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AAKER ON BRANDING

20 Principles That Drive Success
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Advertising Management 5th Edition
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Marketing Research 11th Edition
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Building Strong Brands

Brand Leadership (with Erich Joachimsthaler)

Brand Portfolio Strategy

From Fargo to the World of Brands: My Story So Far

Spanning Silos: The New CMO Imperative

Brand Relevance: Making Competitors Irrelevant

Three Threats to Brand Relevance: Strategies that Work. (e-book)
AAKER
ON BRANDING

20 Principles That Drive Success

DAVID AAKER

New York
To my wife Kay and
my daughters Jennifer, Jan, and Jolyn and their families.
They all support and inspire.
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Introduction:

WHY THIS BOOK?

What is a brand? Far more than a name and logo, it is an organization’s promise to a customer to deliver what the brand stands for not only in terms of functional benefits but also emotional, self-expressive, and social benefits. But a brand is more than delivering on a promise. It is also a journey, an evolving relationship based on the perceptions and experiences that a customer has every time he or she connects to the brand.

Brands are powerful. They serve as the core of a customer relationship, a platform for strategic options, and a force that affects financials, including stock return. Consider the most compelling brands and their brand “essences.” Google is associated with competence and dominance in search engines and more, Harley-Davidson with emotional and self-expressive benefits, IBM with competent solutions-oriented computer services, Singapore Airlines with special service, Mercedes for those who appreciate the best, American Express with incredible customer satisfaction and ability to connect through digital programs, and Patagonia with sustainability. The strength of these brands has led to customer loyalty, business success, resilience despite product problems, and the basis for moving into new products or markets.
Additionally, brands and brand strategy are simply fun and interesting. Many a time has a CEO allocated half an hour to a brand strategy session and end up staying for hours affirming on their way out that the session was the most fun time working in months. It is fascinating to know what brand positions succeed, what brand-building programs get traction, how a brand is successfully leveraged into new markets, and so on. The creativity and diversity in brand strategy can be an endless source of conversation.

One objective of this book is to provide an extremely compact presentation of several dozen of the most useful branding concepts and practices organized into the “20” essential principles of branding. These principles provide a broad understanding of brands, brand strategy, brand portfolios, and brand building that all business, marketing, and brand strategists should know. This exposition of branding principles should be useful for those who would like a refresh as well as for those who lack a background in branding and would like to get up to speed quickly.

A second objective is to provide a roadmap to the creation, enhancement, and leverage of strong brands. What are the steps needed to create strong brands? What are the options along the way? How does a strategist move a brand or brand family to the next level to become a source of strength rather than a strategy drag? Whatever the business, it is crucial to understand how to establish a brand vision (also termed brand identity), implement that vision, keep a brand strong in the face of aggressive competitors and dynamic markets, leverage the resulting brand strength, and effectively manage the brand portfolio so it delivers synergy, clarity, and leverage.

Branding is complex and idiosyncratic. Every context is different. In short, all twenty principles will not apply in every setting, but will provide a check list of strategies, perspectives, tools, and concepts that represent not only what you should know, but also various action options to consider. These principles will enhance the objective of creating and maintaining strong, enduring brands and coherent brand families that will support business strategies going forward.

The twenty principles describe concepts and practices drawn in part from my last eight books. Six of these books are on branding—Managing Brand Equity, Building Strong Brands, Brand Leadership (with Erich Joachimsthaler), Brand Portfolio Strategy, Brand Relevance: Making Competitors Irrelevant, and Three Threats to Brand Relevance. The other two, Spanning Silos and Strategic Market Management 10th
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date, cover closely related areas. The principles also draw on my other writings; in particular, the weekly daidaaker.com blog initiated in the fall of 2010, my blog posts on HBR.org, my columns in the AMA’s *Marketing News* and in Germany’s *absatzwirtschaft*, and in articles in the *California Management Review, Harvard Business Review, Journal of Brand Strategy, Market Leader*, and elsewhere.

The book is designed to consolidate the larger literature of the branding field and to efficiently teach or review the best branding practices. At more than 2,300 pages, my eight books alone are a bit overwhelming. Add to that the dozens of other brand books on the shelves and the several journals devoted to branding and you’re in for some serious information overload. It is hard to know what to read and which concepts to adapt. As with anything, a lot of good ideas are out there competing with some that are inferior, need updating, or are subject to misinterpretation or misapplication. There are also ideas that, while plausible, are simply wrong (if not dangerous) especially if taken literally.

