest to collect. Intersection of consumer groups identified by geographical and demographical segmentations may identify consumer groups sharing also common habits in consumption behavior. Therefore soma authors present geo-demographic segmentation as a separate group of variables.

- Psychographic

Dividing the market on the basis of social class, personality and/ or lifestyle is referred to as psychographic segmentation. While it may be discussable whether personality is useful and relevant criteria for segmentation, lifestyle factors belong to the most effective criterion of segmentation.

Determination of lifestyles is usually based on analysis of the activities, interests and opinions of consumers. These lifestyles are then correlated with the consumers' product, brand or media usage. Lifestyles segmentation is being used successfully in many different product categories from food, clothing apparel to car industry.

There exists several standardized psychographic segmentation developed by different marketing research agencies. Among the most commonly used belongs Value and lifestyles program (VALS) developed by Stanford Research Instituted. The VALS segmentation system sorts consumers into eight-part typology based on motivations and demographic characteristics. The typology in VALS is typical for US market. It was proofed, that using this typology blindly on other markets might be misleading⁶⁴. Therefore a number of lifestyle studies are conducted for use in international marketing. Most of them describe typology, and focus on changes in people's lifestyle for use in new product development, new product introduction and brand positioning. They do not describe cultural dimensions.

- Behavior patterns

Dividing consumers into groups according to actual behavior patterns while using particular product or service like regularity of usage, loyalty, occasion of usage, benefit enjoyed from purchase and usage is behaviorist segmentation. There are several commonly used variables of behavior patterns, which can be applied.

- Regularity of usage – this way of segmentation differentiates between heavy users, who use the specific product very often, light user, who use the product less often or intensively and non-users, who do not use the product at all. Regularity of usage may used to indicate different target groups (producer may target heavy users or light users) or it can be just a cue for further research and segmentation of target consumer behavior (for example research of motivations and values - how to motivate light users to become heavy users).
- Loyalty⁶⁵ – loyalty segmentation is based on strength of ties that consumers have to certain brands. Loyalty has five levels from which

⁶⁴ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, Chapter 5

⁶⁵ Loyalty is elaborated in detail in chapter 1.2.1.1.1.

each represents strength between the consumer and a specific brand. The scale goes from the most loyal committed consumers who continuously stick to one brand to switchers who most likely purchase every time different brand mostly depending on price or other promotional advantages. Loyalty may be connected to regularity of usage of specific brand. One of the ways to measure loyalty is to measure repetitive purchase and usage of the brand (not a product or product category, which is usually target of usage segmentation)⁶⁶. To understand consumer behavior, it is useful to study reasons and motivations for certain level of consumer loyalty.

- Benefit segmentation – benefit segmentation is grouping consumers on the basis of attributes that satisfy specific consumer needs. By purchasing products, consumers are generally trying to satisfy needs, wishes or aspirations. That means consumers are actually looking for specific benefits that products may provide to satisfy these needs rather than looking for products. It is important to know, what kind of benefits the product may offer to be able to address the consumer with the right motivation. As these benefits may be very different by different segments, benefit segmentation became one of the most important parts of segmentation process. One of the marketing concepts based on benefit satisfaction is Unique selling proposition (USP). This concept was pioneered already in 1950s by Rosser Reeves and Ted Bates advertising agency and was focused on differentiation of advertising. The idea behind USP concept is that advertising should give consumers compelling reason for product purchase based on distinctive, unique product benefit.

Consumer benefit is a key to positioning. With respect to positioning strategy development, benefit is one of the key elements also for segmentation of the market and identification of target audience. Target audience, as one of the positioning strategy elements, shall be a group of consumers with similar expectations in respect to product benefit. As product benefit is an important marketing category, there has been a lot of research behind it. Next chapter will look in more detail into different types of benefit and their transformation into element of positioning strategy.

- Purchase and usage occasion – the occasions under which are certain products purchased and used may quite a lot differ by different consumer groups. Insight into consumer behavior around purchase and consumption may help to identify new usage opportunities; key decision-making factors in purchase process, but also may help to investigate consumer benefits. There are many different ways, how to research and what to research on consumer behavior around

⁶⁶ Although some Authors (Keller, L. K.: Strategic Brand Management, Prentice hall, 1998) consider this as incorrect and misleading measurement of loyalty as consumers may have other motivations for repetitive purchase than loyalty.

purchase and usage. Most of these methods try to identify values and motivations behind consumer behavior. These studies are usually closely connected with identification of consumer benefit.

Segmentation conclusion

Psychographic and behavior patterns are becoming more and more important segmentation criterions. Based on psychographic and behavior patterns is possible to identify segments, which are homogenous in connection to the brand and product. These segments usually give an opportunity to create an offer that will satisfy customers in this segment in a sense of usage, emotional feelings, personal aspirations etc. Compare to that, segments identified upon common descriptive criterions (related to the type of person or organization), may be in a relationship toward a product or brand very heterogeneous. That means consumers in such a segment may have very different expectations from specific product or brand. Therefore descriptive criterions are more often used for purpose of description of segments identified by behavioral criterions.

In very competitive markets it is hard to find segment with common characteristics and expectations, which is not already occupied. Very high saturation of the developed markets creates pressure on innovations as well as on continues increase of consumer expectations. Markets are changing quite fast and innovative research may effectively discover new emerging segments.

Segmentation is not an easy task. Usually a several criterions from almost all groups are used. Using more variables and criterions helps to concentrate on more particular, tighter market segment. Tighter segment means more relevant offer to the customer, higher customer satisfaction and less waste of resources. From the point of positioning, it is important to concentrate on such criterions that identify consumers with common expectations and preferences and lifestyle, based on which a common benefit may be created. Behavioral segmentation bases are more often most valuable in understanding branding issues because they have clearer strategic implications. Geo-demographic data are usually used as tool for identification and description of such a segment.

3.2.3 Targeting

Segmentation is a first step of identification of target consumer. After it has been determined, which segments are valid and the profile of the target consumers in these segments have been analyzed, it needs to be evaluated, if the segment is attractive for the particular product and brand. Careful analysis should reveal, if and which segment suits the brand and the producer and which segment should be selected and addressed. This

process involves two steps, determining the potential suitable and profitable segments and determining how many of these segment to enter.

The first step is to determine, which segments are worth to be addressed with an offer. That means on which segment or segments shall be the brand targeted. Such segment should fulfill several criteria to be suitable for entry or continues offering.

- The customer base in the segment shall have relatively strong common preferences or expectation as concerns the product and product benefits. The segment **shall be homogeneous** in respect to the expectation of considered product category. On the top of that consumers in such a segment must be possible to identify and to reach. That means, there need to exist common relatively general characteristics which will allow the producer as well as advertising agencies and other subjects involved in execution of marketing mix, to identify them by common characteristics (geographic, demographic, psychographic). This target audience shall also be similarly reachable and responsive to marketing programs.
- It is necessary to consider the **size of the market segment**. Is the segment large enough to be worth the effort and investment? If the target segment is too small, it is likely to be unprofitable, if the segment is too big, it can be expected, that it will attract a lot of competition and may become difficult to compete. Market segment size should also be relevant to the company size. If a small company tries to serve a large market segment, it may fail to generate resources for such a task. It is also useful to consider, if the segment is part of larger international or global market segment.
- To the size of the market is closely related the second aspect of segment evaluation - its profitability. It needs to be considered if the market segment can be serviced with acceptable level of costs (product development, production, distribution, communication). Can there be at the same time achieved price that generates reasonable profit? Again, if the segment is very profitable, it is likely to attract a lot of competitors.
- Another important criterion is the **stage of life cycle**, in which the market segment currently is. Is it a new emerging segment with a growth potential or declining mature market? It is important to estimate not just current market size, but the expected market growth over a longer period of time. The length of period depends upon expected investment in the market segment.
- It is important to **identify all competitors** in the segment. Who are the competitors of my product and brand in a particular segment? Who are the direct and indirect competitors, who are the local and the international competitors, who are the current but also potential future competitors (direct and indirect, local and international).

- It is vital, to conduct detail **analysis of resources**, required to make an attractive offering to a selected segment. It needs to be evaluated, if the company is capable of developing, creating and communicating specific product or service at the particular price to a particular segment. Again, this criterion should be analyzed with respect to the time factor.

The company should have sustainable confidence compare to competition in its ability to serve the selected market segment or segments.

The second step of targeting is to determine, how many of potentially suitable segments shall the company enter and with what strategy. There are generally three different strategies of segmentation and targeting.

- Undifferentiated strategy – it is mass marketing approach that ignores differences among the segments. The whole market is considered to be undifferentiated and the product or brand is targeted to anybody.
- Differentiated strategy – the same product or brand are offered in two or more segments but with differentiated marketing strategy in each of them
- Concentrated strategy – focuses with one product or brand and with completely unique marketing mix to one market segment.

Positioning strategy is in general compatible with differentiated or concentrated strategy. The most suitable from the point of positioning is concentrated strategy. Concentrated strategy presumes uniqueness of the market segment. It is easier to find common and on the top of that unique benefit for a target group. More homogenous this group is more likely is to find one. And this is exactly aim of positioning. On the other hand this strategy limits the size of the market for the brand to just this consumer group.

Differentiated strategy already requires to compromise on elements of positioning strategy as it addresses more than one market segment. The most commonly used is compromise on benefit or brand. The producer may offer the same product under same brand with different benefit to two different market segments. More commonly producers serve different market segments with similar product under different brand with different benefit offer. This attitude limits potential confusion about the brand benefit among the target segments in exchange for higher cost. This attitude requires careful brand management to clearly target and differentiate the brand and to minimize cannibalization.

Undifferentiated strategy in general presumes that all consumers are similar and would buy the same product. In this case, it really does not make sense to try to identify differentiating points for the brand. In reality there are very few, if any, producers, who now a day pursue this strategy. Even so called global brands target their “global product” or rather “global brand” for certain segments, usually the largest ones and adopt at least certain elements of

the marketing strategy on the level of marketing mix to local specifics of the target audience.

3.2.4 How Segmentation Influences Brand

Segmentation is essential for brand positioning strategy but not always easy. There are several difficulties in process of segmentation and targeting. Segments usually do not have sharp boundaries. They are rather blurred as not all buyers of particular brand belong in one segment (do not match target audience profile) and vice versa not all members of a particular segment will buy the brand. The markets are floating. That means customers move from one market segment into another over the time. Therefore it is necessary to review the segmentation status on regular basis. There might exist also loyalty barriers entering certain segments. Some groups of consumers might tend to have high level of loyalty to competitive brand. To enter such a segment successfully would be very difficult and costly.

Segmentation is very widely used marketing tool. Segmentation and targeting are inseparable elements of marketing strategy as they contribute to achievement of company's business results. Benefits from segmentation are largely result of higher consumer satisfaction, which is reflected in product purchase preference. The more is consumer satisfied, the more likely he becomes a loyal consumer with high level of repurchase. These positives are:

- At first it reduces waste of resource. By offering tailored made product with tailored made communication to certain market segment, reduces the waste of financial as well as human resources by concentrating on consumers who want and can afford the product.
- This closer understanding of customers needs helps to protect existing customers' base from competitors and their offers. In a wave of emerging new competitors, company understanding its customers based on continues review of the market segmentation have better chances to retain its customers as their changing needs are in long term satisfied. And loyal consumers are more profitable than new customers.
- As a result of that segmentation helps to boost the profits. It also helps to win new customers and retain the existing ones as careful segmentation helps to find the right customers. As an end effect, right segmentation helps to build the brand equity through improved brand awareness, image and loyalty within the selected segment.
- Segmentation allows more specific definition of the company and marketing targets which may result in more effective allocation of resources

The disadvantage of the segmentations is fragmentation of the market. Markets are smaller and the new product development, production, sales and marketing costs are higher compare to servicing whole mass market. In this situation brand equity and brand image is vital to allow the producer to charge higher prices compare to mass-market products.

Some producers try to partially solve the problem by multiple brand strategies. They serve different market segments with similar or even same product under different brands, which allows them at least partially split the costs among more brands while offering different benefits to different target segments.

Absence of segmentation or sloppy segmentation may lead to waste of resource wrong targeting of product or service may lead to dissatisfaction and even to damage of brand image and brand equity.

3.2.5 International Aspect of Segmentation

When segmenting markets, it should not be forgotten about the international and global aspect. Some markets and market segments are international some are even global. That means that the same or very similar consumer groups can be found in different countries around the world. These markets present new opportunities, but also new competition. Some local brands operate in global markets without realizing it.

With respect to strategic marketing planning, positioning including, it is important to mention international and global dimension of segmentation. It became common, that multinational companies develop majority of the product and brand strategies for international environment. Especially psychographic and behavior patterns variables may show, that there are similar market segments in geographically, but also demographically, very different markets. With growing competitive pressure, it is becoming more and more important, to research for such market segments, to be able to use the economy of scale on production but as well marketing levels. This does not mean that the geographical segmentation in sense of local (national, regional) specialties is not any more important. For many product classes is currently proving to be very effective mix of international brand strategy in sense of brand positioning with local adaptation of marketing mix. To which level the marketing mix can be used internationally, especially in communication and advertising, needs to be carefully evaluated based on segmentation analysis. An example of international segmentation for purpose of positioning strategy development, is showed in further text in Bosch case study

Segmentation is an important tool for identification of target consumer. Result of segmentation process shall be a clear identification and characteristics of target audience, that is compatible with brands' and

companies' short and long term plans. For the purpose of positioning is vital an in depth knowledge of the target audience. The target audience shall have not just common demographic characteristics, but more importantly behavior patterns and psychographics, which are basis for common benefit expectations.

3.2.6 Segmentation and Positioning

The whole concept of marketing is about attraction of the consumer through satisfaction. With growing competition, new and more precise strategies are being developed to address consumers with specific offers. Positioning is based on the brands image creation in the eyes of consumers. But who are these consumers? What they expect from different products and brands? How do these products and brands satisfy them?

Therefore is segmentation one of the vital elements of positioning strategy. Its aim is to identify target audience and find out its common characteristics. Through deep analyses it tries to understand psychology of consumers' behavior that is in any way connected to product purchase or usage.

As a result of this step of positioning strategy development, a clear profile of target consumer shall be drawn. It shall consist of descriptive characteristics, according to which it can be identified (demographic, geographic, psychographic characteristics) and from behavior and psychographic characteristics, which are important for identification of brand benefit. The more information about the consumer segmentation bring, the more likely is that the positioning strategy will be successful.

3.3 Benefit

Positioning concept or strategy is a way, how to manage brands. Positioning is a way to manage brands through consumer satisfaction and differentiation against competitive brands. Each of the four positioning elements has its inseparable proportion on both of these effects. But consumer benefit is often considered as the core of differentiation behind positioning of a brand. For example Jack Trout wrote a whole book on differentiation behind positioning⁶⁷. He considers one of the most effective ways of differentiation, when a brand owns (is perceived by consumers) an attribute, which is simple, and benefit oriented.

Consumers buy products because they bring them certain value or in other word benefit. Benefit of a product is a way of satisfaction of consumers' needs, wishes expectations or even aspirations. Benefit is the main reason, why anybody is willing to pay for any kind and type of product or service. Brand benefit is one of the key elements of the brand positioning, as it is the

⁶⁷ Trout, J, Rivkin, S.: Differentiate or Die: Survival in Our Era of Killer Competition, John Wiley and Sons, Inc., 2000

core of consumers' decision-making process. Benefit is the reason why consumer buys certain product or certain brand. But as many other terms in marketing, there are different concepts of brand benefit. And therefore is extremely important to precisely understand what exactly benefit is.

Brand needs to provide to a consumer such a benefit, which attracts him or her to purchase. Idea of consumer benefit has not arrived in marketing vocabulary with positioning concept. It has been around already for few decades. One of the first concepts that worked with idea of consumer benefit was concept of Unique selling proposition, which introduced Rosser Reeves in 1960 in his book *Reality in Advertising*. Unique Selling Proposition (USP) focused on effective advertising and had three integral parts:

1. Each advertisement must make a proposition to the consumer. Each advertisement must say, what benefit consumer will receive if he or she purchases the advertised product.
2. The proposition must be one that the competition either cannot or does not offer. The proposition must be unique.
3. The proposition must be strong enough to attract millions (attract new consumers)

The concept of USP was generally quite close to concept of positioning although concept of positioning is more complex and strategically oriented compare to USP⁶⁸. The whole problem is that achieving differentiation through unique benefit was much easier in 1960s than it is now a day. There is much more competition in increasingly international and global world of business and it is tougher and smarter competition.

Technical and technological attributes or quality arguments are in majority product categories not any more benefits that could reflect a unique consumer benefit. There are exceptions of brands, which build their brand image on quality and technology, but they in majority of the cases have some additional unique benefit. Product attributes as quality and new technology become an undifferentiated message, which consumers take for granted. Those marketers, who wanted to differentiated their brands and build brand equity needed to search for new unique messages

For example David Aaker says that brand needs to have a value proposition. "A brand value proposition is a statement of the functional, emotional or self-expressive benefits delivered by the brand that provides value to the customer. An effective value proposition should lead to a brand-customer relationship and drive purchase decision"⁶⁹. He means that now-a-day functional benefit of a product is not enough to lead to purchase decision. There needs to be more behind the function of the product. Consumers like

⁶⁸ Positioning unlike USP is a brand strategy that stands above all four P of marketing mix. It is overruling brand strategy. It especially concentrates significantly more on the product (brand) features and on selection and cognition of target consumers

⁶⁹ Aaker, D. A.: *Building Strong Brands*, The Free Press, 1996, page 95

to know more about the brand (and the product behind it); they like to develop emotional relationship with the brand. Such relationship will, possibly not be a onetime purchase (experience), but hopefully develops into consumer sympathy or even loyalty to the brand.

Benefit as understood in positioning concept is anything and everything that consumer perceives on a brand as a value. Values that brand gives to consumer may have different nature.

As brand benefit is so important for the differentiation of a brand for the positioning strategy, it is vital to understand what consumers may or may consider as a benefit and why.

As the benefits are of different nature, there have been identified different types of. The traditional ones are rational usage oriented attributes of the brand. But with growing living standard the values of a brand more and more shift into emotional sphere. Consumers value the fact, that brand can represent a whole lot of social and psychological values. Based on this knowledge, there are commonly researched three types of consumer benefit – functional (also called rational), emotional and self-expressive.

To cope with such a giant task as is identification of consumers' actual and potential benefit and their evaluation, there have been developed different methods of research. And because benefit is so important for positioning strategy, types of benefits and some of the most important methods of their research and analyses will be discussed in further subchapters.

3.3.1 Classification of benefits in temporary marketing practice

- Functional benefit

Functional benefit is a benefit that is directly based on product attribute, which provides rational utility to the customer. It may be technical or technological attribute, it may be quality or durability, it may be quality of connecting service, and it may even be price. But most commonly is functional benefit related directly to certain functional performance of the product or service. (Volvo is a safe and durable car because of its weight and design). Functional benefits, especially those based upon attributes, have direct links to rational customer decisions and usage experience. If a brand can dominate a key functional benefit, it can dominate a category.

Functional benefits may seem very logical. They are the core reason for consumer to purchase the product. But in reality, they may be very tricky especially as they very often fail to differentiate, can be easily copied, assume a rational decision-maker, can reduce strategic flexibility, and inhibit brand extensions. There are several ways how to overcome these limitations of rational benefits, but each of them requires connection of such functional benefit to additional quality or attribute. Most commonly is such an additional product attribute immaterial, emotional.

- Emotional benefit

Emotional benefit is about consumers' emotions and feelings. We talk about emotional benefit when the purchase or usage of a particular brand gives the consumer positive feeling, enjoyment. As number of offered products in every product category is growing and consumers are less and less able and willing to consider full scale of rational benefits, consumers base their purchase decision on emotions and feelings. Producers are therefore trying to differentiate their products and brands by appealing on non-rational psyche of consumers. It became especially important on so call "homogeneous" markets with consumer goods. Marketers are searching for benefits, which would satisfy consumers' emotional needs as feelings (self-confidence, independence, adventure, belonging to certain social group) and emotions (love, passion, freedom, excitement etc.). As a base for emotional benefit is being used life-style segmentation. It tries to grasp different behavior patterns of different consumer groups to detect emotions and feelings that are there to be satisfied⁷⁰.

Emotional benefits are becoming more and more important. These emotional benefits, sometime in connection with rational, sometime just on their own, are for many brands the core of differentiation and consumer benefit. Emotional benefits add richness and depth to the experience of owning or using the brand.

Emotional benefits are intangible. They address emotions and feelings of people, something difficult to describe and specify. Therefore it is very important to base association of brand with emotions or feeling of certain target group on good and extend market research. There are methods, which focus on consumers psyche and try to identify feelings and emotions, motivations and values that are engaged when purchasing and using the brand⁷¹.

Most strong brands have both functional and emotional benefits. In such a case functional benefits are connected to corresponding feeling or set of feelings. Emotional benefit derived from functional benefit may be very different from the original rational value and can very effectively differentiate the brand from otherwise homogenous clutter of similar products.

⁷⁰ More in detail this topic in chapter Segmentation and Targeting

⁷¹ Some of them are mentioned further in this chapter

- Self- Expressive benefit

Self-expressive benefit is a special type of emotional benefit closely connected with consumer personality or in majority of the cases inspirational personality. In today's media governed world, majority of people like to associate themselves with their role models. Wearing certain clothes and perfumes, eating certain foods etc. same as their role models do, makes people feel much more alike them. Brands may become symbols of a person's self-concept. A brand can thus provide a self-expressive benefit by providing a way for a person to communicate his or her own self-image. Everybody has different roles in lives and brands may become symbols of these life roles. Purchase or usage of a brand is a way how to fulfill personal need for self-expression.

Sometime there is close relationship between emotional and self-expressive benefits. The difference between the two, however, may be important. Self-expressive benefit is not about the feeling but about the expression of who the user is. It represents usually belonging to certain group of people. The act of using the product is important with self-expressive benefit. Self-expressive benefit closely relates to specific life-style segment. It may assure for the brand very good targeting and responsiveness from the target consumer, but at the same time limitation of potential addressing consumers from other segments.

3.3.2 Methods of Benefit Identification

Majority of marketers' searches for differentiating ideas in connection with functional (rational) and emotional world of consumers. Products and brands do not fulfill the needs any more only through its attributes but as well through the feeling, emotions and self-realization that the product (brand) offers.

Traditional methods of market research are usually oriented on search for and analyses of functional (rational) benefits. Typical are quantitative and qualitative methods which concentrate on collection of information from different sources involved in the process of purchase and usage of a product. These methods are by quantitative purely by qualitative partially based on collection and mathematical and statistical procession of collected information. By these methods is usually important source and amount of collected information. There are several methods that can be used to collect such information:

- Collecting information and ideas from consumers. There are different quantitative and qualitative methods of market research questioning which try to identify hidden feelings and emotions about products and brands. Among qualitative belong among others individual discussions or discussions in focus groups. To qualitative belongs for

example diary method. But there is whole spectrum of different options, which may be combined depending on the product and circumstances of the information needed. This way of cooperation with consumers can help to create new ideas of product usage, new needs and emotions, which can be incorporated in unique concepts... To know consumer's attitudes and feelings including those evoked during such market research discussions are very important. It is important to remember, that there might be difference in what consumer says and what he in reality does. It is because many activities are done subconsciously and it may be difficult to answer questions about them, unless the consumer is confronted or prompted with such a situation.

- Collecting information from trade partners. There are many important factors that influence purchase decision, which may be influenced at the point of sale and which have vital impact on brand image and brand perception. It is important to try to understand the motivations and circumstances under which consumers make or change their purchase decision. Trade partners may be very helpful source of information.
- Collection of information from specialists close to consumer. Specialists, who have good knowledge of the product and may have great influence on the consumers, purchase decision, shape many markets. For example hair stylists recommend to their clients hair care products, doctors or pharmacist influence patients choice of a drug and so on. It is very important to know and expect future opinion of these specialists to be able to offer the best solutions and through them influence the consumer's purchase. The methods of collecting information are similar as by consumer.

As was said benefit is anything that consumer perceives on a brand as a value. But consumers value in increasing extends intangible attributes of brands and products. Spectrum of what can be perceived as a value, e.g. benefit is really wide. It would be huge mistake to concentrate only on material attributes of product or usage oriented benefits. Scale of what everything can be a benefit is extremely wide. To find out more about benefits it is necessary to research in depth human behavior and human thinking. It is necessary to study and possibly understand the process of human thinking, cognition and decision-making. This need leads to development of different methods and theories of market research, which are closely connected with philosophy, psychology, sociology categories and concepts.

These concepts go into the psychology of the consumer and are closely connected with market segmentation. Marketers search for so called "lifestyle market segments", for consumers with similarities in their psyche. There are many ways, how consumers may be addressed through emotional benefits, but the major presumption of this is identification and very good knowledge of the target segments. To achieve this, many corporations and

market researchers have started a close cooperation with psychologist and sociologists to develop new ways of market research and its application into marketing practice. Although some authors (for example Kreikamp and Nöthel⁷²) mention, that emotional benefits are slowly getting into the same un-differentiated trap as functional benefits base on product attributes and quality, practice shows that smart combination of functional and emotional benefits still lead to successful positioning strategy.

To be able to find the right benefits, it is necessary to understand consumer behavior before, during and even more importantly after purchase. It is necessary to understand what feelings, moods, and even values are addressed by purchase of certain brand. What the brand means to consumer and what consumer expects from it (functionally as well as emotionally). To be able to do that marketers closely cooperate with sociologists and psychologist, who help them to understand consumer behavior. To identify and understand consumer needs and the process of their satisfaction, there have been developed many models and concepts of consumer behavior or purchase decision-making. Most of them are based on psychological methods of understanding consumer motivations, perception, attitudes and values. Those, which are most commonly named in marketing literature and used in practice, will be shortly discussed in the following subchapter as they are vital for underlying research of positioning element – benefit. They try to understand what influences and creates consumer perception of a brand.

- Perceptions

Perception is central to marketing and especially positioning as positioning is a consumer perception of a brand in comparison to its competitors. But perception is not only important marketing concept but is also a part of a theory explaining a process of human thinking. Concept of perception arises from philosophy. Perception is bases for human thinking. Perception is process by which each individual selects, organizes and evaluates stimuli from external environment to provide meaningful experiences for him⁷³.

For the process of human thinking is on the one hand decisive perception, process of receipt of stimulus from external environment and its procession, and on the other placement of the perceptions in the inner memory and its recall in the moment of its necessity. The process of thinking is continues process of comparison of perceptions with our inner picture of the world created in our inner memory. For our thinking is decisive not only what we perceive but also what we have perceived and placed in our memory in the past. That means that the world is not perceived the same way by everyone,

⁷² Kreilkamp, E., Nöthel, T.: Zielgruppenfragmentierung durch Szene-Positionierung, Positionierung, Kernentscheidung des Marketings, Verlag THEXIS St. Gallen 1996

⁷³ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 47

as each of us compares new perceptions with in memory existing experiences, expectations, aims and interests.

Perception is base for our thinking as perception is process by which each individual selects, organizes and evaluates stimuli from external environment to provide meaningful experiences for himself⁷⁴. Perceptions mean that people concentrate on certain external stimuli while others stay unnoticed. People are selective while perceiving the external world. Which stimulus is perceived and which not depends on large scale of circumstances, but mostly on the inner picture of the world placed in memory of each individual. That is the reason, why different people may perceive different stimuli differently or not at all. This is the vital information for marketing. Different consumers may perceive the same information differently and the reason for that is in the nature of human thinking.

Which stimuli are perceived and which not, which of the perceived stimuli are placed in active memory and which not depends on many different factors. The strength and novelty of the perception is important, but also associations with in memory already existing experience, fantasy, motivations and emotions.

One of the marketing concepts of consumer perception based on philosophical understanding of perception elaborated Marieke de Mooij in her book „Global Marketing and Advertising“⁷⁵. She tries to show, that the base for perception and creation of human inner picture of the world is a system of personal values based on the cultural experience of each person. She explains why people living in different countries have different culture and how this culture from birth on influences creation of personal value structure. Personal value structure is one of the major factors influencing perceptions of consumers⁷⁶.

Perceptions are learned and culturally determined. System of personal values, which is interconnected with culture, functions as a navigation system in our learning process in which we create our needs, experiences, associations, motivations. Our value system acts as a filter that leads us to distort, block or even create what we want to see, hear and sense. We perceive what we want to perceive and what we have learned to perceive. This concept is extremely important for marketing and positioning as it tries to explain process of consumer perception development

In marketing theory and practice perception play extremely important role. In marketing understanding perception is a picture of a brand in consumer's mind. Perception is a sum of consumers associations connected to the brand.⁷⁷ To influence perception it is necessary to cognize consumer value

⁷⁴ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 47

⁷⁵ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998

⁷⁶ This theory more in depth elaborated in sub-chapter values

⁷⁷ More on Association in the chapter Brand

system that influences consumer's attitudes, motivations, desires and emotions. All these categories influence consumer associations connected to the brand, which create perception of the brand.

- Values

Central to consumer decision making process are individual values. To values might be sometimes mistakenly referred as to synonyms of benefit. But values are much deeper human attributes compare to the benefit expected from a product or a brand. But values may be understood as an important determinant of consumer perception and decision making process.

A value is a preference for one mode of behavior over another mode of behavior⁷⁸. Values have cognitive, emotional and behavioral components. Values are integrated in organized system in which they are prioritized in respect to other values. This organized system of vales can serve as standards that guide our choices, beliefs, attitudes and actions. Values they describe in absolute manner what people in general think the world ought to be.

It is important to mention that values are learned in early age and it is very hard if impossible to change their system in the course of life of each individual. There is assumed, that a total number of values a person posses is relatively small. People around the globe possess the same values, but what differs individual by individual is their importance and position in hierarchy of the value system. According to Marieke de Mooji determining for individual value system is culture⁷⁹.

People living in different countries and different societies have different culture. This culture influences from their birth on creation of their value system. Value system, as was already mentioned previously is important determinant of human thinking process as it influences perception.

For marketing and brand management application is important to differentiate between values referring to people and values referring to objects. People learn values in early age and they are integral part of their self. Objects have also their values, which are created by consumer perceptions and they may or may not be of similar nature as by people. Applied to branding, a brand is a strong brand if peoples' value matches those of the brand. Branding means adding such values to the brand that correspond to consumers' values.

⁷⁸ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 95

⁷⁹ There are several value studies, which try to identify the main value and their importance in different cultures. One of the oldest is used for marketing purposes is Rokeach's list of terminal and instrumental values. Terminal values describe the end state of existence and instrumental are motivators to reach this end state. He identified 18 of each of these values (for more reference see Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 97). But there are also other classifications of values as List Of Values, which are more and more commonly used as a part of consumer behavior research.

Values play important role in consumer behavior because they influence choice. The importance of individual value in decision-making process depends on its position in the consumers' value system. Values provide consumers with standards for making comparisons among alternatives. Consumers' value system can be divided into three groups⁸⁰:

- Central values: the core values of the individuals' value system
- Domain-specific values: values acquired in specific situations or domain of activities as
- Object (product) - specific values: evaluation of product attributes

In purchase decision-making process are for selection of specific product or brand decisive the product specific values, which evaluate brands attributes. The values of interest are product-specific values applied to product categories or specific brands⁸¹. These values help to create association network that distinguishes the brand from its competitors in the category and thus helps to build strong positions. In this concept values of the product, that match consumers' values (product-specific values), help to create an association's network that translates into product benefit and distinguishes the brand from its competitors.

Mooji⁸² links product benefit and attributes with values with help of Value Structure Map (VSM). VSM connects a structure of consumers associations (based on values) with a brand at three levels: attributes, benefits and values. Product attributes can be physical or abstract and product benefits can be functional or psychological (emotional or self expressive) consequences of products attributes. The Value Structure Map can than show, how different associations that people make based on the product attributes translate into different benefits and these benefits reflect different values. This model tries to explain consumer behavior through consumer value system.

