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Brands, Brand Managers, and the Management of Brands: Where to Next?

Pierre Berthon, James M. Hulbert, and Leyland F. Pitt

The brand has been at the core of marketing for over a century. Nonetheless, the wisdom of the brand management approach, and the value of brands themselves, have been questioned of late. In this paper, professors Berthon, Hulbert, and Pitt continue and extend the debate on the future of brand management. Their contribution builds, in part, on MSI's stream of research in the area of brands: first, in its focus on brand management, and second, through its reconceptualization of brands in term of the functions they perform for the customer.

What Do Brands Do?

Brands are conceptualized as solutions to problems and opportunities arising from the context of a business. For buyers, brands perform a function of *reduction*: reducing search costs, perceived risk, and the social and psychological risks associated with owning and using the "wrong" product. For sellers, brands perform the function of *facilitation*—they make certain tasks that the seller has to perform easier.

Overall, brands perform a fundamental function of bringing buyers and sellers together: they act as symbols around which both parties can establish a relationship. However, current pressures on both branding and the brand management system are challenging these historical functions.

Information technology, for example, has increased retailer power and consumers' search capabilities. Other forces for change include changing customer values, brand proliferation, and brand extension/ dilution, as well as an increased focus on category profitability, on the net asset value of brands, and on alternative modes of organizing marketing.

Managerial Implications

In a series of scenarios, the authors offer a framework for thinking about the future of brands and brand management.

Their analysis suggests first, that it is incumbent upon the whole organization to become committed to a focus on the customer, and that brands will increasingly be seen as a means to that end. Second, marketing must become far more active in the initiation and driving of innovation. Third, information technology's role as a vehicle of analysis will increasingly be supplemented by its ability to enable and

maintain large-scale customer and consumer interaction and conversation. Fourth, to be effective, the onus for the ownership and management of change in brands and the brand management system will increasingly shift to senior management.

Brands will undoubtedly evolve from the rather static notions that prevail today, but the directions in which they are to change are far from fixed. Consumers, trade customers, competitors, and technology will all play a role, but the creative input of managers may well be the determining factor in the future of brand management.

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Introduction

The brand has been at the core of marketing for over a century: "Build a brand and the world will beat a path to its door" describes the dominant logic. Brands as diverse as Marlboro, Coca-Cola, Xerox, IBM, and Intel have been listed among the world's most valuable assets. The strategies of many firms have rested almost entirely on building brands, and the brand manager, as brand custodian, has reigned supreme, particularly in the most admired consumer goods companies of the world. Other types of firms have observed these "world champions of marketing" and have attempted to emulate their successes in building major world brands by instituting similar brand or product manager systems. Organizations as diverse as car manufacturers and insurance companies, banks and industrial chemical producers have structured themselves along brand and product lines, and have made individuals responsible for the success of single brands or categories of products. Indeed, product and brand management issues remain high on the Marketing Science Institute's research priority list, though, interestingly, not as high as the topic of marketing organization and processes (Marketing Science Institute 1996).

Nonetheless, the wisdom of the brand management approach, and indeed, the very value of brands themselves, have been questioned of late. Business press articles, with provocative titles such as "The Death of the Brand Manager" (*The Economist* 1994), raise similar questions and concerns:

- What is the point of marketing without brands?
- If brand managers no longer assume responsibility for brands, who will?
- Is the brand manager dead, or merely ailing?
- Will brand management rise yet again, phoenix-like, in modified format?

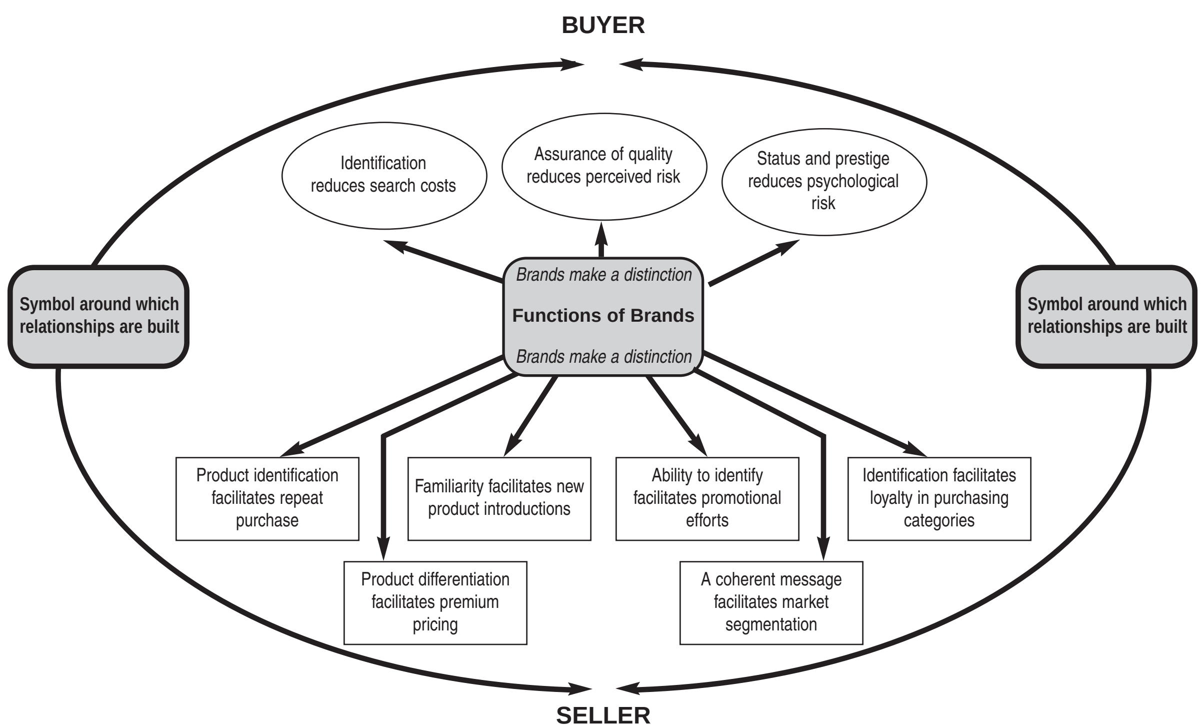
In this article we address these issues. We begin with a simple question: What do brands do? That is, what functions do they perform for the participants in a marketing relationship? We then identify the pressures that are influencing the evolution of brands and brand management, leading to the reappraisal of the brand manager system in a range of organizations today. Finally, we identify three possible scenarios for brand management, and their implications for firms. We argue that only by focusing on the functions that brands fulfill for the customer can we obtain some insight into the likely changes that will affect the future evolution of both brands and brand management.

