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*Strategic significance of the brand in the activities of an organization*



## STRATEGIC SIGNIFICANCE OF THE BRAND IN THE ACTIVITIES OF AN ORGANIZATION

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### Introduction

Issues associated with brand management and its share in the creation of value for companies from the sector of consumer goods have for many years been some of the most popular subjects in the area of marketing. The interest in issues of using marketing and the brand in particular, also in B2B relations, non-profit organizations or research units, as well as in branches offering products which cannot be easily distinguished – eg. in the energy sector, has recently been growing. This new phenomenon of the penetration of marketing concepts beyond the traditional „brand” branches is associated with professionalization of management in all spheres, as well as with growing competition also among entities which don't position their offer directly on the market of consumer goods. It can be concluded that brand management is needed in all kinds of activities, where it is necessary to compete with other entities for rare resources – money of consumers, government subsidies, money from the National Health Fund, donations, valuable employees, etc. Obviously, the significance of a brand for the success of an organization and the methods of effective brand management don't differ depending on the area of economic, social or scientific activity. However, some of the most basic rules of creating and managing brands are universal regardless of the area of application. The goal of this article is to present the strategic significance of the brand for an organization and the fundamental rules for creating it. The article also presents general conditions for the process of brand management in research institutions. The last part of the article is devoted to the issue of using brands with regard to technology.

### Evolution of the function of brand

The essence of marketing has been subject to evolution along with the changing conditions for companies' business activities. P. Kotler described marketing as a „philosophy” of running business, in which the most important goal of the organization is identifying the needs and the value of the target market and adapting the activities of the organization to satisfying these needs in a more effective way than the competition<sup>1</sup>. About a dozen years later P. Doyle defined marketing as „a management process, which is supposed to maximize the value for shareholders by creating and implementing strategies building relations and trust of most valuable clients and which leads to achieving a stable competitive differentiation”<sup>2</sup>.

<sup>1</sup> P. Kotler, *Marketing Management*, Prentice Hall, Englewood Cliffs, New York, 1991, p. 16.

<sup>2</sup> P. Doyle, *Value-Based Marketing: Marketing Strategies for Corporate Growth and Shareholder Value*, Wiley, Chichester, 2001, p. 70.

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The new approach to marketing shifts the focus from the issue of satisfying the needs of clients to creating value for shareholders. The brand is the top marketing tool from the point of view of the ability to create value for shareholders. Owning a strong brand may be a basis for stable competitive advantage of a company, which in turn results in achieving high level of return on invested capital, which leads to increasing the value of a company<sup>3</sup>.

Brand is commonly regarded as the name of a product. The difference between „just“ a name and the brand is that the name itself doesn't bear connotations reaching out beyond its original meaning. A name becomes a brand as soon as consumers start associating it with other things<sup>4</sup>. This perception is often more important for the recipient (consumer) than the actual characteristics of a product. It is not important which product is the best (usually the consumer is unable to find it out himself), but which product is regarded as the best.

Over many years brands have evolved from a symbol of ownership into a cultural phenomenon. At the beginning the physical manifestation was the most important thing for a brand – brands were what they represented. Later brands became an expression of the consumers' feelings and experiences. Nowadays brands are becoming a socio-cultural phenomenon – they are what a group feels in association with the consumption of a brand<sup>5</sup>.

The term „brand“ is used in practice very often and depending on the context it may have different meanings. According to the „classic“ marketing definition – brand is a particular name, term, sign, symbol, or the combination of these elements, which are supposed to identify a product or a service of a seller or a group of sellers and to distinguish it from the competition's offer<sup>6</sup>. The brand shows the buyer the origin of a product or service and protects the client and producer against competitors, who could offer products identical with those offered by a particular seller. In this meaning brand is actually equivalent to the notion of trademark. In Poland trademark is defined by the act on industrial property rights as: any mark presented as graphic artwork or any other mark which can be expressed in graphics, if such a mark is suited to distinguish goods of one company from goods of the same kind of other companies. In particular, this may be a word, an image, an ornament, a composition of colours, a three-dimensional composition, including the form of a product or packaging, also a melody or other kind of sound<sup>7</sup>.

From the point of view of value of the brand for the organization, it is important to treat it as an economic category – generating particular benefits both for the owners and the recipient – user. For the owner the brand creates benefits in form of obtaining advantages exceeding the scope of advantages

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3 For example: Procter&Gamble which has many brands in its portfolio, in the decade between 1994 and 2003 achieved an average return on capital of 29.42% - see D. Dyer, F. Dalzell, R. Olegario, *Rising Tide*, Harvard Business School Press, Boston, 2004.