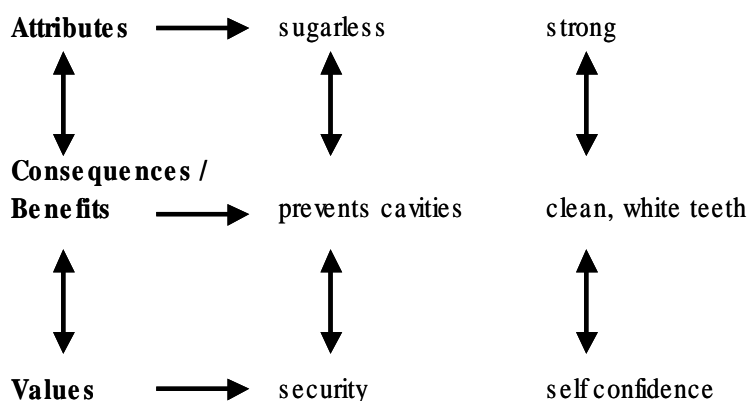
⁸⁰ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 116

⁸¹ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 116

⁸² Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998

Figure 6: Three Levels of Associations

Example : Toothpaste



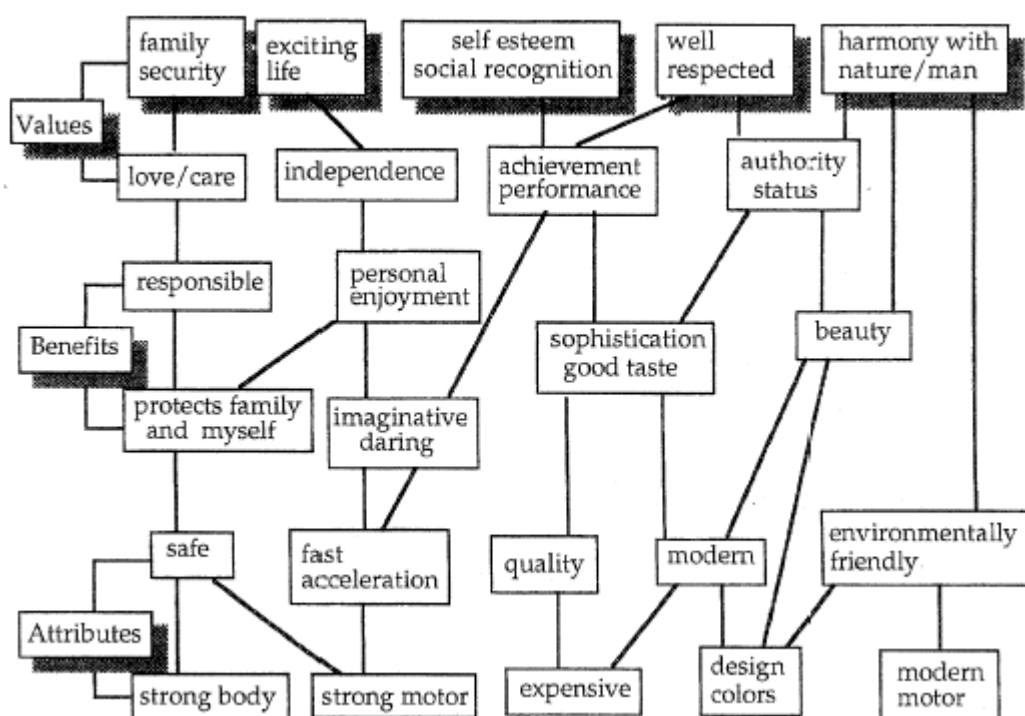
Source: de Mooij, M.: Global Marketing and Advertising, page 118

Different routes can be followed depending on the target group, value system in different cultures, on diverse competition. It is possible to select one route for connecting attributes and benefits (attaching attributes and benefit to the products) with the same values in different countries that share the addressed value and its position in value hierarchy⁸³.

This theory has high importance in international environment. Mooji shows that in international environment the product attributes may be the same but they will translate into different values depending on the culture determined value system in different countries. With this explanation this system indirectly tries to explain possibility of development of internationally applicable brand positioning (attributes and benefit of the product or brand are internationally the same but they are addressing different values in different cultures.) but differentiated marketing mix.

⁸³ The problem with this model is, that it is difficult to identify the values and the organization of these values that have different cultures (nations) similar and where they differ. Mooji tries to explain, that different nations, although very close ones (within western Europe), share the same values, but their hierarchy and therefore their importance for purchase decision making process) may differ significantly

Figure 7: Value Structure Map for BMW - Hypothetical



Source: de Mooij, M.: Global Marketing and Advertising, page 119

Similar model called “means-end chain model”⁸⁴, but not as elaborated, mentions David Aaker. This model suggests that it is not enough to search for attractive attributes of the brand, but it is necessary to interpret them into consumer benefit, which reflects personal values. Assuming that the concept of personal values (such as security, self-esteem) represents the desired end-state, product attributes (such as strong flavor) translated into consumer benefit (as save money, to be trendy) address these personal values.

Personal value system drives and determines social attitudes and behavior and therefore is its cognition so important for marketers. They are the core of consumer behavior, which drives conscious, but more importantly also subconscious decision and purchase behaviors. A value is a specific, single believe which drives and determines action, attitudes and judgments. Cognition of value system is also important as it has influence on other determinants of consumer thinking, perception and decision making process.

⁸⁴ Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, page 145

- Attitudes

Another in marketing heavily studied concept in consumer behavior is based on attitudes. Unlike values, attitudes may change over the time. An attitude is an organization of several beliefs focused on a specific object or situation. A value is an enduring standard an attitude is not a standard as it is object or situation oriented⁸⁵. Another perspective describes attitudes as a “summary construct that represents an individuals’ overall feeling toward or evaluation of an object”⁸⁶.

Consumers hold attitudes toward variety of objects that are important to marketers as product categories, brands, companies, advertising etc. Attitudes are important because they theoretically summarize consumer’s evaluation of an object and represent positive or negative feeling and behavior tendencies. Although many different factors may influence consumer behavior, there is a substantial evidence of research that supports the assumption, of a relationship between attitudes and behavior. There even exist a method, that studies and measures attitudes relevant to branding, which is called multi-attribute attitude model.

A multi-attribute attitude model views an object, product or brand, as possessing a number of attributes that provide the bases on which consumers form their attitudes. According to this model, consumers associate specific brand with certain attributes, which have their level of importance in the hierarchy of all attributes attached to the brand. Using this approach an attitude toward a particular brand can be expressed by following formula:

$$A_B = \sum_{i=1}^n B_i \times E_i$$

Where A_B = attitude toward a brand

B_i = beliefs about the brand’s performance on attribute i

E_i = importance attached to attribute i

N = number of attributes

Consumers usually have number of different attitudes. Market research methods have been developed to identify these attributes and their importance (weight) in the attribute hierarchy attached to the brand or product or product category. As by any other model and market research

⁸⁵ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 117

⁸⁶ Belch, G. E., Belch M.A.: Advertising and Promotion: an integrated marketing communications, Irwin 1995, page 111

method, the results are never black and white, they may be interpreted in different ways and may even be misleading. But the multi-attribute method is one of commonly used methods, although in practice usually not in the perfect mathematical form.

- Motivations

One of the most common used concepts of consumer behavior is based on motivation. Motivation studies try to identify factors that compel a consumer to take a particular action. They try to understand what drives consumer purchase decision and why. Motivations are a limited set of fundamental, motivating factors, which are the primary determinants of the human value system.⁸⁷

Motivation drives consumer decision-making process; therefore it is vital for the marketers to understand consumer motivation. One of the most popular approaches to understand consumer motivations is based on the classic theory of human motivation popularized many years ago by psychologist Abraham Maslow – Maslow's hierarchy of needs. The theory of hierarchy may not be applied explicitly as in majority of markets the lower levels of needs are fulfilled. But majority of marketers often sell products that often fill basic psychological needs by appealing to consumers higher level needs. (Pepsi Cola fills the need to quench the thirst, but appeals to consumers by esteem and self-actualization needs by promoting young spirit of independence.) Maslow's hierarchy of needs offers a framework for marketers. On this framework they can determine, what needs is the marketed brand satisfying and what motivation factors lead the consumer to its purchase. There can also be different market segments that emphasize different levels of needs. Based on these needs, brand benefit shall be determined.

Another approach to the study of consumer motivation is the psychoanalytic theory arising from Sigmund Freud. Psychoanalytic theory is dealing with structure and development of personality and the underlying motivations of human being. In marketing it has been applied in studying of consumer behavior, especially deeply rooted motives underlying purchase decision.

Motivation research (market research) based on psychoanalytic theory uses a variety of methodologies to gain insight into the underlying cause of consumer behavior. There can be use direct or indirect approaches of qualitative market research in which consumers are encouraged to bring out associations related to products and brands. Direct methods employed include focus groups, in-depth interviews in which are consumers asked questions leading to their meaning about the product or brand. Indirect

⁸⁷ Mooji, M. K. de.: Global marketing and Advertising, Understanding Cultural Paradoxes Saga Publications, Inc., 1998, page 145

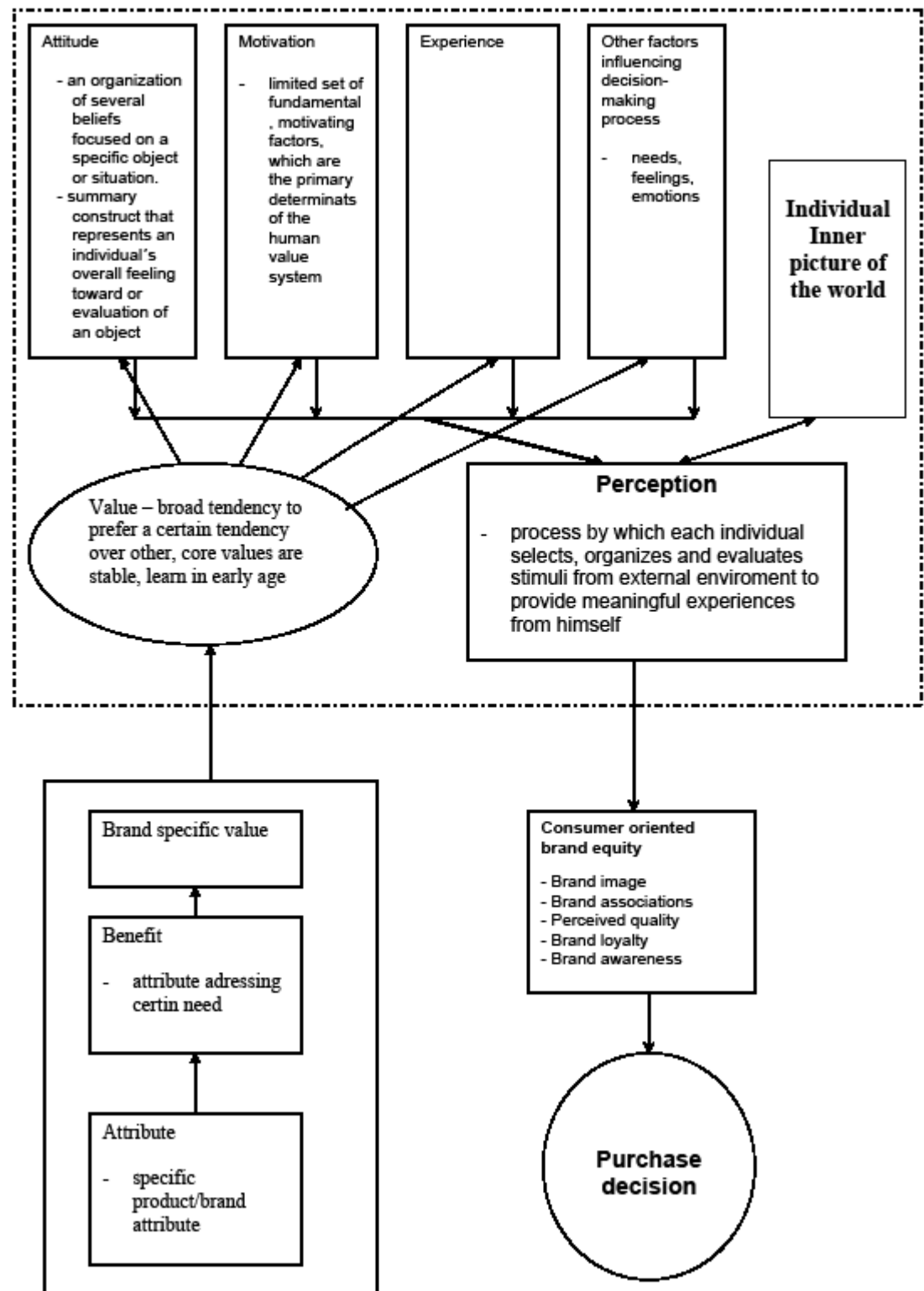
methods are not concentrated directly on the brand or product but the discussion leads more in the direction of usage experience, decision process or imagination methods such as considering the brand to be a person or animal. The indirect approach is often useful as the respondents may be unwilling or unable to reveal feeling thoughts and attitudes when asked direct questions.

Psychoanalytic method with its all-different tools has, as any other methods, its weaknesses. Its major problem is that it usually uses a small sample of consumers to prove statistical validity of the results. But still the motivations are considered one of the most important factors determining consumer decision-making. Therefore motivations should be deeply studied and analyzed when preparing a positioning strategy of a brand.

3.3.3 Conclusion

Brand benefit is one of the four core elements of positioning, but some authors may consider it as the most important one. Brand benefit is a base for brand differentiation and for consumer satisfaction. Brand benefit represents consumer perception of a brand. But as was previously elaborated, consumer perception is relatively complex concept, which has its philosophical and psychological aspects. The following chart tries to reflect process of perception respecting both, psychological as well as marketing point of view.

Figure 8: Influencers in Decision-making process



Consumer perception of a product or brand is influenced by consumers' psyche, which can, in certain level by influence by external impacts. Core to the human thinking and decision-making is perception and its enduring comparison with inner picture of the world. Process of perception is influenced by different factors of consumer psyche. These are in the first place values (central value system of each individual). But there are also other factors influencing human perception as motivations, attitudes, experience, emotions and others. These factors are partially influenced by central value system, as values are central to our thinking and decision-making and fixed in the course of our live. Other factors are changing throughout our live.

There are also external impacts influencing consumer psyche and perception. In marketing concept are the most impacts of consumer psyche product attributes translated into consumer benefit. Consumer benefit reflects each of us in certain value, which either does or does not reflect our central values.

This concept considers consumer benefit as an important transmitter between brand specific attributes and by consumer perceived brand value. Benefit is product relevant and represents certain product attributes translated in consumer mind in certain brand specific values. Based on these brand specific values, consumer perceives the brand. Perception of a brand is in consumer mind translated into consumer-specific picture of a brand, which may be called consumer oriented brand equity (mix of brand image, brand loyalty, brand awareness etc.)

This model simplifies the reality in high extend, but helps to realize the complexity of human thinking in the process of brand perception. It shows the large scale of factors that are important not only for purchase decision-making process, but also most importantly for perception of a brand. As that is a central issue of marketing and specially of positioning strategy. It shows which factors are important to study when trying to understand creation of brand perception in consumers mind.

But benefit has not only task of creating positive consumer oriented perception, but also a unique perception. Brands in one product category differ by usage attributes, quality, price, design, usage and many other characteristics. All of them act as brand specific attributes that may be reflected in benefit. Which of them are important decision making factors depends on consumers psyche. On the top of that it is necessary that benefit, reflecting selected attributes represents a differentiating idea for the brand. Consumers must perceive this differentiating idea as unique.

Jack Trout and Steve Rivkin summarize in his book "Differentiate or die"⁸⁸ four roles of successful differentiating message (consumer benefit).

⁸⁸ Trout, J, Rivkin, S.: Differentiate or Die: Survival in Our Era of Killer Competition, John Wiley and Sons, Inc., 2000

- The message has to make sense in context of the category. The message shall reflect perceptual strengths and weaknesses of own brand as well as the competitors and development of the category market
- Message needs to be unique. This uniqueness does not have to be product related
- The brand must have credentials to support the benefit (differentiating idea). Claims of differentiation without proof or certain brand continuity will not be accepted by consumer
- Benefit must be fully communicated. Every aspect of communication (not just advertising) shall reflect the benefit in a same message and differentiated idea. Communication is a weapon that creates brand associations leading to brand perception. "Better products do not win, Better perceptions tends to be winners"⁸⁹

It is not an easy task to find a unique, differentiating benefit that will find a response by consumers. There are many strong and smart competitors on all category markets. As a result of that, consumers are becoming more demanding in respect of their expectation satisfaction but at the same time less capable of orientation among all possible offers on the market.

A brand benefit for positioning strategy shall be selected with respect to three dimensions that need to be respected:

- Brand benefit needs to correlate with brand core values, as consumers perceive them. Many studies have proved that consumers are very conservative when it gets to brand perception. It is very hard to change consumer's perception of a brand.
- Brand benefit shall correlate with high consumer preference. Benefit search is closely connected to segmentation. Selected target group shall share common expectations on solution of their need or problem. The benefit should take in account not just the consumer need itself but also the decision making process of the consumers. Therefore it is advisable to try to understand as much as possible about consumer psyche (values, motivation, and attitudes).
- Brand benefit needs to be unique. It must differentiate the brand from its competitors. It must represent the USP or value proposition, which puts the brand clearly aside from all its competitors.

In general these three dimensions connect benefit with other positioning elements, brand and its core value, target audience and competition. None

⁸⁹ Trout, J, Rivkin, S.: Differentiate or Die: Survival in Our Era of Killer Competition, John Wiley and Sons, Inc., 2000, page 69

of these three elements may be neglected otherwise the whole brand strategy will be jeopardized.

3.4 Competition

If a brand was isolated from all the effects of other elements on the market, marketers would have much easier life. But there are other competitors on the market, who also try to influence consumers' decision-making process. And what more, they also try to develop new products, new brands and new strategies to address consumers needs more effectively. Market is very dynamic environment, which needs to be continuously researched and analyzed to understand and anticipate not just consumer needs, but as well competitive activities, plans and strategies.

The aim of positioning is to create a unique perception of the brand in consumers' minds. In positioning we search for a concept in which brand is attractive for the consumer as it satisfies his or her needs and it satisfies these needs in other way, more precisely or simply better than any other brand. This concept differentiates the brand it from its competitors.

Positioning is in a way strategy of differentiation. In a process of creating differentiation, we are searching for unique consumer benefit, for unique selling proposition. This unique benefit or selling proposition (no matter if addressed only to certain segments or total market) must differentiate from those offered by competitors. Presumption of such differentiation is very precise knowledge of consumer as well as competitors. It is necessary to understand, how consumer perceives all major competitors. As the whole concept of positioning is about consumer, also big part of competitive analyses is about consumers. We shall analyze not only what and how competitors do and may do in future, but we shall try to understand how consumer perceive competitive brand and its products, who are consumers of different competitive products, why they purchase and use different competitive products. Only such analyses can help us to compete successfully against these brands.

Target of this chapter is not to give an explanation on the competitive analyses. The target is to depict the important aspects of competitive analyses that should not be forgotten when working on positioning strategy. All areas of competitive analyses and knowledge are very similar to self-analyses, which very mentioned in previous text. Therefore this chapter will tend to be more compendious compare to previous chapters

Competition is one of the four key elements of positioning strategy. Competition is a reference frame for brands position on the market. Brands' unique positioning needs to differentiate the brand from its competitors, otherwise it is not unique. To be able to achieve that, it is vital to know competitors in a great detail. We need to analyse their market position, their strategy and potential future action, but importantly, we need to understand how the consumers perceive competitive brands and products to be able to differentiate ourselves. The knowledge about the main competitors should

possibly be as deep as the knowledge about own brand as the key positioning elements concerns.

Competitive analyses shall concentrate (among others) on identification of relevant competitors and their market situation (market share, sales, distribution channels and intensity, prices, product development, marketing support, its quality, quantity and affectivity and other standard information about competition) on identification of brands equity and market position (consumer perception of each brand) and the on identification of competitor's strengths and weaknesses. It is good to bear in the mind, that we analyze current situation on the market, but based on this information we shall be able to estimate future development.

3.4.1 Direct competitors and internal information system

Competitive analyses, as any other part of market research, have many different options. There are many standard and non-standard research methods, which lead to identification and analyses of the main competitors.

As the main direct competitors, who are continuously in long-run monitored and analyzed are usually considered products in similar product category, which are from the consumer point of view used for similar purpose. But as already mentioned these borders may not all the time easy to set.

There are several basic indicators, which are commonly used for identification of direct competitors:

- Product category based on usage (toothpaste, dishwashers, soft drink) – these categories may be differently bright, depending on purpose of analyses.
- Market share of individual producers. This indicator is measured within certain product category and shows size and strength of each competitor in this category. Market size can be measured either in volume (measured in pieces, tons, liters etc) or in value measured in monetary unites (local currency, US dollars etc.)
- Price is an important indicator for analyzing competitors' strategy. In some product categories products in very different price segments may even not be considered to be direct competitors
- Density and quality of distribution of competitive products in retail, wholesale etc, depending on nature of the product. For some products there may be different distribution ways and therefore they shall all be considered.
- Consumer knowledge of competitive product – brand awareness
- Media communication - ways of communications, budgets spend on communication, affectivity of communication etc.
- Brand image and associations

Majority of these indicators are usually used, when identifying and monitoring direct competitors. They can be used in different form and

extend, depending on accessibility and of course financial resources of the company. Important is to monitor these data in long run and keep their comparability. That means the monitored indicators shall be done with regular periodicity (monthly, quarterly etc.) and the monitored data shall all the time be the same (when comparing market share, monitor all the time the same category, when comparing market share and media spending, compare the data for the same period etc)

To be able to collect and use all this information effectively it is vital to create internal information system, that distributes all available information in easy to access and understand form to all potentially interested employees. With help of such information system it shall be the entire time possible relatively easy monitor competitive environment and register any changes or newly arising threats.

For any company, that intends to build a brand is collection of competitive market information vital. There are many sources of information, but there is generally a rule the more detail and useful information, the more expensive it is. But as Philip Kotler says: "Collection of competitive information is expensive, but none collecting of it is even more expensive"⁹⁰. The risk of developing a brand strategy, that will fail is way too high to neglect thorough analyses of market and competitive environment before developing brands strategy.

The competitive frame of reference – the core competitors against whom shall be the brand differentiated in and positioned shall be continuously revised. In current very dynamic markets may change the market position of certain brand, new brands may occur and place an important position on the market. All this needs to be in time considered when developing and tracking brand positioning.

3.4.2 Deeper analyses of direct competitors

Internal information system (competitive monitoring) is a long term, continues collection of elementary information about competition. Its depth usually depends on the financial resources, which can be allocated to this monitoring. As it has been mentioned previously, this systems monitors market shares, prices distribution, media activity and sometime certain consumer indicators (like repurchase...). But for strategic purposes like positioning strategy development is necessary to go in much more depth. The aim of such analyses is to understand who consumers of the competitive brands are, what consumer perceptions of competitive brand are, what competitive brand equity is and what motivates consumers to purchase competitive brands.

⁹⁰ Kotler, P.: Marketing management, analýza, plánování, realizace a kontrola, Victoria Publishing, 1997, page 248

Competitors shall be subject of analyses similar to analyses of own brand, which have been discussed in previous chapters. Research shall be focused on the same categories as research of own brand, brand analyses researching brand equity, consumer analyses identifying target consumer and analyses of perceived benefit. Each of these research “elements” of competitive brand has many similarities to research of own brand. Some features of brand equity, brand benefit and consumer perceptions are often researched in one study together with own brand as it saves time and financial resources and insures comparability of the results. In some research studies may penetrate research of all brand equity with consumer brand perception, in other segmentation with consumer perceptions (consumer benefit, but also some aspects of brand equity). In other word, in practice the research may not be done specifically done for every brand separately and for every positioning element separately. But that is very important to identify in the process of analyses each of these elements for each of the brands.

Analyses of competitive brand and product should result in clear picture of the brand equity (brand image and associations, perceived quality, loyalty, brand awareness, brand heritage), specific target consumer and consumer perceived benefit. Every marketer shall know who consumers of the main competitors are. Therefore competitive analyses should clarify which market segments are being addressed by each of the brands and why. Brand benefit of main competitors should be deeply analyzed to be able to differentiate own brand.

3.4.3 Analyses of competitive product and brand

To be able to develop positioning strategy it is vital to know competitors brand image and brand position. An elementary knowledge for creating a brand positioning is determination of consumer perception of directly competing brands, especially with respect to brand image, brand personality, brand -customer relationship and benefit provided. Knowing how competitors are perceived is a key to developing a differentiating point for the brand, to finding its unique market position.

To understand competitive brand we shall know well the product as well as the brand. Knowing product means, that we shall thoroughly investigate quality of the product. All details of product quality, like used materials, production technology, physical qualities like measures, weight etc of the product, size and quality of packaging etc. All of these may be important decision-making factors for consumers. Therefore all about the product, its quality, its production, packaging and even way of distribution should be closely examined and in long term monitored

Knowing the brand means understanding brand equity and consumer perception of competitive brands. For this purpose we should go through similar analyses process as by examination of own brand equity. We should understand brand loyalty, brand awareness, perceived quality, brand

association and image, brand heritage of the main competitors. As a result of these analyses, together with consideration of competitors' strengths and weaknesses we shall be able to understand brand equity and brand value of the main competitors. It is vital to stress that all the mentioned categories need to be seen from the point of view of the consumer.

Process of competitive brand equity analyses is similar to the one of own brand analyses discussed in chapter 1.5. Very commonly are used same methods and sources of information. In same research studies can be to collected information on own brand as well as competitive brands. Such market research procedure will ensure that the collected data will be comparable in time and quality. This aspect of market research needs to carefully controlled, as data collected from different sources may very often by incomparable and mislead the whole research process. For effective work with data is very important already mentioned consistent internal information system which helps effectively organize collection and storage of market research data.

As a result of the competitive analyses, we shall create clear picture of major competitive brands – understand their product quality and features as well as their brand equity with all its elements (brand awareness, brand loyalty, brand image, perceived quality, brand heritage, strength and weaknesses) as perceived by consumers.

Same as with competitive market situation, it is important to consider not only the current images of competition but also past and possible future changes in these images. An examination of the reasons for such changes may provide useful information about the competitive environment.

3.4.4 Analyses of consumers of competitive brand

An integral part of competitive analyses is identification of target consumer of main competitors. Consumer analyses differ a slightly from those pursued for the purpose of own brand positioning strategy development. In this case we do not need to analyze the whole population and try to find out if it splits into certain segments with reflect to purchase and usage of certain product, and how to characterize them. The aim is to find out if there exist a typical buyer of each competitive brand, and if yes, than who these buyers are and what segment they belong into. If competitors do successfully target certain market segments, it is useful to look at this segment closer.

In the first step, we shall identify characteristics of this segment. Who are the consumers? What are common geographic, demographic, psychographic characteristic of these consumers. Do they belong to any life style segment and if yes to which. What are behavior patterns in connection with purchase and usage of competitive product? What are the major differentiates in consumers behavior compare to consumers of own brand.

These are probably the major question, which are to be answered when analyzing competitor's consumers. Again the scale and extend of available information depends on the investment, that the company is able to make. Very often consumer insight research studies are conducted together for own brand and competition. They usually cover not only identification of the segments and their description, but they often go deeper into the psyche of the consumer. They may contain value studies, motivations studies or other research methods, which help to analyze also consumer perception of the brand benefit.

Knowledge of competitive brands consumers gives important input into differentiating strategy. It tells us who buys competitive brand. Are they the same consumers or not. With which brand do we fight over the same consumer and whose consumers come from different segment? Are the segments rather stable and clear or are the borders among them blurred? It also helps to partially understand consumer behavior and helps us to see the market as a combination of segments and brands. It is important prerequisite for picturing the market as a positioning map.

The picture of the consumer behavior is even better if the monitoring runs continuously in long run or repetitive. It can give an idea of how difficult it will be to gain these consumers or to keep own consumers. It shows, how is the segmentation changing over the time, are the segments stable, d they change in size or characteristics.

3.4.5 Analyses of perceived consumer benefit of competitors

Core of positioning is a consumer benefit. Consumer benefit, brand value proposition, should be the differentiating, unique concept of the brand Consumer benefit satisfies consumer's needs and wishes and at the same time differentiates the brand from competitors

Key brand benefit is what motivates consumer to purchase and use one specific brand rather than any other brand. Perceived consumer benefit is what consumers told they want from a brand. It is vital to distinguish competitive product benefit from a product attribute or product feature. The product feature is what the product does for the customer. Benefit is usually closely connected to the usage or effect of the product feature. Benefit is the value, that consumer receives from purchase or usage of the brand (people do not buy grass seed to do the work of seeding them in the garden, they buy perception of beautiful lawn, people do not buy shampoo because they want to wash their hair, but because they want to have clean, shine, full etc hair). People buy the benefit not the feature.

As already mentioned in previous chapters, there are different types of consumer benefit divided according to their material or emotional nature. Very often emotional and self expressive benefit is the key to product differentiation and customer satisfaction.

Competitive benefit is usually researched with help of consumer questioning studies. There are many different methods of direct and indirect questioning. Direct questioning of individuals or in focus groups can answer many questions about motivation, purchase and usage that help to understand competitive brands benefit for consumer. But not all direct questions consumer want or can answer. Therefore it is good to combine direct questioning with some of the indirect methods focus on usage experience, decision making process or abstract imagination (consumer try to connect brand associations with any other associations – imagine brand as a person, as an animal, description of certain situations connected to product or brand etc..)

But knowing a competitive brand benefit is not really enough for strategic planning like positioning. To be able to learn what and why consumers really want and why they consider some benefit as the most tempting it is necessary to study different factors influencing consumer perceptions and decision-making process.

While analyzing different factors influencing consumer perceptions and decision making process and searching for potential options for own brand consumer benefit, marketers should learn about the main values, motivations and perceptions different consumer groups have. When analyzing competitive benefit, we shall use this result and try to understand, what from these motivations, attitudes and values stands behind competitors brands benefit offer.

Such knowledge can help us to evaluate, how strong consumers' rights toward each competitive brand are. And that further can help to evaluate, if certain value proposition can consumers address stronger than current benefits of competitor

3.4.6

3.4.7 Competition and Positioning

The aim of competitive analyses is to identify main competitors and to understand their positioning on the market. If we understand who the consumers of competitive brand are, how they perceive as competitors brand equity and brand benefit we also understand competitors position on the market. We shall try to personify typical consumers of main competitors. It is useful to try to formulate positioning statement of the main competitors to be able to compare it with own positioning statement. And that is the important starting point for brand positioning strategy development. Knowing competitors position on the market is the presumption for developing differentiating concept of the brand, addressing different market segment or offering different product benefit. This is one of the fur main elements of positioning strategy.

3.5 Positioning Statement

Positioning is a strategy that builds and brand equity. The core of positioning is consumer perception of the brand, of the competition and of the whole market. Positioning is extremely broad concept. There are many categories that influence positioning of a brand on the market. These categories were described and thoroughly analyzed step-by-step in previous chapters. For better overview, the following chart shows the most important categories and their interdependence in the process of brand positioning creation.

To be able to develop a long-term, effective positioning strategy, it is vital to base it on objective market research, not just on the beliefs of the company's marketing managers. And that is why so much emphasis was put on the research of all four elements of the positioning in the previous chapters.

But how to use the enormous amount of information collected in research to create brands positioning strategy? Positioning of a brand should answer four basic questions about the market and the brand:

- How does consumer perceive the brand?
- Who are the consumers, whom is the brand targeting
- What does the brand deliver (should deliver) to the target consumer? What does the marketer want consumers to believe and think that they are getting from purchasing and using the brand? In other words what is the ideal consumer perception of the brand benefit?
- Who does the brand compete with and what is the positioning on the market of the competitive brands. Or more precisely, who does consumer (target segment) consider to be competitor for the brand and how is perceived market positioning of these competitive brands?

These four questions define four elements of positioning by answering them we are developing positioning of a brand. Based on the research, the most important and relevant points of each element must be depicted. Interpretation of analyzes should answer the question concerning threats and opportunities considering each of the positioning elements, distance between current situation of the positioning elements and the ideal result. Positioning of the brand must be realistic to achieve in all four elements on all levels of management.

- How consumers perceived the brand?

To find out future ideal positioning for a brand assumes, that I know and understand the current status of the brand, its perceived brand equity and brand image, its personality. It is important to know the perception not just of the general consumer, but the perception of the target group, to be able to identify current weaknesses and strength of the brand and suggest future positing.

It is very important to differentiate and compare where the brand image stands today and where it is intended to be moved in the future. D. Aaker differentiates these terms very apt, when saying: "Brand image reflects current perception of a brand. Brand identity and brand position are more aspirational, reflecting perceptions that the strategists want to have associated with the brand"⁹¹. Therefore it is very useful to compare current brand image with the brand identity that shall be achieved.

At this stage we need to transfer all research information into clear picture of the brand as perceived by consumers, ideally target consumers. From the positioning point of view has extreme importance brand image. It is set of associations, which subconsciously emerges in consumers mind in any contact to the brand. There are often many of them, but only the most important and relevant associations for the brand and product purchase and usage need to be selected. Example of this process you can find in the second part of this work, in the Bosch home appliance case study.

Brand image is also influenced by brand perceived quality and brand heritage. These two important elements of brand equity are sometime considered a part of brand image as they affect consumers' perception of the brand. Sometime brand image together with brand heritage and perceived quality are call likeability of a brand.