Although there may be no definitive answer to the challenge posed by contemplating the "death" of the brand manager and the brand management system, we find that common uncertainties must be resolved, irrespective of which organizational models evolve.

What Do Brands Do?

The quintessential function of branding is to create differences between entities with potential for need satisfaction. From this primary distinction a series of utilities or benefits are enabled for both buyers and sellers. We illustrate and summarize the benefits that branding provides for both buyers and sellers (c.f. Aaker 1996; Doyle 1993) by means of the diagram in Figure 1 below. For buyers, brands effectively perform a function of *reduction*: Brands help buyers by identifying specific products, thereby *reducing search costs.* Brands also provide an assurance of quality that can subsequently be extended to new products, thereby *reducing the buyer's perceived risk.* The buyer receives certain psychological rewards by purchasing brands that symbolize status and prestige, thereby *reducing the social and psychological risks* associated with owning and using the "wrong" product.

Figure 1. The Functions of Brands for Buyers and Seller



For sellers, brands perform the function of *facilitation*—that is, they make certain tasks that the seller has to perform easier. Because brands enable the customer to identify and re-identify products—all things being equal this should *facilitate the repeat purchases* on which the seller relies to enhance corporate financial performance. Brands *facilitate the introduction of new products.* If existing products carry familiar brands, customers will generally be more willing to try a new product of appropriate type if it carries the same familiar brand. Brands *facilitate promotional efforts* by giving the firm something to identify, and a name on which to focus. Brands *facilitate premium pricing* by creating a basic level of differentiation that should preclude the product from becoming a commodity. Brands *facilitate market segmentation* by enabling the marketer to communicate a coherent message to a target customer group—effectively telling them for whom the brand is intended, and just as importantly, for whom it is not intended. Finally (and we would argue that this is a facilitative function distinct from that of identification), brands *facilitate brand loyalty*, particularly important in product categories where loyal purchasing is a feature of buying behavior.

Although brands in Figure 1 may appear to fulfill more functions for sellers than they do for buyers, this does not reflect the value of the functions to each party. However, since relationships must ultimately reflect some ongoing equity (Morgan and Hunt 1994), in certain contexts this disparity may explain why consumers may appear more ambivalent towards brands than are the managers and companies who "own" and manage them.

Overall, brands perform a fundamental function of bringing buyers and sellers together: For buyers and sellers alike, brands act as symbols around which both parties can establish a relationship, thereby creating a focus of identity.[1] Despite venerable historical status, however, the pressures on both branding and the brand management system are increasing.

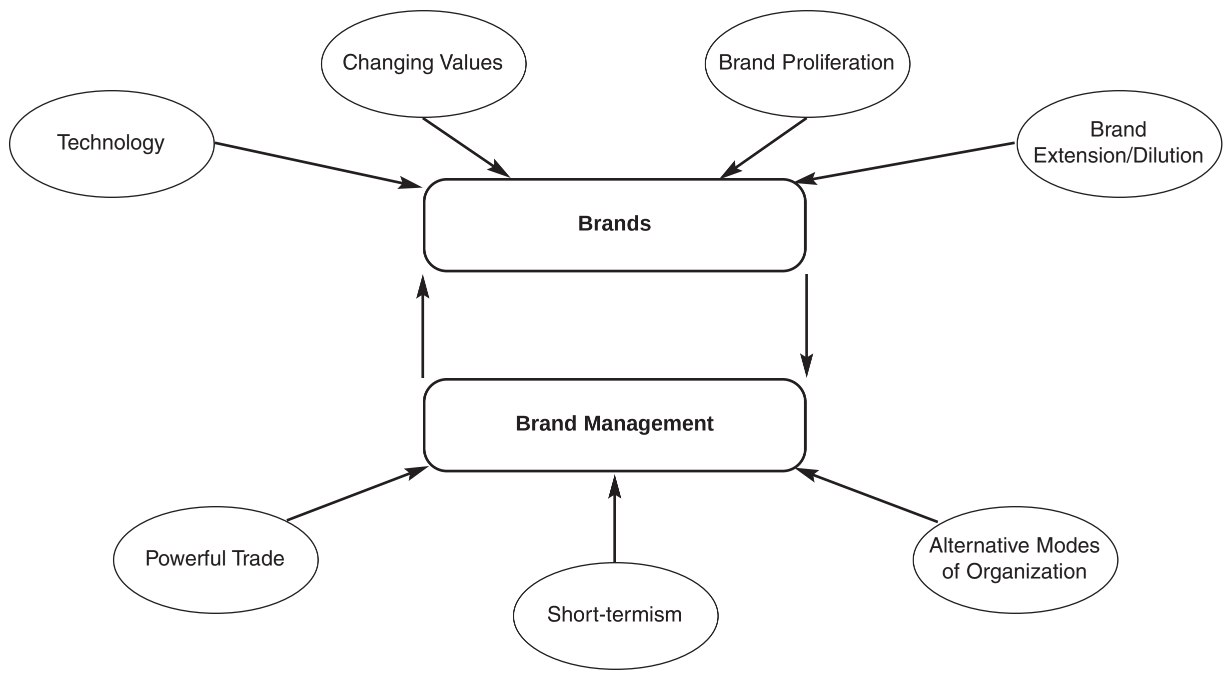
Brands and Brand Management: Pressures for Change

