Dual branding: how corporate names add value

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Examines how corporate names add value to branded fast moving consumer nondurable goods. Uses conjoint analysis to test combinations of brand names, corporate names and prices of confectionery countlines. The results show that both brand names and corporate names add value although some add more value than others. The market is price sensitive so pricing above a threshold level wipes out much of the influence of corporate and brand names. The sensitivities to names and price do not vary with the a priori segment tested although natural clusters of customers show differences.

Introduction

Competing companies are inconsistent in the way they brand their products. In the UK confectionery market, each of the major competitors, Cadbury Schweppes, Nestlé and Mars, have different brand strategies. Cadbury uses mixed corporate brands where their corporate name has the same emphasis as the brand name, for example, their top selling chocolate bar is Cadbury’s Dairy Milk. This product competes with Nestlé’s Yorkie where the brand name Yorkie dominates and Nestlé appears as a small endorsement. Another direct competitor is the stand-alone brand Galaxy, made by Mars, whose origin appears on the back of the pack. This divergence is not unique to the confectionery market, as Table I shows.

Branding as a way of marketing products has grown alongside brand management, where bright young marketers manage brands. This has led to brands being managed in isolation and the brand being the focus of attention. This is changing. Through category marketing and other new ways of organizing the marketing effort, managers or teams look after several brands rather than one (Kotler et al., 1996). Other popular marketing ploys are making the branding situation more complicated. Umbrella branding means the same brand name covering several individual products. Fairy Household soap and Fairy liquid being old examples. Recently the quest for brand leverage has found brand names appearing on products managed and manufactured by completely different parts of organizations. Following Nestlé’s acquisition of Rowntree Mackintosh, Rolo, Aero and Milky Bar have all appeared as desserts sold by the grocery division of the company. Simultaneously market leading products such as KitKat and Rowntree’s fruit gums reappeared as “iced confectionery”. Acquisitions have led to a muddle in other ways, so that the same organization sells Nestlé’s Milky Bar, Rowntree’s Pastilles and Mackintosh’s Quality Street. Perhaps the most extreme case of a brand’s tentacles reaching too far was when the Cadbury’s name, with its rich chocolatey connotations, appeared on Smash instant potatoes and a grotesque product failure using a synthetic meat in gravy. Although originally a pioneering “housewife liberating food”, once Smash aged, it added little to Cadbury’s traditional chocolate image. Thankfully Cadbury Schweppes’ concentration on the confectionery and soft drinks market accompanied a rationalization of the brand names used.

This brand confusion accompanies an increased recognition of the value of brands (Barwise, 1993; Keller, 1993; Murphy 1991) and concerns the appropriateness of brand extensions (Aaker and Keller, 1990). If brands do have value then the way a company uses its portfolio brands is a top management decision (Uncles, et al., 1995).

Table I

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Confectionery</th>
<th>Household</th>
<th>Grocery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed corporate</td>
<td>Cadbury</td>
<td>Heinz</td>
<td>Kellogg</td>
</tr>
<tr>
<td>brands</td>
<td></td>
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<tr>
<td>Mixed house</td>
<td>Nestlé</td>
<td>Colgate</td>
<td>Nestlé</td>
</tr>
<tr>
<td>branded</td>
<td></td>
<td>Palmolive</td>
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</tr>
<tr>
<td>Mixed family</td>
<td>Mars</td>
<td>Proctor &amp;</td>
<td>Allied</td>
</tr>
<tr>
<td>branded</td>
<td></td>
<td>Gamble</td>
<td>Lyons</td>
</tr>
<tr>
<td>Mixed corporate</td>
<td></td>
<td>Unilever</td>
<td>Kraft</td>
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Stand-alone brands, such as the Mars bar, are rare. Most grocery products come with an assortment of names, extreme ones being Friskies, Gourmet, A la Carte with seafood, an indulgent pet food, or Nestlé’s Breakaway Caramac (Laforet and Saunders, 1994). Does this hotchpotch of brand names appearing on packs add value? Is Cadbury’s correct in using its name across its whole range of confectionery or would it be wiser to follow Mars in keeping its name off Snickers and M & M’s? We analysed this question using an experiment to see if the addition of a corporate identity to a confectionery brand adds value or not.
Research aims

The multiplicity of names that appear on brands have meanings that could relate to a brand’s history, its corporate structure, acquisitions or an attempt to impress shareholders as well as customers (Laforet and Saunders, 1994). Companies sometimes use their name on brands to express their identity, or structure, to stakeholders other than consumers (Olins, 1989), but to the customer the corporate name is a name like any other. Aaker (1991) gives several components of brand equity including association, loyalty, awareness, perceived quality and other proprietary brand assets. All these combine to encourage the customer to buy one product rather than another. Whatever its origin, this equity manifests in one of two ways: the willingness of a customer to pay more for one brand than another, or the frequency of a brand being chosen.