Brand image/likeability is indirectly influenced by other two elements of brand equity, brand loyalty and brand awareness. Strength of brand image/likeability depends on the knowledge of the brand. That is described by brand awareness. The higher brand awareness the more relevant and important is current brand image. Similar statement can be valid for loyalty. The higher loyalty within certain segment the stronger is brand image and likeability. The stronger brand image the more carefully needs to be considered any potential change in it.

Brand image/ brand likeability needs to contain few (2-3) major (strongest) perceived associations about the brand among the target group. There are many methods how to measure brand associations and how to assess as close picture of a brand to the reality as possible. Some of them try to get beyond understanding of associations; others are trying to personalize the brand – what the brand would be if it was a person, an animal, a car, a book etc. Whatever method used, result should be a clear, brief and understandable description a current brand image.

- Who are the consumers, to whom is the brand targeting?

People are different. They do different jobs, read different books and watch different TV programs, have different hobbies and eat different meals. And therefore different market segments require different solution. In the process

⁹¹Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, p. 180

of market segmentation and targeting, we can analyze the market; identify different target segments in certain product categories. These segments differ in product bought, price, size, location etc. In the process of targeting we are making decision which of the segments the best matches the brands image, as we want it to be perceived in the future. Such a target segment should be identified, which respond positively to the offer, will be able to afford the offer and possibly will be loyal.

To be able to position a brand, we need to know to whom we are addressing the offer, which is the target consumer. The practise showed, that it is very important to get to know the target consumer very well and if possible create, based on this knowledge, detail profile of him/her that goes beyond social-demographics description.

Based on the profile, target audience must be possible to identify by different entities involved in the process of development and most importantly also implementation of the positioning strategy. For that reason, very often marketers try to personalize the target consumer. If such personification done based on the specific market research, that it is very valuable piece of information in the positioning statement.

Personification, similarly as by brand image specification, helps to create clear, brief and unambiguous picture of target consumer. Description of a target consumer is a core element of positioning and a part of positioning statement, personification should help to prevent misunderstandings in positioning statement interpretation and implementation.

- What does the brand deliver (should deliver) to the target consumer?
What is the ideal consumer perception of the brand benefit?

Brand benefit is the core of positioning. It is the differentiating idea behind positioning, which makes the brand unique in the mind of the target consumer.

We need to identify such a benefit, by some authors also call unique selling proposition (USP), that the targeted consumer considers as important and which will at the same time differentiate the brand from competitors. To do so, we need to deeply analyse all problems, needs and wishes of the target group to identify relevant and at the same time differentiating benefits.

Different types of benefits and methods of their identification have been deeply discussed in the chapter 1.5.3. Research can discover different potential benefits, but not all of them might be suitable for every brand and every product. There are three important standpoints, which all need to be considered when making decision on the optimal benefit of a brand as a part of strategic planning of brand equity.

The benefit must be consumer relevant. Such a benefit should be desired, trustworthy and unique from the point of the **target** consumer. It is important to consider not a general consumer, but a target consumer. As was already

stressed before, consumers differ significantly in their preferences. Different segments prefer different solutions for the same situation. The same product may provide entirely different benefit to two consumers from two different target groups.

Benefit must be unique. Target consumer must perceive benefit, in other words also unique selling proposition, uniquely. Benefit must differentiate the brand from its competitors, otherwise it cannot help to establish or strengthen brand image and brand equity.

Benefit must be in correlation with brands core values, with its current image. For many brands, brand image has a long history. Consumers, and again I have to stress that we talk about **target** consumers, have certain associations about the brand in their minds. These associations are not conscious, but they are sub-conscious. They are deposited deep in consumers mind at it is very difficult, sometime almost impossible to change them completely. That is the reason, why brand benefit (USP) should be based on current brand image.

When ideal benefit found, it should also be formulated into short, brief and descriptive USP. USP is a part of positioning statement and its clear formulation helps to avoid potential misleading interpretations on the implementation level.

- Who does the brand compete with and what is the positioning on the market of the competitive brands?

Unique selling proposition and unique positioning of the brand requires differentiation the brand from competitors. To be able to achieve that, it is vital to know as much about competitors as possible. We need to analyse their market position, their strategy and potential future action, but importantly, we need to understand how the consumers perceive competitive brands and products to be able to differentiate ourselves.

Competitive analyses give us not only competitive frame for the purpose of the market orientation, but they give us vital information when making decision on targeting and developing USP. Good knowledge of competition, the major competitor's brands image and positioning is vital for decision making through out the whole positioning development process.

A helpful tool in assessing and comparing competitive brands, their perceived benefits and market position is a perceptual map. Perceptual map can visually show competitive environment on the market. It may help to visualize competitors' market position defined in specific variables and recognize areas of stronger or weaker competitive pressure. It may show competitive cluster as well as potential unoccupied areas of the market. When using perception maps, it is vital to select carefully variables of the map, which are relevant to the target consumers.

Positioning statement

There is a large amount of information that is being collected and analyzed for the purpose of development of brand positioning. To avoid confusion from all this information or misleading or blurred interpretation strategic planners tend to formulate a short and specific positioning statement that specifies brand and product, its target consumer, benefit for the consumer and relevant competitive reference⁹².

Positioning statement should be short, if possible one sentence, expression of positioning containing specification of four positioning elements - branded product, target consumer, consumer benefit (USP) and differentiating competitive reference point. Positioning statement helps to achieve a summary of all analyses done in the process of positioning development. It helps in orientation what is the aim of all the analyses preceding formulation of each positioning element. Example of the positioning statement and how it may in reality be created is in the second part of this work, in the Bosch home appliances case study.

Positioning statement also helps to avoid misleading interpretation of positioning strategy in course of its implementation. It also helps to control uniqueness of brand positioning strategy. If the branded product in the positioning statement can be substituted with competitive product and the statement is close to the consumer's perception of that brand, the positioning is not unique and will not lead to development of strong brand equity.

Positioning statement is a definition of a positioning strategy for a specific brand. It is a result of deep and broad analyses. Positioning statement – s brand positioning strategy is a part of strategic brand, marketing and company planning and as such requires its formulation the highest attention from all levels of managers.

Example of the whole process of positioning development including market research, its analyses and interpretation and positioning statement how it may be realized in reality shows the second part of this work. It describes in a case study the whole process of positioning development and positioning statement formulation for Bosch home appliances.

⁹² Example of positioning statement which arouse from deep brand analyze of Bosch home appliances in the case study in second part of this work "Bosch home appliances are premium, high quality, usage oriented home appliances, which offer to sociables (family oriented with sense of responsibility and quality consciousness) convenience and user friendliness through superior technical and technological quality for enhanced quality of life."

4 Bosch Case Study - Characteristics of the Company

4.1.1

4.2 *Aim of the study*

Bosch is a traditional German brand of technical products ranging from home appliances through automobile parts to industrial electronic systems. In the home appliance market it is one of the leading brands globally and the market leader in Europe⁹³. Despite this relative strength, its absolute market position is not particularly strong. Value market share of 9,3% Europe wide indicates that the market is quite fragmented and there is still large potential for market share and sales growth. But significant changes on long established markets are only possible with solid plans and sound strategies, based on brand equity building. This was one of the reasons why the mother company Robert Bosch GmbH. carried out a brand image and brand equity study in June 2001. The result showed significant weaknesses in brand image and inter-related deficit in brand equity.

The home appliances division, based on these facts decided to develop a new strategic brand plan aiming at improving the brand image across Western Europe and, if successful, in other European as well as non-European countries. One of the major pillars of such strategy is clear positioning of the brand relevant to the market and target consumers.

Formulation of positioning, or positioning statement for Bosch home appliances required an in depth study of market situation, consumer trends, needs and perceptions as well as of internal company resources.

The company collects a relatively large amount of information from internal as well as external sources, which are mainly market research studies focused on different areas of the market and the brands. However, the information comes from different incompatible sources and there is so far no internal information system to unify all the information. Thus, it was necessary to analyse it, compare in international context and summarize it in a transparent and understandable fashion. Only then it could be used as bases for the formulation of the positioning statement. This task was fulfilled during the course of the year 2002 with an additional aim to develop a unique communication strategy for Western Europe based on this positioning statement.

The following case study, which describes the development of the positioning statement for Bosch home appliances, tries to follow a logical and chronological sequence of the steps necessary in this process. It starts with history and background of the company and its competitors, continues

⁹³ GFK study of value market share in 10 Western European countries

with initial market and brand situation analyses and the analyses of the positioning elements and concludes with the formulation of the positioning statement.

4.2.1

4.3 History and Development

Bosh household appliances are produced, marketed and sold by BSH Bosch und Siemens Hausgeräte GmbH (further BSH or BSHG) and represents divisions of these two corporations concentrating purely on production, marketing and sales of home appliances, while the full range of activities of the parent companies is much wider. Two major traditional German producers Siemens AG and Robert Bosch GmbH have founded the company in 1967 as a joint venture, each of them owning 50% share in the company. At that time the company had three production locations in Germany, producing 3 brands of home appliances – Bosch, Siemens and Constructa. Majority of the business was focused on its home market with some export activities around Europe and total yearly turn over of 0,51 Billion Euro.







Since then, the company has gone a long way in development, enlargement and internationalisation and it became one of the leading world manufacturers of home appliances. The international expansion of the company has started in 1976 with its entry into Greek home appliances company Pitsos, which included an acquisition of the production site in Greece. In 1982, BSH took over a German competition brand Neff. In 1988, BSH expanded to the Spanish market by acquiring a local producer Balay and gained three local brands Balay, LYNX and Superset at once.




The last decade of the 20th century was the time of a major international expansion of the company. In 1990 BSH had 13 manufacturing sites in 3 countries in which home appliances of 5 brands were produced and yearly turnover of 3,3 billion EUR was achieved. In 2002 BSH already had 40 factories in 15 countries around the world (Germany, Greece, Spain, Slovenia, France, China, Brazil, Mexico, Turkey, USA, Peru, Poland, Russia, Slovakia, Thailand). It was managing 2 main worldwide brands (Siemens and Bosch), 5 specialized brands for clearly defined target group (Constructa, Gaggenau, Neff, Thermador, and Ufesa) and 8 regional brands focused on their home markets (Balay, Coldex, Continental, Lynx, Metalfrio, Pitsos, Profilo, Superset) and achieving 6,1 billion EUR turnover⁹⁴.

The table 6 shows a survey of the international expansion and acquisitions step by step and illustrates its acceleration since 1990.

Table 6: International Expansion and Acquisitions of BSH

⁹⁴ BSH internal sources

1967	<p>Foundation of BSH Bosch und Siemens Hausgeräte GmbH</p> <p>as a joint venture between Robert Bosch GmbH and Siemens AG</p> <p>Factories: Berlin, Giengen, Traunreut (Germany)</p>	
1976	<p>Investment in Pitsos A.E., Athens (Greece), today BSP A.B.E.</p> <p>Further factories: Dillingen (Germany), Athens (Greece)</p>	
1982	<p>Takeover of the Neff brand, re-launch as Neff GmbH, Munich</p> <p>Further factory: Bretten (Germany)</p>	
1988/1989	<p>Investment in Balay, S.A., Zaragoza</p> <p>Acquisition of Safel, S.A., Pamplona (Spain)</p> <p>Further factories: Estella, Pamplona, Santander, Zaragoza (Spain)</p>	
1993	<p>Takeover of small household appliances factory, MGA Mali Gospodinski Aparati d.o.o., Nazarje (Slovenia)</p>	
1994	<p>Founding of BSW Household Appliances Co., Ltd., as a joint venture between BSH and</p> <p>Wuxi Little Swan Group; Manufacturing and sales of washing machines in Wuxi (China)</p> <p>Acquisition of Gaggenau Hausgeräte GmbH (Germany)</p> <p>Acquisition of voting capital in Brazilian household appliance manufacturer</p> <p>Continental 2001 S / A, São Paulo (Brazil), today BSH Continental Eletrodomésticos Ltda.</p> <p>Further factories: Mexico City (Mexico), Recife, São Paulo (Brazil), Wuxi (China)</p>	
1995	<p>Acquisition of majority holding in PEG Profilo Elektrikli Gereçler Sanayii A.S. Istanbul (Turkey)</p> <p>Further factory: Çerkezköy (Turkey)</p>	

1996	<p>Founding of BSY Cooling Appliances Co., Ltd., today Anhui BSH Cooling Appliances Co., Ltd.;</p> <p>Manufacturing and sales of refrigeration appliances in Chuzhou (China)</p> <p>Acquisition of majority holding in Peruvian household appliance manufacturer Coldex, S.A., Lima (Peru)</p> <p>Further factories: Chuzhou (China), Lima (Peru), Bad Neustadt (Germany)</p>	
1997	<p>Construction of BSH Home Appliances Ltd. Partnership, New Bern (USA),</p> <p>Today BSH Home Appliances Corporation, Huntington Beach / New Bern (USA)</p> <p>Further factory: New Bern (USA)</p>	
1998	<p>Takeover of US cooking appliance manufacturer Thermador, Huntington Beach (USA)</p> <p>Founding of BSH and Fedders International Air Conditioning, S.A., Estella (Spain);</p> <p>Production of air conditioning equipment</p> <p>Takeover of BSH Küçük Ev Aletleri Sanayi, A.S., Istanbul (Turkey)</p> <p>Takeover of EDS Electronics, Drives and Systems, Regensburg / Michalovce</p> <p>Takeover of Ufesa, manufacturer of small household appliances (Spain)</p> <p>Further factories: Łódź (Poland), Chernogolovka (Russia), Michalovce (Slovakia), Vitoria (Spain),</p> <p>Echarri-Aranaz (Spain), La Follette (USA), Vernon (USA)</p>	 
2001	<p>Founding of BHST Washing Appliances Ltd., Kabinburi (Thailand), as a joint venture between BSH and the Hitachi-Group</p>	
2002	<p>Factory opening: Kabinburi (Thailand)</p> <p>Laying the foundation stone for the washing machine factory in New Bern (USA)</p>	

Source: BSH internal sources

As a traditional German producer, BSH held in 2001 market leadership in its home market with a value market share of 35% (consolidated for all its brands) as well as market leadership on the European market with value market share of 17%. It was the fourth largest manufacturer of home appliances worldwide with volume market share of 5,5% (chart 1).⁹⁵

To achieve and sustain this position, BSH puts emphases on two major areas of its business - continuous innovation assuring high technical and technological standard of its products and development of strong portfolio of highly focused brands. This is also stressed by the Chairman of the Board in the vision of the company “we want to be benchmark for our sector. As one of the major players in the global home appliances sector, BSH wants to continue with its above-average growth. To do this, we must remain pacesetters within the sector, constantly providing new impetus in the marketplace with innovative products. This is how we will shape tomorrow’s markets – and create value for our customers and shareholders⁹⁶.”

4.4 Innovations, Core of the BSH Product Strategy

BSH focuses on development of innovative products whose advantages expand beyond the basic product benefits expected in the market place, thus offering the consumer significant added value. Proactive orientation toward customer benefit and accurate targeting of customer’s expectations in terms of value and product advantages enables BSH to create and enter new and profitable market segments. This strategy has allowed BSH to place many of its brands to the premium price segments and lead to significant market share increases.

Product innovation is in BSH one of the top priorities, as it enables to raise the profile of the company and its brands above the average compared to its competitors. And even if the fact is hardly entrenched in the public consciousness, today’s home appliances sector is without doubts a high-tech industry. BSH tries to lay the crucial differentiation feature not in the field of production but in the technological lead. But the innovations without greater consumer benefit would not bring any commercial success. Therefore BSH tries to ensure that the new developments offer its customers added value in terms of efficacy, convenience and user-friendliness⁹⁷.

⁹⁵ BSH internal sources

⁹⁶ BSH Group Annual report 2001

⁹⁷ There are examples of innovation in almost every product group, which now a days brings BSH brands among the top technological home appliances. In the food storage offers BSH refrigerators with unique antibacterial system. The interior coated with special AgION antibacterial agent, based on natural silver, acts as a lasting barrier against the growth of bacteria and mould and ensures that food stays fresher for longer time. Sensor technology is an innovation used across different product groups. Its application in dishwashers called **OptoSensor**[®] ensures that even the most precious items such as extremely delicate glassware will always come up sparklingly clean and safe, thanks to automatic regulation of water hardness. Glass ceramic hobs equipped with a frying sensor automatically

Completely new area of innovative ideas within home appliances sector is the internet-capable networked home appliances, which was launched in the market in the second half of the year of 2002. The range of products turns the vision of the intelligent house into reality. Under the name [Smart@Home](#) BSH offers the possibility to communicate and control wide range of home appliances. It enables the user to start a washing machine or to find out operating status of the cooker via the Net or even a mobile phone.

But innovation is now a day not just in technology. Customers demand considerably more design and material innovation in home appliance. It is necessary to present products with innovative design as for example the line of small home appliance designed for Siemens brand by F.A. Porsche. The claim that design and material is what consumer appreciates is valid in the build-in-appliances sector even more than anywhere else.

As indicated, technological development is vital for the industry and its range is very wide as all of the competitors come every year with new innovations. To be able to keep pace with this development, the company needs to have strong business base to be able to finance this continuous research and development as well as the global network of competence, which enables it to raise the “intelligence level” of appliances across the borders. Wide portfolio of product groups as well as brands allows the company to maintain and finance such extensive R&D program

4.5 Corporate Brand Strategy

BSH has a wide base for technologically innovative, top quality products with outstanding design. But there are many other manufacturers on the market, who try to address consumers with similarly wide variety of high quality products. It is becoming almost impossible to be familiar with all of them, their more or less special features, new designs and materials. Increasingly cluttered market leads to disorientation of the consumer, who looks for orientation points that would indicate the values of the products and that would help them to make their purchasing decision.

One of the most important decision bases is a more and more becoming brand name. Brands create their profiles, their identity and image to differentiate the product from any other on the market. This differentiation is achieved through addressing specific needs of certain target groups in a distinct way than competitors. And the home appliances market is not an exception. Therefore BSH established a wide brand portfolio, through which

control the cooking process according to individually preselected settings, which makes constant checking and adjusting of the cooking process unnecessary.

it tries to utilize all company's resources and address the widest possible range of target groups and major segments through different brands.

BSH is currently managing a portfolio of total 15 brands of home appliances, which are in way direct competitors. But each of these brands is focused on different geographical market or different target group or consumer needs.

Only two major brands Bosch and Siemens are marketed internationally, exploiting high technological and design know-how to set or follow international trends. Each of them is meant to be focused on different target group and benefits, building different brand image. Bosch, with many years of tradition and German origin behind it, stands for reliable and durable products oriented on usage features of the appliances. Siemens name has stood for more than 150 years for innovation, pioneering technology and top quality design. Siemens home appliances stand today not just for quality and reliability, but also for outstanding design and innovative technology. Siemens home appliances have gained series of design awards what helps to shape Siemens brand image as a leader in the innovative design segment. Bosch as well as Siemens offers the whole range of the large appliances and consumer products, but since last two years each of the brands stresses its focus on different product category to minimize cannibalisation between the brands. Bosch, traditionally stronger in cooling and recently in dishwashing focuses on usage-oriented innovations in these areas, while Siemens with its high technology and design promotes in the first place cooking and washing/drying appliance, which are more suitable for its image.

The five following, so called specialised brands, focus on smaller, more specialised target segments differentiating upon particular demands in terms of convenience, user friendliness, technology, and design as well as specific price and product segments. For example Neff brand focuses on innovations in cooking and build in appliances. It is also marketed only selectively on the markets, where these features are of the higher demand. Gaggenau stands for luxury brand, being BSH's special high-end brand.

With international expansion BSH has acquired 8 different local or regional brands, which focus on the specific needs and traditional usage patterns in the original and neighbouring countries. Marketing products under these brand names enables to pay specific attention to specific regional requirements, for example typical cooking methods, while keeping in these markets clear internationally valid image of the two major brands Bosch and Siemens.

4.6 Structure, organization

The need of efficient utilisation of resources requires common product management for all brands. The Product Management functions is divided

according to product groups and is responsible for research of new trends and potential consumer needs in the technical sense, new product ideas development, and verification of their market relevance and based on selected ideas new product development. It is also oversees production and product marketing, that means development of product and price strategies for its product category.

Brand Management is responsible for the second major task, brand strategy development. It is also in charge of brand portfolio management, communication strategy, product design and special joint project as for example [smart@home](#).

The main responsibility of the brand marketing is to identify relevant market- and target segments, brand portfolio management through brand positioning and its corresponding communication. It designs and conducts general market research, analyses the outcomes and develops brand strategies. In the area of development of positioning for each brand the brand management closely cooperates with product management, which is an important source of product and price related information.

Optimally, brand management creates a brand strategy based on its market analyses. According to this strategy product management sets up product portfolio for each of the brands and national markets (relevant to the category and consumer habits on the market) and the pricing. As the product portfolio varies depending on different market habits in the countries, product managers identify important technical features and sometime connect them with certain themes. These shall be key messages communicated to the consumer in a certain country and product category. This package resp. part of the marketing mix, is presented to the brand communication department, which shall implement it in the communication strategy.

Based on the brand strategy created by the brand management and product and price package created by product management, brand communication department develops communication strategy. These departments are separate for the two major brands, Bosch and Siemens, and all other brands. As this process indicates, close co-operation is necessary as the marketing mix development is split among more departments, brand communication, product management of all product categories, brand communication and sales department responsible for trade marketing and distribution.

As already mentioned previously, BSH has wide global presence. It manages its business in majority of the countries through its own branches or affiliates, which directly reporting to the company's headquarters in Munich. All countries have also a marketing department, which is responsible for brand portfolio management and communication strategy. All countries also have product management departments for individual product categories, which are responsible for local product and price strategy.

Brand strategy of the major brands shall in the national markets follow the guidelines for individual brands set by the headquarters in Munich, but the

execution is relatively loose. This leads in many cases not just to cost inefficiency but also to differentiated brand image and position on relatively similar markets. In case of the two major brands Bosch and Siemens, which are meant to be international brands, an attempt was made recently to develop a unique positioning strategy, which would help to build common brand equity for these two brands in international scale. International positioning strategy development for Bosch is the main topic of this work.

4.7 Summary

Bosch und Siemens Hausgeräte (BSH) is an international company, which manages large portfolio of brands of home appliances. Majority of them are regional and national brands, but there are 4 major brands with international presence – Bosch, Siemens, Neff, and Gaggenau.

BSH belongs to the most successful producers on the market. Its long-term-strategy is based on technical and technological improvements and on multi-brand strategy, which targets different groups of consumers with different brands and through them different products.

BSH has relatively complicated management structure, which is targeted to the highest possible effectiveness of development and production of products. From the point of marketing execution and marketing strategy implementation is the structure partially limited, as to implement marketing strategy it requires close cooperation of several relatively independent departments.

Despite some hardships, BSH is a strong international company, which has all presumptions to be able to develop and successfully implement marketing brand strategy

5 Bosch Case Study - Initial situation analyses

5.1 Characteristics of Home appliance market

5.1.1 General description of the market

Home appliances market, as many other consumer goods markets, can be characterized by severe competition accompanied by diminishing differentiation of the products, vicious price pressure and increasing consumer expectations in terms of functional quality, innovation and design.

Typical for the market is growing power of the retailers in the purchasing process and their growing influence on the final consumer decision.

Home appliances market can be divided into two major segments, small and large appliances, where the large appliances represent the majority of the market (large appliances account for about 85% of global sales⁹⁸). The large appliances business is further divided according to function into cooling, cooking, washing and drying, and dishwashing. From these categories cooking is the most varied has with gas and electricity cookers, ovens, microwave ovens, hot air ovens etc.

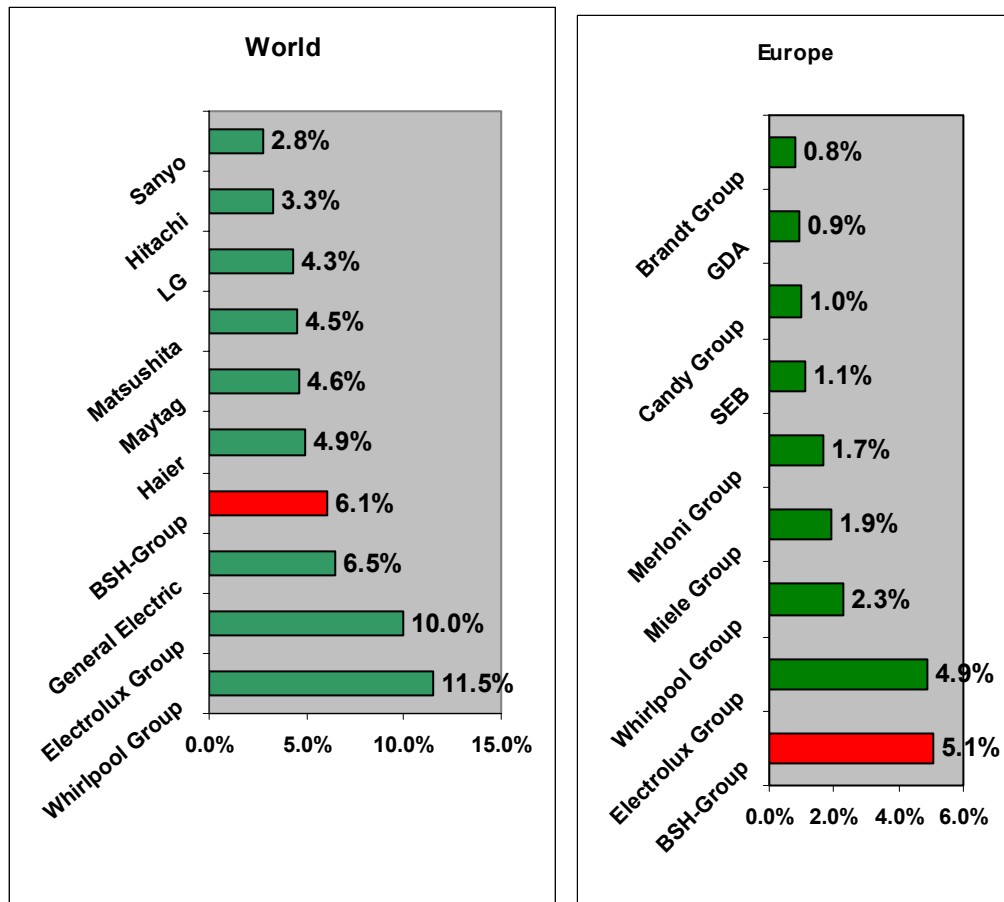
5.1.2 Major producers

There are several major producers on the home appliances market, but it cannot be said that these companies dominate the market. The global market is by far not as consolidated as many of the fast moving consumer goods markets, but there seems to be a trend towards internationalization. Three out of four largest companies in the world hold also one of the top positions in Europe and the first five largest companies worldwide accounted for about 35% of the annual global sales in 2001, which is not an insignificant proportion. The chart No. 1 shows top ten worldwide and top nine European companies according to their annual sales in 2001.

National differences often play a significant role in product range and design and therefore many of the producers follow the multi-brand strategy to be able to build clear image of individual brands and at the same time be present on different segments at the different markets.

Figure 9: The Largest Household Appliance Companies 2001, in billions of €

⁹⁸ BSH internal sources



* Exchange rates are annual averages for the year 2001
Source: Companies annual reports, some figures estimated

All of the major players on the market follow therefore multigrain strategy similar to the one of BSH. They have a relatively wide range of brands, under which similar products are produced but are targeted to different geographical markets and different price, quality or benefit segments of target consumers. Each group's portfolio usually contains two types of brands:

- Internationally marketed, in case of premium brands, international trends by implementing innovations and new designs
- Local, focused on satisfaction of national needs

Summary of all internationally marketed as well as regionally and nationally marketed brands shows following table.

Table 7: Brand Portfolio of Two Main International Competitors

Producer	Internationally marketed brands	Brands focused to certain geographical, price or benefit segment
Whirlpool Group	Whirlpool – global brand Bauknecht, Ignis – International brands for Europe	KitchenAid, Roper, Cielo, Estate, Inglis, Laden, KIC, Brastemp, Consul, Eslabon de Lujo, Semer, Narcissus, SMC
Electrolux Group	Electrolux, Zanussi – global brands EAG – International brand for Europe	Allwyn, Elektro Helios, Eureka, Faure, Flymo, Frigidaire, Kelvinator, McCulloch, Partner, Poulan, Rex, Tornado, Volta, Voss, White-Westinghouse, Zanker, Zoppas

Source: Internet

5.1.3 Geographical segmentation

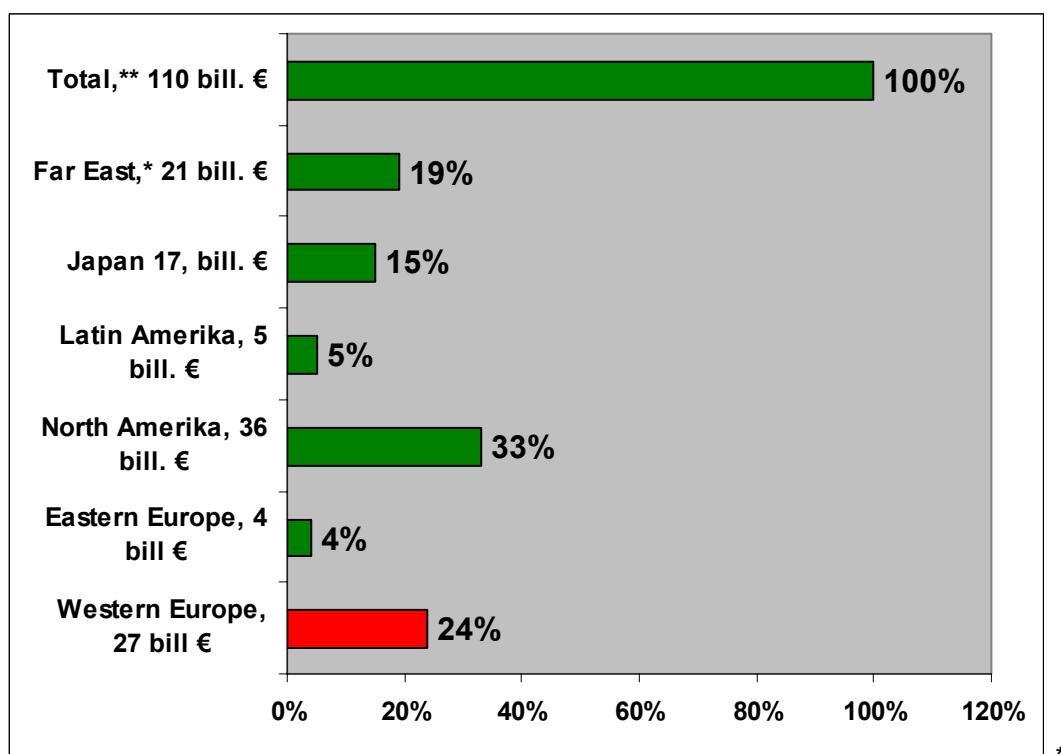
Geographically the largest markets are United States followed by Western Europe. Chart 2 shows the market size of the main global regions according to their annual sales and their value share on global sales. It clearly shows that the economically strongest countries of Western Europe and North America account for more than half of global sales of home appliances. Among strong markets belongs also Japan. On the other hand the smaller markets of Far East, Latin America and Eastern Europe are the future markets because of their growth rates.

Different regions develop and grow at various speeds. United States, the largest home appliances market in the world, has demonstrated a strong growth in the second half of 1990ties. Since the middle of the year 2000 the market growth slowed down and for the year 2001 there was negative development expected, which did not materialize thanks to an unexpected recovery in the second half of 2001.