Brand management *per se* is generally believed to have emerged in 1931 when the president of Procter & Gamble decided that "each P&G brand should have its own brand assistants and managers dedicated to the advertising and other marketing activities for the brand" (Low and Fullerton 1994, p. 180). Conceptually, the structure was pleasing and relatively simple: Creating a manager with overall obligation for a product or a brand was akin to giving an individual responsibility and accountability for running their own business (see *Procter & Gamble Europe: Vizir Launch* 1983). Historically, these managers competed externally in the marketplace against competitor brands, and internally against other brands for the firm's limited resources. Brand managers lived and died by their brand's marketplace success. They were rewarded financially and very directly for the brand's successful performance, normally assessed by monitoring shifts in the brand's share of the served market and/or its contribution to profit.

In recent years, however, a new set of forces has arisen, leading to a ruthless questioning of the real value of brands as well as criticism of the brand manager system. A Booz, Allen & Hamilton study, for example, concluded that in the United Kingdom too many brand managers "were still sitting in their ivory towers failing to come to grips with the commercial realities of the job" (Richards 1994). A number of articles in the popular business press have reported on radical changes to the brand manager system in the very firms where it was born, such as P&G and Unilever (Weisz 1994; Lawrence 1993). A report by consulting firm BCG noted that, in a survey of U.S. consumer goods firms, 90 percent had restructured their marketing departments (*The Economist* 1994). Despite these alarms, some suggest that brands are alive and well (Morris 1996), although the emphasis seems to be shifting from the product-level brand to the corporate- or "meta-level" brand (e.g. Coke, Microsoft, Disney).

We now identify and expand upon the pressures for change identified by Shocker et al. (1994); Figure 2 attempts to show these forces as systematic processes.

Figure 2. Forces Driving the Evolution of Brands and Brand Management



Technology

Information technology (IT) can be conceptualized as a major force shaping the evolution of brands and brand management. IT has shifted power away from brand managers, and will increasingly affect the role of the brand in simplifying customer search.

First, information technology has resulted in more sophisticated stock control and merchandising to better-managed trade customers. In recent years IT has led to the implementation of consumer loyalty programs by leading-edge retailers in the U.S., much of Europe, and other countries. Since ownership of information about the customer is crucial (Saporito 1985), the adoption of information technologies by retailers has increased their power—at the expense of the brand manager. In the past, consumer goods manufacturers used market research survey data on consumers to acquire informational advantage over trade customers. Today major retail chains own real-time information, collected by scanners, massaged by sophisticated hardware and software, and linked to frequent shopper programs that enable identification of individual shoppers. Now the retailer dictates whether the product will be given shelf space or not, and the fast-moving consumer goods marketer in the U.S. pays—to the tune of $222 in 1990—to introduce a single new product into a single store (Liesse 1990).

We should note, however, that this change in the distribution of power need not be inevitable. If manufacturers themselves use technology astutely, there might be opportunities to recapture power from the channel (Blattberg and Deighton 1991). Some manufacturers are pursuing this direction.

A second important development is the growth of various forms of direct marketing via catalogue, telephone, television, and, most recently, the Internet and its multimedia platform, the World Wide Web (cf. Berthon, Pitt, and Watson 1996). Many marketers may see this as the fulfillment of a dream; however, it might be a marketing nightmare from a consumer search perspective—if it renders the search-cost-reduction function of brands redundant, or at least replicable.

The Internet has the potential to substantially lower the costs of searching for information on products and services, which in turn may cause markets to be more efficient (see, for example, Milgrom and Roberts [1992] for a classic economic perspective on this argument). While Levitt (1980) would argue that marketing is indispensable in commodity markets, there is no doubt that marketing works best and most effectively when the market is less than efficient. In other words, two traders on a stock or commodity exchange floor can hardly be said to "market" to each other, when they make a trade at a known price (see Deighton and Grayson 1995).

The effects of the Internet may be to "commoditize" information, making search easier and less costly (Houlder 1996). For example, using any of a number of search engines on the Web, a buyer may seek a 35mm SLR camera with desired features at a given price. In the future, even individual customers might be able to use the Internet to invite camera suppliers to make their lowest electronic bids to get their business!

