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The Power of the Branded Differentiator

Many brands today mean little to consumers, who have become accustomed to buying on price alone. But a new tool can help companies separate themselves from the crowd.

David Aaker

The competitive terrain for most brands today is difficult to brutal. Many are contending with overcapacity, downward price pressures and eroding margins. Whole classes of products are stale, improvements are quickly copied, and proliferation only confuses people and ultimately turns them off. For many consumers, competing brands are essentially the same. In this context, it is increasingly hard to create and maintain points of differentiation, one of the main drivers of brand strength.

The power of differentiation in building brand strength has been documented by Young & Rubicam Inc.'s Brand Asset Valuator study, a global survey of brand equity conducted every few years that covers more than 35 countries, 13,000 brands, 450 global brands and 50 measures organized along four key dimensions — differentiation, relevance, esteem and knowledge. As one Y&R expert put it, “Differentiation is the engine of the brand train — if the engine stops, so will the train.”¹ Successful new brands consistently score highest on that dimension, and mature brands — even when they remain strong on relevance, esteem and knowledge — start to fade when they lose clear points of differentiation.

There is considerable logic behind such results. If a brand fails to develop or maintain differentiation, consumers have no basis for choosing it over others. The product's price will then be the determining factor in a decision to purchase. Absent differentiation, the core of any brand and its associated business — a loyal customer base — cannot be created or sustained.

Creating or obtaining points of differentiation is a challenge. It is difficult to come up with new products, features, services or programs that in the eyes of customers are truly distinctive and deliver worthwhile benefits. Worse, even when a company does develop a point of difference, aggressive competitors often quickly copy it. The solution is to brand the differentiator. While a specific point of differentiation can be copied, a brand can be owned and actively managed to create a lasting point of difference in the customer's mind.

A branded differentiator can be a feature, service, program or ingredient. To be worthy of the term “differentiator” — to be more than just a name slapped on a feature — it must be meaningful to customers; that is, it must be both pertinent and substantial enough to matter when people are purchasing or using the product or service. It must also be actively managed (and thus be able to justify

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the investment of management time) over an extended period — years or even decades — so that it does not become stagnant.

Consider the introduction in 1999 of the “Heavenly Bed” by Westin Hotels & Resorts. The bed features a custom-designed mattress set, three different down blankets (for three climates), five goose-down pillows and more. The new bed was meaningful to guests, since it addressed a hotel room’s central function: to provide a good night’s sleep. And it had an impact on the chain’s customers: During the first year of its existence, Westin sites that featured the bed experienced a 5% increase in customer satisfaction, a noticeable improvement in perceptions of cleanliness, room décor and maintenance, and increased room occupancy.

The company actively manages the brand, making it a moving target for competitors. For example, it sells the Heavenly Bed directly and has generated considerable word-of-mouth buzz through such sales. Westin also extended the brand by creating a “Heavenly Bath” line and a Web site — the “Heavenly Online Catalog” — to make products and accessories available. The company employs advertising, promotions, loyalty programs and on-site communication to maintain the connection in the public’s mind between the Heavenly line and Westin Hotels. Nothing would be worse, from Westin’s perspective, than finding that people were attributing the Heavenly line to a competitor.

In this article, we’ll explore the different types of branded differentiators, the pros and cons of developing them internally versus looking outside for them and questions about managing these “brands within brands.” Before getting to those topics, however, it’s necessary to explain why branding a differentiator is an important and valuable task.

Why Brand Them?

Any addition to a branded offering that has real value will differentiate the product or service whether it is branded or not, so why expend the extra effort? There are several reasons, most of which go back to the basic value of a brand in any context.

First, the existence of a brand can add credibility to claims made on its behalf. The message to consumers is that the organization believed the new benefit was worth the commitment that goes with branding. They will instinctively sense that the effort was undertaken for a reason. The existence of four-wheel drive in automobiles is a good example. Many auto manufacturers offer this feature, but Audi AG has a technologically advanced branded version, quattro, that gives it a credibility lacking in generic versions.

The ability of a brand to add credibility was rather dramatically shown in a study of branded attributes.² The researchers found that the inclusion of a branded attribute (such as Alpine Class fill for a down jacket, Authentic Milanese for pasta and Studio Designed for compact disc players) dramatically affected customer preferences for premium-priced brands. Survey respondents cited the branded attributes as justification for pay-

ing higher prices for various products. Remarkably, they had the same response even when they were given information implying that the attribute was not relevant to their choice.

Whenever relevance is an issue, however, it too can be enhanced by a branded differentiator. It can make a dimension of the category more visible and more important to the decision process. When a prospective buyer of a jacket sees a sun-protection brand attached to it, the fabric and its sun-protection properties become more salient.