The second largest region and from the view of BSH the major one, Western Europe, has also experienced growth of home appliances sector through out the second half of 1990ties, which slowed down or turned to decline in many of the countries during 2000 or first half of 2001

Figure 10: Relative Sizes of Markets, White Goods Sector, 2001

(Total market volumes, household appliances)



without Japan

** without Africa, Middle/Near East

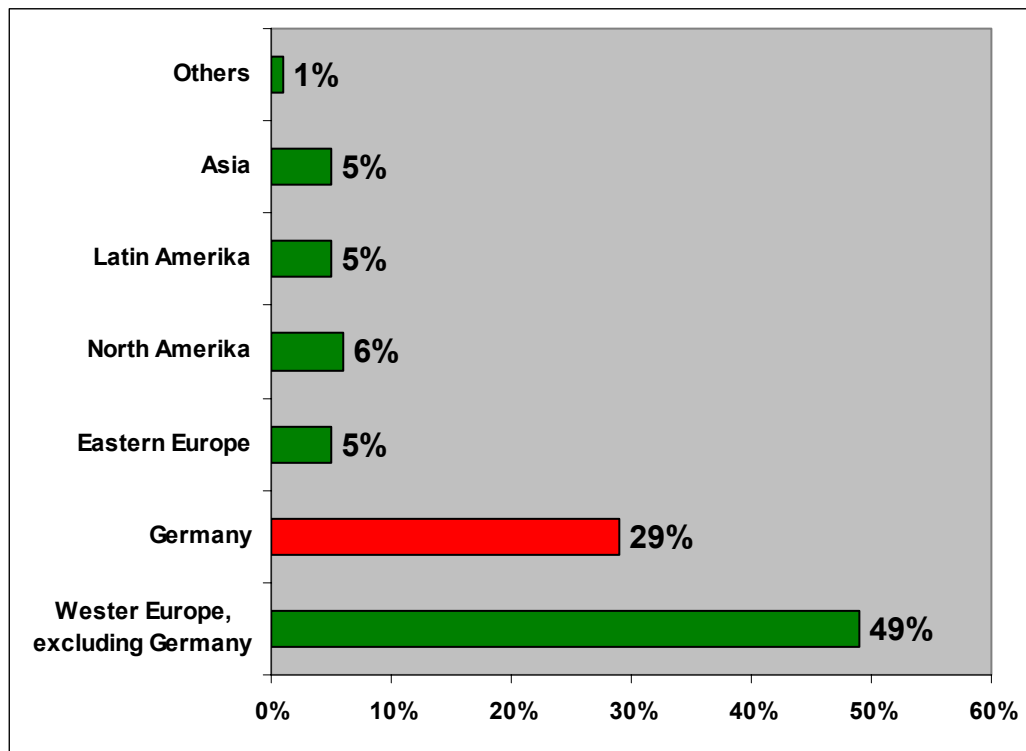
Source: BSH Internal source

On the other hand the home appliances sector has been growing in China, some countries of South East Asia and in Central and Eastern Europe, especially in Russia. Despite the negative trend in the traditional markets and thanks to the growing regions, the global decline in real demand during 2001 reached only 2%, which was less than feared.

In few coming years a recovery or even slow growth is expected in the Western European and North American markets. Regions with faster growth shall remain the most developed countries of South-East Asia (Singapore, Hong-Kong, Thailand), Eastern Europe and Turkey and some Latin American countries (Brazil, Mexico), if the currencies stay stable. From the global view, the market will grow, if at all, very slowly, and the competitive pressure will intensify. The only way to achieve growing sales will require gaining market share from competitors.

Although BSH tries to establish its worldwide presence and success through its presence in all important markets, its major territory is still Western Europe where it realises 78% of its annual sales (while in global term Europe accounts only for 24% of the home appliances sales), while North America accounts for only 6% of BSHs' sales (compare to 33% share of North America on total global sales). Chart No. 3 shows the split of sales of BSH among the global regions in 2001.

Figure 11: BSH Sales Divided by Global Regions in 2001



So

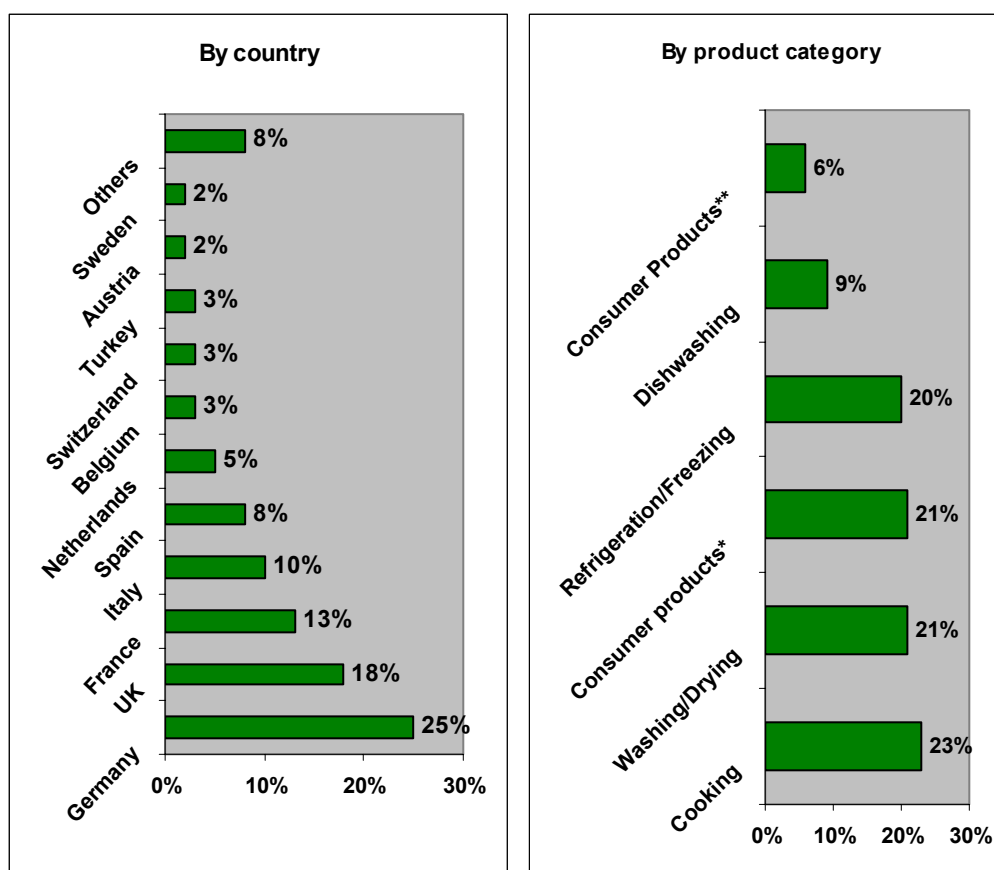
urce: BSH Annual Report 2001

Western Europe is the core market and the most important market for BSH. Situation and conditions on the European market are also in most cases driving the development of company and determine marketing strategy of individual brands. It is therefore key to properly understand the situation on the European market.

5.1.4 Characteristics of European Market of Home Appliances

By Far the largest market in Europe is Germany with 25% of the sales followed by England (18%) and France (13%). Split by market size among European countries as well as according to product categories shows the Figure 12

Figure 12: 2001 Market shares of individual countries and products categories in Western Europe (total market size 27.5 billion €)



* Floor care, small home appliances

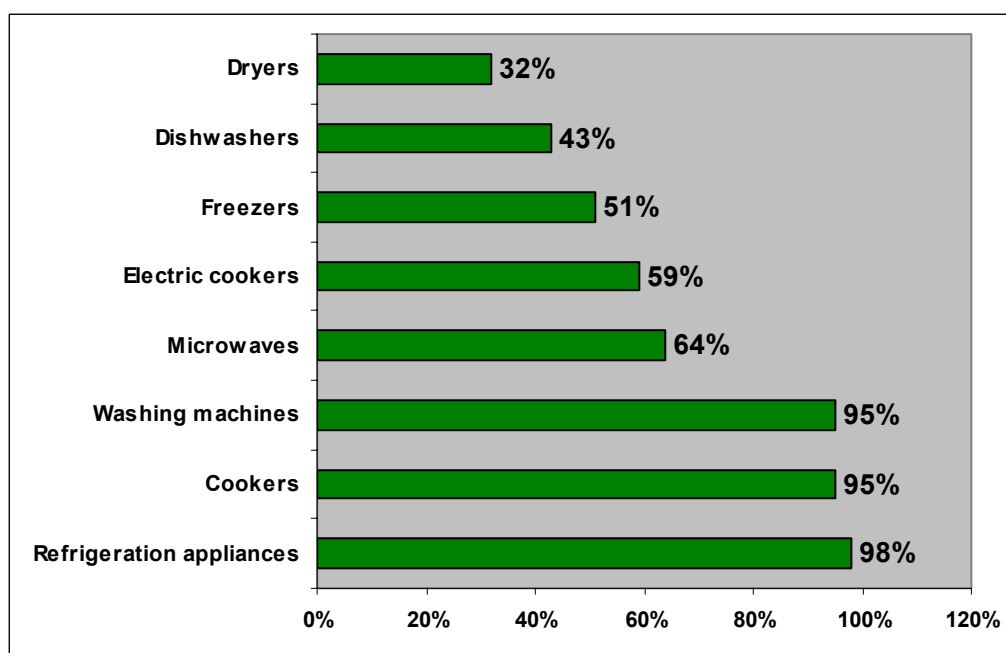
**Domestic electric heating and water appliances

Source: BSH Internal source

Large home appliances market can be split into a few major product categories. As the figure 11 indicates, sales of the four major categories are relatively similar with exception of dishwashers, which as the newest of the product categories account only for 9% of the sales. This fact is caused by relatively short existence of this appliance and the fact that dishwashers are still not the standard equipment of every kitchen unlike refrigerators, cookers and washing machines, which belong to the essential home equipment in Western Europe. This shows clearly the saturation rate (see figure 12), indicating percentage of households equipped with respective home appliances. By dishwashers is the saturation rate still significantly lower only 43% compare to refrigerators, cookers and washing machines (rate between 95% and 98%). Comparably low is market saturation only by Dryers, which is also relatively new and so far not standard appliance.

This fact promises potential larger market growth of the dishwashing and drying segments, which are unlike in the cooker, washing and refrigerating segment, where are only replacement purchases likely.

Figure 13: Market Saturation Household Appliances, Western Europe, 2001



Source: BSH Internal source

Slow growth or even decline of the developed markets is closely connected with the high level of market saturation. Absence of the first time buyers causes larger pressure on innovation introductions, which may stimulate purchase and replacement of home appliances. Sales growth on these markets is closely related to the macroeconomic situation and the stage of economic cycle. In the growth periods are the households more likely to make investment decision of replacing appliances. Positive economic cycle also influences number of newly constructed homes, which stimulates purchase of home appliances.

Western Europe has been experiencing in most of the countries growth of the home appliances market in the second half of 1990ties which slowed down in 2000 and in many countries turned to economic decline in 2001 or 2002. Table 8 shows market size development in volume (number of sold pieces) between 1998 and 2002. In red it indicates more significant market size drop while in green growth. It is clearly visible, that the most declining market is Germany, but the total market size in Europe grew thanks to positive development on some markets, which continue to grow like UK, Belgium and Ireland as well as Spain in years 1999-2001.

Table 8: Market Size in volume (sold pieces), 1998-2002

Country	1998	1999	2000	2001
Germany	12,270	12,290	12,240	11,850
France	7,613	7,965	8,366	8,381
Italy	5,535	5,686	5,725	5,824
Holland	2,204	2,190	2,301	2,361
Belgaum	1,245	1,267	1,297	1,320
Denmark	851	857	847	857
Great Britain	8,615	9,618	10,346	11,020
Ireland	500	579	646	712
Greece	912	876	946	941
Portugal	1,034	1,209	1,341	1,306
Spain	5,014	5,335	5,584	5,582
Norway	735	720	741	736
Austria	1,004	1,039	1,061	1,084
Sweden	996	1,073	1,169	1,176
Switzerland	869	891	879	875
Finland	632	639	670	686
West Europe	50,027	52,232	54,158	54,708

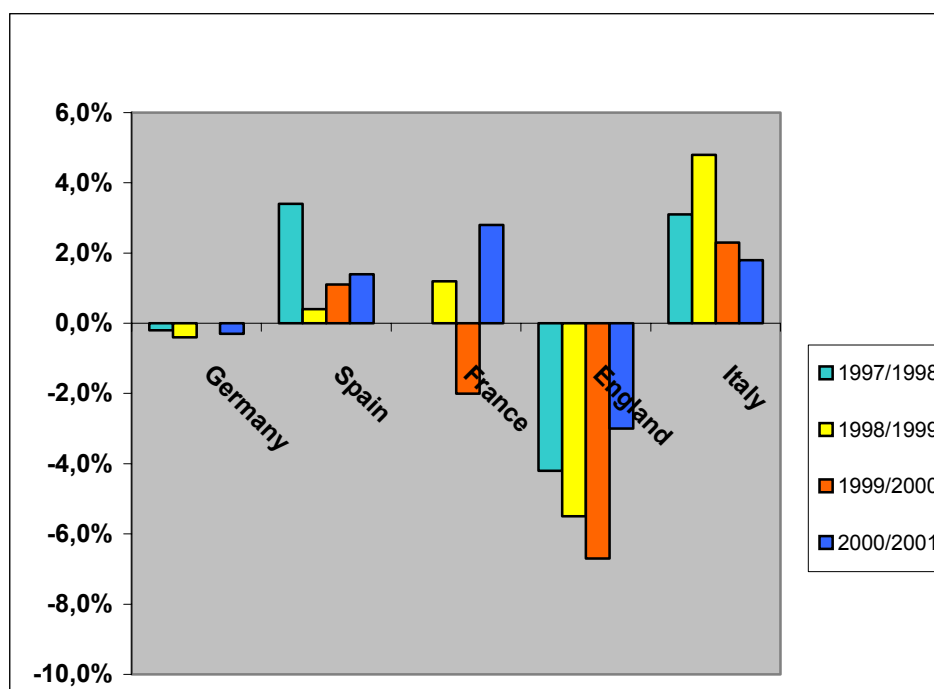
Source: Internal sources BSH

Market size development closely relates to price development, which has been in Western Europe as a whole stable between 1999 and 2001 (% change vs. year ago was between 1999 and 2000 was -0,1% and between 2000 and 2001 -0,2%). But the price development varies between the individual countries. In Germany and even more in the UK it has been dropping over past five years, This indicates that these markets have at this moment reach a peak in price level, and the consumers are not willing to pay higher prices for the new, although innovative home appliances as they are still perceived “only” as a functional tool in the household⁹⁹. Different situation is in Southern Europe, where the prices continue to grow, primarily as a consequence of a slightly different attitude towards home appliances. They mostly belong to the kitchen, which is the traditional place for the family to meet and therefore it also represents the living standard of the family.

⁹⁹ There may be certain segments also on these markets, where it is still possible to achieve a price grow, but they are relatively niche.

Appliances are not considered as just functional but also as status-indicating equipment of the household.

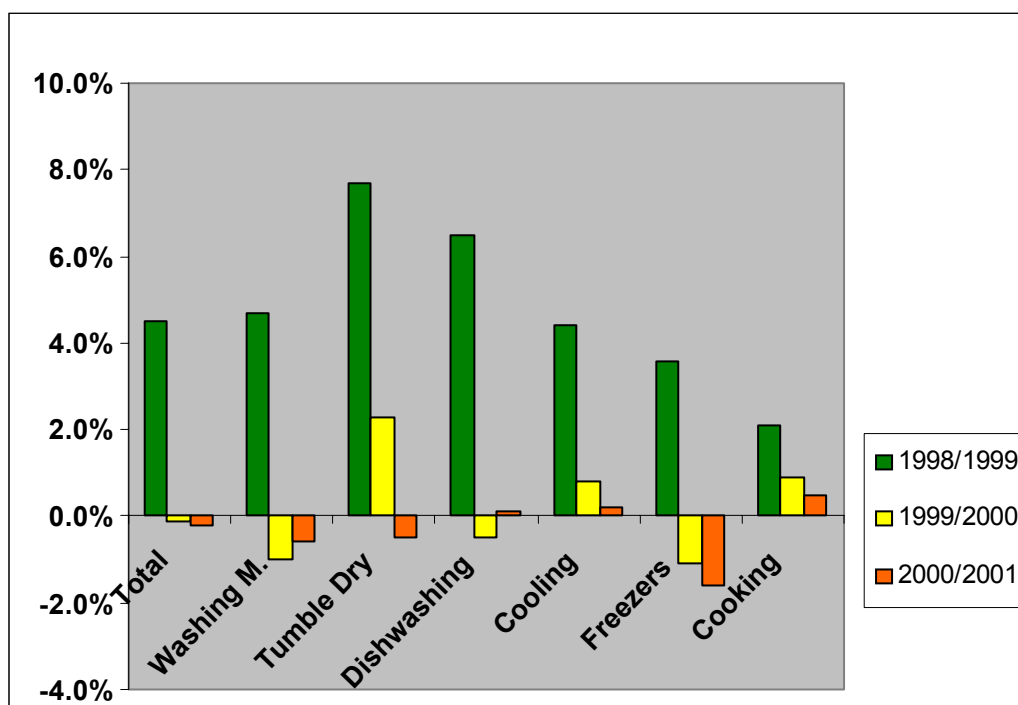
Figure 14: Price development on major European markets between 1997 and 2001



Source: GFK study for BSH, March 2002

As figure 13 indicates, none of the categories indicates continuous significant growth at a time of total market decline. The most stable are the most traditional appliances for cooking and cooling, which demonstrated slight growth, while the appliances with relatively lower saturation, and larger potential for growth stagnated. It shows that consumers consider the purchase rationally and at the time of higher financial insecurity they postpone qualitative upgrade of household by purchasing of new “nice-to-have” appliances and only limit their purchases to replacement of the essential equipment.

Figure 15: Development of market segments by product category between 1998 and 2001



Source: GFK study for BSH, March 2002

Three major price segments can be recognised among the large home appliances. They are characterised by price and perceived quality. Low price segment offers unbranded appliances or appliances sold under local brands. Middle price segment is represented mostly by relatively well-known brands, which offer standard and guaranteed quality for favourable price (for example Zanussi, Whirlpool or Gorenje are typical brands in this segment).

The other segment represents appliances that shall bring consumer added value benefits on top of its pure functionality. In this segment producers try to achieve above average to premium price by addressing additional consumer benefits as premium quality, innovation, design, functionality, ecology etc. To be able to address consumers with such benefits there are two major challenges for the producer – continuous innovation that is recognised by consumer as functional and even more importantly ownership of brand equity, that communicates the benefits differentiating it from competitors and clearly representing these additional benefits in consumers mind. For a producer who wants to be successful in the higher price segment it is vital to build its brand equity based on clear and differentiating consumer benefit.

5.1.5 Key aspects of consumer behaviour

Home appliances account for relatively low interest products. They are not products that would evoke personal and emotional feelings in the buyer as they are mostly considered as very practically oriented appliances just serving its purpose. They do not to any larger extent represent owner's social status or attitudes, life style or image.

Product purchase cycle is for home appliances in Europe relatively long, about eight years, which is caused by the high saturation of households with the appliances and their long life cycle. About 80% of the purchases are replacements of old appliances while only 20% purchases are for new, additional appliances. These purchases are usually made in relation to moving, new home purchase, home rebuilding or improvement of current standard.

Purchases are characterised by low involvement of the consumer. Consumers pay relatively low attention to the purchase of the home appliance in comparison to its long life cycle especially in case of replacement as they see in purchase more as a need than a desire to own a new and perfect refrigerator or cooker. The selection of replaced appliance takes about three to five days in its 8-year life cycle.

By a new purchase is the situation slightly different. Brand image and perceived qualities, functional and emotional, as well as design, play a more important role as the purchase is often connected with a higher intended investment into the whole kitchen equipment. There is more attention paid to the choice of the appliance, the collection of information is longer and it's usually consulted with more information sources. But in general is the decision making process similar to the case of replacement of an old appliance and compare to products with similar life cycle and value (for example home electronics.) it receives less attention.

Buyers do not intend to spend as much time on obtaining information relevant for the purchase decision as for example by a car purchase. The source of information besides own experience and friends and relatives recommendation comes from retailers. Retailers vary country-to-country in type, size and level of specialization, but in general all can provide information about the product range, benefit differentiation, innovations as well as price comparison. Retailer's recommendation often plays a key role in the purchase decision.

This fact is very important from the point of the marketing strategy development since it shows that the brand image can be a very important fact for purchase decision. The brand image and brand equity needs to be very strong and clear to stand up to retailer's special offers and argumentation about competitive products.

Brand image needs to be built on different levels. Their needs to be strong brand image and equity perception build in consumers mind as well as in retailers mind. Each of these target groups needs to be addressed with different arguments and on a different level. Good and profitable long-term business relationship built on good service; quality products and profitable sales support activity is the best image-building program for the retailer. Such a retailer becomes a good and motivated intermediate in the communication to the customer. He can deliver all the necessary product and innovation details to the potential buyer and his recommendations are often decisive for the purchase if he is a trusted and professional partner. Mass communication directed to the potential buyer target group shall be much more oriented on brand image building as majority of the addressees are currently uninterested in any specific purchase. The aim of the mass communication is not to sell any specific appliance at this point of the time, but to create a clear brand equity perception, which shall evoke emotional sympathy to the brand and therefore influence the future purchase decision.

In contrary to this conclusion seems to be the majority of home appliances advertising. Most of the brands try to create an image and consumers perception of the brands benefits through specific product advertising presenting communicating new product features. These features shall be in consumers mind translated into specific and unique perception of the whole brand, differentiating it from competitors. But the result is advertising clutter of very similar and for majority of the target group uninteresting messages, as most are not planning any purchase at that point in time. Consumers can hardly differentiate between the various advertisings for home appliances, which all together leads to low advertising awareness and little effect of the advertising on the brand image and brand awareness.

5.1.6 Summary

Home appliances market is relatively structured and is divided in further sub-categories. Large home appliances are the major market, which sets the strategies, as it accounts for about 85% of all turnovers.

There are a large number of home appliances brands round the globe, but there are several major international players. All of these companies have multi-brand strategy, with one or more international brands and several regional and local brands.

Geographically traditional markets Western Europe and North America are the largest markets (account for 55% of global home appliances), but their growth is mostly due to saturation limited. On the other hand emerging markets around the globe are the sources of the growth and future increasing sales.

Despite this fact, traditional markets of Europe and America are base for the profit. Therefore these markets are extremely important, especially for BSH, where they account for 78% of sales.

BSH has very effective strategy of product development and production, but it has certain weaknesses in marketing strategy. To improve this situation Bosch has decided to improve marketing brand strategy through development of unified brand strategy (positioning) with possibility to adopt this strategy/positioning on the marketing mix level in different countries, if necessary.

Initial market situation shows, that there exist differences among the European markets, but there are many important similarities, which are good base for common positioning strategy. To be able to do so it is still important to prove and analyse all aspects of positioning.

5.2 Competitive analyses

5.2.1 Identification of major competitors

The major international competitors are mostly internationally marketed brands. The level of the competitive pressure differs from country to country. Bosch as a premium, high quality product tends to compete with the brands present in the same segment. However, in some markets also mid and low price products need to be considered as competitors. This is valid mainly for the less developed markets in Eastern Europe, Asia or Latin America.

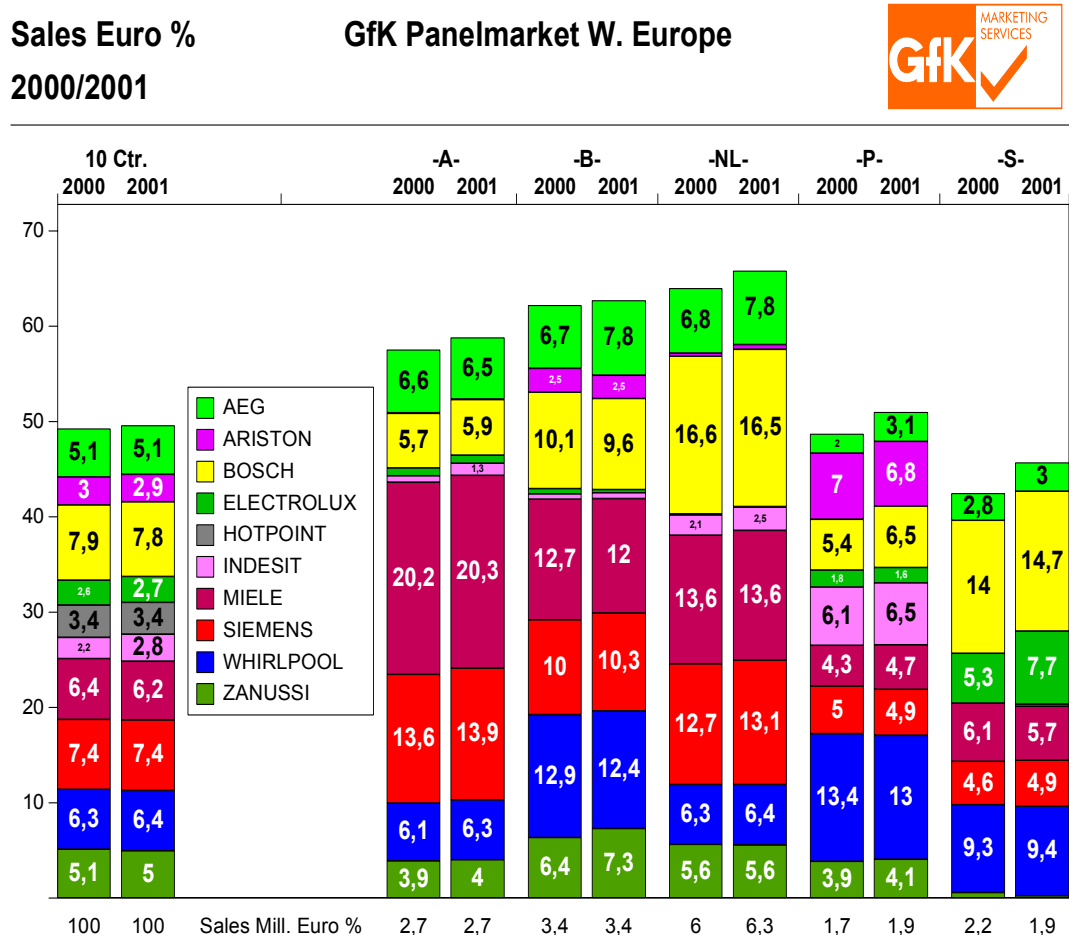
If we focus on Western and Central Europe, where is the core of Bosch business, we can see Miele, Siemens and AEG as the major competitors in relevant premium segment. From the medium price segments, which are priced slightly below the average price, Zanussi and Whirlpool need to be considered on the international level. There are usually one or more local brands on each national market, which tend to be either value or speciality brands profiting from national history of the brand or low price.

In the analyses of the main European competitors I will focus on AEG, Miele, Siemens, Whirlpool and Zanussi, as they are the only ones present across the whole Europe with more or less unified strategy.¹⁰⁰ They all try to build certain brand equity, which shall differentiate them from each other. Therefore particularly these brands are important reference points in development of European strategy for Bosch. There are many brands, that are strong on one or two markets, but have no significance in the rest of

¹⁰⁰ Charts 8 and 9 show market shares of all significant brands on each of the Western European markets in two consequent years. These charts indicate clearly, which brands have consistent presence across whole Western Europe and which are local or regional. Charts also show, that on each national market are present several local or regional brands, which in some countries have significant market position (Hotpoint in UK).

Europe, or speciality brands, which are significant in certain segment (e.g. build –in cookers). To analyse all of them would need an enormous amount of information, which is not available and would be secondary, although not useless for the purposes of the positioning development.

Figure 16: Market Shares in Western in Value, Europe in 2000-2001



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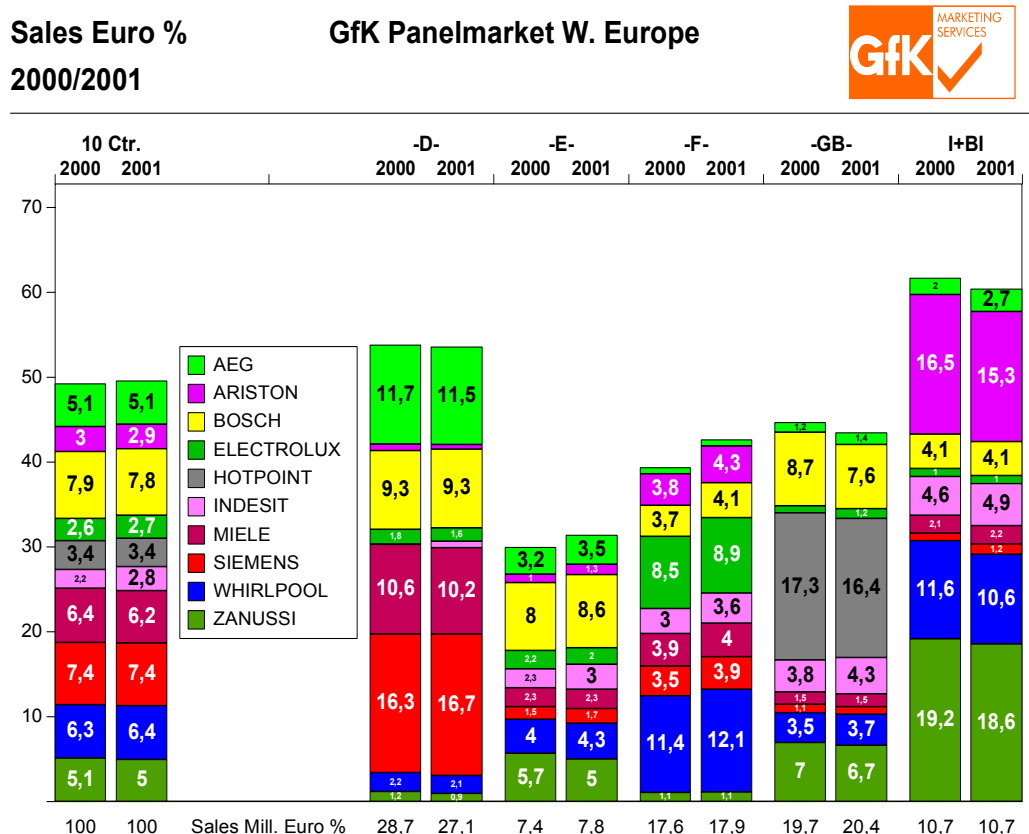
3/2002

Source: GfK panel market research of market shares, March 2002

As figures 15 and 16 show, Bosch, Siemens, Miele, AEG, Whirlpool and Zanussi play significant role across Europe, each of them reaching a total value market share in the 10 European countries of over 5%, which is on the otherwise fragmented home appliances market relatively high. There are significant differences in presence and strength of these brands on individual national markets. German brands AEG, Miele and Siemens all hold very strong position in their home market and a few surrounding countries, while being weak in southern countries (France, Spain, and Italy) and the UK. The only exception among German brands is Bosch, which has with few exceptions relatively good market share in all European markets. Similar case is also Whirlpool losing mainly in Germany, which is understandable

for a non-German brand on such a competitive market of so many home brands.

Figure 17: Market Shares in Value, Western Europe in 2000-2001



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3/2002

Source: GfK panel market research of market shares, March 2002

All of the brands, selected as main competitors, carry a full portfolio of home appliances in all product categories and free standing as well as build-in segment, although the free standing is in their major focus. Market research shows¹⁰¹, that each of these brands is better known in all the major European markets as a home appliance brand rather than as a specialist in

¹⁰¹ BSH internal sources, Ipsos study of brand and advertising awareness

a specific product category, e.g. refrigeration or cooling, except of Miele in Germany and UK¹⁰².

Tables 9 to 11 show, that there exist price differences between the product categories, between the countries and brands. These price difference have different reasons, as for example income level of given country (prices in Spain tend to be lower than European average except of cooling, which is caused by climate and therefore larger refrigerators than in average country), country specifics like larger cookers in UK than in the rest of Europe, therefore cookers tend to be more expensive in UK than other home appliances (other home appliances tend to be below European average price while cookers above).

But what we can see from the tables 9-11 is that the European markets are divided into three segments – low, middle (around national average) and premium. Miele represents in all countries and product categories the super premium segment (in cooling unfortunately the data for Miele is unavailable), priced way above the average. Premium segment represents again across all categories AEG, Bosch and Siemens, which are priced above average, but not as premium as Miele. From these three brands Siemens and AEG tend to be in average slightly more expensive than Bosch. Whirlpool and Zanussi are priced slightly below average, with the exception of some countries and categories where each of theses brands achieved more premium position (for example Zanussi in England in cooking category) and represent the mid price segment.

There is some price difference between the product categories, but they are not really significant. All the producers' try to price any of the home appliances relatively similar to each other following certain price strategy relevant to the brand, its brand equity and brand image as well as national pattern.