Recent software developments include "intelligent agents" that experts predict will one day handle electronic errands, and even make routine decisions for consumers; they will monitor and learn from users' actions, make suggestions, and "even undertake the consumer's handling in the marketplace" (*Business Week* 1996, p. 51). For example, BargainFinder is an intelligent agent that allows users to compare eight compact disc retailers on the Internet. "It addresses what is perhaps the thorniest issue surrounding the use of intelligent agents in electronic commerce—pricing. . . . Suppliers are anxious that they could lose business as customers use the Internet to compare prices. . . . It is a 'totally painless way of letting the fingers do the walking'" (Houlder 1996, p. 14).

Changing Values

As a result of demographic change, an ever-growing proportion of future markets will be composed of older, more experienced buyers who are more self-assured, more willing to accept responsibility for judging the relationship between quality and price, more skeptical of superficial blandishments—and more confident of being courted by a multitude of sellers. They will seek value tenaciously, aided in their search by technology.

It is interesting, yet unnerving, for marketers to speculate on what this might mean. Will strong brands become even stronger, or will consumers turn increasingly to house (retail) brands as they search for value and the other functions that brands perform for them? Could the corporate brand become as important in products as it is in services (Berry, Lefkowith, and Clark 1988), with shoppers seeking to buy "baskets" of products from a reputable company, which could be a retailer or a manufacturer (cf. Morris 1996)?

There is much anecdotal evidence in the popular business press for the notion that the consumer in the late 1990s is far more value-conscious than in the 1980s (Sellers 1993; DeNitto 1993; Burns 1995; Taylor 1993; Slomski 1996). As Chanil (1996) has it, "More and more price conscious consumers are demanding the best value in merchandise" (p. 11). Peers also seek value, so that the brand has less sociopsychological importance. Furthermore, social status may be less a function of a person's possessions in the 1990s.

This phenomenon can be explained both theoretically and practically. Dickson's (1992) theory of competitive rationality suggests that in times of oversupply, consumers are offered more choice, and thus become more sophisticated. Marketers' attempts to serve these more sophisticated consumers spur them to innovate, which in turn leads to imitation, and back once more to oversupply. From a practical perspective, we know that the consumer population in First World countries, and elsewhere, is aging, and that older consumers learn from experience to be more discerning in their purchasing and consumption. Furthermore, in recent times firms have attempted to compete by offering more service and higher product quality, more value for the same amount of money. These efforts have not been lost on consumers, who increasingly not only expect but demand it.

Brand Proliferation

In some markets there has been a "me-too" effect in brands, as producers attempt to survive through imitation. Successful pioneering brands attract competitors who introduce a plethora of competing brands that contribute little value or threat to the marketplace, but add noise. Customers, already bombarded by many thousands of marketing messages daily, find their search costs increasing and their ability to differentiate between brands atrophying. This process leads to an overall degeneration of the brand as a marketing tool.

Brand Extension/Dilution

An accepted way to expand a product range and volume is brand extension by the introduction of new products "leveraging" the brand across categories. Indeed, it is estimated that by the late1980s, over 80 percent of U.S. new product introductions were constituted by various extensions (Tauber 1988). However, brand extension, a rational strategy if well thought-out and pursued with restraint, can all too easily degenerate into brand dilution (e.g., John and Loken 1992). The lure of short-term volume gain through extension can "kill" or greatly weaken the parent brand—indeed, recent evidence seems to suggest that companies have begun to learn this lesson. "Does the world really need 31 varieties of Head & Shoulders shampoo? Or 52 versions of Crest?" a recent article inquired, pointing out that Procter & Gamble was now cutting back severely on brand extensions (*Business Week* 1996).

Powerful Trade

The past 20 years have witnessed marked increases in trade concentration, with supermarket retailing being a prime example. This process has advanced further in some countries than in others, but appears to be a global trend. In the United Kingdom a survey revealed that of the country's top 500 advertisers, 54 percent of respondents agree that the center of marketing gravity had shifted to retailers. The reaction of some manufacturers has been to drive categories rather than brands (Mitchell 1994).

With their increased market and information power, retailers are in a position to manage for category profitability, and to insist that both new brands and extensions augment total category profitability. This makes traditional zero-sum competition for shelf space among manufacturers less feasible. In the U.S. many manufacturers still have an opportunity to influence retail space planning (and in some cases act as subcontracted category managers for the retail trade); whereas in Europe most retailers have for some time performed those tasks themselves.

The short-term impact of this change on brand management has been considerable. Brand managers who have traditionally been consumer-focused are now much more cognizant of the importance of the trade customer, and often work in category teams incorporating sales, logistics, finance, and other functions. More stringent criteria for shelf access have, in turn, increased pressure for packaging innovation and reduced opportunities for minor extensions and re-stagings. Many of these extensions and re-stagings were contributing to the economic profit (shareholder value) of neither manufacturer nor retailer.

In some companies, this shift to category teams has resulted in a new division of marketing responsibility, with trade marketing managers or the sales function taking responsibility for trade promotion (sometimes called operational marketing), thereby redefining brand managers' roles to focus on target markets, brand development, and innovation. Category management also affords manufacturers the opportunity to avoid the worst excesses of internal competition that sometimes trammeled the traditional brand management system.

Short-termism and Reward Systems

For companies capitalized and traded on such exchanges as New York, London, or Sydney, ignoring shareholder value is a perilous course. To pursue short-term profit at the expense of long term does not, however, typically serve shareholders' interests and can result in brand-destroying strategies. The mechanism behind this is as follows: In reporting on the results of company operations, accounting conventions in virtually all countries require the reporting of a balance sheet as well as an income statement. Clearly, to protect their interests, shareholders must know whether reported profits are associated with an increase or deterioration in net asset value. The ideal objective is to increase both profit and net asset value rather than trade one off against the other.