The chapters in this book do not have to be read in order, although the first two are worth reviewing first as they are so basic to the concept of strategic branding. After that, you might flip through the remaining chapters and identify those that relate to current pain points. Or look for chapters that intrigue or seem provocative and may be a possible source of new perspectives.

Here is how I divided the book thematically:

**Part 1: Recognize that brands are assets with strategic value.** The breakthrough idea that changed marketing over two decades ago is that brands are strategic assets. Brands are platforms for future success and create ongoing value for the organization. Thus, brand building is strategic, very different than tactical efforts to stimulate sales

**Part 2. Have a compelling brand vision that guides and inspires.** A brand vision should attempt to go beyond functional benefits to consider organizational values; a higher purpose; brand personality; and emotional, social, and self-expressive benefits. Look for opportunities to create and own innovations that customers “must have” and to position categories and subcategories as well as brands.

**Part 3. Bring the brand vision to life.** Create initiatives and brand-building programs that support the brand. Look to
customer sweet spots—areas customers are interested if not passionate about—and develop programs around them with the brand as partner. Let digital programs lead or amplify. Strive for brand vision and brand execution consistency over time. Develop rich, strong internal branding connected to the values and culture of the organization in part through stories.

**Part 4. Maintain relevance.** Recognize and respond to the three threats to relevance and learn how to energize the brand.

**Part 5: Manage and leverage the brand portfolio.** Create a strategy that identifies brand roles (such as strategic brands or endorser brands), leverage the brand into new product arenas, analyze the risks and options of vertical brand extensions, and manage silo organizational units, where the brand spans products and countries.

**THE BOTTOM LINE**

A brand will benefit if it can develop an actionable higher purpose. This book, like my other brand books, also has a higher purpose. It is intended to advance the theory of branding and the practice of brand management and, by extension, the practice of business and organizational management. The purpose is to give marketing strategists a counter weight to the dominance of short-term financials in managing businesses. There should be a drive to build strategic brand assets that will provide the platforms for future success. This book will hopefully provide a role in that quest.
PART I

Recognize That Brands Are Assets
Chapter 1

BRANDS ARE ASSETS THAT DRIVE STRATEGY

A brand is the face of a business strategy.
—Prophet dictum

Sometime in the late 1980s, an explosive idea emerged, the idea that brands are assets, have equity, and drive business strategy and performance.

Conceiving of brands as assets started a dramatic and far-reaching cascade of change. It altered perceptions of marketing and brand management, how brands are managed and measured, and the role of marketing executives. Those firms that adopted and successfully implemented this view saw brand building shift from a tactical effort that could be safely delegated to a communication team to a driver of business strategy.

It was an idea whose time was right. A critical mass of executives believed that key brands in their portfolio were inadequate in vision or strength to support the business strategy, but they no longer looked at tweaking communication tactics as the solution. Unless there were brand assets that enabled the business strategy and resonated
with the customers, the strategy was all but doomed. That view was particularly clear for executives who were managing a strategy change. The net result? More and more executives realized that tactical brand management was inadequate and a strategy-led brand vision, plus organizational processes and skills to implement that vision, was critically needed.

The acceptance of the “brand as asset” concept was enhanced by the fact that the prevailing belief—that brand marketing’s prime role was to stimulate sales—had failed in many contexts. In packaged goods, there was the disastrous experience in the early 1980s stimulated by the advent of scanner-based, real-time data. This data enabled experiments that clearly showed that price promotions such as 20 percent off or two-for-one were incredibly effective at generating sales. The natural outcome was a huge spurt in price programs which taught consumers to wait for the next deal and avoid buying at the regular price. As a result, price became the important purchase driver and brand differentiation fell. Brands like Kraft took years to recover their equity and loyal customer base.

Executives also saw that brand assets were needed to create top-line growth which became an imperative for many firms because cost-reduction programs had past the point of diminishing returns and lost their ability to materially affect profitability. The most effective path to growth, to create an innovative new offering, required the ability to develop a new brand or adapt an existing one to support the new offering. Further, brand-extension strategies, extending an existing master brand into new products or into value or super-premium segments, was viable only if the brand assets were developed and managed strategically with future extension options in mind.

The brand-as-asset view had both face validity and quantitative support. Face validity came from a realization that, especially in service and B2B contexts, customers were making buy decisions and appraising their use experience on brand elements that went beyond price and functional attributes. Quantitative support was based on data-based efforts that showed that brands did have substantial asset value and made the new paradigm palatable to the CFOs and CEOs of the world.