Table 9: Cookers Average Prices in Euro Jan.- Dec. 2001

	Average Europe	D	E	F	GB	I
Average for all brands	1004	1031	506	997	1155	860
AEG	1354	1364	1001	1556	1735	1518
Bosch	1282	1244	912	1709	1906	924
Miele	2057	1920	1997	2105	3319	3509
Siemens	1447	1397	1403	1600	1725	1255

¹⁰² In the UK and Germany is brand awareness of Miele as a brand of Washing machines in longer term higher for other product categories, which was probably caused by long term advertising focused on washing machines

Whirlpool	881	795	578	907	740	1108
Zanussi	883	562	622	856	1684	873

Source: Internal BSH data

Table 10: Cooling Average Prices in Euro Jan.- Dec. 2001

	Average Europe	D	E	F	GB	I
Average for all brands	883	894	917	898	772	967
AEG	1096	1058	1216	1604	1026	1608
Bosch	1030	892	1218	1162	988	1108
Miele						
Siemens	1098	1039	1352	1182	1462	858
Whirlpool	948	865	938	1081	700	1216
Zanussi	906	903	933	763	846	1010

Source: Internal BSH data

Table 11: Washing Average Prices in Euro Jan.-Dec. 2001

	Average Europe	D	E	F	GB	I
Average for all brands	997	1218	746	1015	960	767
AEG	1332	1314	1156	1441	1298	1269
Bosch	1203	1245	1084	1384	1216	929
Miele	2134	2160	1996	2171	2010	2066
Siemens	1309	1330	1164	1310	1493	1046
Whirlpool	941	796	815	1135	821	824
Zanussi	920	929	777	867	998	839

Source: Internal BSH data

5.2.2 Analyses of Major Competitors

To be able to assess distinctive positioning against competition it is necessary to understand how are the competitive brands perceived by consumer, what is their perceived brand image and their benefits, if there exists any perceived brand personality and customer-brand relationship and if yes, what they are. To find out as much as possible about the 6 identified major European competitors, the following text analyses all available data on competitors with focus on the mentioned brand image related values.

The picture of the brands image is put together on the bases of the analyses of brands awareness, brand market share and purchase preference, which indicate the level of the knowledge of the brand and certain level of the sympathy and loyalty, its pricing, its communication presentation and most importantly on the brand image study conducted by BSH for all important brands in all the major countries.

The aim of the brand image study was to compare brand image of own brands of BSH (Bosch, Siemens) with brand image of major competitors. Data were collected with quantitative method by those aware of the most common brands of each market (8-14 brands). They had to evaluate 13 specifically defined statements with marks from -2 (absolutely do not agree), -1 (do not agree), 0 (indifferent), 1 (do agree), 2 (absolutely agree). Average answers by all questioned were compared with average answer for each brand. Results show, in which statements is the brand above average (green colour in tables), below average (red colour in tables) or average (black colour in tables). Summary of these data shows certain picture (simplified) of each brands image in each of the countries.

This brand image study shows comparable brand image values relevant for home appliances across the population in the individual countries. These values are showed in the tables "Brand image study" for respective brands and show in red colour, where the brand is perceived significantly below average value and in green where the brand is perceived significantly above the average values.

Miele

The most premium image among all the competitors has Miele. Miele is traditional German producer. Unlike all other competitors, it is a privately owned company that produces just home appliances under one brand Miele. Like many other German traditional producers (Miele was founded in 1899) its core value are high technical quality and long lasting, superior performance. But unlike many other companies, Miele manages to keep these values in consumers' perceptions as a differentiating benefit.

Miele is more regional than European brand, although it belongs among the largest 6 European brands. It focuses mostly on German market and few

neighbouring countries, Austria, Belgium and Holland where it holds high market shares. In recent years it also grew its market share in Switzerland. On the other European markets its market share is mostly small and stable as they have not been so far in direct focus of the company.

Miele has relatively high brand awareness on the German market (although not the highest), which also corresponds with its market share, tradition and level of marketing activity on its home market (It is one of the largest advertisers between home appliances brands in Germany). On the other large European markets, where Miele is relatively weak, is the situation completely different. Its top of mind and spontaneous awareness are very low, but when the consumers are prompted, a large percentage of them knows the brand. That is a result of a relatively limited focus of Miele on these markets, targeting just the premium segment and with much lower marketing efforts than in countries with the main focus. Purchase preference of Miele is in Germany, France and Spain significantly higher than its market share despite very low advertising level, which indicates, that Miele is an aspirational brand with potential for future growth in these countries.

Table 12: Miele Brand Awareness Comparison

Miele	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
Germany	14%	69%	98%	10.2%	15%
Spain	0%	9%	60%	2.3%	0%
UK	1%	3%	26%	1.5%	1%
Italy	2%	19%	70%	2.2%	8%
France	3%	18%	78%	4.0%	8%

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

Miele is probably a brand with the clearest brand image among all home appliances. It has been representing since 1899, when the company was founded, high quality long lasting appliances. On these values the brand managed to build its image, which is unique among home appliances. In all five largest countries Miele is perceived by consumers identically, even in those, where its market share and brand awareness are very low. On all these markets it is perceived by consumers as high quality, long lasting brand with superior performance that is prestigious and worth paying more. This also explains why Miele is the brand that can afford charging super premium prices, even above other brands in premium segment.

Table 13: Miele Price Comparison in Euro

Miele	Average Europe across all brands	Average Europe Miele	D	E	F	GB	I
Cookers	1004	2057	1920	1997	2105	3319	3509
Cooling	883						
Washing	997	2134	2160	1996	2171	2010	2066
Dishwashing	1149	1736	1719	1605	1791	1551	1842

Source: BSH internal data

The secret of the inevitable perception of prestigious brand that is worth paying more (the only among home appliances that is being mentioned to be worth paying more, in all the countries) lies in continuous communication of simple and permanently same consumer benefit – high quality and superior performance. Part of this its success is also its slogan “Immer besser” (better and better), which has not changed since the company foundation. The slogan works well, because it’s been a very traditional part of the brand equity. It has been proved by many examples around the world that traditional slogans, which have been accepted by consumers as a symbol of the brand, work the best and ought to be changed. Miele has been following this rule for more than 100 years. Additional strength of the slogan is in communicating the core value of the brand; superior quality based on continuous innovation.

Table 14: Miele Brand Image Study

Miele	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					
Excellent a.s.service					
Best understands my needs					
Easy to use					
Last a very long time					

But also Miele has weaknesses. It is perceived by consumers as perfect, clean, high professional appliance for the traditional home. It is becoming a bit old-fashioned brand of traditional housewives with lack of design and up-to-date innovation, not meant though only in technical sense, but in a sense of understanding the consumers needs of modern life. This traditional, old-fashioned attitude represents also Miele's advertising, showing details of the appliances without any indication of interest in consumers' feelings and potential emotions.

Miele is fighting with the general problem of the industry, which is to try to differentiate itself from competitors through a never-ending row of unique technical innovations, because it belongs to its tradition. It tries to attract the consumer in its communication about its traditional values through revolutionary innovation of its new dishwasher or washing machine instead of building long-term brand image based on the reliability of its value for the consumer.

Despite this is Miele the only brand with relatively clear perceived brand image and certain brand personality among the major home appliances brands. It is perceived as a high quality, prestigious brand that offers superior performance. It is proud of its ability to perfectly manage the heavy-duty job of perfect traditional household.

Siemens

Siemens is one of the most famous German brands in the technology branch with more than 100 years of history. It is a large producer of all kinds of electrical devices from irons and washing machines to all electrical engines and turbines for power stations. In recent years it has gained important position among mobile technology producers. This sector gives the brand image of modern and innovative. Siemens home appliances are produced by Bosch und Siemens Hausgeräte concentrating just on production of home appliances¹⁰³.

Siemens is the second largest brand of home appliances in Europe behind Bosch, which has taken its leadership in 1997. Similarly to Miele, Siemens holds a very strong market position on its home market in Germany (it is a market leader with value market share 16,7% in 2001) and a few surrounding countries, Austria, Belgium and Holland. On these markets,

¹⁰³ More details about history, structure and organization of the company has been mentioned I the previous text, as it is the producer of Bosch appliances.

Siemens is gaining from its tradition as well as higher focus as they are close to its home market. In all of these countries it has a market share of over 10% and which has been slowly growing. On the other hand it is very weak on all the other large European markets, in the UK, France, Spain and Italy. In none of these countries it has achieved a share of 4%, partially due to the fact that the brand has not been as intensively supported in these countries.

Siemens has the highest top of mind awareness in Germany, which corresponds to its market position and to the fact, that it is the largest advertiser there. But considering that in Germany Siemens is a market leader and a brand well known from other sectors, the top of mind awareness is low (only 19%) compare to AEG with 23%. This indicates among others that the brand awareness and image of Siemens from other branches does not automatically transfer into home appliances and that the consumers do not perceive Siemens that strongly as a home appliances brand. This is also the case in the other large European countries, where even the prompted awareness is relatively low, especially in the UK. Unlike Miele, Siemens has a lower purchase preference than market share, which can, but may not, indicate problems with future growth.

Table 15: Siemens Brand Awareness

Siemens	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
Germany	19%	79%	98%	16.7%	15%
Spain	0%	7%	61%	1.7%	3%
UK	1%	2%	49%	1.1%	0%
Italy	1%	9%	70%	1.2%	3%
France	2%	12%	72%	3.9%	0%

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

To solve the issues mentioned above, Siemens has recently created a new concept and positioning for the home appliances. It shall represent a symbol of modern, high-tech, very mobile and design-oriented lifestyle. This concept was developed in line with the brands image in other sectors, in order to represent one coherent picture of the brand. It is targeted on young professionals who value an individualistic, prestige-oriented life-style. This target group looks for innovations, design and technology under a good brand name that will represent their social status as an indicium's. The premium pricing as well as the brand image in other sectors, especially in mobile technology, also well corresponds with this positioning of the brand.

Table 16: Siemens Price Comparison in Euro

Siemens	Average Europe across all brands	Average Europe Siemens	D	E	F	GB	I
Cookers	1004	1447	1397	1403	1600	1725	1255
Cooling	883	1098	1039	1352	1182	1462	858
Washing	997	1309	1330	1164	1310	1493	1046
Dishwashing	1149	1292	1237	1170	1313	1399	1208

Source: BSH internal data

But Siemens home appliances have not yet achieved this position in the consumers' minds. That is clearly visible from the image study in the table 17. Only in Germany and Spain are the main Siemens values - innovation, most advanced technology and excellent design - perceived as strength. In the other countries the image differs (except for criteria "most advanced technology") and it is not really consistent and unique. The weakness of the brand seems to be, in all the countries, durability of the appliances. As there is no closer insight into these statements, it is hard to evaluate if the consumer associates durability with the short life cycle of the innovations or with a lower technical quality of the product. In any case, Siemens does not represent any clear brand personality in any country with the exception of Germany and Spain, where it is seen as a modern, innovative and technologically advanced brand with excellent design representing professional, modern and urban lifestyle underlining owner's personality.

Table 17: Siemens Brand Image Study

Siemens Europe	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					
Excellent a.s.service					
Best understands my needs					

Easy to use					
Last a very long time					

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

The difference between the brand image concept and reality can be mainly caused by the relatively short time of existence of the concept and lower marketing and communication focus outside Germany. There could also be some weaknesses identified in the execution of the concept, for example the slogan “Wir gehören zur Familie“ (We belong to family), which does not fit into the brand image positioning and concept. In any case there is potential for the growth across the whole Europe if the company manages to communicate the concept clearly and in a straightforward way to its target group.

AEG

AEG is another traditional German brand from the electro-technical branch, which produces different electrical appliances and devices and telecom technologies. The home appliances division belongs since mid 1990ies under the multinational giant Electrolux, the second largest producer of home appliance worldwide as well as in Europe. AEG stands in the brand portfolio of Electrolux for solid, German quality products with clear positioning as nature friendly, low energy consumption products.

As already the German origin and tradition of the brand predetermines, it has the strongest market position in Germany, being here the second strongest brand with 11,5% value market share. Similarly to other German brands it has relatively high market shares in neighbouring countries, Austria, Belgium and Holland (between 6,5% and 8% value market share). In the other large European countries it has quite low market shares. That is understandable given its positioning supported by very little marketing activity on these markets. In Germany and the surrounding countries there is a quite strong tendency towards ecological products, which in contrary is not a very important feature in the Southern European countries like Spain, France or Italy. For this reason it is for AEG most likely to remain as a more or less regional brand in Central Europe, but with very strong competitive potential.

Table 18: AEG Brand Awareness Comparison

	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
AEG					
Germany	23%	79%	98%	11.5%	18%
Spain	7%	19%	78%	3.5%	8%

UK	2%	4%	47%	1.4%	1%
Italy	3%	16%	64%	2.7%	8%
France	0%	3%	41%	0.9%	1%

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

Also the brand awareness corresponds with the market share development on the individual markets. AEG has a very high brand awareness (top of mind awareness twice as high as it is market share) in Germany. Also purchase preference by AEG is very high compared to its market share, (18% vs. 11,5%), which indicates that AEG is in Germany and the surrounding countries considered by consumers as an aspirational brand. This may promise a good potential for future growth of the brand in these countries. On the other hand in the other large European countries the brand awareness and purchase preference are quite low but corresponding to the low advertising support. The main reason is the already mentioned cultural difference in acceptance of ecological products. In these countries AEG tries to concentrate more on its German origin and with it connected quality, but it is questionable, if this is enough to differentiate it from other German brands.

AEG positions itself as a high quality product with special focus on nature friendliness, ecology and low energy/water consumption. This concept has been in central Europe communicated through very a successful, and among home appliances exceptional, campaign. It communicates relatively clearly the main message, close connection to the nature. It also mentions innovations, which are not in all cases connected to ecological aspects of the product, but the visual message is very strong. This differentiates AEG from its other competitors and offers the consumer a unique selling proposition, which is in these countries well accepted. And this fact also allows AEG to charge a premium price for the products.

Table 19: AEG Price Comparison in Euro

	Average Europe across all brands	Average Europe AEG	D	E	F	GB	I
AEG							
Cookers	1004	1354	1364	1001	1556	1735	1518
Cooling	883	1096	1058	1216	1604	1026	1608
Washing	997	1332	1314	1156	1441	1298	1269
Dishwashing	1149	1291	1287	1032	1470	1012	1591

Source: BSH internal data

As table 15 shows, from the four largest countries¹⁰⁴ only in Germany is the perceived AEG image in line with its intended positioning. . Unfortunately, this study does not mention any criteria that would indicate how the consumers evaluate its nature-friendliness. This is for AEG so important characteristics, but could not be captured by any of the criteria.

As already mentioned before, in the other large European countries AEG tries to concentrate more on its German quality concept, which is reflected in the perception as a high quality product, which is considered prestigious in Italy and Spain. Otherwise, in these countries AEG has no specific image that would give it a special competitive advantage. Such an advantage probably cannot be achieved without a completely changed positioning for these countries unless the attitude towards ecological products in these countries changes significantly.

Table 20: AEG Brand Image Study

AEG	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					
Excellent a.s.service					
Best understands my needs					
Easy to use					
Last a very long time					

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

Whirlpool

Whirlpool is the main brand of the equally called corporation, which is the globally largest producer of home appliances. Whirlpool is the only real

¹⁰⁴ Data for France are not available

global brand of the corporation, marketed on all the continents. Its philosophy is to seek solutions for easy and time efficient management of the household. It demonstrates its vision through continuous evolution of new product features, focused on making consumers life easier. Whirlpool appliances are priced around the average on majority of the markets and in majority of the categories. That shall make the appliances more accessible to a larger target group of consumers with relatively high requirements on quality, but not willing to pay a premium.

Whirlpool has a strong market presence in all European countries except Germany, the UK and Spain, while in Germany it is almost absent. In the UK and Spain it has value market share around 4%, which is not insignificant especially in Spain, where none of the major brands has significant market share. It has a very strong position in France, where it is the market leader, as well as in Italy, Belgium and Portugal. Whirlpool with its third largest market share in Europe definitely belongs to the most international brands of home appliances

Table 21: Whirlpool Price Comparison

Whirlpool	Average Europe across all brands	Average Europe Whirlpool	D	E	F	GB	I
Cookers	1004	881	795	578	907	740	1108
Cooling	883	948	865	938	1081	700	1216
Washing	997	941	796	815	1135	821	824
Dishwashing	1149	1197	1259	898	1197	1015	1557

Source: BSH internal data

As far as brand awareness is concerned, Whirlpool does not belong to the top brands. It has relatively low brand awareness on all five largest European markets in comparison to its market share. Even in France, where it is the market leader, its top of mind awareness and purchase intend are lower than its market share, which indicates that Whirlpool is not an especially aspirational brand. An important role plays the fact of lower advertising spendings compared to the top and even some local brands. On the other hand the relatively high prompted awareness indicates that the broad audience knows the brand. It is likely to be purchased by those consumers seeking a practical solution - functional qualities and a mid range price.

Table 22: Whirlpool Brand Awareness comparison

Whirlpool	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
Germany	2%	19%	67%	2.1%	1%
Spain	0%	7%	59%	4.3%	0%
UK	5%	23%	84%	3.7%	7%
Italy	8%	42%	88%	10.6%	4%
France	9%	43%	91%	12.1%	3%

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

Whirlpool tries to position itself as a brand that makes life easier. The appliances allow managing the everyday household tasks time efficiently. It is priced close to average in most product categories and countries, targeting consumers with relatively high requirements on quality, but not willing to pay a premium. As all other competitors, also Whirlpool tries to communicate its key message (making everyday household work easier and faster) through product features and innovations, in this case usage orientation. What makes the Whirlpool's communication different from competitors is the continuous usage of its symbol, a distinctive women's figure in the centre of the visual accompanied by logo and slogan "Just imagine". It shall symbolise fulfilled dream of an easy household management with the help of Whirlpool appliances.

But the reality of consumer perception is again different. Only in Spain are Whirlpool appliances perceived as easy to use and understanding the consumers' needs and at the same time showing high quality. In England, Whirlpool products are considered as easy to use and innovative, but not of an exceptionally high quality. In France and Italy is Whirlpool seen as a brand of high technology and innovation standard with good design, but not really easy to use. This shows that the image is different from country to country and even not very consistent in each of the countries. The brand does not have any specific brand personality or relationship to customer.

Table 23: Whirlpool Brand Image Study

Whirlpool	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					

Whirlpool	Germany	England	France	Italy	Spain
Excellent a.s.service					
Best understands my needs					
Easy to use					
Last a very long time					

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

As by all the brands, the main message communicated to the consumer gets lost in the clutter of the advertising focusing on new innovations. Consumers may be able to differentiate the brand thanks to its distinctive symbols, but that is not enough to build a clear brand image. This also confirms low top of mind and spontaneous brand awareness in all the markets.

Zanussi

Zanussi is an old Italian brand of home appliances going back to 1916, when it was founded. In 1985 it became part of the multinational corporation Electrolux, the second largest global home appliances producer. Belonging under the large corporate wings helped Zanussi to gain access to new technologies and innovations. Zanussi tries to profile itself as an “Excellence in design and Innovation” in the lower mid price segment. It belongs to one of the international brands of Electrolux (together with Electrolux), sold in 60 countries around the whole world.

In Europe is Zanussi the smallest of the top 6 brands measured by value market share. In 2001 it had 5% value share across 10 European countries. This is influenced by the almost non-existence of Zanussi brand in Germany and France, which together account for almost 40% of the European market. On the other hand, Zanussi is very strong in Italy, being the market leader with the share of 18,6%, which is a result of its tradition as well as higher price consciousness on this market. In almost all other European markets it has consistent market share between 4% and 7,5% of value share, but if measured in volume, it is a much more important brand. Zanussi is, compared to majority of the Germany brands, with exception of Bosch, a more European and international brand.

Although Zanussi is a market leader in Italy, there is only inconsistent data available for this brand in brand image and brand awareness studies. There is no data available on top of mind awareness. Base on the rest of them, Zanussi has a relatively low spontaneous as well as prompted brand awareness and purchase preference compared to its market share and compared to the competitors. More data would be necessary to reach a more solid conclusion about the position of the brand on the market.

Table 24: Zanussi Brand Awareness Comparison

Zanussi	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
Germany	N/A	7%	39%	0.9%	0%
Spain	9%	31%	94%	5.0%	14%
UK	11%	44%	92%	6.7%	13%
Italy	N/A	10%	70%	18.6%	14%
France	N/A	4%	41%	1.1%	1%

Source: BSH internal data, Werbeerfolgskontrolle study, 2001-2002

In Germany and France it has a very low brand awareness and of course the purchase preference as well. From these two countries Germany is not in the main focus, because of the strong competition of German brands, among them also AEG, which also belongs to the portfolio of Electrolux. France may be a more interesting market for Zanussi. It is not as strongly brand and premium oriented as Germany, but it is the only market in Europe where the brand Electrolux has a strong position and may therefore be in the main focus of the corporation. In Spain and the UK Zanussi has high awareness as well as the top of mind awareness and they are both significantly higher than its market share. This shows that the brand is well established on these markets, even though it receives a very limited advertising support. This indicates that the main purchase driver is the combination of a relatively good brand name and a lower price.

Table 25: Zanussi Price Comparison in Euro

Zanussi	Average Europe across all brands	Average Europe Zanussi	D	E	F	GB	I
Cookers	1004	883	562	622	856	1684	873
Cooling	883	906	903	933	763	846	1010
Washing	997	920	929	777	867	998	839
Dishwashing	1149	1114	1024	829	852	833	1362

Source: BSH internal data

Pricing close to the average market price across majority of the markets and categories is a part of the brand's strategy. It positions itself as an "Excellence in Design and Innovation" with stronger focus on easy to use features. As we see in table 26, this image is not really perceived by consumers (where the data is available), but Zanussi is in general considered to be a reasonably reliable and good quality product for a reasonable price – in other word's good value for money.

Brand image data from BSH resources are unfortunately very incomplete for Zanussi, as it is not considered by BSH as a direct competitor due to the

lower pricing. Although Zanussi is the market leader in Italy, it has not been included in the Brand image study of 10 brands here.

Table 26: Zanussi Brand Image Study

Zanussi	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					
Excellent a.s.service					
Best understands my needs					
Easy to use					
Last a very long time					

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

5.2.3 Summary

On home appliance markets across Europe are not very concentrated. There are quite many brands with not very high market shares. Only several brands appear across all European markets same as Bosch and therefore should be considered as major competitors when considering and developing pan-European strategy and positioning. Deeper analyses of

these brands showed that none of the brands have clear image and position on the market. But most of the brands, identified as direct competitors have parts of image and tend to have certain strategy.

Miele stands for superior, high-quality, long-lasting and worth to pay more brand. Its weakness is in brand consumer relationship as it is not considered to understand consumer needs and easy-to-use. Also design is a bit on weak side.

Second brand with a kind of image and a position on the market is Siemens. It tries to position itself as a brand with advanced technology, innovative and focused on design. This position is thought perceived only partially almost on all analysed markets.

Another German brand AEG has very fragmented position on the market. Only on its home market Germany, is perceived as brand focused on ecology (water/energy efficient). ON all other markets is more quality (German quality) oriented position, but not very persuasive and consistent.

Whirlpool's wish-to-be position as a user-friendly (easy to use through technology) product is far from reality. In some countries its image is closer to Siemens high technology, high design image. But not across all analysed countries and not in line with brands communication strategy.

About Zanussi's position is hard to say, as the data is incomplete (Zanussi was not among the top 8-14 brands in awareness). But even in those countries, where brand image study was conducted and from other sources, we can say, that Zanussi does not have even signs of a brand image.

The analyses showed that none of the brands with the exception of Miele has any consistently perceived image. Only Miele has the same perceived benefit in all the countries and represents a relatively imaginable brand personality with certain relationship to the consumer. AEG has also a quite clear and differentiated perceived image and a brand personality of an ecological and nature friendly product, but only in Germany. Siemens has a potential to gain image of an innovative, technology and design oriented modern brand, but it is still not perceived that way.

In general there are no clearly and uniquely positioned brands on the home appliances market that would achieve unique consumer perception and offered unique selling proposition. Consumers differentiate certain clusters of brands according to price segments, but within them they see little differentiation.

This is a result of a fairly undifferentiated communication of all the brands. There is a complete advertising clutter in the industry as all the brands concentrate on communicating innovations, which should in a metaphorical sense represent differentiating key benefits of the brand. But this does not work, as the consumer is overloaded with information about the new and for majority of the consumer completely uninteresting new and revolutionary features, at the time when they do not plan any home appliance purchase.

And even if they do, they collect detail information about the products in more detail and from more reliable sources than just advertising to be able to compare real benefits of the products. Such communication has little influence on the brand image and brand awareness, as also confirmed by the studies done for BSH in different countries over the past few years. The result is a big market clutter of relatively undifferentiated brands with vague image.

From this point of view, Bosch could gain a significant competitive advantage if it managed to create clear positioning of a brand, which would result in an improved image, increased brand awareness and potential buyer preference.

5.3 Bosch Self Analyses

An inevitable part of the brand positioning development is deep and careful self-analyses of the brand. This chapter tries to look on all the important aspects of the brand that can influence a decision about its future positioning. It should analyse all aspects of concerning brand and all its elements important for positioning strategy as well as all brand related aspects of potential benefit (positioning element) of Bosch brand.

5.3.1 Initial Market Position

Bosch is a large internationally known brand for different categories of electro-technical products and appliances. Its history goes all the way back to the year 1886, when Robert Bosch founded his company for fine mechanics and electro engineering. Since the beginning, these products stood for a very high technical quality and uncompromising reliability. As time went the company was extending its portfolio of products and product categories ending up with today's activities in three major areas – car electronics, electro appliances and home appliances, each of them with further subcategories. To manage this wide portfolio of the products, different divisions of the company were founded and among them in 1967 also the joint venture with Siemens for the production of home appliances.

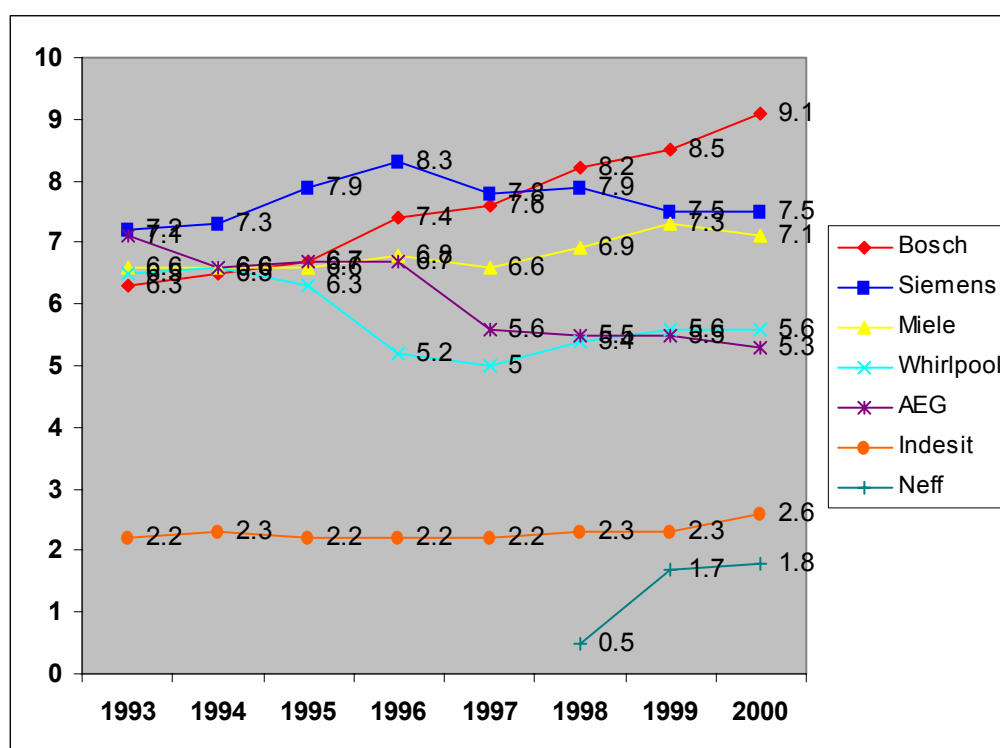
Bosch home appliances are since 1967 produced, managed and sold by BSH, which is responsible for the strategy of Bosch home appliances, but under supervision and coordination with its mother company Robert Bosch GmbH. As the study concentrates on the home appliances sector, the word Bosch will be hereafter used for the Bosch home appliances unless stated otherwise.

Today is Bosch one of the two major brands of BSH and the brand with the highest share on the company's turnover¹⁰⁵. It is the most internationally marketed and recognised brand from the whole company's portfolio, sold in Asia, Latin America as well as United States and Eastern Europe. It is the market leader in Western Europe.

Bosch is a premium brand with a background of traditionally high quality German products. It represents premium products in many of the European markets as Spain, Holland and the UK. Premium price is typical and inseparable part of the Bosch image and marketing mix in these countries. It is closely related to the fact of high-perceived functional quality of the products, excellent reliability, as well as of the German origin of the brand (now a days not necessarily produced in Germany), which are highly valued in most European markets.

Western Europe is the core market for Bosch. After the continuous market share growth since 1993, Bosch became the market leader in Western Europe in 1998 and since then it has managed to hold this position. The main competitors are Siemens, Miele, Whirlpool and AEG, although the strength of the respective competitors varies on different European markets.

Figure 18: Market share development in Europe (in %)



Source: BSH internal Source

¹⁰⁵ BSH internal sources

Bosch has a different market position in the individual national markets. It is a market leader in Switzerland, Spain and Holland (here with its highest market share of 16,5%). It also holds a very good position compared to its other international competitors in England, which is otherwise dominated by the local brand Hotpoint. Germany, the largest European market, is dominated by original German brands and Bosch with good market share of 9,3% is only the fourth behind Miele, AEG and Siemens. Bosch unlike its main competitors is represented in all European markets with a minimum market share over 4%, which gives it the European leadership.

5.3.2 Important aspects of current marketing mix

5.3.2.1 Price strategy

Bosch is priced on the lower end of the premium segment across the whole Europe, but the prices vary from country to country (as the table No. 22 shows). Compared to its major competitors, it is priced well below the super premium Miele and slightly below Siemens and AEG, which tend to be priced on a similar level.

Table 27: Comparison of Bosch Pricing in 5 Largest European Countries in Major Product Categories

Bosch	Average Europe across all brands	Average Europe Bosch	D	E	F	GB	I
Cookers	1004	1282	1244	912	1709	1906	924
Cooling	883	1030	892	1218	1162	988	1108
Washing	997	1203	1245	1084	1384	1216	929
Dishwashing	1149	1151	1117	1012	1481	1013	1213

Source: BSH internal data

Pricing and price strategy are developed by product management, which is responsible for certain product category or sub category in certain geographical area across all brands. Pricing of specific products is derived from a technical standard of the model, competitive benchmark and a national price level. Generally, Bosch is priced in the lower end of the premium segment, slightly below Siemens. But that does not mean that Bosch appliances are cheaper than Siemens. The internal strategy follows the rule, that in each category Bosch offers one technically simpler product which is priced below Siemens and Siemens offers one product technically

and price wise higher than Bosch. All the products in between these two ends, which are technically very similar, are also priced close to each other.

Prices of specific product on specific markets are based on the competitive benchmark set up according to detail competitive price analyses and internal rules among own brands in order to match the lower premium segment for Bosch. The mechanics of the price strategy works similarly on all markets, but the prices themselves vary depending on category as each market has different competitors and traditionally different consumer expectations in technical standard of the appliances (some technical features, which are highly appreciated and therefore also priced in one country may be quite uninteresting and not worth extra charge in another country)

5.3.2.2 *Product strategy*

Bosch is one of the so-called “full liner” brands offering products from all categories of small and large home appliances. In large appliances it offers a full range of solo and build-in appliances. Although solo appliances account for the majority of all markets and are therefore the core of the business, build in appliances are in some markets and categories also very important (they make up to 50% of the market in cooking in Germany) and must not be missing in the brands offer. The build-in appliances also represent the upper price segment, which is very important for the premium brands.

Across Europe there are different habits in different areas of the household activities, which require sometimes quite dramatic differences in technical standard of the appliances, handling features or their size. The largest national differences are probably in cooking segment. There may be traditionally different ways of cooking (more baking or frying somewhere, while steaming elsewhere), different sources of energy (gas or electricity), different technical features (at some markets easy cleaning technology is novelty, while elsewhere already a common feature), and so on. This leads to a quite high level of technical differentiation of the product as well as broadness of the product offer. The specific product portfolio for each country is planned and developed by the product manager in the headquarters in co-ordination with the country management to ensure optimal degree of differentiation of the products and their unification with other markets.

While there may be quite significant technical differences among the countries, there is usually very little difference among the appliances produced and sold by BSH under different brand names, as there is a strong pressure to use all synergies and economies of scale. Products in the same price and feature segment are only slightly differentiated by design or accessories, which go along with the brands positioning (Bosch is more oriented on comfortable usage while Siemens more on unique design and innovation) and the policy that Siemens tends to be a bit more premium.

This fact is also reflected in the organization of the product management, which is responsible for product portfolio and price planning. Each of the product managers, who takes care of certain product category and geographical area, coordinates the whole process from product development to the creation of the product concept in each country. It is more or less technically oriented process, which is focused on technical features of the appliances rather than brand specific features.