In contrast, measurement and reward systems for brand managers do not make such distinctions. Brand managers have typically been encouraged to improve such short-term performance measures as operating profit or brand share, with little or no consideration of the consequences for the net asset value of the brand. Better-managed fast-moving consumer goods companies have recognized this problem and have initiated changes in their assessment systems by incorporating some kind of brand equity measurement, typically along the lines suggested by Aaker (1996) and the work of the Marketing Science Institute (e.g., Leuthesser 1988; Keller 1991; Srivastava and Shocker 1991).

Alternative Modes of Organizing

Other approaches to organizing marketing (other than brand or product management) have long contended for managerial attention. A functional approach splits marketing into specialized functions, such as research, sales, and advertising, and individuals with particular skills in these areas are charged with responsibility. A geographic segment approach organizes marketing by regions of a country or even the world, recognizing that different regions require different marketing acumen. A market or market segment approach organizes marketing by different target markets, and managers are made responsible for each of these.

Industry or end-use organization is particularly favored by business-to-business marketers. Thus a computer company might divide its market by various applications, such as banking and financial services, manufacturing, transport services, and retailing. Finally, the "reengineering" wave of the last few years (e.g., Hammer and Champy 1993) has encouraged some companies to organize around business processes, with crossfunctional teams responsible for major activities (Hulbert and Pitt 1996).

These different organizational arrangements, instituted in an attempt to streamline firms for optimum efficiency, have further challenged the appropriateness of organizing by brands.

Summary

The pressures for change discussed herein will undoubtedly have a dramatic impact on both brands and brand management, especially on the functions that brands perform for buyers and sellers engaged in a marketing relationship. A majority of these impacts will be negative, which will not bring great joy to brands' proponents. For example, for the buyer, the brand's function of reducing search costs can be replaced by technology; for the seller, customers' changing values will mean that they may in the future seek value to a far greater extent than status, to the detriment of brand loyalty.

However, the picture is not exclusively one of doom and gloom, for there are some positive implications of the forces on brands, again with reference to the functions that they perform for buyers and sellers. For example, for the buyer, technology has the ability to facilitate one-to-one communication that can enhance the risk reduction ability of the brand; for the seller, the customer's changing values can facilitate new product introduction because sophisticated customers will be more receptive to new products that genuinely add value. For brand management, there are, we believe, a variety of possible scenarios; these we explore in the next section.

The Futures of Brand Management

First, as discussed above, a brand or product manager system is but one of many ways to organize marketing. Indeed, it could be argued that much of marketing does not need to be organized as a specialist function; if it is seen as a general management function, then it is the job of all within the organization (Hulbert and Pitt 1996), a philosophy that has much in common with Total Quality Management. Despite this, brand management has shown unusual resilience.

Figure 2 suggested that brands and brand management are influenced by a variety of forces that will inevitably change both their roles in the future. In this section we focus on brand management *per se*, presenting three possible scenarios for the future labeled—for simplicity—the evolutionary, the intermediate, and the revolutionary. These are summarized in Table 1.

Table 1. Scenarios for the Evolution of Brand Management

Approach	Organizational Structure	Strategy	Systems	Management of Human Resources
Evolutionary	• Rationalize brands and product lines • Separate management of brand/product combinations (e.g., Nestlé) • Increased use of crossfunctional teams	• Brand/product emphasis • Corporate/umbrella brand strengthens	• Augment traditional financial/market measures with brand equity health checks • Activity-based product costing	• Fewer, better educated brand managers • Movement toward more seniority of remaining brand managers as minor brands are dropped
Intermediate	• Shift to corporate/umbrella structures with great simplification	• Proximal customers emphasized, cooperative strategy development	• Customer satisfaction measurement and incentives implemented • "Hot line" listening system in place	• Hire from customers • Customer involvement sought in recruitment, training, and development
Revolutionary	• Customer- and market-based structures • Not product or brand based	• Focus on increasing long-term value of customers • "Partnership" contracts at all levels	• IT used to emphasize "segment of one" and even "one-to-one" • Vision of customer proactive communication	• Empathetic: Total immersion with customers • Regular interaction (use groups/clinics) • 2-way emphasized • Look for similarity

An *evolutionary scenario* describes a continuation of current trends. As markets become more competitive and trade customers more assertive, the tail of slower-selling brands and SKUs will shorten. Convenience store retailing, with its growth linked to affluence and two-worker households, will, because of its restricted shelf space, accentuate the pressure on many other-than-leading brands. Supermarkets seeking growth by addition of new categories will likewise place increased pressure on manufacturers' brands with less-than-leading positions in traditional categories.

As companies increasingly sort out their brand systems and ranges (Aaker 1996), we expect to see less emphasis on product-level branding and more on corporate- and family-level umbrella branding; in addition, issues of brand architecture will become more prominent. Indeed, service firms have long recognized the cardinal position of the corporate brand (Berry, Lefkowith, and Clark 1988), and after years of learning marketing lessons from consumer goods marketers, service firms may in the future reverse roles in this area.

These changes alone will tend to thin the ranks of brand managers, leaving a residual of greater seniority. Those who remain, however, will increasingly work in crossfunctional teams, organized around categories and/or processes, a distinct change from the traditional model of brand management. Further, we expect more companies to follow the lead of firms like Nestlé in consciously elevating the hierarchical level of responsibility for brand equity guardianship. Traditional financial and market measures of performance will be augmented by brand equity-based measures, and these will be given real teeth in the evaluation process.