The existence of a brand name also makes it easier for consumers to remember the differentiator and to link it to the parent or master brand. The name can represent a complex set of attributes and benefits and the logical links between the two. People who buy Chevron gas, for example, don’t have to read up on gasoline ingredients to connect Techron to the Chevron Corp. brand; they may simply remember the name and assume it is a beneficial addition to the product. Similarly, consumers who find out about Procter & Gamble Co.’s Pampers Parenting Institute will easily connect it to Pampers diapers and will intuit the range of complex information available on that Web site.

A third reason to brand a differentiator is to enable more efficient and effective communication. For example, a new product feature that is self-evidently important to the product designers may induce nothing but yawns in the target audience. Attempts to communicate the feature’s benefits can sound like typical puffery. Giving the feature a name can make it easier to express the differentiator’s value to the public.

Finally, a branded differentiator can also be the basis for sustainable competitive advantage, especially if it is actively managed. The company that has created and developed the brand will not be easily overcome on that dimension, even if rivals replicate the differentiator. An example is Amazon.com Inc.’s 1-Click ordering, a service that plays a key role in defining the company. The online retailer missed a golden opportunity to brand another point of differentiation that would be invaluable — the ability to recommend products on the basis of a customer’s purchase history and those of people who had bought similar offerings. As a result, that feature became a commodity that many e-commerce sites employ.

The fundamental point in all of this is that branding a differentiator, just like branding the actual product or service, can pay off in a variety of ways. The following examples show the benefits of using different types of differentiators — features, services, programs and ingredients. Managers who search for a differentiator in all four areas (keeping in mind that the categories can overlap) will be more likely to find an effective one.

Branded Features. A branded feature can signal superior performance for a great variety of products. It can also provide a way for a company to own that point of superiority over time.

The Gillette Co.'s Oral-B brand, for example, has created a position for itself over the years as the toothbrush "more dentists use." The company makes its innovations visible with branded features. For example, its Indicator bristles, which change color as the brush becomes worn, have been well received in the marketplace. And the market leader, the Oral-B Advantage toothbrush, has branded features that help communicate its points of differentiation: the Power Tip bristles at the end of the brush that help clean hard-to-reach areas and the Action Cup shape that conforms to teeth and gum contours.

A branded feature can also differentiate by reflecting an organization's heritage and promise. Krispy Kreme Doughnuts Corp. has enjoyed incredible buzz and sales growth after starting to sell at retail in the early 1990s. Early on, one enterprising retailer put a "Hot Light" sign in the shop window. When the light was turned on, passersby knew that hot doughnuts would soon be for sale. For fanatics, who now often line up outside a store before opening time, the sign is a beacon. It is also a symbol of the core brand promise of freshness and has been redesigned and nurtured over time to maintain that association.

A branded feature can also support the idea that a company, particularly in the high-tech sector, is innovative. Sony Corp. has a host of brand features such as DUALSHOCK 2 analog controller (in PlayStation 2), i.LINK digital interface (in VAIO laptops) and Super NightShot (in the Handycam). All signal a point of differentiation for tech-loving customers and reflect the innovation pillar of the Sony brand. Note that while these are all, in a sense, ingredients in the finished products, they distinguish themselves as features in that they have a direct impact on what the customer can do with the electronics.

Branded Services. The classic way to differentiate a brand in a mature category is to add a service. Branding that service and actively managing it over time can create a differentiator for the parent brand.

Consider the Tide Stain Detective, a section of the Tide Web site that provides customers with advice on removing almost any stain. The service provides both credibility and differentiation for Procter & Gamble Co.'s Tide detergent. Further, as managers actively improve the service over time, its impact will grow as more people use the site. And as the Tide Stain Detective brand becomes better established, competitors will have a harder time countering by offering a service of their own.

Service organizations can sometimes solve an image problem by bundling and branding existing operations. For example, one large HMO was perceived as an impersonal bureaucracy that emphasized efficiency over human compassion. The image in part derived from the HMO's use of a semiautomated appointment system; in addition, patients couldn't be sure of seeing their regular doctors on same-day visits since the HMO used a

team of physicians for such calls. One response was to brand the HMO's same-day appointment systems as "Urgent Care" and to emphasize its ability to deliver same-day personal contact with a physician. The brand helped reposition a negative signal as a positive attribute.

A branded service can help redefine a company's business. For example, when competitors are all selling a similar product, the company that offers a systems solution could change what customers want to buy. United Parcel Service Inc. was just a package delivery service until it began working with companies to offer help with logistics, customs, planning and more. It now offers a set of branded solutions under the umbrella brand UPS Supply Chain Solutions. These branded differentiators have the potential to create a new product category in which its traditional rivals cannot compete.