Product manager is the coordinator in the product improvement and development process, which has in principle two alternatives. Either it originates in a technical department, which suggests a new innovation and product management evaluates a market potential for such a product, or it is the product management (with contribution of other departments), which identifies a market potential for a new innovation or a new product. After that a business opportunity team creates to ensure a smooth coordination of the product development.

All new innovations or product ideas are evaluated for consumer acceptance by a special market research (conjoint analyses, acceptance test) focused on new product features, product design, its new equipment and price. The innovation is further developed only if the research identifies a sufficient market potential and if the company has enough resources to develop, produce and market the new product effectively given the estimated market size.

The whole process of innovation development is more or less technically and product oriented. The innovations are developed without brand context and only when the features of the new product are quite clear, it is evaluated under which brand or brands shall the product be marketed. Also brand management, in theory responsible for brand strategy, is in this process only involved at the very beginning, when the potential idea is introduced and than first again in the final stage before the launch (6 to 12 month before the product is ready to be launched). At the beginning of the last stage before the product launch is the new product, its features and most importantly the consumer relevant arguments, which came out of the initial research, presented to the brand management. Brand management shall than incorporate this information in the brand strategy and on that base adjust the communication strategy.

This organization enables achieving a high technical and technological level quite effectively. All the products are then easily locally adaptable in different national markets. This is very positive especially for the local brands. From the viewpoint of the internationally marketed brands it has quite strong weaknesses in missing the strong ties between the brand image strategy and its positioning and the whole product development and planning, which includes the whole product concept development. In other words, the product concept and even the themes under which it shall be marketed are developed with very little influence of the brand management. The product strategy determines not just the future brand communication strategy, but also the whole marketing strategy.

5.3.2.3 Communication strategy

Brand communication strategy development is a task of a special brand communication department, which is responsible for a development of communication strategy separately for each brand for Germany as well as for the coordination of the international activities. It is a part of the brand management department.

The communication strategy is influenced by three major factors:

- brand corporate guidelines outlining the core brand values for the umbrella brand and binding for all divisions
- internal BSH strategy differentiating the major brands
- the product strategy, which suggests product features that, shall be communicated to the consumer (they are the result of the initial acceptance research)

But there has so far been no real long term brand strategy, that would unify all of these aspects and which would be a real base for all marketing mix components including communication.

As a result, the communication tries to create a brand image reflecting core brand values (high quality, long lasting products that are comfortable to use and make life easier) by presenting new products and innovations. It tries to create a long-term brand image using relatively short term and often changing product features. This could work, if the message had a certain continuity and was unique on the market, which is however not the case. In the chapter concerning Bosch brand image it will be shown, that such a communication is not able to achieve the target set.

Communication does not mean just advertising. As it is stressed in market analyses, there are two important target groups to be addressed by marketing activity – final consumer and trade partners. Communication department is fully responsible for the part of the communication targeted to the final consumer. It also partially coordinates the trade activity and marketing support for trade partners with sales department, which is responsible for the trade marketing. High level of co-ordination is required in terms of the message communicated, since some sales materials are targeted on the consumer but distributed at the point of sale.

When talking about the communication with the final consumer, three major areas of activity can be identified: classical advertising, promotion mostly at the point of sale and alternative ways of communication like new media (internet may play a very important role in this sector as a source of information before purchase), PR, event marketing, sponsoring.

Classical advertising and promotion has in recent years become more or less product advertising, presenting new products and features under a common creative idea and visual. The creative ideas try to present Bosch as a user friendly thanks to its new innovations.

The themes of alternative marketing activity try to get close to the products (like sponsoring of one famous cooking program on German TV), but have not been closely tied to the classical advertising and promotion and vice versa.

Bosch is one of the largest European advertisers in home appliances, but there is not much unification in advertising and promotion activity across these countries. One of the reasons arises from the planning procedures. Planning and most of the marketing activity is based on the products, their innovations and novelties. And there are national differences as mentioned previously; therefore not all the markets introduce the same innovations at the same time and with the same intensity. Based on the planning system, most of advertising and promotion is more or less product advertising rather than brand image advertising. It features specific product that may not be applicable on other markets. For these reasons most markets develop completely whole communication themselves, at least if the financial resources allow.

In theory shall such advertising be very effective, as it can directly address local consumer needs much better, than any internationally developed campaign. But in reality, tight financial resources and high costs of creative work do not allow the local affiliates to execute required market research that would ensure that the right consumer needs are addressed, clear and understandable message is communicated and the targeting is really effective oriented on the brand specific target audience.

This is one of the reasons why Bosch is trying to answer the question, if it is at all possible to create unique positioning unified for all European countries and if such positioning could then be translated also into a unified communication strategy. It depends to large extent on differences in consumer expectations across Europe. But these differences shall not be seen in specific product features, which cannot be overcome by Bosch, but more in a sense of values and qualities that they expect from the products and from the brands. Identifying such common qualities and values in at least some European countries is the task of the new positioning development.

5.3.3 Brand Equity

Brand equity and brand image are vital for the brand strategy development. Brand equity, as defined in the theoretical chapters, is influenced mostly by brand image, brand awareness, brand loyalty, perceived quality, brand heritage and some other factors. All these categories should be analysed to

understand current status of Bosch brand equity¹⁰⁶. Brand equity as a strategic asset can be a basis for competitive advantage and long-term profitability and thus needs to be closely monitored by the top management of the company¹⁰⁷.

Compared to that, brand image shows how consumers and others perceive the brand and what they associate with it now. Brand image looks more past and tends to be a tactical element that drives short-term results. But the brand image is useful and even necessary background information when developing a brand strategy (brand positioning) and building brand equity¹⁰⁸. Brand equity analyses are one of the most important elements of brand analyses and presumptions for brand position.

To find out the answers to these questions, it is necessary to conduct market research that goes beyond the product and its features, more into consumers associations, brand consumer relationship, emotional and self-expressive benefits. But in reality not all this information is all the time available, and it is necessary to use all available data as well as internal experience and knowledge of the brand managers.

5.3.3.1 Brand image, loyalty and awareness, perceived brand loyalty

Brand image, loyalty and awareness, perceived brand loyalty are very closely interconnected categories and in marketing practice often researched all together by so call tracking studies. Different research companies have different approach to these studies and use different models. Research studies used by Bosch mother company and BSH are examples of some of them.

Bosch as a brand represents an umbrella brand for three major business sectors, electrical devices, car electronics and home appliance. Each of these sectors operates on a high level of independence from each other building its brand image and brand equity in its respective branch. All these activities necessarily influence the umbrella brand, which they all share. For this reason, there is an effort from the mother company Robert Bosch GmbH to coordinate the major pillars of the brand equity among these three sectors. The core of this coordination is a brand manual, which sets out the general guidelines for brand management in all sectors, as fundamentals of the brand, based on its history and philosophy, its vision of the brand arising from its core values quality and reliability, corporate design guidelines and trade mark guidelines.

¹⁰⁶ Aaker, D. A.: Building Strong Brands, The Free Press, 1996, p.. 7

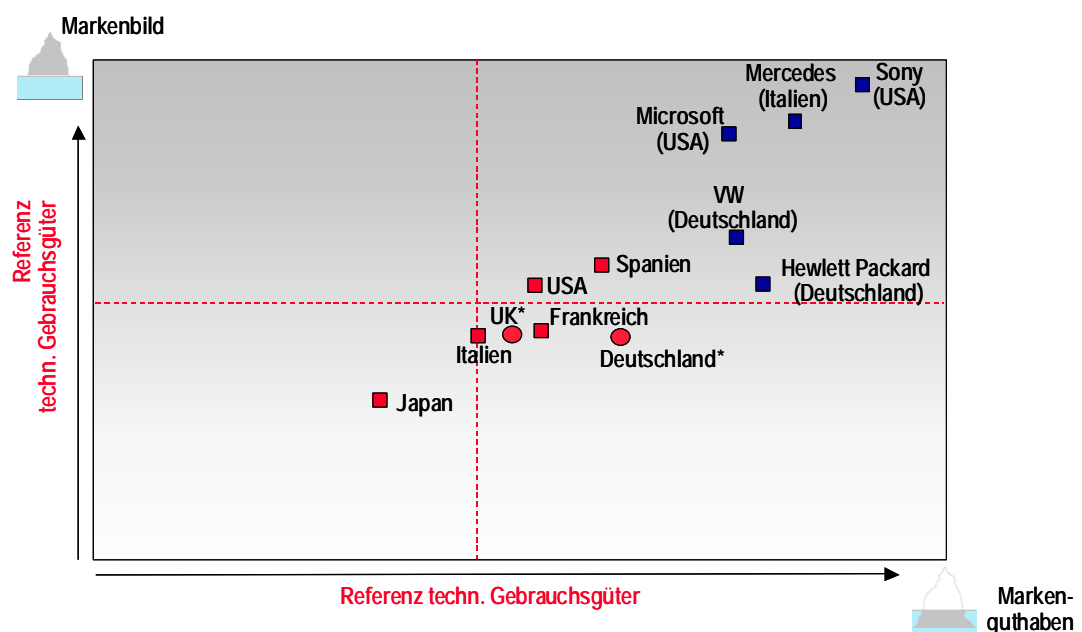
¹⁰⁷ Aaker, D. A., Joachimsthaler, E.: Brand Leadership, The Free Press, 2000, str. 9

¹⁰⁸ Aaker, D. A., Joachimsthaler, E.: Brand Leadership, The Free Press, 2000, p. 9, Aaker, D. A.: Building Strong Brands, The Free Press, 1996, p. 68-70

In June 2001, the mother company carried out a study focused on the brand image and the brand equity status. The Study was focused on the umbrella brand Bosch as well as on the image and the equity of the brand in each of the three sectors. It was done for major European as well as non-European countries by Icon Brand Navigator, a German market research company, specialized in brand tracking studies.

The result of the study showed, that in comparison to well-established technical consumer goods, which were taken as a benchmark, Bosch (meaning the umbrella brand) does not have superior image, which erodes the brand equity among those, who are aware of the brand, but it is a quite well established brand with an average image and equity.

Figure 19: Brand equity comparison of Bosch umbrella brand and established technical brands



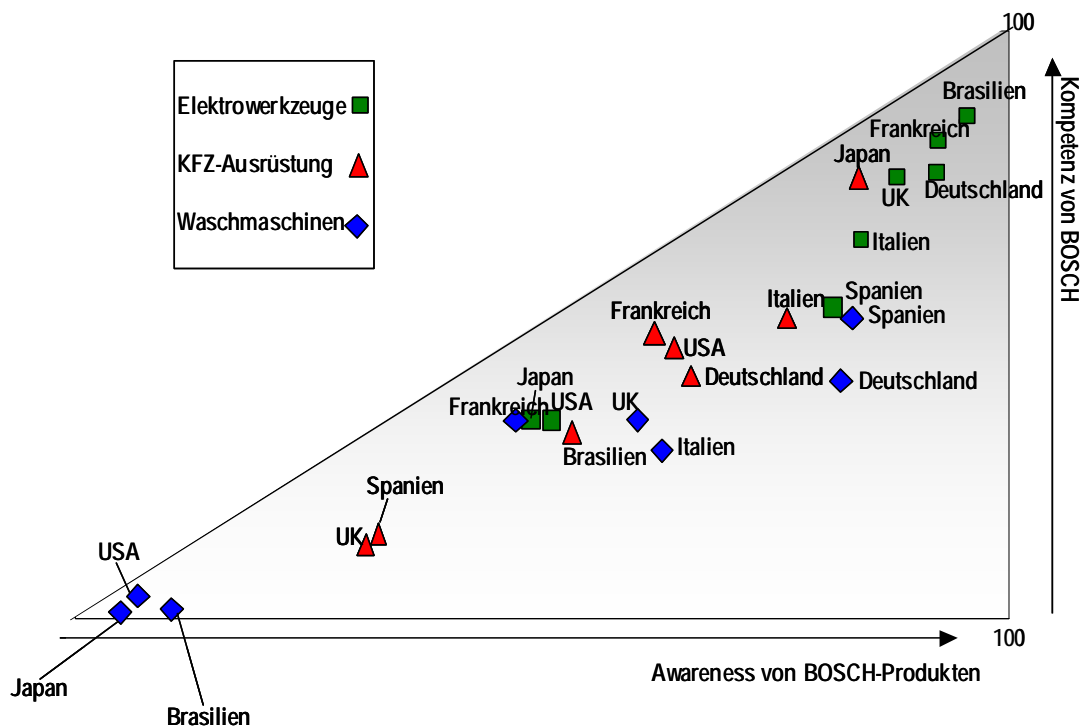
Source: Internal BSH material, Icon Brand Study 2001

But the situation differs not just according to the country, but also even more according to sector. The study further compares brand awareness and brand competence of Bosch (both of which are considered to be important elements of brand image) depending on the sector in major European and non-European countries. The result of the study showed clearly that consumers' awareness of the brand as well as perceived competence in each of the sectors differs dramatically.

It showed that the highest brand awareness and brand competence has Bosch in the sector of electrical devices, which are most commonly represented by drillers and grass mowers, followed by car electronics and

with far worse results by home appliances. As these two indicators have a close relation to the brand image, it was further determined, that Bosch has a better brand image in electrical devices sector, than in car electronics and much better than in home appliances sector.

Figure 20: Brand competence and awareness according to product branches and countries

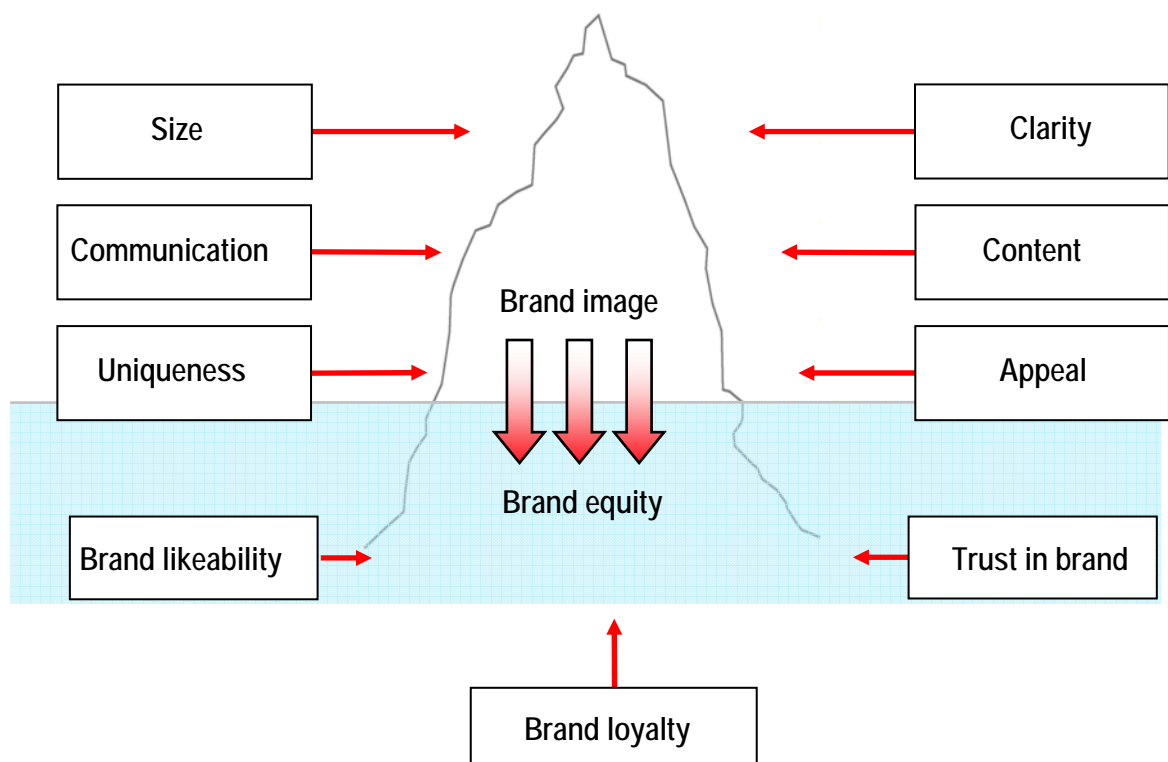


Source: Internal BSH material, Icon Brand Study 2001

As for home appliances, the best perceived and known is the brand in this sector in Spain, with similar level of awareness but less competence in Germany and followed with a lot less awareness in UK, Italy and France. In non-European countries like USA, Japan and Brazil are the home appliances under brand Bosch almost unknown, which corresponds with rather European than international presence of this business. It leads to the conclusion, that Bosch home appliances do not hold any especially unique brand image even on the main markets of its activity, Germany, Spain and UK.

Closer insight to the brand image and brand equity status in home appliances sector shows the “Iceberg” charts done by Icon Brand Study. The Iceberg chart consists of two parts, from which one represents status brand image compared to benchmark (here technical durables) and the lower status of brand equity compared to the same benchmark. These charts are one of many tools that shall help to analyse the main weakness in the brands image and equity. The picture in figure explains mechanics according to which this model evaluates brand image and brand equity compare to the benchmark.

Figure 21: Brand image and brand equity model used by Bosch



Source: Internal BSH material, Icon Brand Study 2001

The lower part of the picture represents strength of brand equity. It shows how consumers evaluate sympathy, trust and loyalty to the brand. These values are according to this model, together with brand image, the main

components of brand equity¹⁰⁹. Brand image is here analysed separately and more in depth showing brand appeal, uniqueness and communication capability of advertising.

Also according to Icon the lower part representing brand equity contributes more to an explanation of consumer behaviour than the upper. However brand equity cannot be influenced directly, but rather only via building a clear and attractive brand image. The brand image encompasses factors, that the consumer associates with the brand – for example personal experience with the brand, products or other aspects of the marketing mix, advertising images, packaging impression, colours and symbols like logo or slogan. Based on these experiences in consumers' minds, emotional feelings are formed about the brand that represent the likeability, confidence and loyalty, which all together form brand equity. As the Iceberg chart shows these two important values of the brand together, it gives a better idea of the brand status and its strength and weakness.

If we compared the Iceberg charts among the different branches, in which is Bosch active, we would reach the similar result as from previous charts. Bosch umbrella brand has lower brand equity compared to technical durables power brands, with especial weakness in brand image. This is valid generally for most countries with higher level of brand equity and brand image in electrical devices and car electronics than in home appliances branch. This indicates that the brand is starting to erode, as the old values of the brand, which the brand represents in consumers minds are not able to build appealing and unique image in the consumers' perception. The brand does not represent fixed place in consumer mind. It is missing clear positioning.

In the home appliances branch (see Figure 21, Iceberg charts on the next page), in all countries except Spain, the brand lacks quite dramatically image, which results in a weak brand equity That indicates that Bosch as a home appliances brand is not very established and distinctive. When we look closer on the results, we can identify significantly lower brand likeability and brand confidence that leads to low brand loyalty. This is partially a result of the weak brand image. The brand has very little brand uniqueness, which is partially caused by not very effective communication, as the memorability is very low. This may partially be caused by lower intensity compare to other power technical brands but not in home appliances sector where Bosch belongs to the largest advertising spenders in Europe.

It indicates that there needs to be a lot of attention given to the strategic brand building activities to establish clearer perception of its values in consumers' mind, which is a necessary presumption for improvement in brand equity. Without this step it will be difficult to further grow the sales and market shares.

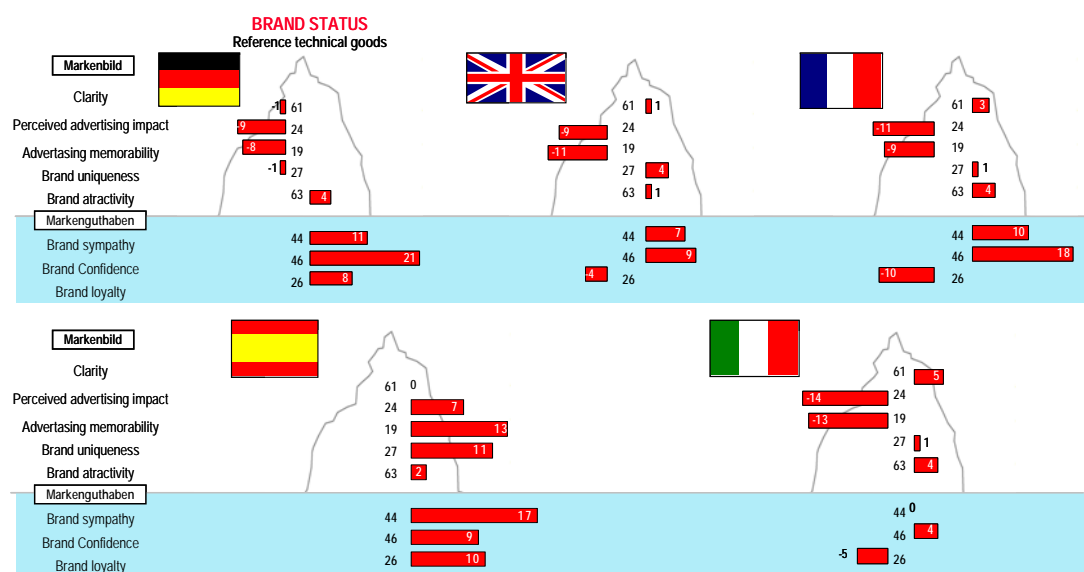
¹⁰⁹ Every model works with a bit different elements, when talking about brand equity. From the Icon's elements only loyalty is same as for example those of Aaker, who sees the four main components of brand equity in Brand name awareness, brand loyalty, perceived quality and brand associations.

To understand more about the brands image, we need to analyse further its perceived benefits and associations with the brand. This is the vital information for understanding the initial consumer perception of the brand.

The Icon study identified strengths and weaknesses of the brand perceived by consumers (perceived quality). Although these were mainly identified for the umbrella brand, there can be the necessary information abstracted from this study also for home appliances sector.

Perceived quality of Bosch has mainly rational fundamentals, but there are also few, emotional benefits, which however closely relate to the rational ones. The separation of emotional and rational benefits is vital for the brand image, as majority of today's strong brands have built their image and equity on emotional benefits. This is caused by high level of saturation of the markets, leading to high level of consumers' satisfaction in the rational level. Emotional feelings determine the brand image of otherwise relatively comparable products, and the brand image is then the decisive element in the purchase decision.

Figure 22: Iceberg Charts



Source: Internal BSH material, Icon Brand Study 2001

The rationally perceived quality of Bosch umbrella brand is the traditional brands values - high technical quality and reliability of the products. Consumers justified this claim by the following reasoning.

- Satisfaction with the product performance

- High technical standard of the products
- High workmanship
- Experience and competence of the brand in its areas of operation

All these benefits are valid for the umbrella brand as well as for all the product sectors and in international context. Only the strength of the claim differs, being for home appliances and some countries weaker, especially in the statement of high experience and competence. This can be clearly seen from figure 21, comparing brand awareness and competence of the brand in different sectors of its activity.

The perceived emotional benefits of Bosch umbrella brand are value persistence of the products and owners pride. Consumers justified this claim by the following reasoning:

- Long durability of the products
- Satisfaction of even higher professional requirements
- The fact, that Bosch belongs to assortment of every good retailer

All of these arguments are again common for all the sectors, but with much larger difference among the sectors, than by rational perceived qualities. Especially owners pride is a perceived quality not existing in majority of the countries in home appliances branch. Also the nature of the emotional benefits and their reasoning is very close to rational benefit of high technical quality. That indicates that there is little really emotional feeling about the brand, which is than reflected in the low brand image.

Table 28: Bosch Brand Image Study

Bosch	Germany	England	France	Italy	Spain
High quality					
Superior performance					
Very innovative					
Most advanced technology					
Excellent aesthetics & design					
Prestigious					
Worth paying more for					
Complete range of products					
Efficient in water/energy					

Bosch	Germany	England	France	Italy	Spain
Excellent a.s.service					
Best understands my needs					
Easy to use					
Last a very long time					

Source: BSH internal data, Werbeerfolgskontrolle study, 2001-2002

Table 28 shows results of different Bosch brand image study¹¹⁰ focused only on home appliances in different European countries. This shows that perceived quality of Bosch are, if any, in the technical indicators as advanced technology, high quality, superior performance or very innovative. The weaknesses are in the emotional sphere of the consumers' perception as best understands my needs, easy to use or excellent aesthetics and design. Only in Spain is Bosch considered as a prestigious brand, which corresponds with the fact, that Spain is the only country of relatively high brand image of Bosch home appliances. And although prestigious does not mean the same as owner's pride, these two categories indicate similar emotional feeling about the brand, so Spain is the only country in home appliances sector, where this claim from previous study may be valid.

According to the home appliances brand image study, Bosch is in most large European countries considered as high quality and/or superior performance products, which reflects the high technical quality in Icon study. With this also closely corresponds the image of an innovative brand, probably meant in the technical sense for Bosch¹¹¹. The main weakness seems to be in all the countries in brand-customer relationship, which is this study reflected by statements, best understand my needs, easy to use, excellent service. The brand is not seen as customer friendly, does not reflect customers' expectations in the sense of features and usage. This also corresponds to the result of Icon study, which showed that Bosch is missing emotional relationship to the customer as appeal and uniqueness.

Based on the Icon study, brand image and brand equity also differs according to consumers groups. Brand (Bosch umbrella brand) has better image among males, while among women is the image very low as well as among the youngest target group. The brand equity, which is influenced also by other elements than just brand image, is even better among males and older target groups while worse among younger and female target group. This fact indicates that the brand image as well as brand equity of the umbrella brand is the strongest among the male oriented sectors, electrical

¹¹⁰ Werbeerfolgskontrolle done for BSH by International Market Research Institute in respective countries in 2002

¹¹¹ The Werbeerfolgskontrolle unfortunately in its brand image test does not go any deeper into each of the statements. As some of them can be explain in different ways, can this image profile serve only as the approximate orientation about the brand image picture.

devices and car electronics, while home appliances do not play a big role in it. It also indicates, that the brand is becoming old together with its main target group and would need to gain more appeal among younger and female target groups.

Important for brand image building is the knowledge of the brand. The next table shows the brand awareness in the home appliance sector. Bosch has in all the countries a quite low top of mind and also spontaneous awareness, but when prompted, the knowledge of the brand is high. This may indicate, that the brand is known more from other sectors and home appliances are, just part of the brand family with little brand image in this sector.

Table 29: Bosch Brand Image and Brand Equity according to Age and Gender in Major European Countries

	Brand Image					Brand Equity				
	Germany	UK	France	Spain	Italy	Germany	UK	France	Spain	Italy
18 - 29 years old	-	-	-			-	-	-	-	-
30 - 39 years old								+		-
40 - 49 years old						+	+		+	
50 - 59 years old	+					+			+	+
Male	+	+	+			+	+	+		+
Female	-	-	-			-	-	-		-

Source: Internal BSH material, Icon Brand Study 2001

Purchase preference, which is higher, compared to top of mind awareness and value market share may indicate that Bosch is preferred for its technical reputation rather than based on the brand image.

Table 30: Bosch Brand Awareness Comparison

Bosch	Brand Awareness Top of Mind	Brand Awareness spontaneous	Brand Awareness Prompted	Market share value 2001	Purchase preference
Germany	9%	65%	98%	9.3%	10%
Spain	5%	18%	79%	8.6%	14%
UK	5%	18%	81%	7.6%	8%
Italy	0%	22%	80%	4.1%	14%
France	5%	14%	84%	4.1%	0%

Source: BSH internal data, WerbeerfolgsKontrolle study, 2001-2002

5.3.3.2 Brand heritage

Brand heritage may be in addition to market perceptions and brand image an important element of brand equity. Knowledge of what the brand stood for originally may provide an important insight in the brand's core values, which shall not be neglected.

Bosch is a brand with a long and rich history, tradition and heritage. The brand name has been inherited from its founder's family name. Robert Bosch has founded his company in 1886 and from the very beginning it was based on the principles of high quality and uncompromising reliability. Mr. Bosch had followed these values in his enterprise, and they became the fundamentals of the company's philosophy. These fundamentals are reflected in his famous statement: "... I would rather loose money than trust. The inviolability of my promises, the believe in value of my products and in my word always mean to me more than short-term profits". This claim is also today a part of the brands manual explaining the brands traditional values: high technical as well as functional quality, durability and uncompromising reliability supported by high level of services.

These traditional core values are still the core of brand equity and brand image, as was showed in the previous analyses, and therefore they may not be neglected when the positioning of the brand is developed. They are an inseparable part of brand's equity.

5.3.3.3 Strengths and Weaknesses

To be able to improve the current status it is necessary to analyse the initial strengths and weaknesses. In the process of development of the positioning it is possible to identify two types of product and/or brand strengths and weaknesses and organizational strengths and weaknesses. It is important to develop such a strategy, which uses all possible strengths and minimizes or eliminates threats from the weakness.

The main weakness of Bosch as a brand and product is its current brand image. Bosch has very blurred brand image, which is a result of inconsistent and frequently changing communication. This is result of the absence of one complex long-term strategy, which is the major weakness of the company.

To the main strengths of the brand belong very highly technically and technologically developed products. The quality of the products is not just in the brand's intended positioning - it is reality and there is a solid base for further development of this strength.

Another strength is also the good relationship with the distributors and the good perception of the brand on all the major markets. Distributors' perception of the brand is relatively better compared to the consumers' perception, which is based on the fact that distributors are able to continuously and more rationally compare the technical and technological standard of the products as it plays an important role in their business.

The major organization weakness is current absence of complex long-term brand strategy implemented on all levels of the company's activities. The majority of the marketing strategy is based on the technological innovation developed by product management, so the product itself is the central part of the brand marketing strategy to which more or less all other components are adjusted. Brand management and communication, whose task is to create clear brand image, receives the ready product concept from brand management, and develops communication based on the new product features. This in effect leads to often changing communication message too closely focused on the product. Thus, the communication is not able to achieve the main target, which is long-term brand equity building.

This weakness has another aspect. The current organizational structure is an internal obstacle for a potential internationalisation of brand building through common communication strategy. As product features and the product concept based on them differ in various national markets and product categories, it is very difficult to find an internationally valid message based on product features, even though there might be common consumer benefit addressed. Technical product features seems to be a too narrow category for creating a brand image on one market and almost impossible on international markets. Especially considering that there might be a potential to address other much more general consumer needs and benefits.

Second relatively large weakness in company's organisation is an absence of a central information system on market research data. Each of the departments (all product management departments, brand marketing, brand communication at the headquarters in Germany as well as in the individual countries) conducts market research, but the results are not very effectively communicated further. This has two negative effects. Some important data never reaches the other departments as they are collected for the needs of one recipient (department) and there is no simple system to inform the rest of the company about the very existence of such data. The second problem is gaps and inconsistencies in the information collected. Although the specialised studies like brand image tracking, advertising tracking study or

market analyses are ordered by BSH, they do not always contain fully comparable data (in time and quality) and they are missing some brand specific information, which is important for the analyses.

The major company and organization strength is the technical, technological and R&D base. BSH has a very highly developed structure of production, product management and new product development, which is quite clearly its market advantage.

Another organisation strength is the wide international presence. BSH has a wide network of its branches and production sites around the globe. It is a good base for the further international development, which is still on a relatively low level in the home appliances sector.

There could be many further strengths and weaknesses identified around the brand and the organization, but they are not decisive for the brand strategy development and therefore they are not further analysed in this study.

In addition to this point it needs to be mentioned that the desired positioning needs to be seen realistically. As a part of strength and weakness analyses shall be evaluated company's resources, capabilities and priorities. It would be a waste to develop a positioning strategy only to find out that the company does not have a production capacity to produce a satisfactory volume of products with desired profitability, or enough R&D resources for continuous development of new products or financial resources for the necessary marketing programs to communicate the intended message effectively to the target audience.

5.3.3.4 *Links to Other BSH brands*

A brand position decision cannot be made in isolation; it needs to be done in context of other brands in company's brand portfolio. As already mentioned, BSH has a broad portfolio of home appliances brands, which more or less competes against each other. From this brand portfolio only two major brands are currently positioned as full-liner brands offering products in all product categories and both in solo and in build-in segments. All other brands are specialised either on certain national market or as a product category specialist, which differentiates the brands.

Bosch brand positioning needs to be developed in context to the other major brand Siemens. These two brands need to vary in their positioning to minimize their cannibalisation.

5.3.4 Summary of Bosch self analyses

Bosch is a traditional German brand of technical appliances among other also home appliances. Brand is traded internationally and has very good market position in Europe, where it is consolidated market leader in Western Europe.

Bosch offers full range of free standing as well as build in home appliances in premium price segment. All products are based on traditional technical quality and technological innovations resulting from extended R&D department of BSH company.

Brand communication strategy is developed and implemented by independent department. Communication strategy is in long term consistent, but concentrates on product features not on the brand itself, its image and market position. Brand communication is developed more or less separately for each European market, which is very cost inefficient. This was one of the major impulses for research in option of common brand strategy across Western Europe.

