

This unit looks at the importance of brands and some of the challenges they face.

BEFORE YOU READ

Discuss these questions.

- 1 What advantages do strong brands give a company?
- 2 What challenges do brands face today?
- 3 Think of a brand that has made mistakes but recovered. What mistakes were made? What did it do to recover?

READING**A****Understanding the main points**

Read the article on the opposite page and say whether these statements are true (T) or false (F). Correct the false ones.

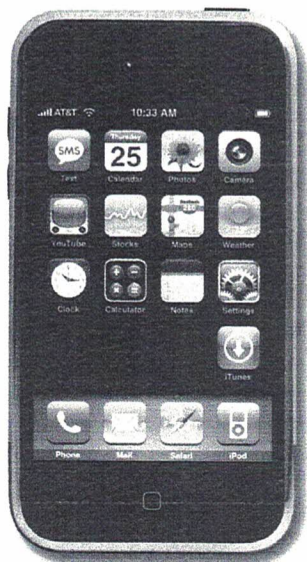
- 1 Too much focus on short-term profits is a dangerous strategy when developing brands.
- 2 Google has become the top brand in its category in a very short time.
- 3 According to the writer, it is impossible for brands to recover when things go wrong.
- 4 The writer thinks brands are less important now than before.
- 5 It has become easier for brands to move into foreign markets.
- 6 The most serious problem that brands face today is how to deal with the illegal copying and reproduction of their brands.
- 7 According to the writer, the main benefits of having a strong brand are financial.

B**Understanding details**

Read the article again and answer these questions.

- 1 Which brand does the writer mention as an example of:
 - 1 a top new brand?
 - 2 a brand that took bad strategic decisions?
 - 3 a brand that lost its position as a top brand but has got it back?
 - 4 a brand that has been very successful all over the world?
 - 5 a brand whose reputation has helped to attract high-quality graduates?
- 2 Which industries are mentioned as examples of industries affected by illegal copying?
- 3 The writer gives three benefits of developing strong brands. What are they?

The challenge of keeping brands strong



by John Gapper

A A corporate brand, like a human reputation, is something of great value. But there is always a temptation to do something for short-term profit that can damage a brand in the long term. Many companies have given in to this temptation and reduced the quality of their products or stretched their brands unwisely. They then spend years trying to repair the damage. This gives those companies that manage to resist the temptation the chance to develop brands that have huge value both to customers and shareholders.

B Google is an example of an outstanding brand. The Internet

domain name google.com was only registered in September 1997. But, less than 10 years later, Google's determination to become the top search-and-information service allowed it to outstrip Yahoo. And it did this at the cost of not putting display advertisements on its home page.

C There have been many examples of brands that have been damaged by strategic errors, for example Levi's, with its unsuccessful move into suits. The good news is that well-established brands can recover when things go wrong. One example is Apple. It lost its direction after the departure of Steve Jobs, its co-founder, but regained its position with his return. Apple's expansion out of computers into audio and visual products was extremely important in its revival.

D Without question, brands are more important than ever before. More companies now consist essentially of intangible assets such as patents plus the value of their brands. 'In today's world, the advantages of innovation do not last as long, and there are fewer things that protect companies from competition. As other things become equal, they are left with brands,' says the Executive Vice-President of Millward Brown Optimor.

E The lowering of trade barriers, plus advances in technology and globalisation, makes it easier for brands to cross borders. Buyers of mobile phones around the world now expect handsets made by Nokia,

Samsung, Motorola or other global brands, and local brands find it difficult to compete. Luxury-goods companies like LVMH have been very successful in expanding national brands across borders and transforming them into global brands.

F But brands face challenges. One has come from manufacturers of generic products in industries such as pharmaceuticals and the food industry. Although drugs companies invest billions in research, they also feel the need to use marketing to respond to generic competition. Even over-the-counter medicines such as painkillers are carefully branded.

G Another challenge is the ease with which products can be pirated. It is difficult for Western motor manufacturers to stop their cars and trucks being copied. It is even harder for entertainment companies to stop music and films being digitally reproduced over the Internet and on CDs and DVDs.