Branded Programs. The classic examples are loyalty programs such as Hilton Hotel Corp.'s HHonors and frequent flyer plans. The key is that the program must be carefully managed — continually updated so that it remains engaging and truly a differentiator. The airline programs, pioneered by American Airlines Inc. more than 20 years ago, still have a lot of vitality and sources of ongoing differentiation. But as these programs have proliferated, it has been difficult to make them appealing. United Airlines Inc.'s Mileage Plus, for example, has the Star Alliance (which allows customers to use their miles with more than a dozen airlines), electronic upgrade programs, and a host of promotions and partnerships with hotels, rental car companies and restaurants.

Web technology has been an impetus for many new branded programs. The Pampers Web site includes not only the Pampers Parenting Institute but also a sweepstakes for free diapers and three "centers" dedicated to learning, playing and sharing information. The institute provides authoritative advice from world experts in child care, health and development; it also publishes an e-mail newsletter and leads a campaign to reduce sudden infant death syndrome. In part because of the institute, in 2001 Pampers had the second most popular baby-care site with around one million unique visitors per month, many times more than that of Kimberly-Clark Corp.'s Huggies. And those visiting the Pampers site and accessing its branded programs are 30% more likely to purchase Pampers than if they had not done so.³

Some branded programs can enhance the brand by providing a basis for a closer relationship with their customers. Harley-Davidson Inc.'s Ride Planner, for instance, allows a visitor to the Harley Web site to create a route by keying in starting and ending points plus desired stops. The output is a detailed map that can be saved and shared with friends. The site also features a Photo Center, a place to post photos of memorable trips for friends and family to enjoy regardless of their location. Among motorcycle manufacturers, only Harley has these branded programs.

Branded Ingredients. Another approach to differentiation is to brand an ingredient or technology. Even if customers do not understand how the ingredient works, the fact that it was branded lends credibility to the explicit or implied claims and can result in enhanced perceptions of quality.

A branded ingredient is especially useful in communicating quality when it is difficult to see it objectively. Chevron, for example, would have a hard time explaining why the inclusion of the product branded as Techron in its gasoline makes it different. The brand, however, provides a communication aid. Customers may not know how Techron works (it cleans engine deposits, among other things) but they do know that Chevron thought enough about the ingredient to brand it.

Many car manufacturers brand ingredients or technologies to help communicate points of differentiation. For example, General Motors Corp.'s Cadillac DeVille comes with the Northstar engine. The engine gets good gas mileage for its size, offers a particularly smooth ride and interacts with the steering, braking and traction systems to enhance performance. Cadillac continually improves the engine, making it a moving target for competitors. The Northstar helps explain in part why Cadillac does well in owner satisfaction ratings.

External Branded Differentiators

The examples above were created and built internally, a costly and difficult process. An alternative is to use another company's brand, one that already has traction, credibility and strong associations as a differentiator. Assuming such a brand can be located, the master brand's problem is then reduced to creating an alliance and attaching it to the target brand. Although not easy, these tasks can sometimes be considerably more feasible and economical than the effort and expense required to create a new brand.

Although external branded differentiators can be features, services or programs, they are most commonly ingredients. Dreyer's Grand Ice Cream, for example, has an agreement with Mars Inc. that allows it to use Snickers, Twix, Milky Way and M&M's as the basis for ice cream flavors. To qualify as an external branded differentiator, it cannot be available to competitors. Thus brands that do not grant exclusive rights within a product category to one company — Intel Inside, Dolby and Gore-Tex, for example — are not differentiators.

To obtain such exclusivity, the parent brand may opt to sign a long-term contract with the differentiator, as Dreyer's did with Mars. But there are other ways to create the appearance of exclusivity that can also be effective (and potentially cheaper). One is to use first-mover advantage and heavy cobrand building to become so dominant that others are either discouraged from attempting a similar strategy or fail to gain visibility with customers if they do try it. Another approach is combine an external feature or ingredient with an internal one so that the combination becomes the

branded point of differentiation. Still another approach is to use a branded differentiator not suitable for competitors; a value brand could access certain differentiators, for example, that would only harm premium brands if they were to follow suit.

An external branded differentiator may enhance the perceived quality of the master brand. Poulan Lawn Tractors, less expensive and established than its competitors, visibly communicates that it uses engines from the Briggs & Stratton Corp. in order to eliminate or at least reduce the perception that Poulan's quality might be inferior. Since the Briggs & Stratton brand signals good quality to consumers, a natural implication is that the other Poulan components are also well made. In contrast, competitors such as John Deere and Sears, Roebuck and Co.'s Craftsman are assumed to have excellent components and have no incentive to use an external brand. In fact, using one could detract from their offerings by suggesting that customers need reassurance about their components. Similarly, a private study of chocolate morsels in packaged cookies showed that a branded component improves a product's perceived quality only when its reputation exceeds that of the master brand. For example, branded chocolate morsels raised perceptions of Nabisco cookies but did nothing for those of Pepperidge Farm, presumably because consumers assumed that Pepperidge Farm used only the best ingredients anyway.