For brand strategy and positioning development is vital brand equity. Deep analyses of Bosch brand equity showed several important aspects of the brand

- Brand has quite dramatic lack of image across all categories of the products, but the worse situation is in home appliances
- Associations connected to the brand are mostly based on its technical solidity - its high quality and/or superior performance, innovative in technological sense. But these associations are not consistent across all researched markets Bosch is not being associated with consumer friendly features like easy to use or understands my needs.
- Associations differ among consumers of different age and sex. The older consumers and male consumers tend to have stronger associations than younger and female consumers. This shows, that not very strong Bosch image erodes with age and is known more among other Bosch product users (technical appliances rather than home appliances)
- Brand awareness is high only if prompted, that means Bosch is not the Brand consumers remember. Although the knowledge of the brand on which is possible to build exists.
- Brand loyalty is not very high which corresponds with eroding brand image and brand awareness.
- Bosch has perceived quality as high quality and durable product. The problem is that this position on the market is not unique. It already belongs to Miele.

- Bosch has very good, solid and consistent brand heritage of high technical as well as functional quality, uncompromising reliability supported by high level of service.

To summarise all this information, we could say that Bosch is a brand that stands on traditional rational values as technical and technological quality and reliability. There are very little associations connected with the brand itself. There is almost no element, except the rational benefit of quality that would the consumer associate with the brand (no significant associations of any symbols like logo, slogan, and elements of advertising, services and so on).

As there are other brands that are also perceived as high quality products and some of them already managed to build their image on these values (Miele), these features are not unique and strong enough to differentiate the brand and give it a clear image that could form a foundation for strong brand equity.

Although the brand image study took place at one point in time and therefore does not show any development over time, based on the image among different age groups we can assume that the brand image development is not moving in the right direction. The brand has a stronger image only among the oldest and male target group, which indicates, in connection with the data about brand equity among these target groups that the brand's image is based on traditions and has not been revitalised recently.

The benefits, which the consumers see in the brand, are all very rational and not really unique. There are almost no intangible attributes or benefits in consumers' perception associated with Bosch and as a result of that the brand has at this moment a weak personality of male, solid and technical, especially in home appliances sector. The main problem of the brand's image seems to be too much concentration on product attributes and functional benefits while paying too little attention to the building of a consumer-brand relationship in a sense of brands personality and emotional dimension.

This status the brand equity shows that brand needs urgently revitalization. Solution may be development of a brand strategy based on careful positioning of the brand, which will possibly be common for as many western European markets as possible. For assessment of such a positioning strategy are vital consumer analyses.

5.4 Consumer Analyses

Before developing a clear positioning it is important to obtain deep knowledge not only about the market and the competition, but it is vital to deeply analyse the consumer. It is important to know what people buy and why people buy. The same product may bring different benefit to different

groups of the consumers, so the understanding of the benefit that a particular target consumer wants helps to define the ideal positioning, which a brand may try to establish in consumers mind.

There are different aspects of the consumers' behaviour that need to be analysed. It is important to know why consumers buy certain products and/or brand and what market development or trends can influence these decisions. It is important to get to know the benefits, that the product or brand brings to certain customer. It is necessary to identify groups of consumers that have similar purchase motivations, expect similar benefits from the product, or even have similar unmet needs in order to be able to address them with an appropriate offer.

Consumer analyses, market segmentation and targeting usually request very deep analyses and broad and extensive market research. To be able to use the results of the research effectively, it is vital to define the aim of the consumer analyses.

Consumer analyses conducted for the purpose of positioning strategy development should aim to identification of ideal target consumer (with respect to its size and brand equity) and benefit that this target group consumer considers unique and desirable.

5.4.1 Trends in home appliances purchasing

Home appliances market is, as mentioned in the market analyses, a relatively low involvement market with long purchase cycle. New home appliance is bought in Western Europe in average every eight years and the purchase decision is made within a few days or even hours before the purchase. This is explainable by the facts that majority of the purchases are replacements of the old appliances and that the appliance is more or less considered to be a functional rather than emotional or self-expressive element of the household.

But there are also certain trends in the home appliances market, which influence purchase decision, and which need to be addressed. They are related to different lifestyles and values reflecting the role of the family and its members (especially women), changing the meaning of home and home equipment, as well as the value of leisure time.

The most important trend across the whole Europe is the changing role of the family and its members. Families are generally becoming smaller, only one or two generations. Also, the role of the woman in the family is changing dramatically. Women are becoming or already became equally occupied in professional life as men and the traditional female role in the family is disappearing. That leads to the changing status of the kitchen, which is not any more an ultimate kingdom of women although they are still the prevailing

users. This trend is valid for the whole Europe with some differences in intensity and form between the countries.

Another important trend is the growing value of leisure time. With increasing income levels across Europe, the leisure time is becoming more important and in many countries and social classes even a central value of the life. From this standpoint, home appliances can be seen as an important element in handling the household thus leaving more time for leisure activities and hobbies. They can also increase the level of life standard by offering special service.¹¹²

Within these general trends, different lifestyles can be identified based on different values across all European countries. Accordingly, there are different attitudes towards family life, role of the family members in the household and related importance of kitchen and home appliances. To identify various lifestyles and based on them also target groups with their values and attitudes, all sorts of lifestyle studies are conducted. Most describe typologies and focus on changes in people's lifestyle for the purpose of new product development, new product launches and positioning of brands.

To identify potential target groups in European countries and to analyse potential for common target grouping across Europe or at least at some markets, BSH has conducted (purchased) a specialized market research study focused on this topic. This will be further analysed in market segmentation chapter.

5.4.2 Market Segmentation

In today's marketplace there are many consumers with the similar needs but with different expectations of how should these needs be satisfied. Market segmentation is necessary to identify the groups of people, who share some common characteristics and that are different from the others in the satisfaction of their needs. On one hand segments are becoming smaller and smaller to accommodate for more and more individual requirements of different target groups. On the other hand there may be identified similar groups of the customers around the world (global segments) or geographical regions (international or regional segments), which look for same benefits, and needs of the product. This allows targeting more specific needs of consumer (targeting smaller national segments) but at the same time it keeps the production and distribution effective.

¹¹² This may be the case especially in cooking category. Cookers with special functions may increase the level of prepared food to an almost professional level and better address connoisseurs' needs. In washing it may be special handling of highly valuable materials or drying programs eliminating in certain level ironing..

As Bosch already has an established group of customers, there are certain limits to the change in the selection of the target group. Bosch is currently positioned as a high quality product within lower premium price segment. Consumers in the current target group have a mid to higher income level, A and B social classes. This is more or less valid for all European markets, with a bit less premium position in Germany. But such targeting is too general for the purposes of clear positioning. There needs to be more insight into consumers' needs, usage and expected benefits. Such information however cannot be obtained from simple geodemographic segmentation.

Another important aspect of the segmentation process in Bosch is the intention to develop an internationally valid positioning for at least some European markets. Therefore there has been attempted to find such a segment or segments, which appear in as many as possible European countries and which at the same time can be addressed with benefits not totally distant to Bosch brand.

To identify such segments, BSH has conducted a segmentation study focused on different dimensions. The main segmentation perspective used was behaviour, especially usage and benefit, but the study goes deeper in analysing the identified target groups and describes social demographics, psycho demographics and already mentioned behaviour in connection to the home appliances.

Table 31: Europeans Segments Description

Segment	Profile of the segment	Consumer need expression	Source of consumer benefit
Expressor	<i>„The things I own say something about who I am.“</i>	Everything with innovation and design	Product
(Young) Design Connoisseur	<i>"Design is important in all areas including household appliances."</i>	Modern quality products for an eye	
Status Driven	<i>I can afford to choose the best."</i>	The most expensive is just enough	
Home Hedonist	<i>"I enjoy spending time at home. My surroundings are pleasurable and make me feel happy."</i>	Mix of design, technology and innovation to express personality and harmony	
Sociable	<i>„These products are a part of my way of life.“</i>	Everything for the family	Usage
Time Saver	<i>"These products give me time to do other things."</i>	Everything that makes life easier	
Simplicity Seeker	<i>"I just need a simple, basic product."</i>	Simple handling	
Brand Believer	<i>I prefer to trust a national brand."</i>	It must be a brand	Usage and product

Segment	Profile of the segment	Consumer need expression	Source of consumer benefit
Home Enthusiast	<i>"I enjoy investing in my home."</i>	Quality products for comfort	
Household Manager	<i>"I am proud of my kitchen equipment."</i>	Professionalism and quality	
Shrewd Enthusiast	<i>"I won't pay more than I have to for a quality product."</i>	Quality and Innovation for favourable price	
Expert Investor	<i>"I know how to make the right choice for a long term investment."</i> <i>I enjoy advising my friends/family..."</i>	The newest products with design and convenience	
Reluctant Adopter	<i>"Why can't these products be simpler?"</i>	Few uncomplicated functions	Low involvement
Utilitarian	<i>It's only as good as it works!"</i>	The essential	
Economically Constrained		Already basic equipment is a luxury	

Source: BSH Internal materials, Segmentation study

About 14 different segments have been identified based on the main criteria, usage and benefit in Europe. Some of them have quite a national character, while others were identified across more, or even all, European countries. All of these segments, no matter in which country they exist, can be sorted in 4 different groups according to the main source of the benefit. Table 31 shows all the identified segments with a short characteristic in connection with home appliances. They are divided into groups, depending on the source of main consumer benefit (if it is the product itself, or the usage of the product, or the combination of the product itself and its usage or target groups with little interest in the products and their usage – low involvement segments¹¹³)

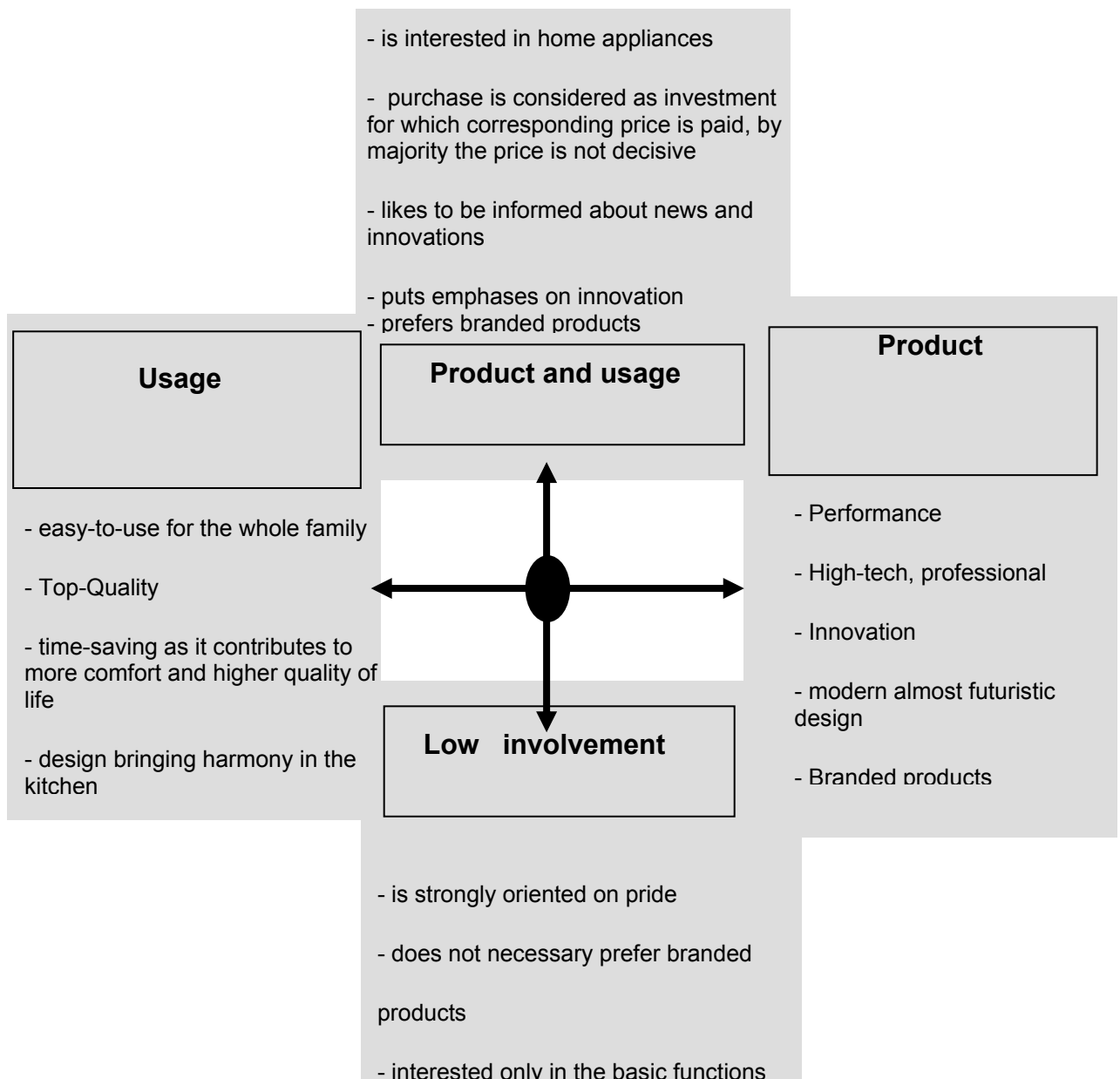
These segments can be divided in four groups (as shows figure 23). Each of these groups represents segments, which have certain similarities in the main benefit expected from the home appliance.

There is a group of segments, in which the consumers value the product itself, its design, technology and certain personality as the most important. In another group the usage of the appliance, quality of the product in connection with its functions and ways of handling are the most important benefits. Both of these groups have their expectations from the appliance, which do not go beyond the product or its usage. They appreciate appliances, that satisfy their needs, but they do not consider them as an

¹¹³ Profile of the segment and consumers need expression has been abstracted from analyses of the segment. Closer description of target groups can be found in the enclosure.

important element of their live. The third group of segments contains target groups with a bit more involvement. They see the benefit in the mix of product and usage features. These consumers care about the personality of the product, its design as well as about the usage features and quality. Segments within this group mostly differ by the size of the investment they are willing to make for a home appliance. Complete opposite to them are the target groups in the fourth group, which have very little interest in the home appliances. Consumers in all these three segments see home appliances as something what may help them, but they intend to give it as little attention and investment as possible. Figure 23 shows short characteristics of these four groups

Figure 23: Characteristics of four major groups of consumer segments



Source: BSH Internal materials, Segmentation study

Another important characteristic of the segments are their geographical presence. Some of them have been identified only on some European markets, but there are three of them, which are represented on all the markets. The Table 32 shows the presence of the individual segments on national markets and their size in percent of the households. They are grouped according to the main benefit expected from the consumers.

Table 32: Presence of Segments on European Markets and their Size in Percents of Households

Segment	D	GB	E	F	I	DK	PL	GR
	<i>Product</i>							
Expressor	16	22	15	17	8	6	13	3
Design Connoisseur		5,5						18
Young Design Connoisseur			13		12			
Home Hedonist								22
	<i>Usage</i>							
Sociable	10	6,5	14	17	35	18	8	5
Simplicity Seeker				24	25		8	19
Time Saver	10	5	8			22	10	
	<i>Product and usage</i>							
Brand Believer				22				11
Home Enthusiast	19					34	19	
Shrewd Enthusiast		32						
Expert Investor								12
	<i>Low involvement</i>							
Utilitarian	28	10	25	24	13	20	36	10
Reluctant Adopter	15	14	18					
	<i>No segment</i>							
Not belonging into any segment	3	5	7	9	11	3	4	

Source: BSH Internal materials, Segmentation study

5.4.3 Summary

Consumer analyses conducted by BSH for the purpose of development of Bosch positioning for Western Europe were targeted to possible identification of target groups that poses similar characteristics and similar attitudes toward purchase of durable home appliances. Specialised segmentation study that was conducted across all Western European markets identified 13 consumer segments, which could be clearly identified and closely described in relation to their purchase and usage attitude to home appliances.

By all these segments can be identified their common preferences and benefits, they expect from home appliance. As the study was conducted across all Western European countries, there is also clear result of which segment is national (expert investors in Greece), which regional and which European (Expressors, sociables, utilitarians).

Which of these groups is/are suitable as target consumers for Bosch home appliances strategy and positioning is necessary to decide in the process of positioning development strategy.

6 Bosch Case Study - Positioning Strategy Development

Development of targeted positioning and positioning statement

Based on the analyses conducted in previous text, Bosch has identified its weakness in lack of brand image and brand equity, which results from the absence of strategic brand positioning that would be applied on all levels of marketing strategy and marketing mix. To strengthen the brand image and to eventually, over time, build brand equity, which is the prerequisite for future business growth, it is necessary to define the brands clear positioning. The second step is then to implement this strategy on all levels of marketing strategy and marketing mix. As this is a very extensive task, this work concentrates only on positioning development and the analyses connected with it. The basic outcomes for implementation of the positioning in marketing strategy will be shortly summarized in the next chapter.

Brand, consumer and competitive analyses resulted in data, which can be used for positioning strategy development. There are not all data available, which were discussed in theoretical part as source of information for positioning development, but in practice they never are. There must be solid base of data, which for Bosch was collected, and some detail data need to be supplemented by smart combination of existing data, and knowledge and experience of people working with the brand.

In chapter 2.4.3. positioning was defined as

Positioning is how marketers want a brand to be perceived by consumers (group of consumers) in comparison to a brand of a competitor.

Positioning strategy has four elements, which need to be defined based on researched data:

1. Target group – to be able to position brand, we need to know to whom we are addressing the offer, which is the target consumer. As practise showed, it is very important to get to know the target consumer very well and, if possible, to create a detail consumer profile that goes beyond social-demographics description.
2. Benefit - we need to identify such a benefit (also called unique selling proposition (USP)) that the targeted consumer considers important and which will at the same time differentiate the brand from competitors. To do so, we need to deeply analyse all problems, needs and wishes of the target group in order to identify relevant and at the same time differentiating benefits.

3. Competition – unique selling proposition and unique positioning of the brand needs to differentiate the brand from competitors. To be able to achieve that, it is vital to know as much about competitors as possible. We need to analyse their market position, their strategy and potential future action, but importantly, we need to understand how the consumers perceive competitive brands and products to be able to differentiate ourselves.
4. Brand – to find out a future ideal positioning for a brand we need to know and understand the current status of the brand, its perceived brand equity and brand image, its personality. It is important to know the perception not just of the general consumer, but the perception of the target group, to be able to identify current weaknesses and strength of the brand and suggest future positing.

For Bosch home appliances, the analyses of all available data were done in preceding text. The task is now to combine all the four elements of positioning that came out of the analyses and to identify the best possible positioning statement for Bosch home appliances.

To develop the positioning for Bosch home appliances means to summarize results of the preceding brand, competition and consumer analyses, considered in the interdependence among them to be able to create a positioning statement. In the development of the positioning the next step is to identify clearly the four elements of the positioning and transform it into positioning statement, or positioning of the brand

6.1.1 Brand

Brand analyses showed clearly, that Bosch brand equity and brand image, especially in sector of home appliance exists, it owns certain characteristics and consumer perceptions, on which should be built on. On the other hand Bosch brand equity erodes, and therefore needs action to improve it and strengthen it versus competitors.

Analyses showed current image of Bosch brand and some trends in its development. For positioning development is important to based on all available data and experience future image of the brand, that is wished consumer perceive.

For this purpose is very important to differentiate and compare where the brand image stands today and where it is intended to be moved in the future. D. Aaker differentiates these terms very apt, when saying: “Brand image reflects current perception of a brand. Brand identity and brand position are more aspirational, reflecting perceptions that the strategists want to have

associated with the brand”¹¹⁴. Therefore it is very useful to compare current brand image with the brand identity that shall be achieved. Table 33 compares brand image and brand identity of Bosch.

Table 33: Current and Intended Bosch Brand Image (Brand Identity)

Dimension	Brand image (current)	Brand Identity (goal)
Product / competitive segment	High quality/premium home appliance	High quality/premium home appliance
User	Whole market but probably mid to higher income level	Sociable
Functional benefit	Technical quality	Convenient to use, technical and technological quality
Emotional benefit	None	User friendly, makes my life easier
Brand personality	If any than solid, male	Helpful, family friend

Source: Author

From the table 31 we can see, that the brand image of Bosch home appliance does not need to be changed completely, what is the targeted brand identity is a more focused position in a sense of target group and addition and strengthening of all brand image dimensions. The most important is the building of the emotional dimension, which currently does not exist. The functional benefit needs to be extended by the convenience element. Also, the brand shall be given a personality (which is now very vague) of a helpful and friendly family friend or even member. If Bosch manages to achieve this brand identity, it will be first step in building strong brand equity.

The ideal desirable brand image (brand identity) of Bosch is as follows:

High quality premium home appliance, which is convenient to use, with top technical and technological quality, perceived as helpful family friend.

The following summaries of all data will show, if this desirable brand image would find any resonance with consumers and if it would differentiate Bosch from other competitors.

¹¹⁴Aaker, D., A.: Managing Brand Equity, Capitalizing on the Value of a Brand Name, The Free Press, 1991, p. 180

6.1.2 Target consumer

To identify a suitable target group for Bosch home appliances, it is necessary to connect the current brand characteristics and strengths with the characteristics of these segments. Are there any target groups whose benefit would also be a core value of the brand Bosch and could help to differentiate Bosch? Is this target group large enough to be profitable if addressed? Has this target group future potential? What about the other BSH brands, are they targeted to another segment to avoid cannibalisation? Is this target group internationally present?

All these questions need to be addressed when evaluating the segments and choosing the right target group for Bosch. The first steps is to compare the core values of the umbrella brand Bosch with the current perceived values of Bosch and with the values, required by the individual segments and identify those segments that have some common characteristics.

Table 34 summarizes the core values of Bosch umbrella brand and the perceived values of Bosch home appliances. Bosch home appliances do stand for the same core brand values as the umbrella brand, but umbrella brand represents much wider set of value on the top of high quality and innovation. When looking for the target group, the core brand values, high technical and technological quality as well as some of the umbrella values (experience and competence, durability, functionality ...) shall be seen by the target group as important benefits.

Table 34: Comparison of Core Values of Bosch Home Appliances versus Umbrella Brand

Product category	Values per category	Common values
Bosch umbrella brand core values seen as a companies heritage are	<ul style="list-style-type: none">- high technical and technological quality,- experience and competence- functionality,- durability,- uncompromising reliability- semi professional products	<ul style="list-style-type: none">- high technical and technological quality (innovative)
Bosch home appliances perceived image / values	<ul style="list-style-type: none">- high quality- technology and innovation	<ul style="list-style-type: none">- high technical and technological quality (innovative)

Source: BSH Internal materials

Also the fact that the company has to manage more brands, needs to be respected while segmenting the market and looking for the suitable target group. Before selecting the target groups it is important to consider other BSHs brands perceived values and positioning. It is vital, that the positioning and therefore also target groups of each brand differ, otherwise the brands would cannibalise their business among themselves rather from competitors. Table 35 shows the main selling propositions of the second internationally marketed brand Siemens and two speciality brands Gaggenau and Neff (also internationally marketed), which need to be considered as potential direct competitors.

If we look closer on these brands and their core values / selling proposition, we can see that there are two brands, Gaggenau and Neff, offering only build in appliances, which is already a differentiation vs. Bosch. Further, Gaggenau clearly has a different selling proposition and positioning from Bosch, targeting the most premium design oriented consumers who expect a very individual service. Neff, although it shares with Bosch the high quality value, is as a build in brand more oriented on design as a second major value. The most important is differentiation between Siemens and Bosch. As we see from the table, Siemens tries to position itself as an innovative, modern, hi-tech, design appliance for contemporary individuals. With this intended positioning (which is not entirely in line with the perception, as we already saw), Siemens is quite clearly addressing the target audience segments with the major interest in the product (Expressors, Design connoisseur, Home hedonists). These are the segments Bosch shall not try to address with its offer.

Table 35: Selling Proposition of Major BSHG Brands

Brand	Core values – selling proposition	Target segment specialisation
Bosch	<ul style="list-style-type: none"> - <i>Quality</i> - <i>Technology and innovation</i> 	???
Siemens	<ul style="list-style-type: none"> - <i>Innovation</i> - <i>Design</i> - <i>Hi-Tech</i> - <i>Individuality</i> 	Product oriented segments - expressors, (young) design connoisseurs,
Gaggenau	<ul style="list-style-type: none"> - <i>Authentic designer brand</i> - <i>Individuality</i> - <i>Exclusivity</i> - <i>Specialised in build-in appliances</i> 	Niche segments – -status driven, design connoisseurs
Neff	<ul style="list-style-type: none"> - <i>Specialised in build-in appliances</i> - <i>High quality</i> - <i>Design</i> 	Niche segments – Home hedonists, Home Enthusiasts, Expert Investors

Source: Author

When considering all these aspects mentioned above, we can conclude that Bosch shall address any of the target groups stressing importance of high quality and functionality that means from the segment groups oriented on usage or product and usage. Consumers in these segments consider high quality in a functional sense as well as other to Bosch close and important characteristics. Together with this aspect, we shall also consider the size of the market and its international presence, when selecting suitable target group. From table 26 we can see that the segments where consumers consider product as well as usage important are quite special and only exist in few countries. They are not large enough to be worth considering for an internationally marketed brand like Bosch. On the other hand among the segments, where consumers consider usage of the product as most important, is the segment sociable, which is present across the whole Europe and in some countries represents quite significant share of the market. Sociables therefore seem to be suitable potential primary target for Bosch home appliances.

Characteristics of Sociables¹¹⁵

Socio demographics

- ... occurs in all age groups,
- ... is married as a rule, tends to have children <15 years of age
- ... has a medium/high income
- ... has a medium/high level of education

Socio-cultural aspects

- ... is a family-oriented person, who is pragmatic and has both feet on the ground.
 - ... is balanced, sensible and looks for harmony.
- ... values inner qualities, simplicity and naturalness, according to the motto „It's quality not quantity that counts.“
- ... values quality of life, which means for him: family and friends, culture, comfort and quiet. It also means to enjoy life in moderation.
- ... is open-minded, tolerant, and interested in foreign cultures
- ... is responsible and has a critical look at the current and social events
- ... is an active person and does sports (going on a walk, swimming, biking). He enjoys nature and travelling.
- ... purchases products and brands that correspond to his way of life.

Demands on products and brands

- ...domestic appliances have to be above all of top quality.
-he values mature and usage-oriented technology.
- ...the appliances have to be easy-to-use for the whole family and robust.
- ...design should be harmonious, materials and colours should underline the quality of the appliance.
- ...he is brand-oriented.

On the top of the sociables, in the individual countries can be identified secondary target groups, which come from the national segments oriented either on usage or on usage and the product. These segments may be

¹¹⁵ Source: BSH Internal materials, Segmentation study

considered as a secondary targets as their characteristics and especially benefits expected are relatively close to those of sociables and they may be addressed even by the message targeted to socials, although not as directly. Table 36 shows potential primary and secondary target groups for the major European markets and its market size as a percentage of households in each country.

Table 36: Market Size of Bosch Primary and Secondary Target Groups on Major European Markets, in Percents of Households

	Primary target group	Secondary target group	Total percent share of all target groups
Germany	<i>Sociables</i>	<i>Home Enthusiasts, Time saver</i>	
Percent share of TG in population	10,0%	19,0% + 10%	39,0%
UK	<i>Sociables</i>	<i>Shrewd Enthusiast, Time saver</i>	
Percent share of TG in population	6,5%	32,0% + 5,0%	43,5%
France	<i>Sociables</i>	<i>Simplicity seeker</i>	
Percent share of TG in population	17,0%	24,0%	41,0%
Italy	<i>Sociables</i>	---	
Percent share of TG in population	35,0%	0%	35,0%
Spain	<i>Sociables</i>	<i>Time saver</i>	
Percent share of TG in population	14,0%	8,0%	32,0%

Source: BSH Internal materials, Segmentation study

The table 36 also shows, that the perceptual proportion of the populations, that represents these target groups is large enough in these countries and it will be effective to address them with special to them appealing message.

The data summary shows. That ideal target group from those identified in the segmentation study are sociables. This target group corresponds well with Bosch core values and desirable brand image (identity), is present in all Western European markets and is large enough to be worth the investment.

6.1.3 Benefit identification

The goal of the customer analyses is to determine which functional, emotional, and self-expressive benefits will motivate the customer to buy

and use the brand¹¹⁶. To determine such benefits, it is necessary to have a deep consumer insight based not just on traditional market research.

In case of Bosch home appliances, sociables have been identified as the primary target group and therefore it is necessary to analyse the relevant benefits for this segment. At the first stage, it is important to summarize all relevant benefits that may influence the brand perception.

From different market research and other available sources like specialised branch magazines, life style studies and research of cooperating advertising agencies arose a list of benefits that sociables consider as important and therefore may influence their perception of the brand and brand equity as well as purchase decision. These benefits can be sorted out in three groups – quality, convenience and life quality and enjoyment as following table shows.

Table 37: Benefits of Sociables

	Reflection of Benefit in life reality
Quality	Perceived quality above average
	Well known brands as they assure quality
	Value harmony in their life which shall be reflected in modern but warm and not eccentric design
	Utility usage
	Silence
Convenience	Convenient handling for the whole family – easy to use
	Timesaving in household activity increases their quality of life, which they highly value
	Usage oriented innovations
	Before, sales and after sales service
	Accessibility
	Easy-to-clean
Life quality and enjoyment	Enjoy life in moderation and comfort with family and friends
	Modern family and roles of family members
	Want to avoid life overloaded with responsibilities
	Look for security and inner peace
	Look for balance between professional and private life - in connection with home appliances it means that they seek high performance connected with simplicity of handling. Complicated multifunctional choices will take their time and energy, which shall be devoted to other life values (family, profession, leisure time).

Source: Author

¹¹⁶ Aaker, D. A.: Building Strong Brands, The Free Press, 1996. p. 191

The list of these values is relatively long and needs to be prioritised according to relevance and importance of them to the consumer. It contains functional as well as emotional benefits. Unfortunately there is no direct research done on the benefits, especially the emotional ones that could help to set further priorities. Therefore is the priorities order based more or less on information collected about usage and decision making process from various secondary sources and the experiences and brand and market knowledge of the managers of BSH.

The decision-making process, based on the information available, is mostly influenced by following aspects:

- Key decision making values when home appliance is purchased are¹¹⁷
 - Product quality
 - Service quality
 - Price
 - Brand
- Recommendation is one of key decision-making values. By purchase of home appliances, is recommendation of family, friends or colleagues of top importance¹¹⁸
- Comparison on the point of sales influenced by sales staff, point of sales material and own judgement when comparing the products in the shop based on differences between the products and or brands.
- Own experience belongs also to the key decision making values. A lot of decision is made on the base of rule” if I have a good experience with one brand, there is no reason to change it, as there is not much difference anyway.”.

These influences on purchase decision are in general based on two factors: the previous exposure to the brand (either personal, or through others or through brand-customer relationship) or by specific product features, services, or brand image. These two factors can be associated with the two types of benefits – functional benefits with the product features and emotional and functional with the previous exposure to the product

As there is currently little brand differentiation among the brands in distinctive price segments, consumer is forced to go through a relatively deep product analysis, which they would like to avoid. They do not have a clear perception of any of the brands and therefore they do not trust it enough. If the brand manages to create a clear perception that resonates with consumers’ expectations and expected benefits, it will gain enormous

¹¹⁷ According to D.Aaker in Building Strong Brands, by durables the important values are product, service or organization and ratio of price and quality, in other words, price. According to TBWA research, the key aspects in decision-making process for home appliances are brand, quality and price. As the target group mentions, its problem is sales staff and after sales service (BSH segmentation study). Service belongs to the three values mentioned by TBWA as well.

¹¹⁸ According to “Heley Centre, Planning for Social Changes” used by TBWA in its analyses, 90% of population trusts recommendations of close family members, 82% of a friend, 69% trusts colleagues, 50% to TV news, 27% to sales staff and only 14% to politicians and advertising.

competitive and differentiating advantage, as the consumer may skip part of its in depth product research before the purchase.

Based on these information and some other insights, we may group the benefits important for the sociables in certain groups:

Functional benefits:

- Quality of the product must be above average
 - Innovation, but only in a sense of making ones life homework easier and faster, they value mature and usage-oriented technology
 - Specific product features like¹¹⁹ - utility usage
 - Silence of the appliance
 - Easy-to-clean
- Convenient handling for the whole family
- Timesaving in household activity increases their quality of life, which they highly value
- Before, sales and after sales service¹²⁰

Emotional benefits and motivations:

- Prefer well known brands as they assure quality
- They seek harmony in their life which shall be reflected in modern but warm and not eccentric design
- They value quality of life, which means to them
 - family, friends, comfort and peaceful life. They want to enjoy life in moderation
 - modern family and roles of family members
 - They want to avoid life overloaded with responsibilities,
 - They long for security and inner peace,
 - They look for balance between professional and private life, which in connection with home appliances means that they seek high performance connected with simplicity of handling. Complicated multifunctional choices will take their time and energy, which shall be devoted to other life values (family, profession, leisure time).