As retailers pursue DPP (direct product profitability) and category management to more sophisticated levels, so will manufacturers seek ever-better product costing, using tools like activity-based costing. Shareholder value philosophy will penetrate further into the organization, with more and more brands and decisions being reviewed for economic rather than accounting profit.[2]

Dealing with these changes will demand a better and more roundly educated cadre of brand managers than is currently employed by many firms. Indeed, if the prognosis of one marketing scholar is correct, future brand and marketing managers will need both the skills of the analyst and the financial aptitude of an investment banker (Sheth and Sisodia 1995), not to mention the interpersonal sensitivity of a skilled diplomat!

Our *intermediate scenario* is at least partially in place in some companies. Simplified brand and organization structures will become strongly focused on trade customers—retail chains in the developed world, but emerging large wholesalers in some less developed markets. Manufacturers will increasingly develop joint strategies with these proximal trade customers, although approaches will vary in different parts of the globe. In the U.S., more retailers may follow K-mart-like examples of subcontracting category management, or even jointly developing store-based micro-marketing strategies as advocated by Kraft General Foods. In Europe, relationships tend to be more difficult, and the large French retailers, in particular, tend to resist this level of cooperation. Focus on these proximal customers in the distribution system, however, will lead to considerable advance in ECR (efficient consumer response) initiatives, as well as improvements in measures focused on delivery and assortment performance, and more sophisticated attempts to measure customer satisfaction.

As part of the attempt to become more customer-focused, we can expect significant changes in human resource management. Manufacturers will follow the example of service providers such as Southwest Airlines in co-opting customers (in the form of frequent flyers) to assist them in the recruiting, screening, and selection procedures (*Command Performance* 1994). More companies will involve customers directly in training and development activity, not only as speakers but as coparticipants. Hiring from customers will be seen as another means to instill customer thinking into the organization, even though the impact of any one hire will dissipate over time. Some companies are beginning experiments with swapping jobs, on a temporary basis, between supplier and customer. Certainly, multilevel multifunctional contact with the customer is likely to become the norm.

Unfortunately, in the enthusiasm to embrace the proximal customer, there is a great danger that the consumer plays second fiddle. Direct feedback from consumer or end-user to company is a valuable input to many marketing decisions, and recent novel approaches to marketing research are a formal acknowledgement of this. Such insight is also invaluable in helping to offset emergent intermediary power, and should definitely be part of the marketer's inventory of tools. An example is afforded by the 1-800 "Freephone" numbers that are almost universal on U.S. packaged goods. These have long been treasured as a consumer resource by Japanese companies like Kao, yet are still quite rare in Europe and other parts of the world.

The *revolutionary scenario* is in many ways the most exciting, for it requires a radical rethinking of the roles of both brands and customers. As discussed earlier, brands play an important role in buying behavior through the *functions* they perform for the customer. Customers process an enormous amount of information in the course of their daily activities, and need to develop efficient ways of dealing with it. Heuristics include the use of selective attention, memory shortcuts, and rules of thumb (Bettman 1979), and brands can serve as devices that signify larger chunks of information, thereby simplifying information handling and processing. At a minimum, brands should assure quality, so the brand can simplify choice and reduce risk. Whether or not product-level branding is the best means of serving these functions is, however, increasingly questionable.

Information technology is the lever that could enable a complete rethinking of the management of brands. Technology now permits firms to identify customers individually, with the economics of doing so becoming ever more favorable. Major airlines, direct marketers such as L.L. Bean and Land's End, and leading retailers like Tesco in the U.K. are already heavily committed, but this capability now exists irrespective of size of firm or the nature of industry or product/service (Blattberg and Deighton 1991; Peppers and Rogers 1993). The revolutionary scenario involves organizing and managing on a customer basis rather than a product basis. As Schultz (1995) noted in a brief article criticizing brand management, "Most organizations need a structure that can evolve from brand management into a more practical and forward looking format" (p. 12).

Very few organizations are built on the basis of "once-only" clientele, yet only recently have firms begun to realize that they have much to gain by thinking about their customers in relational rather than transactional terms. A longer time frame surveying how the organization's actions either add to, or subtract from, the development and maintenance of relationships with customers seems both sensible and economically desirable.

The nature of service firms has typically led them to think of building longer-term relationships with their customers, for better service was seen as a way to retain customers and ward off competition. This is particularly true in firms within industries that require high customer acquisition spending and a cost structure with disproportionate fixed costs: one Mexican cell phone company estimates it needs 10 years of connection from low-usage-rate customers to break even on them (*Grupo IUSACELL (A)* 1994). However, it is just as prudent for manufacturers of goods to think of the value of consumers over longer periods. A consumer loyally using a brand typically represents a substantial cash flow over time to the firm marketing that brand. If, however, we focus on the consumer—rather than the brand—as the "unit of analysis," we should concomitantly begin to consider the consumer holistically, across brands and products. This perspective will change the seller's perception of the economics of the relationship for any multiproduct company, since the discounted cash flows of the bundles of purchases should be significantly greater. Just as importantly, the holistic view affords the possibility of a significant increase in customer insight on the part of the seller.