In addition to influencing consumers' ideas about quality, an external branded differentiator needs to augment the product in a way that is meaningful to the customer and capable of influencing choice and loyalty. The K.C. Masterpiece Barbecue Sauce brand clearly added a flavor to Lay's Potato Chips that is perceived to be tasty and unique, but Pizza Hut Doritos and Taco Bell Doritos failed because they did not offer a flavor or customer connection that would help the chip brand. A successful external differentiator, in contrast, gives the main brand access to its loyal customer base. Thus Dreyer's seeks to gain a following among Snickers devotees by producing ice cream of that flavor.

An external brand can only be thought of as a differentiator only when it is part of the position and long-term strategy of the master brand. A brand that represents a visible attribute but is secondary to the positioning strategy does not qualify. For example, the fact that Toyota Motor Corp.'s Lexus brand uses the Mark Levinson audio system in its vehicles impresses audiophiles but is not salient for most customers.

An external branded differentiator might have several reasons to partner with a master brand. It may gain visibility and credibility, for example, as in the case of K.C. Masterpiece with its attachment to Lay's. Another reason is simply the revenue that the relationship will generate. When Poulan emphasizes that its machines are powered by Briggs & Stratton engines, it has made a statement to customers that is difficult to retract. As a result, Poulan is much less likely to go elsewhere for engines. Quite apart from the revenue obtained for the sale of the product, an exter-

nal brand can also earn licensing revenue. The revenue that Hershey Foods Corp. gets for supplying General Mills Inc.'s Betty Crocker brand and others with chocolate is over and above the value of the product alone.

Lease or Own?

As with many other managerial tools today, companies must decide whether it is better to own an internally branded differentiator or to lease an established external brand.

There is evidence that in some cases using an established (or external) branded differentiator is the more effective approach.⁴ In an experiment, researchers compared extension concepts, one containing an established ingredient brand (P&G's Dayquil added to Kraft Foods' LifeSavers) and the other a self-branded ingredient (ClearCold added to LifeSavers). The established ingredient brand scored higher in both the line extension and brand extension contexts. The credibility of the established brand was critical. Of course, this was a laboratory test and it may be that with a compelling story brilliantly executed, ClearCold could eventually have been accepted.

Leasing an external brand was the answer for H.J. Heinz Co., which struggled when it attempted to market a ketchup with its own brand of hot sauce. It has succeeded in the meantime, however, by cobranding its Ketchup Kick'rs with the Tabasco brand. Use of the established brand gave the product credibility and differentiated it from similar products on the market.

But generally speaking, the internal option is preferable. When the branded differentiator is owned, the parent brand can manage it without interference and retain all the resulting profits and brand equity. The external brand must be markedly superior to make it the better choice. Consider General Electric Co.'s experience in using a "Water by Culligan" water filtration system for its upscale refrigerators. GE came to realize that the external brand was not enough of a differentiator over its own "Smart Water" filtration system. Thus despite the fact that Culligan is the top name in water conditioners, GE stopped using Culligan's water filters in its refrigerators.

Although internal ownership may be preferable, there's no pat answer to the lease-or-own dilemma. To make the decision, companies must assess their ability to develop and manage a branded differentiator on their own while considering the availability of an external possibility. If a promising outsider does exist, managers must also factor in the feasibility of working with an alliance over time.

Managing Branded Differentiators

Managers considering when and how to use a branded differentiator must keep two essential points in mind. First, the existence of the concept should not be used as a rationale to add brands indiscriminately. Second, identifying a branded differentiator

takes a lot of work. Before moving ahead, managers should ask themselves these questions:

- What is the brand's identity and position? What will resonate with customers and help differentiate the brand from competitors?
- Are there existing features or services that could be branded? Would their potential be enhanced if they were bundled or extended with another brand?
- How is the market segmented? For each segment, what are the current and emerging benefits that customers are seeking? What possible branded differentiators would increase sales and loyalty?
- Are there sources of brand differentiators outside the company? How might they be connected to the brand?

Once a branded differentiator is in the works, it must be linked to the target brand. It's a disaster when a company develops a powerful branded differentiator only to learn that most consumers attribute it to a competitor's brand. The final key is the need to take a strategic, long-term view. Branded differentiators should have a relatively long life; otherwise the cost of brand building will have to be amortized over too short a period to make it worthwhile. And they must be actively managed during their lifetimes; some might need their own development programs in order to maintain the strength needed to perform the assigned role.

Many consumers today are jaded by brands suffering from stagnant management in overcrowded categories. At the same time, people are looking for help in choosing products and services that are appearing at a bewildering rate. Branded differentiators, when chosen carefully and managed thoughtfully, can rejuvenate old brands and give them a way of establishing or recovering the competitive advantage that all companies seek.

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