

Chapter 2: Foundations

This chapter reviews major concepts relevant to corporate brand management using corporate communication. Applicable literature comes from various disciplines, mainly communication and marketing. Besides defining major concepts, this chapter points out the rising importance of corporate brands and that of the communication activities that build them, namely corporate advertising and ad-like communication activities.

This chapter is divided into two sections. The first section focuses on corporate brands. Firstly, it discusses brands in a broad sense. The brands are then defined and classified according to an abstract hierarchical ordering. This section subsequently looks at corporate brands, the highest-level brand in a brand hierarchy. Corporate brands are defined and their objects and subjects explored in detail. Finally, this section reviews market and company developments that have given rise to corporate brands in recent years.

The second section concentrates on communication. The total communication effort of an organisation is defined and classified into marketing and corporate communication. Corporate communication is then defined and classified. Finally, corporate advertising, one of the major forms of corporate communication, is overviewed and the most common corporate ad-like communication activities are briefly presented. The remainder of the section provides evidence of the growth of these communication activities.

2.1. Corporate Brands and their Growing Importance

2.1.1. Brands

2.1.1.1. Definition

Brands have been around since ancient times. In 3000 BC, in Ancient Egypt, symbols were used to identify the bricks leading to pharaoh tombs; in 2000 BC, in ancient Palestine, signs were employed to distinguish pottery (Esch and Langner, 2001). The word *brand* comes from the Old Norse word *brandr* (North Germanic language of the Scandinavian peoples prior to 1350 AD) which means 'to burn' or, more specifically, to mark livestock (Keller, 1998, p. 2; see also Langner, 2003, p. 1 ff. for a brief historical review).

According to a widely accepted definition proposed by the American Marketing Association (AMA), a **brand** is a name, term, sign, symbol, or design, or a com-

bination of these elements intended to identify and differentiate a product in the minds of concerned subjects (AMA, 1995; Berndt, 2005, p. 38).

According to this definition, there are four ingredients which characterise a brand. Firstly, a brand consists of *names, symbols, designs, or any other feature*, which constitute its **brand elements** (Keller, 1998, p. 2 f.). These brand elements refer to the logotype, packaging and other tangible constituent parts of a product. For example, Figure 2.1 displays the brand elements of the DaimlerChrysler brand.

Secondly, brands *identify* and *differentiate* a branded product, both roles being the fundamental functions of a brand.¹ A brand identifies the goods and services of a seller and attests the product's source. Identification is objective; it relies only on the capacity of names, symbols, designs and any other external cue to describe or insinuate where the offering comes from.

Other than the purpose of identification, a brand differentiates the seller's offering from that of competitors. Contrary to identification, differentiation is subjective and depends on consumers' perceptions, attitudes and behaviour towards the brand. Differentiation does not occur just because the name or logotype on a product is distinct from that of competitors; differentiation implies that consumers perceive differences among brands in a product category (Kotler, 2000, p. 394). Therefore, it is possible that a brand name or logotype identifies a product but does not differentiate it from competitors. Kapferer (1997, p. 26), for example, mentions product categories such as writing pads, rubbers, felt tip pens, markers and photocopy paper, where brands, despite having distinctive brand elements, do not differentiate. Hence, brand elements per se do not differentiate (de Chernatony and McDonald, 1998, p. 37). In short, both functions are necessary and only when a brand identifies and differentiates a product is it possible to talk about a *branded* product.

Thirdly, brands involve *products*. Products, in a wide sense, refer not only to physical goods and services, but also to experiences, retailers and distributors, events, people, geographical locations, properties, organisations, information and ideas (Keller, 1998). Hence, almost everything can be branded, as some well-

1 Other functions of brands are often mentioned in branding literature. For example, Keller (1998, p. 7 ff.) mentions the following functions of brands for consumers: identification of products' source, assignment of responsibility to product maker, risk reducer, search cost reducer, symbolic device, signal of quality, and promise, bond or pact with product maker (see also Kapferer, 1997, p. 26 ff.; Esch and Wicke, 2001, p. 11 f., for similar views). In this thesis, however, these 'functions' are considered outcomes of strong brands and not functions of brands per se. See subsection 3.2.3 for a discussion on these outcomes.