From these benefit groups, we can indicate four benefit profiles based on functional benefits, which shall be than in execution underlined by setting and atmosphere reflecting the emotional benefits. These benefit profiles could be specified like:

¹¹⁹ These specific product features may differ in their importance in different countries. What is important for the brand image is not the specific feature, but the fact, that the brand creates features, that make consumers life easier.

¹²⁰ The specific services and their priorities may differ in various countries, but for the brand image building is important the fact, that Bosch offers the services, that make consumers life easier.

1. Top quality in a sense of professional and modern and usage oriented quality that is reliable and long-lasting
2. Easy to use/operate - top technology oriented on easy to use elements for whole family
3. Time saving technology – products that make my life easier as they save my time
4. High quality friendly products with superior service behind it

Any of these profiles shall be underlined by emotional benefit featuring Bosch as a family member or friend that allows enjoying the life.

But which of these major benefits could create the best the differentiated brand image of Bosch as a home appliances specialist for sociables? How shall it be adjusted and further elaborated? The benefit relevant for the positioning needs to be highly relevant not just to the consumer, but must follow and underline the brands core values and differentiate it from the competition. On top of that it must be possible to communicate it to the consumer. Without fulfilment of all these aspects even the positioning based on the most relevant benefit will not achieve a clear brand image, as the consumer will not receive the message. Therefore, the consumer benefit identified as potentially suitable needs to be addressed in connection with the other components of positioning.

As a primary target group have been identified Sociables, as their profile the best matches the core values of Bosch brand in home appliances sector as well as core umbrella brand values.

The description of sociable that is available and has been described in previous text is based on the social demographics but more importantly on attitudes and usage good enough for development of strategic positioning. But for further implementation of the positioning on the operational level, it would be recommendable to go deeper and closer into these analyses to personalise it and, if possible, to create a specific profile of the target consumer. Few examples of how could the profile look like:

- Active and busy woman and/or mother, that wants the best care for her family in her limited time
- Whole family, that expects convenience and wide range of duties when handling home appliance
- For mother, whose priority is the superior care of the child and family

Such a personalised profiles play the most important role in the development of the communication strategy, but seeing a specific personality behind the target group also helps when the other elements of the marketing strategy are developed.

To find such a personality or profile of the target consumer, that the best represents the group, it is necessary to conduct specific market research to identify and/or test the individual profiles within the target group. As this is for Bosch currently not available and not planned, the profile has not been

specifically set. Based on the in-house experience and general definition of the target group, the major focus shall be on women, who are the majority users. Other members of the family are also considered as important decision makers as well as users. For the purpose of implementation, different deeper insights may be useful for various tools of marketing mix. While product management will focus more on usage oriented product features, for communication it is important to identify a clear profile of target audience and to address it in such a tone and manner that will be appropriate.

As a result of the target group analyses some potential benefits or so-called unique selling propositions were identified. The next important step is to decide, which of them is the most relevant from the point of the view of the consumer in connection with the Bosch brand. There are generally three important standpoints for selecting the core benefit, whose weight in decision-making process may differ depending on the specific situation. These standpoints are: the best correlation with the brand (umbrella brand) core values, differentiation from the competitors and the highest consumer preference. In the ideal case the decision shall be made based on consumer preferences, as the consumer shall be able to identify the selling proposition, that is the most tempting and interesting for him and at the same time differentiating from the competitors. Such a benefit could be found with a help of market research within the target group. But many examples warn from misleading interpretation, not fully representative studies and other problems, which may be caused by an unchallenged acceptance of market research results. Research is an important indicator of the direction, with which message may the consumer be the most accessible, but common sense and companies experience with the market shall be followed as well.

Table 38 shows the potential benefits of Bosch home appliances identified from consumer analyses and the umbrella brands core values. To identify the benefit, which shall become the core of the brands positioning, Bosch has used a combination of the in-house experience, follow up of umbrella brand values and market research

Table 38: Potential Unique Selling Proposition of Bosch Home Appliances and Umbrella Brand

Home appliances potential benefit / USP	Values and benefits of umbrella brand – umbrella brand guidelines
Top quality in a sense of professional, modern and usage oriented quality that is reliable and long-lasting	Technical quality – Manufacturing quality, durability, reliability, continues innovation
Easy to use/operate - top technology oriented on easy to use elements for whole family	Usage quality – Easy to use, convenient, useful, aesthetic Service quality – Close to consumer
Time saving technology – products that make my life easier as they save my time	
Good care not just from high quality friendly products but also superior service before, during and after sale	

Source: Author

Suggested positioning benefit/ unique selling proposition for Bosch have been defined as follows:

Convenience and user friendliness through superior technical and technological quality for enhanced quality of life

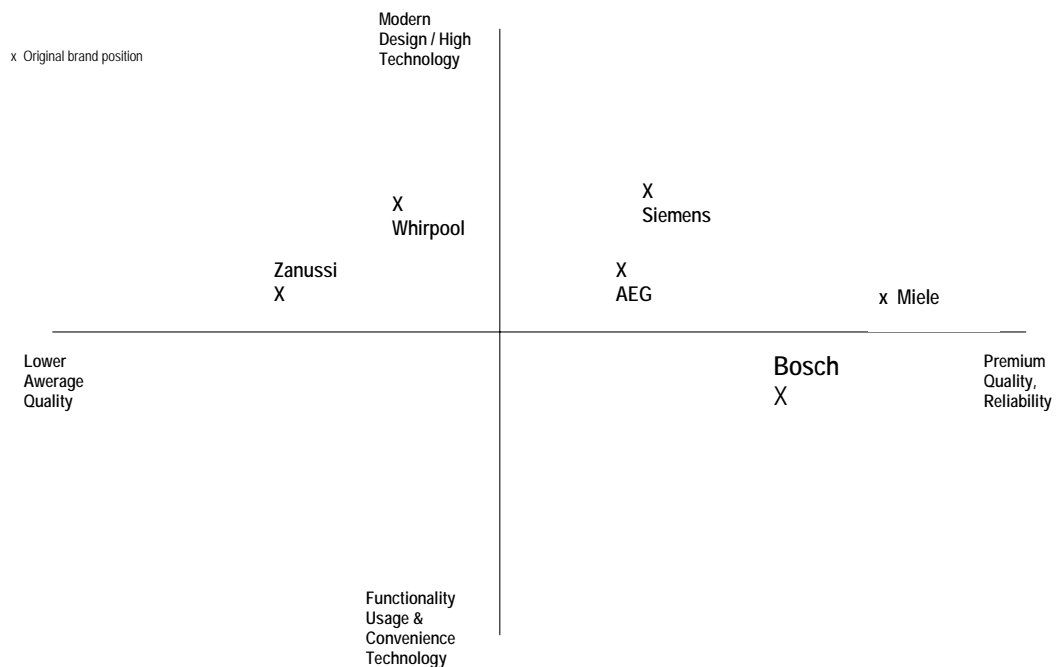
This benefit well resonates with the consumer needs, represents core brand values and has a potential to differentiate the brand from the competitors, as will be showed in the following text. Similarly as in case of the profile of the target group, for implementation purposes, especially in communication strategy, deeper analyses of the understanding of the benefit by the target group is prerequisite of a well-targeted message.

6.1.4 Competition

Competitive analyses show that there are no clearly and uniquely positioned brands on the home appliances European market. No brand achieves a unique consumer perception and offers a unique selling proposition. Consumers differentiate certain clusters of brands according to price segments, but within them they see little differentiation.

All the competitors have relatively inconsistent strategies across the markets, although the majority of the brands have certain brand equity vision, at least in its strategy. Following picture shows simplified current market situation reflected in positioning map.

Figure 24: Positioning Map Start-up Situation



Source: Author

But none of the brands is perceived as convenient and user friendly thanks to superior technical and technological quality¹²¹ This status is a chance for Bosch to clearly differentiate itself, if the new positioning strategy can be well

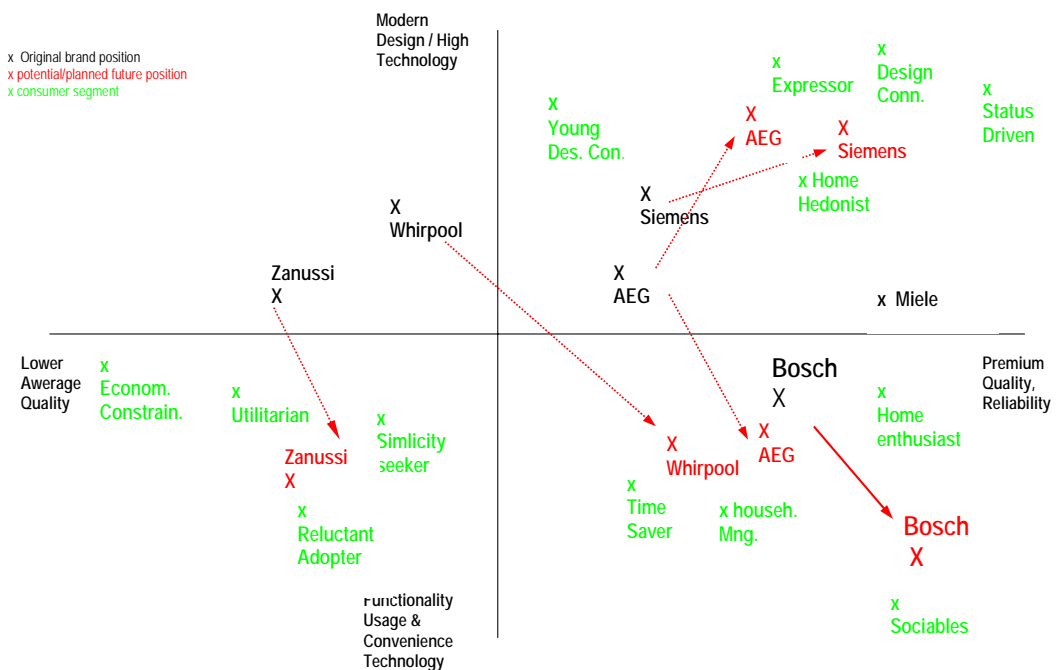
¹²¹ Unfortunately we may not confirm this also for the target group of sociables, as the brand image study is not available for this target group. Although many authors warn, that the brand image perception may vary between different segments, we have to presume, that it is similar to the one of the whole market. For the future it would be recommendable to focus on sociables, when conducting future brand image studies to eliminate this uncertainty in the strategy.

implemented and if the targeted brand selling proposition can be established in consumers' minds.

6.1.5 Positioning statement

The current and potential future situation is captured in the positioning map, figure 24.¹²² It shows the current position of Bosch as well as other competitors in general on European markets. At the same time it shows the positions of ideal products of the major target groups identified in Europe. In relation to the current situation it outlines the future potential situation based on the newly developed positioning.

Figure 25: Positioning map - Expected Situation after Positioning Implementation



Source: Author

¹²² All the values in the positioning map are subjectively estimated based on the analyses described in this work

The Table 39 summarizes the positioning statement for Bosch home appliances, which is a result of the above analyses of the currently available data.

Table 39: Bosch Positioning Statement

	Positioning statement
Brand / product category	Bosch home appliances
Competitive reference	are premium, high quality, usage oriented home appliances,
Target group	which offer to sociables (family oriented with sense of responsibility and quality consciousness)
Benefit, selling (value) proposition	Convenience and user friendliness through superior technical and technological quality for enhanced quality of life.

Source: Author

6.2 Positioning Strategy Implementation, Consequences for Marketing Mix

In chapter 2.3. was discussed interconnection between positioning and company strategy and marketing strategy and their implementation. Positioning, as a part of marketing strategic planning, needs to be implemented on all levels of marketing planning and on all levels of its execution.

If we under positioning understand the clear perception of the product, brand or company in consumers mind, we need to address all three levels of the integral marketing concept, when evaluating strategic positioning of the brand. There needs to be a strong link between positioning strategy and marketing concept on all three levels of planning

This is exactly the task that stands in front of Bosch home appliances. For the company and the brand it is vital to implement positioning on the strategic level to the brands business plan. The major weakness of the company is current absence of integral strategy driven by marketing focus on the brand that would be implemented from the top to the bottom of the organization. Currently is the majority of the marketing activity product driven, which leads to short-term activities of all elements including communication and brand equity building. Unclear brand image and weak equity is a result of the absence of long-term integral brand oriented business strategy.

In the very difficult process of developing this integral business strategy, Bosch has by development of the positioning achieved the bases for its implementation on the lower levels into the marketing-mix. This process is vital for the success of the whole strategy and therefore it is very important to put an extreme attention to any of the implementation elements, no matter if short or long term. They all need to create integral system of communication to the consumer.

To achieve this, positioning statement needs to be further elaborated into more detail depending on the marketing mix element, as each of them addresses the consumer in a different way. The more specific and shorter-term element of the marketing mix we are considering, the more detailed insight into the need of consumer must be address. With this on mind, the individual plans for the four Ps shall be created based on the strategic positioning statement with the brand image and brand equity building as a priority. To achieve this, some important guidelines shall be kept in mind:

1. Product

For implementation of positioning statement into product strategy, it is important to more deeply understand what exactly the target group sociables understand under the benefit "Convenience and user friendliness through superior technical and technological quality for enhanced quality of life". There needs to be deep understanding of what do the sociables understand under convenience, easy to use, superior technical and technological quality. How can these consumers needs be reflected in product feature, design, handling features and other services connected to product? As these features and services may differ from country to country, it needs to be investigated, to what extent we need to differentiate between sociables on different national markets.

There is a lot of this being done currently in the product management. The question only is, if there is enough focus on the target group, or if the

planning is more focused on product unification among the brands. The long term product planning shall be in the first place done in line with brand positioning focused on target group's specifics. The product management shall be driven by the brand image / strategy and not by currently available product or innovation.

2. Price

Price strategy needs to be, of course, relevant to the market. But in connection to the clear positioning of the brand, pricing shall be addressed in connection with the target group. It should be researched, whether the target group, sociables, would be willing to pay a premium if the product fully met their expectations. It would be worth to know, if there is any space for future price increase and margin improvement compare to competitors if Bosch manages to achieve such a perception in consumers mind that matches their needs. This may again vary in different markets and price strategy needs to be tailored according to target customers' willingness to spend money on the products rather than to a comparison to the relevant competitors.

3. Distribution

Distribution of the products is very costly and needs to be rationalised as much as possible. As it has been mentioned in market analyses, sales staff is also very important purchase influencer in majority of the cases. From these and many other reasons, it is important to focus the effort and investment on such distribution channels that are the most preferred ones by target group sociables. These trade channels shall be in major focus when analysing options for distribution priorities. In these trade channels a potential for cooperation shall be analysed with the retailer. For example sales staff training and motivation, special service offers to the target consumers, promotion development. Especially targeted services for the end consumer may add a new dimension to the intended brand image, as this is one of the current deficits that sociables identified on the market. All of this shall be targeted to sociables via the most effective trade channels with respect to this target group, not just to general public.

4. Communication

Communication strategy is a core of successful positioning strategy and creation of the brand image and brand equity. Not by chance many authors associate positioning only with advertising and communication.

To develop a successful communication, it is important to much more deeply analyse the target group and the benefit in the positioning

statement. We need to create a clear profile of the target group sociables, family oriented with sense of responsibility and quality consciousness. We need to understand who they really are, how they are different in various European countries and what do they have in common.

Similar analyses needs to be done on the benefit statement. Unlike in connection with product management, here we are more interested in feeling and emotions about the home appliances and their usage. To create a strong brand image, we need to address the feeling and to achieve a strong belief, that the brand offers something, that resonates with the target group's emotions that no one else does. We should try to understand what sociables associate with convenience, easy to use, but also friendly, helpful, family oriented and similar categories, that evoke emotional feeling.

Based on information collected mostly from quantitatively focused studies it can be decided, on which markets tend the sociables to have the same profile and expected needs and therefore can be addressed with the same advertising and other elements of communication strategy. It is likely, that although the positioning statement is valid for all European countries, the specific profiles and values expected by consumers differ quite a lot and common communication strategy would not address them. For this reason it is advisable to conduct the same research in different markets to obtain comparable data, especially concerning the consumer expected values.

A successful communication strategy needs to be developed on two levels. Strategic communication shall be targeted on brand equity building to create a clear brand perception. The core message shall have long-term validity and shall not be based on short-term benefit or feature of a specific product. As the experience from the industry showed, in this way no clear brand image can be build. Short-term product oriented communication shall be conducted in tactical communication. This needs to be developed in harmony with the strategic communication, using the same elements. It should be directly targeted to those from the consumer, who are in the short-term horizon also potential buyers. Special targeting via distribution channels, alternative media, events, co-promotions or sponsoring shall be considered.

The important rule for all communication, no matter if strategic or tactical, if traditional or alternative, is that it needs to be built on one creative idea communicating to the target audience one specific and to the consumer need resonating message with a help of elements not changing over time. Bosch would need, especially on the strategic communication level, a new creative attitude that would be completely different from current clichés in the industry, but which would follow the brands core values defined in then positioning statement. As brand building is a long-term process and therefore long term investment, short term activities not following this rule are a waste of effort as well as money.

There would be much more to address in connection with the implementation of marketing, but since this is not the main target of this work, it will not be further analysed here

Conclusion

Based on the relatively deep market analyses I have identified an opportunity for Bosch home appliances in how to position its brand on the market and how to differentiate it from the competitors. I have also defined positioning statement for Bosch home appliances which shall enable to achieving an attractive and differentiated position on the market from the point of the view of the target group. This positioning of Bosch brand should also enable the company to build a clearer brand image in consumers mind and to build real and long-term brand equity.

To achieve this target, there is a difficult process of new positioning implementation into all levels of business plan in front of the company. The brands business and marketing strategy shall be in future oriented on building the brand equity, as it is the major asset of the company for the future.

7 Summary

This chapter contains summary of all my work. In the first subchapter I will compare the results of my research with the targets of my work. Second subchapter will summarize theoretical outcomes of my research. The third subchapter contains evaluation of results of Bosch positioning development compare to the outcomes of the theoretical research.

7.1 Targets and Results – short summary

In my research I have concentrated on two areas of market strategy development – theoretical research of positioning based on available literature and practical research conducted during my research-fellowship in Bosch und Siemens Hausgeräte. Out of this structure of my work came out also two areas of my interest. In first of them I targeted my research on analyses of existing literature concerning positioning, positioning development and brand equity building. Results of this research I applied in case study of Bosch home appliances brand.

At the beginning of my research I have set two targets, which resulted from my professional experience in everyday marketing practice. Companies are nowadays fighting many problems, which need long term strategic solutions. Among them belongs constantly increasing competition which forces

producers to optimized efficiency of production, distribution, marketing and sales on one hand but on the other to satisfy more and more demanding expectations and needs of consumers. Saturation of markets leads to domination of brands, whose value is growing for both, owners as well as consumers.

This conclusion led to the decision to focus my research on strategic marketing planning in international environment with focus on positioning as a tool of long term brand planning and management. As my need of research in the field of marketing planning and positioning originated in everyday marketing practice, also my research and its results should have been useful for practical marketers. With this in mind I have set targets of my research.

The first target I have set was complex and encompassed the whole scale of my research that means both research of theoretical fundamentals of positioning as well and practical application of theoretical research. The second target I have set together with the company BSHG, and was purely oriented toward practical application of theoretical conclusions of my research of brand Bosch and its branch of home appliance. The underlying research and analyses for the case study I have done as a part of my research fellowship in the company's headquarters in Munich.

Target of my research

- ***To analyze existing theoretical fundamentals of positioning and its outcomes demonstrate on a real life example. Aim was to show one of the possible ways of current attitudes to positioning, formulation of its definition demonstrating on a specific example from practice, that this theory is important tool of marketing planning***

Research showed, that theories concerning marketing strategy and positioning differ quite a lot. The largest problem was non-existence of common terminology of majority terms and concepts. Therefore big part of mine attention concentrated on research of the most common understandings and definition of many used terms and concepts including the most important one - positioning.

Result showed that positioning is very up-to-date marketing planning tool, which is developing very quickly, almost on daily bases. In spite of that fact, it was possible to define positioning in borders of most common understandings and demonstrate the validity of this definition on practical case of Bosch brand of home appliances.

Case study confirmed the validity of theoretical research and its applicability in practical case of BSHG. It also showed that in reality not all theoretical tools and concepts can be realistically used. But it also proved that it is necessary to follow the principal rules and guidelines of positioning.

- ***To analyse current status of Bosch brand as household appliances to confirm current or if necessary to re-define new positioning of the Bosch household appliances in Western Europe***

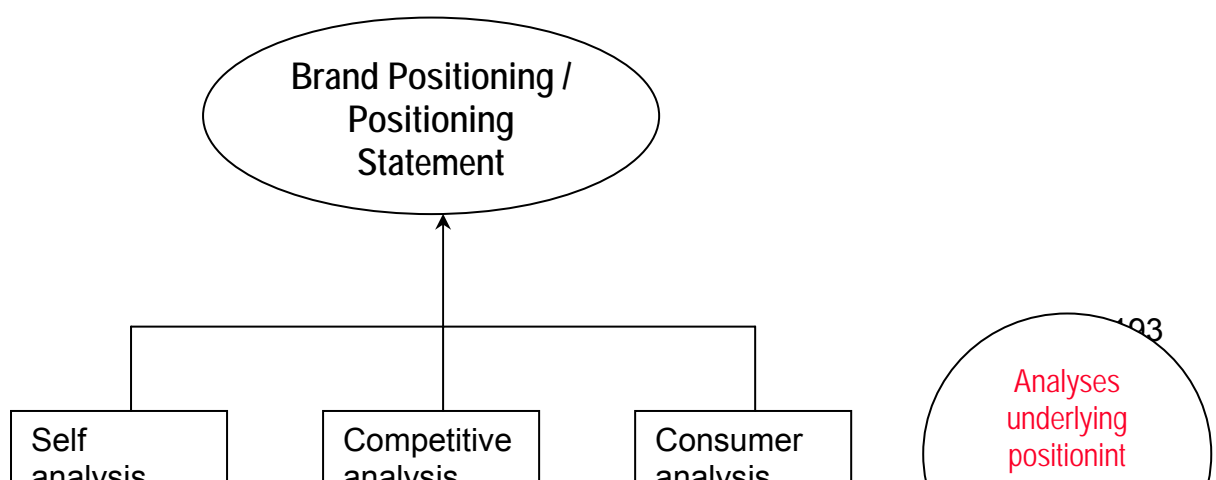
Process of Bosch home appliances brand status showed clearly, that the brand equity erodes and it needs an action to plan, that would build on brand heritage and traditional values, but would ensure modern and up-to-date brand image. The major problem was identified in brand image among target group (younger and female consumers). On the other hand there were identified strengths of the brand mostly connected to its traditional values and brand heritage. Therefore re-definition of brand positioning was concentrated on building on current strengths while improving weaknesses of the brand as better targeting, evaluation of suitable benefit and modernization of brand image.

7.2 Summary - Theoretical Fundamentals to Positioning

There are relatively many theoretical as well as practical attitudes to positioning, which describe different way of how to achieve ideal positioning. The most common and closes to business reality definition describes positioning as a picture of how the marketer wants the consumers (target group) to perceive in their minds where the brand fits relatively to the competitive products.

Positioning has four core elements – brand (product), target group, benefit and competition. Identification of these four elements should be done exclusively based on careful and up-to-date market research and in common interdependence of all elements as indicates figure 25.

Figure 26: Positioning Structure



Positioning is a long-term strategic marketing tool which influences brands future perception of consumers. Therefore it is important not just to create positioning of a brand, but also continue work with it actively.

The basic approach of positioning is not to create something new and different. Development of positioning strategy should start with a survey of the position that a brand already owns in the mind of different target groups. "Changing mind in over-communicated society is an extremely difficult task.

It is much easier to work with what's already there"¹²³. It is wise to build the brand positioning around current associations and brand heritage.

It is important to remember that everything the company does can influence positioning of the brand in the minds of consumers. All elements of marketing mix communicate certain message to the consumer. Such a message needs to lead to one unified picture of the brand in consumer's perception. Therefore, implementation and execution of the positioning in all elements of marketing mix (product, price, place, and promotion) is vital.

T. Andresen and F.R. Resch mention in their essay concerning barriers to successful positioning, that many companies stop with the professional development of positioning in the stage of concept development and the implementation is left to individual conclusions and judgments of marketing managers, or even outside-company suppliers like advertising agencies, designers, etc.¹²⁴. Many organizational units of the company as well as outside suppliers are involved in the process of implementing the positioning into the marketing strategy. This fact makes it very difficult to keep the core of the positioning in everyone's focus and top of their mind. The key to successful implementation is a good knowledge and understanding of the brand positioning and its importance for the brand not only among the employees but also among outside partners involved in the process. Such a knowledge and understanding will stimulate their effort to achieve the targets set and lead to a closer cooperation of all the involved.

But the core of the brand success is a strong integral brand strategy. To secure a relatively stable position on the markets through relevant market share and profit growth, it is vital to create an integral marketing concept. Such a marketing concept shall include three integral parts – target, strategy and tools, through which the targets will be achieved.

Marketing targets must be in line with companies' business targets expressed by development of sales, margins, market share or other business variables. These business plans shall be translated into specific marketing targets as development of market share, brand image, brand equity or similar. These marketing targets are at the same time targets of positioning. These are the variables that shall be achieved through the process of correct positioning.

Strategy shall give the mandatory guidelines on how to achieve the marketing and through them also business targets. To improve our market share, brand equity or brand image, we need to satisfy more consumers, which mean we need to attract their attention. But to achieve this in today's jungle of similar or even completely undifferentiated products and brands we

¹²³ Trout, J., Ries, A.: Positioning: The Battle for your mind, McGraw-Hill, 2001, page 193

¹²⁴ Tomczak, T., Rudolph, T., Roosdorp, A.: Positionierung, Kernentscheidung des Marketings, Verlag THEXIS St. Gallen 1996, p. 78-80

need to gain clear perception of a product or brand in consumers' minds. How a brand is perceived in the mind of target group is called positioning and positioning is central to marketing and marketing strategy.

Tools are the specific steps to be undertaken to fulfill the marketing strategy. Marketing theory as well practitioners most commonly name the marketing toolkit as marketing mix. Marketing mix are the four (sometimes also 5 or 6) major marketing tools, which bring strategy into reality. They are so call four Ps – product, price place (meaning distribution) and promotion (representing the whole scale of marketing communication from advertising via promotion to PR and event marketing). As positioning is one of the main pillars of marketing strategy, marketing mix is the tool to translate the positioning statement into reality. Sometimes is advertising mentioned as the most important P in positioning strategy. But all four Ps must be coherent with the positioning and all are equally important since otherwise the picture of the brand or brand image will be diluted in consumers mind. All four Ps are necessary to create a clear perception of the product in the consumer mind – right product, satisfying specific needs, priced according to consumers' aspirations and needs, available at the place suiting the consumer and communicated in a way that clearly represents the expected perception.

If we under positioning understand the clear perception of the product, brand or company in consumers mind, we need to address all three levels of the integral marketing concept, when evaluating strategic positioning of the brand. There needs to be a strong link between positioning strategy and marketing concept on all three levels of planning

Positioning of a brand as a strategic decision and plan is necessary to implement on all levels of management- from top to the bottom, from strategic to operational. Implementation of positioning is not less important than its formulation. It is much more demanding on co-ordination and control.

Positioning of a brand must be realistic and unique. A brand must own its position that means it must be different and unique compare to its competitors. If we try to position a brand to close to its competitor, especially one with established position, it is very likely to be unsuccessful.

Sometime marketers may want too much. They want to address too broad market segment or to make the offer too open. Such a broad positioning is also very likely to be unsuccessful as it looses its clear and explicit meaning to the consumer. And even if the brand could establish its broad position in consumers' minds, it could not defend it against the assault of narrowly positioned brands.

It is wise to mind who the closest competitors are. "If a proposed positioning calls for a head-to-head approach against a market leader, forget it. It is better to go around an obstacle rather than over it. Back up. Try to select a

position that no one else has a firm grip on.”¹²⁵ Market leaders’ positions are usually so strong, that even the best strategy and unlimited financial resources would not help to beat it. Consumers are very conservative and they change their minds very unwillingly and slowly.

“It takes money to establish a position. It takes money to hold a position.”¹²⁶ It is mistake to try to achieve impossible. Establishment of a brand position must be financially realistic, otherwise is better not to try it. Financial losses may be enormous. It is vital to analyze in detail all potential costs connected to brand position establishment and further support. It means not only marketing support costs but also production, logistics etc. costs.

Positioning strategy should under any circumstances be objective. The strategy should reflect state of mind of the consumers, not of the marketing managers of the company. It is every time good, to involve independent agent or agents into the strategy development. The extra costs of that will pay off.

“With a rare exception, a company should almost never change its basic positioning strategy. Only tactics, those short-term maneuvers that are intended to implement a long-term strategy. Owning a position in the mind is like owning a valuable piece of real estate. Once you give it up, you might find it is impossible to get it back again”.¹²⁷

Everything company does can effect positioning of a brand. Any action done on the tactical marketing level, that means any change to marketing mix, may affect positioning of a brand and vice versa. Positioning influences tactical marketing. Marketing mix is a tool for positioning strategy implementation. All 4P must be in line with positioning strategy and should be used to apply the positioning strategy suitably for certain market.

Marketing mix is a tool that helps to translate a positioning strategy, valid for different markets and periods into language of specific market and time period. Unlike positioning strategy, marketing mix changes over the time and place to communicate the right message to the target consumer to create the ideal perception of the brand.

¹²⁵ Trout, J., Ries, A.: Positioning: The Battle for your mind, McGraw-Hill, 2001, page 195

¹²⁶ Trout, J., Ries, A.: Positioning: The Battle for your mind, McGraw-Hill, 2001, page 196

¹²⁷ Trout, J., Ries, A.: Positioning: The Battle for your mind, McGraw-Hill, 2001, pages 195-6

7.3 Bosch Case Study – Summary, Generalization

Bosch home appliances case study demonstrates possibility of positioning strategy application in practical situation. Case study shows, how theoretical attitude to positioning, defined in the theoretical parts of my research, can be applied on real example in business practice. Case study also indicates that there are always differences between theory and practice. There can never be fulfilled all theoretical presumptions, all theoretically required data collected, all analyses done in real life.

In the real business life is the situation more complex and complicated among other from the following reasons (if we assume, that it considers the need of a positioning of its product/brand, or it already has one)

- nobody ever has enough, deep enough information about market, competitor, consumer needs, consumer perceptions and consumer future needs and perceptions and many others to be able with a use of any theoretical positioning model surely define ideal positioning for its brand
- The decision making process is in practise influenced by many other factors, that just rational. Among many others we can mention inner organisation and management structure of the company, personal experiences of managers, time pressure, and dynamics of competition and consumer needs and so on...
- internal know-how and experience on marketing processes and positioning development from past examples, which lead to continues improvement and development of current models and theories
- external influence of cooperating outsiders like market research companies, advertising agencies, distributors, retailers ..., which often closely cooperate and influence development of the brand positioning.

As above shortly outlined, there are differences among theoretical and practical attitudes to positioning and in reality the final process of positioning development is a compromise of theory and other factors which shall result in the most possible optimal solution. This fact is also demonstrated in Bosch case study

Deep, but realistically possible and available analyses of market, consumers and brand identified several weaknesses of Bosch home appliances brand. On the other hand, there were identified also strengths of the brand. The level of problems brand had showed indicated that the brand needs a deep change in strategy, but this change must build on existing strengths of the brand.

Positioning strategy developed for Bosch home appliances helped BSHG not only to create marketing strategy that will be in long term targeted to brand building, but also proved, that there is in certain level opportunity for common brand strategy on the level of positioning for the Western European market. Through creating positioning strategy BSHG achieved two different targets at one.

But there are also threats connected with this positioning concept. Positioning strategy is very complex, long-term strategy that effects decisions about a brand with time horizon counted not in month but in years. Vital for a success of a positioning is its implementation on all levels of marketing planning and execution, not only inside the company, but also in cooperation with all marketing services suppliers.

It is a consumer-oriented strategy with focus on differentiation. To implement a good positioning strategy that will have a long-term positive effect on brand equity, requires, that all levels of management will associate its actions with this strategy and implement it.

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