In using two names on a product, companies hope to doubly benefit from brand equity. When launching Time Out, Cadbury’s name associated the product with chocolate and gave customers confidence in what that chocolate would taste like. Sometimes the two names can be intentional, as in Carnation Slender, a meal substitute for dieters. The Slender name denotes weight loss and slimming whereas Carnation suggests rich creamy products. Between them they create the impression of a product that tastes rich and creamy but is low in calories and fat. If this works the customer would prefer Slender with the Carnation associations over alternative endorsements. Our first proposition is therefore:

P1: The addition of a corporate name to a brand increases customers’ preference for that brand.

Names have different associations so it is very unlikely that all corporate names have the same value. It is likely that a more prominently advertised name, like Cadbury’s, adds more value than other corporate names that are less prominently used, such as Mars or Nestlé, or a name associated with a smaller player in the market, such as Terry’s. This is not just a matter of advertising expenditure. Cadbury’s use an integrated approach to build their name using taste as a slogan, mood music, a strong corner wrap signature and the seasonal rotation of flagship chocolate products. In contrast Nestlé is one of the top brands world-wide but the use of the name on many brands is new. Also Nestlé often has an endorsement on established brands and is diluted by use across products as diverse as breakfast cereal, tinned milk and baby food.

The growing association between confectionery and ice creams supposes that customers respond to a confectionery name appearing on ice cream. Is the opposite true? Does the appearance of an ice-cream brand name, such as Lyons Maid or Wall’s, make a confectionery brand more attractive or less so? These thoughts lead to more propositions:

P2: All corporate names do not add the same value to a product.

P3: The more highly advertised corporate names add more value than others.

P4: For confectionery products, non-confectionery corporate names add less value than confectionery names.

The market leading Mars bar is rare in having just a corporate name and a description to identify it. Cadbury’s call their milk chocolate bar Cadbury’s Dairy Milk, not Cadbury’s milk chocolate bar. The rarity of simple brands, like Mars bar suggests that consumers would prefer products that have a brand and a corporate name. Also, since most brands are heavily promoted, consumers would prefer well-known brand names over those that are not. This leads to two more propositions:

P5: Consumers prefer products whose corporate name appears in conjunction with a brand name.

P6: Customers prefer products with established brand names over those that are not.

Finally, do all customers respond in the same way to combinations of brand and corporate names? The confectionery market has segments, an extreme case being Milky Bar, mostly consumed by children under five. If some segments respond more positively to corporate names than others, their firm might choose endorsements for products targeted at one market while not endorsing products aimed at another. The recycling of Nestlé’s Infant Formula baby food troubles from decades ago (Kotler, et al., 1996) could damage sales of Nestlé-endorsed KitKat at to politically correct segments while not influencing the “energetic males” who consume Nestlé’s Lion bars (Smith and Saunders, 1996). This leads to a final proposition:

P7: Market segments differ in the way corporate and brand names appeal to them.

Methodology

Most confectionery is bought on impulse by people who visit a shop to buy other items.
When people walk into a shop or petrol station they face a bewildering array of confectionery items laid before them. Competitors fight aggressively to get their products in the hotspot near the till where customers pay for their purchases. The methodology used to assess the impacts of corporate and brand names needs to capture the situation where customers face an array of options from which to choose. Conjoint analysis allows this.

Conjoint analysis is one of many techniques that have become popular for measuring consumer behaviour (Hooley and Hussey, 1994) and used widely in the USA and Europe (Wittink, et al., 1994). In new product development the method allows researchers to analyse the part worth of individual design elements. In one example Green, et al. (1988) identify the rate of contribution of brand name, tread life, price and the black or white sidewall for automobile tyres. With three possible brand names, designs giving three different tread lives, three possible prices and two sidewall designs it is unrealistic to test all possible combinations of these but the beauty of conjoint analysis is that it allows the part worth of each element to be tested using a subset of the alternatives. While there are 54 combinations of these features, conjoint analysis can give results with just 18 evaluations. In this process respondents are given a stack of cards showing 18 concepts and have to sort them according to which is most and which is least desirable.