H Despite these challenges, companies that build strong brands have big advantages over competitors. They allow companies to increase their revenues and margins. There are other benefits too. For example, a top brand like Microsoft can recruit the best graduates from business schools and keep them longer.

FT

C Understanding meaning

Answer these questions.

- The writer says, 'But there is always a temptation to do something for short-term profit ...' (lines 3–4). Which sentence best describes what he is saying?
 - Companies always want to try things they shouldn't do because they can see quick profits.
 - Companies are always looking for new ways of making immediate profits.
- The writer says, 'Another challenge is *the ease with which products can be pirated*.' (lines 73–74). Which explanation best describes the phrase in italics?
 - It's very easy to steal other companies products and sell them to others.
 - It's easy to illegally copy and sell other companies' products.

VOCABULARY

A Definitions

Match these words and phrases from the article (1–8) with their meanings (a–h).

- | | |
|--------------------------|--|
| 1 stretched their brands | a) difference between what it costs to produce products and their selling price |
| 2 intangible assets | b) something that a business has, but is not physical, so hard to value, e.g. a brand name |
| 3 patents | c) money that a company receives over a period of time from selling good or services |
| 4 value | d) legal documents giving a company the right to sell a new product or invention |
| 5 trade barriers | e) a product that is sold under a general name for a type of product, rather than a brand name |
| 6 generic products | f) how much something is worth in money |
| 7 revenues | g) used a successful brand name to sell other product types |
| 8 margins | h) something that makes trade between two countries more difficult, e.g. import taxes |

B Word search

Find words or phrases in the article which fit these meanings.

- 1 big and important (paragraph A; two words)
- 2 cause harm to something (paragraph A)
- 3 done with poor judgment (paragraph A)
- 4 extremely good (paragraph B)
- 5 be more successful than others (paragraph B)
- 6 got back something after losing it (paragraph C)
- 7 the process of becoming strong again (paragraph C)
- 8 move into other countries (paragraph E)
- 9 changing completely (paragraph E)

C Word partnerships

Match the verbs (1–5) with the nouns (a–e) they go with in the article.

- | | |
|------------|-------------------------|
| 1 damage | a) its position |
| 2 outstrip | b) a brand |
| 3 lose | c) challenges |
| 4 regain | d) a competitor (Yahoo) |
| 5 face | e) direction |

D Vocabulary development

- 1 Make a list of word partnerships from the article with the word *brand(s)*.
Organise them into two groups.
 - a) verb–noun partnerships, e.g. *damage a brand*
 - b) adjective–noun partnerships, e.g. *outstanding brand*
- 2 Complete these sentences about company recovery using the words and phrases in the box.
Make sure the verbs are in the correct form.

| | | | | | | | |
|------------|--------|----------------|---------|---------|--------|--------|---------|
| challenges | damage | lose direction | recover | stretch | regain | repair | revival |
|------------|--------|----------------|---------|---------|--------|--------|---------|

- 1 Samsonite recently launched designer luggage and has plans for a range of high-end men's shoes, sunglasses and stationary. Is this a good strategy, or is it the brand too far?
- 2 In the late 90s, Nike faced criticism about poor working conditions in its supplier factories in Asia. The negative publicity severely its brand, and it took several years to its reputation.
- 3 Despite marketing efforts to turn the brand around, Levi Strauss has still not managed to its former position as a top brand.
- 4 Experts say MacDonald's in the USA was mainly due to the diversification of its menu and longer restaurant hours.
- 5 Expanding in the USA was a bad strategic decision, and it will take time for the business to
- 6 Following the departure of Steve Jobs, Apple ; but since his return, the company has gone from strength to strength.
- 7 One of the biggest that pharmaceutical brands face is competition from generic products.

OVER TO YOU

- 1 Choose a company that has stretched its brand successfully or stretched it unwisely. Research your chosen company, then present your analysis of why the strategy worked / didn't work.
- 2 Discuss how companies can protect their brands against piracy when expanding globally.
- 3 According to the writer, *Luxury goods companies like LVMH have been very successful in expanding national brands across borders and transforming them into global brands*. Why do you think they have been so successful?