Unfortunately, neither brand managers nor firms typically think of consumers in this way, i.e., holistically or empathetically. Historically, companies have not selected brand managers for these traits, and do not include these capabilities in development and training, nor evaluation and reward systems. An enormous paradigm shift is required if we are to consider managing consumers rather than, or in addition to, brands and products.

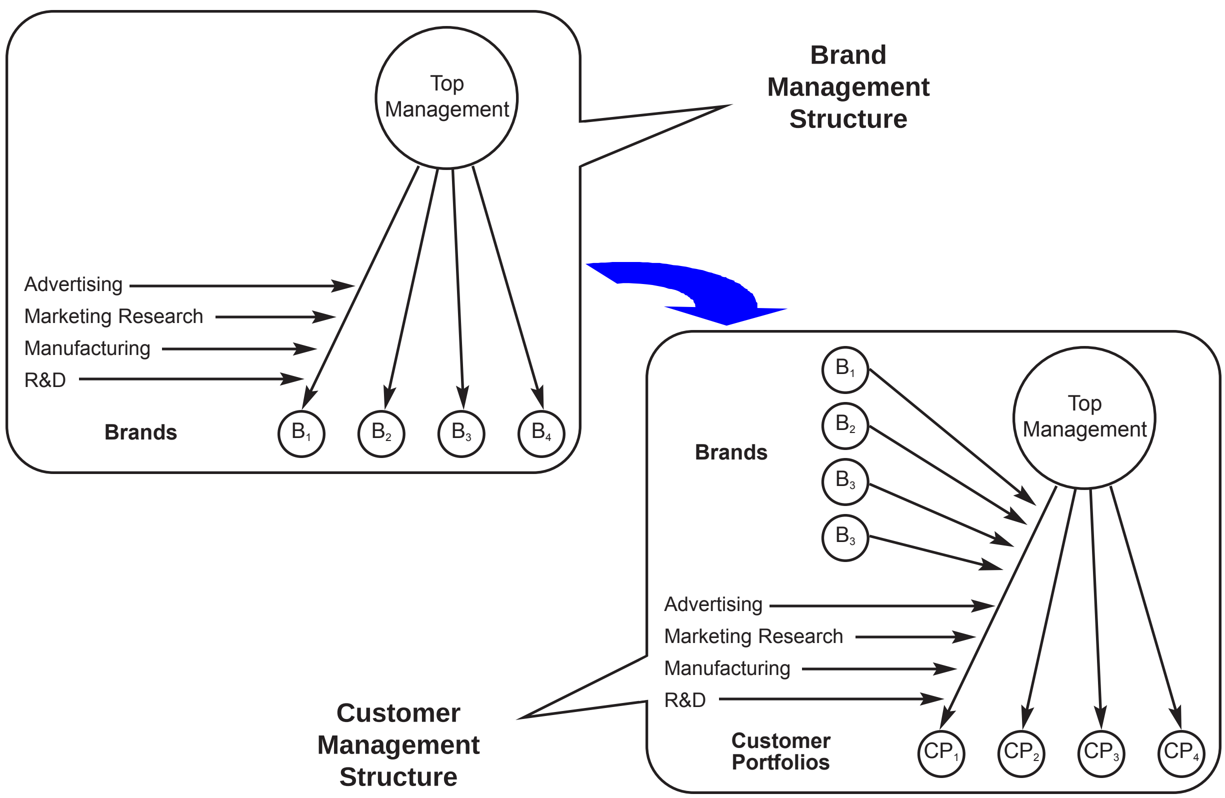
Beginning with the customer, rather than products, brands, or geography, will change the firm's entire marketing structure. This would require a clear line of authority for every customer, although managers would normally be responsible for a group of customers of a determined size and determinable value. A "portfolio" of customers is perhaps the most appropriate term, for given that customers have some lifetime value it captures the spirit of viewing them as an investment.[3] Officers at Wachovia Bank have long managed this way—perhaps one reason why it is one of America's most successful "super regionals"(Capon 1992).

The firm will require customer portfolio managers to manage its relationships with individual customers in a portfolio, rather than merely require brand and product managers to superintend a brand name. No longer will brand managers research markets in order to identify what a reasonably large segment of "average" customers will want. Neither will they price, promote, and distribute this product to best reach this target market in as large numbers as possible.

Rather, the role of the brand or product manager will be a more supportive one of product or brand expert, supporting the firm's customer portfolio managers in developing and providing the products and brands they need to increase their customers' lifetime values. This may mean realizing that there will be customer portfolios to whom a particular brand or product *will not be sold*, based on a computation of the impact on the net present value of the customer portfolio.

The changes in organizational structure required for this to happen will be quite profound, for they imply quantum shifts in thinking and conceptualization for many branded goods companies. Rather than turning the organization on its head (c.f. Peters 1987), perhaps the current marketing structure should lie on its side. Our thinking process is illustrated graphically in Figure 3, moving from a brand-structure, in which the brand is paramount, to a customer-based structure in which the brand manager almost becomes a staff function.

Figure 3. Turning the Organization on Its Side



In Figure 3, the two organizational possibilities of brand management and customer management structures are shown. In the case of the former, brands (B_1...B_4...B_n) are the pillars of the firm, with all other functional activities serving them. In the case of the latter, customer portfolios (CP_1...CP_4...CP_n) are the pillars with other functions *and* brands serving them. From the perspective of the *brand(s)* the organization has effectively been turned on its side.