Our conjoint experiment used five corporate names and left one blank as a control. These being: the three leaders in the UK confectionery market – Mars, Cadburys and Nestlé; Terry’s, a small confectioner; and Wall’s, a name Unilever use on ice-cream. Eight brand names were used, these being Snickers, Aero, Galaxy, Bounty, KitKat, Twirl, Topper and Kisses, the latter being a brand not used in the UK. To value the contribution of the corporate and brand names, prices of 20p, 30p and 40p were tested. As controls, concepts also included brands with no associated corporate name and corporate names with no associated brands. In the conjoint experiment respondents used profile cards containing a combination of corporate names, brand names and price. Limited conjoint experiments do not entirely represent the wide range of confectionery facing consumers in a small shop or petrol station. The experiment is, however, consistent with the limited choice of countlines at supermarket checkouts or in the “hotspot” by a small shop’s till.

Questionnaires went to 120 academic and postgraduate research students at a university, through the internal mail. Eighty-three replied and 68 per cent of replies were usable, giving a response rate of 57 per cent. Limited information was requested to minimize the task demanded of respondents. There was a gender split of respondents with 68 per cent male and 32 per cent female, which corresponds to the demographics of the university. This means the sample is skewed towards males although confectionery consumption is skewed towards females. The sample is also skewed towards heavy users, 76 per cent saying they consumed more than ten confectionery items per month. This bias probably reflects the enhanced willingness of people who consume much confectionery to respond to surveys about that product category. The sample bias has no impact on the use of conjoint analysis that analyses the behaviour of individuals but it does warn against extrapolating these results to the whole population.

Results

Figure 1 shows the average part worth of the corporate names, brand names and prices. Conjoint analysis produces one of these for

![Figure 1: Part-worths of corporate name, brand name and price](chart.png)
each consumer but in this figure they are aggregated. Interpreting corporate names shows that all the names add value to confectionery brands, even that for Wall’s, who are known for their frozen products. This supports P1 since all part worths for the corporate identities are significantly greater than the control with no corporate identity. Uncles et al. (1995) suggest that many western firms do not recognize the value of the corporate brand. This result supports that view. Even Wall’s, who do not have a name in the confectionery market, contributes some value to the brands tested. Given the strength of these results, why do so many firms, such as Mars and Procter & Gamble use stand-alone brands? One reason may be to prevent their brands cannibalizing each other by maximizing their perceived difference. Many of Mars products are very similar, for example Mars bars and Snicker’s, so, by giving them different names and no corporate endorsement, the psychological difference between them is increased. In contrast Nestlé can use endorsements on their physically differentiated products to add value without encouraging cannibalization between Smarties and KitKat. This opposes Kotler’s (1972) view that a corporate structure favours companies with a coherent set of products. In Mars’s case, the product range is coherent but the company does not use a corporate brand structure. In contrast Nestlé uses its name on products as diverse as mineral water, breakfast cereal and confectionery. Perhaps the decline in part worth from Cadbury’s to Nestlé is explained by the lack of cohesion within Nestlé’s product range compared with Cadbury’s. In contrast, the relatively low part worth of Wall’s may occur because the experiment stretches the brand too far.

The statistically significant differences, in the part worth of each of the corporate names in Figure 1, support P2 that the corporate identities do not all add the same value. The results also support P3, that the highly advertised names add more value than the less highly promoted brands. Cadbury’s benefit from a double delight with their name adding the most value, a position maintained by using it to promote all its brands. The name of Mars does not fall far behind Cadbury’s but, because of their preference for using stand-alone brands, they are less able to use the leverage than the leader. Nestlé may be suffering from stretching their corporate identity across too many products. Terry’s inherited double jeopardy matches Cadbury’s double delight. Terry’s is not so prominent in the confectionery market since there are fewer brands with which to promote it. Also, when Terry’s uses its name, it adds less value than more prominent corporate names. Wall’s is a well-known name by virtue of Unilever’s frozen products but here the fame and reliability attached to that name are damaged by its non-confectionery associations. Wall’s still has equity in the confectionery market but the awareness it gives is in conflict with its associations. Their positive part worth supports P4, that non-confectionery corporate identities add value, but this survey suggests that they do not add as much value as brands with confectionery connotations.

The part worth of all the confectionery brands shows that brand names add value in all cases, even fictional Kisses. Taken with the results from corporate names this shows the benefits of dual branding. The presence of a corporate name helps products in their early days. Later the dual association of corporate and brand name increases the overall value. In this case the most desirable product would be Cadbury’s Galaxy, a combination of names with a combined part worth of 7.9. This has interesting implications for the valuation of brands. Galaxy is actually a Mars product sold without the Mars endorsement. As a stand-alone brand, its part worth is 3.7. However, if after an acquisition or through licensing Mars could add the Cadbury’s endorsement to the Galaxy name, the product would become very desirable to our sample.