The academic world played a role in the elevation of brands to strategic status as well, stimulated by the influential 1988 brand conference hosted by Marketing Science Institute (MSI), a consortium of firms that both funds and guides academic research. The conference provided an outlet for top marketing executives to signify the need
to elevate brand to a strategic level. After this conference, brand equity research vaulted to the number one academic research priority. Academic research in brand extension decisions,quantifying the impact of brands on financial performance, refining relevant tools such as brand personality measurement, and conceptualizing brand equity was accelerated.

It was a perfect storm of ideas and timing. However, the surge of interest and organizational change did not immediately impact all industries and firms. Many firms were slow to join the parade, particularly those in which marketing strengths were not in evidence and/or those that were highly decentralized. One barrier, in addition to buying into the message, was the difficulty of actual implementation. However, the willingness of firms to adopt the brand-as-asset view and, as important, their ability to implement the new perspective, has grown steadily over time, proving this is not some management fad.

The implications were and are extraordinary.

**FROM TACTICAL TO STRATEGIC**

One paradigm, once dominant, posits brand management as tactical. Brand management is something that can be delegated in part to an advertising manager or agency because it is mostly about managing the image, creating an advertising campaign, managing a distribution strategy, developing sales promotions, supporting the sales force, getting packaging right and other such tasks.

When brands are considered assets, the role of brand management radically changes, from tactical and reactive to strategic and visionary. A strategic brand vision linked to both the current and future business strategies and providing a guidepost for future offerings and marketing programs becomes imperative. Brand management also becomes broader, encompassing issues like strategic market insights, the stimulation of “big” innovations, growth strategies, brand portfolio strategies, and global brand strategies.

**THE MARKETING ROLE IS ELEVATED**

With a strategic view, the brand needs to be managed by people higher in the organization, often the top marketing professional in the business
organization and his or her executive colleagues. For marketing-driven organizations, where there is marketing talent at the top, the ultimate brand champion will be a top executive, perhaps the CEO. When the brand represents the organization, as it often does in a BtoB or service firm, the CEO often is involved in bringing the brand to life because, in that case, the brand is intertwined with the organizational culture and values as well as its business strategy.

Marketing now gets a seat at the strategy table, a participant at creating and managing the business strategy. The elevation of brands and brand building as a driver of business strategy provides a point of entry for the marketing team. Once in place, marketing has much to offer to business strategy development starting with customer insights that can and should enable growth initiatives and be the basis for strategic resource allocation. Further, the very heart of business strategy is market segmentation and the customer value proposition, the prospects of which will be informed by the marketing team.

FOCUS ON BRAND EQUITY

Shifting the emphasis from tactical measures, such as short-term sales, to strategic measures of brand equity and other indicators of long-term financial performance is a monumental change. The guiding premise is that strong brands can be the basis of competitive advantage and long-term profitability going forward. A primary brand-building goal will be to build, enhance, or leverage brand equity, the major dimensions of which are—awareness, associations, and loyalty of the customer base.

- **Brand awareness**, an often-undervalued asset, has been shown to affect perceptions, liking, and even behavior. People like the familiar and are prepared to ascribe all sorts of positive attributes to items they find familiar. Further, brand awareness can be a signal of success, commitment, and substance, attributes that can be critical to industrial buyers of big-ticket items and consumer buyers of durables. The logic is that if a brand is recognized, there must be a reason. Finally, awareness can affect whether a brand is recalled at a key time in the purchasing process and thus among the brands the customer considers.
• **Brand associations** include product attributes (Crest, Volvo), design (Calvin Klein, Apple), social programs (Avon, Patagonia), quality (Lexus, Southwest Airlines), user imagery (Mercedes, Nike), product breadth (Amazon, Marriott), being global (VISA, Ford), innovation (3M, Virgin), systems solutions (IBM, Salesforce.com), brand personality (MetLife, Singapore Airlines), and symbols (Tiffany blue box, Golden Arches)… anything that connects the customer to the brand. They can be the basis for a customer relationship, purchase decision, use experience, and brand loyalty. A critical part of managing brands as assets involves determining what associations to develop, creating programs that will enhance those associations, and linking them to the brand.

• **Brand loyalty** is at the heart of any brand’s value because once obtained, loyalty is persistent. Customer inertia will benefit the brand that has earned loyalty. Breaking a loyalty link is difficult and expensive for a competitor. As such, one brand-building goal is to strengthen the size and intensity of each loyalty segment by making the basis of the customer relationship consistent over time and, whenever possible, rich, deep, and meaningful.