For this Peppers and Rogers-like (Peppers and Rogers 1993) vision to become a reality, very significant change would be required. The possibilities for true consumer insight, however, would multiply. In this scenario, empathetic managers could literally "immerse" with their consumers or buyers (cf. Johanson and Nonaka 1987). Interaction would be continuous and ongoing, and product and brand blinders would diminish. Personal, multifaceted dialogue has the potential to result in both managers and consumers becoming more proactive in the exchange process. Cohort matching would now become even more important, for contact with "your" manager becomes an experience to be carefully engineered (Carbone and Haeckel 1994; Churchill, Collins, and Strang 1975; Woodside and Davenport 1974).

Implications for the Brand, the Marketing Manager, and Top Management

We shall not be so bold as to predict either the pace of change or the particular scenario that may emerge. However the foregoing discussion suggests a number of trends that will influence the management of brands, irrespective of scenario(s).

Customer/Consumer Focus

Globalization, deregulation, and technology are driving increased competitive intensity in market after market. In this situation, increased intermediary customer and consumer focus is not merely desirable, it is mandatory. The only question that remains is how best to achieve it. The press brings reports on customer-based reorganizations almost daily,[4] while research from the Marketing Science Institute emphasizes the virtue of direct contact with customers (Slater and Narver 1991). Total Quality Management adherents preach a similar sermon, while new approaches to marketing research increasingly feature direct customer contact (Gouillart and Sturdivant 1994). Marketing will be moving increasingly from "walking around" to "in your face," and the ultimate result of this transition will surely be to require that the whole organization must somehow or other become committed to a focus on the customer (Hulbert and Pitt 1996).

Marketing as a Driver of Innovation

Increased competitive intensity will also drive faster erosion (and the need for faster replenishment) of competitive advantage. It is no coincidence, therefore, that CEOs are paying ever-greater attention to the innovation process (see, for example, the U.S. General Electric Company annual report for 1990 or the Procter & Gamble annual report for 1995). While innovation should always be construed more broadly, the usual focus is upon new product development. Yet, according to A.D. Little, marketers are often less than committed to cooperation with researchers (*Financial Times*, March 26, 1996, p.10). It has been convincingly argued that driving innovation is a key responsibility of marketers (Simmonds 1986), but too often in practice the "day to day" dominates the agenda. This must surely change in order to meet the challenge of the new millennium.

Information Technology

In many companies, marketing practitioners have been less than enthusiastic about information technology. These attitudes cannot be allowed to persist. From the role of IT in integrated supply chain management to the power unleashed by analysis of scanner data to the breathtaking dialogues possible on the Internet, mastery of IT must now be seen as a crucial competence. Furthermore, it will become a vital means of implementing the focus shift discussed above. Not only does IT serve as a vehicle of analysis, it permits the maintenance of large-scale customer and consumer interaction and conversation. Effective customer service, targeted communication, and managing proactive customers will all make increasing demands on the marketer's IT sophistication.

Responsibility of Senior Management

We should also lay responsibility for creating enabling conditions where it belongs—with senior management. Change of strategy, structure, systems, and human resources management necessitate senior management involvement. In the past, senior management has been widely perceived as tolerating, if not condoning, management practices that ran the risk of jeopardizing the shareholder's interests over the longer term. Now the onus is on them to ensure that future decisions generate value for both consumers and shareholders.

A major focus for senior management, if the revolutionary paradigm is followed, will be a sea-change in human resources strategy. It may be necessary to adopt an entirely different approach to the recruitment, selection, training, motivation, and control of customer portfolio managers, for they may indeed turn out to be very different people from conventional brand managers, quite possibly hired from the customer population of interest. Handling the deflated brand manager in this scenario will also require considerable sensitivity.

Conclusion: The Paths Ahead

In this paper we have conceptualized brands as arising from a set of forces and as a solution to problems/opportunities within the business context. Brands are no longer seen as static “monoliths,” either faced with survival or extinction, but rather as dynamic evolving functional patterns.

Although our prime focus has been on the management of brands, a key lesson that emerges from this paper is that managers might do better to focus on the functions of brands rather than on brands in and of themselves. We began this paper by positing the functions that brands fulfill for both buyer and seller, suggesting that they perform more functions for the latter than the former. For buyers, brands reduce search costs, reduce perceived risk, and provide sociopsychological rewards. It would be worthwhile to speculate on other means by which these functions might be performed. We believe that such exercises will be essential to both understanding and shaping how brands may evolve in the future. Such proactive and creative thinking should increase marketing managers’ ability to influence their own destiny.

Of course, the three broad scenarios we outline are not mutually exclusive. Managers in different markets, through their own actions, will likely enact various aspects of the different paradigms. Brands will undoubtedly evolve from the rather static notions that prevail today, but the directions in which they are to change are far from fixed. Consumers, trade customers, competitors, and technology will all play a role, but the creative input of managers may well be the determining factor in the future of brand management.

Notes

1. For a more detailed exposition on the functions of brands, see Ambler (1996).

2. Economic profit is typically defined as operating profit less a charge for capital utilized, computed based on the company's cost of capital. Assuming an accurate cost accounting system (often a big assumption), economic profit contributes to increased shareholder value.

3. Our thinking in this regard has been influenced by the terminology of Peppers and Rogers (1993), and, to a considerable extent, by Blattberg and Deighton (1996).

4. The *New York Times* recently reported on Morgan Stanley's reorganization, recounting that the firm "is trying to simplify the way it deals with major corporate clients" by grouping together its debt, equity and investment banking departments into one "client-driven and not product-driven" structure (*New York Times*, January 17, 1997).

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