Although the fictional brand Kisses does have a significant part worth, it is well below the major brands of Snickers, Galaxy, Aero, Twirl, KitKat and Bounty. This supports P5, that people prefer established brands over new ones. Although confectionery products are cheap and easy to try, customers still prefer what they know. Again, the result shows the benefit of corporate branding. Although Kisses is attractive by itself, if launched in combination with the Mars, Nestlé or Cadbury’s name, its attractiveness lifts above that of any stand-alone brand.

The part worth for price indicates how important branding is within the confectionery market. As expected, the part worth of price declines as prices increase. Comparing the part worths of price with that for the corporate and brand names indicates the name’s value. Increasing the price from 20p to 30p reduces the part worth by 2.31 (3.86-1.55), a figure that is less than the part worth of any corporate name other than Wall’s and all but two brands. This may explain why own brands have been so unsuccessful in penetrating the confectionery market.

Noticeable from the part worth of price is a clear threshold up to 30p. Beyond that, consumers are relatively indifferent to price. We
do not have the evidence here but these part worths suggest that at some point between 20p and 30p there is a real threshold price, perhaps 29p, which customers are willing to pay. Given this pattern the market could be segmented by price, with cheap products competing heavily below 30p and more expensive products, such as Ferrero Rocher and After Eight, competing at much higher prices.

Are some groups of customers more responsive to corporate and brand names than others? Since conjoint analysis gives results for individuals it is possible to see if respondents group in some way. A priori approaches looking at the gender and usage rates showed no significant difference between samples. This is not surprising since single dimensions rarely split markets significantly. However, as often occurs, cluster analysis reveals differences.

Cluster analysis, like conjoint analysis, is a well-established marketing tool that searches for alike items (Saunders, 1994). Figure 2 gives the part worth functions for each of the three groups. Subgroup 1 is mainly influenced by brand names and price. The range of brand name's part worth goes from 2.81 for Kisses to 5.74 for Twirl, while the range for corporate names goes only from 1.79 for Terry's to 3.21 for Cadburys. This subgroup is also price sensitive across the whole range of prices so, unlike the full sample, the desirability of the product almost halves when its price goes up from 20p to 30p and then halves again when it changes from 30p to 40p.

In contrast Subgroup 2 is indifferent once prices go above 30p and is much more affected by the producer's name than in the previous one, the part worth in this case dropping from 4.92 for Cadburys to 1.61 for Wall's. Like the first group, Subgroup 3 is much more influenced by brand names than corporate names but, in this case, the respondents are highly sensitive to price change from 20p to 30p while being indifferent beyond that.

These results support P6, that there are differences in the way that groups of consumers respond to brands and corporate names. This suggests it is wrong to use the same brand structure across all segments. For instance, a child is influenced by the strong brand name and presentation of Smarties, whereas an older chocolate lover could favour the endorsement of Cadburys.

Conclusions

The way companies use their portfolio of brands is often driven by history and company policies rather than consumers (Hall, 1992). There are also few markets where competing firms follow the same brand strategies. This implies that firms do not share a common view of how to use brands, dual brands and corporate identities. However, the evidence here suggests that the increasing use of dual branding by companies follows consumers' preferences. In all cases the addition of a corporate name to a brand increases the consumer's perception of the brand and preference for it. In markets where purchases are as spontaneous as confectionery, this could be the clinching issue in making sales.

There is also evidence here of a double delight of corporate branding where the most promoted corporate names create most value. Even names, like Wall's, which are out of context add some value, although not so much as less stretched names. This supports the approach being taken by Cadbury Schweppes in using Cadburys on its confectionery products and Schweppes on its soft drinks.

The results refute the idea that companies should adhere to corporate dominant or brand dominant structures (Olins, 1989). An effective strategy could be to use house brand
names to cover related products while each product also has a distinct brand name.

Many firms lean towards one brand structure, such as Heinz's use of corporate branding or Proctor & Gamble's preference for stand-alone brands, but few firms adhere to one strategy completely. Our findings suggest that inconsistency is correct. Segments have different requirements so are best treated differently. In our increasingly competitive and changing markets, consumers are happier with two loads of brand equity from a corporate and brand name, than they are with either name alone. It is ironic that, as markets change increasingly quickly and products' lives shorten, the one thing that gives the customers confidence is the most ephemeral of all parts of the marketing mix, the name. Murphy (1987) called his influential article on brand structures "Branding: the game of the name". When he revisits the area, his title should recognize that few brands these days have one name. A better title is "Branding: the game of names".

References
Murphy, J. (1987), "Branding: the name of the game", Marketing, 23 April, pp. 7-9.