FROM BRANDS TO BRAND FAMILIES

Brand management has historically been about focusing on a single brand and country as if it was operating in isolation within the firm and the world market. That approach is a legacy of the classic P&G brand management system that can be traced to a 1931 memo with a job description for a “brand man” written by Neil McElroy, then a P&G junior marketing manager who later became CEO and then Secretary of Defense, who was struggling to manage a Camay soap brand that was overshadowed by the Ivory soap brand. The premise was that each brand was autonomous, with its own brand program, a view that is no longer strategically viable.

More and more organizations are realizing that strategic brand management has to involve a “family” of brands, managed as a portfolio. The essence of brand portfolio strategy is to make sure the brands of the organization, including subbrands, endorsers, and branded innovations, work in concert to create clarity and synergy, cooperating instead of competing. Each brand needs a well-defined role, which might actually
include helping other brands. And these roles could change over time, as can the product scope, as a brand is extended both horizontally and vertically. Firms are finding ways to allocate resources over brands and markets to protect the brand stars of the future and to make sure each brand has the resources to be successful in its current and future assigned roles.

**STRATEGIC ISSUES OF BRAND EXTENSIONS**

When brand is viewed as an asset, the opportunity arises to leverage that asset to generate growth, an objective of most firms. It can be used as a master brand or perhaps as an endorser to support a strategic entry into another product class, providing a platform that will deliver awareness and positive associations such as perceived quality. A brand can also be leveraged vertically to support an upscale or downscale offering. However, under the “brand as asset” model the goal is not just to create a successful brand extension but to enhance the brand and the whole brand portfolio. A strategic, broader perspective is introduced.

**ORGANIZATIONAL SILO ISSUES NEED TO BE ADDRESSED**

Nearly all brands span different silo organizations defined by products, markets, or countries. At some firms (GE or Toshiba, for example), a brand could drive customer relationships in a thousand product markets. When brands are viewed tactically, silo autonomy appears to work as it allows those organizational units closest to the customer to adapt the brand to their needs.

However, losing control over silo brand-building creates inefficiencies, lost opportunities, and diminution of the brand. When the brand is allowed to be taken in different directions by different silos, it will become confused and weak. Further, effective and efficient brand building often requires scale and the motivation to share best practices. As a result of these issues and others, it has become clear that centralized coordination is needed across the countries and products that are using the brand to drive the business.
BRAND MANAGER AS COMMUNICATION TEAM LEADER

In the old days, the brand manager often just acted as the coordinator and scheduler of tactical communication programs. It was a simpler time, with a limited number of media levers to pull and a simpler charge: generate sales.

Brand builders now face a very different world, a world with a set of communication vehicles that are numerous, complex, and dynamic. Creating and managing an integrated communication program (IMC) is much tougher. Further, the communication task now has a charge beyond sales generation; it needs to build brand assets guided by a clear brand vision in part by strengthening brand associations and customer relationships. Not easy. And the task is made more difficult as increasingly a master brand is spread over products and countries, raising difficult budget allocation decisions.

The brand-as-asset driven communication needs to also generate understanding and buy-in inside the organization, because the brand will only deliver on the brand promise if the employees “believe” and live the brand in all the customer touchpoints. The need is thus to build the brand internally as well as externally.

WHY IS IT HARD?

Why has such a compelling concept been slow to be accepted? And why is it slow to be implemented even when accepted? Three main reasons:

First, the power of short-term financials is overwhelming. Managers look to these measures for evaluation in part because there is instant gratification in seeing immediate results of actions and programs. Further, finance theory has “proven” that the role of business is to maximize stock return and the reality is that stock return responds to short-term earnings changes because alternative measures are either unavailable or unreliable. As a result, managers learn that careers advance when they deliver short-term improvements in financials.

Second, building brand assets is no easy feat. Getting the brand vision right and then finding breakthrough ways to bring it to life ranges from difficult to impossible. And if the payoff is three to five years out, it is hard to convince executives that the performance is on track
when the short-term financials are flat or declining, in part because convincing surrogates for long-term performance are hard to generate. As a result, even organizations that believe can find it hard to deliver.

Third, some organizations do not have a marketing capability in the form of people, processes, or culture, and therefore will be slow to accept the brand-as-asset view. This is more likely for organizations in BtoB or high-tech settings and for firms in countries like China, which have operated under the protection of a government and are focused on manufacturing and distribution rather than on brands. Executives in such environments are slow to accept the strategic quality of brands and find it difficult to allocate resources in that direction.

**THE BOTTOM LINE**

It is hard to overemphasize the importance of the brand-as-asset concept. In the history of marketing there are a few concepts that have truly transformed the practice of marketing. Mass marketing, the marketing concept, and segmentation would surely be named. But the “brand as asset” view of brands and brand building, although not always easy to implement, needs to be on the list as well.