4 T. Calkins, *The Challenge of Branding*, [in:] A. Tybout, T. Calkins, *Kellogg on Branding*, Wiley, Hoboken 2005, p. 1.

5 P. Berthon, L. Pitt, R. Chakrabarti, J-P. Berthon, M. Simon, *Brand Worlds – from articulation to integration*, *Journal of Advertising Research*, March 2011, p. 182-188.

6 P. Kotler i G. Armstrong (1994), „Principles of Marketing“, Prentice Hall, Englewood Hall.

7 According to the act on industrial property from June 30, 2000 (Dz U z 2001 r., nr 49, poz. 508; z 2002 r. nr 74, poz. 676, nr 108, poz. 945, nr 113, poz. 983, nr 153, poz. 1271; tekst jednolity – Dz U z 2003 r., nr 119, poz. 1117, oraz z 2004 r., nr 33, poz. 286).

that could be obtained by providing the same offer without marking it with a brand. For the recipient the brand creates benefits which may be functional, economic and psychological in character. Functional benefits are associated with the physical traits and characteristics of the offer, economic benefits come from the perception of the relation – received value/paid price, psychological benefits are associated with the degree to which the offer satisfies non-material needs.

In the recent 20 years we have experienced a major shifting of emphasis in the methods and subject of brand management. Activities in this area are evolving from focusing on the product brand to promoting the philosophy of a company's activity, which constitutes a foundation of the corporate brand.

The foundation of this philosophy is the assumption that the personality of an organization alone is the carrier of a particular value. Managing it well requires carrying out consistent actions over a long time, directed both to the inside and the outside of an organization. In practice applying this philosophy means raising pressure on creating corporate brands and decreasing the significance of product brands. In a situation, where the offers of many companies are becoming very similar, distinguishing oneself on the market through characteristics of a product alone is becoming ever harder. In this situation many organizations focus on distinguishing themselves based on their identity. As a result the promises made by a brand become the promises of an organization. This tendency concerns both companies offering consumer goods and supplies as well as non-profit institutions.

### **Brand and creating the value of an organization**

The positive influence of strong brands on creating the value of companies offering consumer goods has been confirmed by the results of many both Polish and foreign research projects<sup>8</sup>. In case of organizations from branches other than the consumer sector, identifying such effects is difficult due to problems with measuring their achievements.

Not every brand has the capacity to generate additional, substantial value for an organization. Only strong brands, that is, those which have a high additional capital enjoy this privilege. The capital of a brand is a total of all traits, attributes, associations, opinions about the brand, which influence the consumers' decisions and channels of distribution. D. Aaker<sup>9</sup> defined brand capital as a set of assets and liabilities associated with a brand which increase or decrease the value provided by a product or service for the company or its customer. Investments in building a brand boost its potential (capital), which is later released in the market offer.

In case of product brands we should look for sources of brand value above all in consumers' attitudes. Keller defines brand capital as a differential or specific reaction of a consumer to marketing action with

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<sup>8</sup> See eg. N. Mizik, R. Jacobsen, *Talk About Brand Strategy*, *Harvard Business Review*, September 2005, p. 24-25; T. Madden, F. Fehle, S. Fournier, *Brands Matter: An Empirical Demonstration of the Creation of Shareholder Value Through Branding*, *Journal of the Academy of Marketing Science*, Vol. 34, No. 2, p. 224-235.; G. Urbanek, *Wpływ marki na wartość dla akcjonariuszy na przykładzie wybranych spółek notowanych na WGPW*, *Marketing i Rynek*, nr 9/2011.; G. Urbanek, *Marka a wartość dla akcjonariuszy w okresie kryzysu finansowego 2008-2009*, *Problemy Zarządzania*, nr 4/2010.

<sup>9</sup> D. Aaker, *Managing Brand Equity*, *The Free Press*, New York 1991, p. 15.

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regard to a brand, in comparison to the marketing of a generic product<sup>10</sup>. The source of this response is the consumer's knowledge about a brand.

Managing corporate brands requires a slightly different approach to building brand capital, than in case of product brands. In the strategy of a corporate brand the reference point for activities are not only clients, but also other interest groups. It is the result of new trends in business in general and in brand management in particular. The first one is the growth of importance of relations not only between the company and the consumers, but also between companies and their stakeholders. The second trend is that there are more and more arguments supporting the claim that the value of a brand stems not only from the relations between the brand (company) and its clients, but also with other interest groups<sup>11</sup>. The theory of interest groups says that organizations depend to an ever greater extent on the network of relations they are involved in. This causes the emergence of certain legal, contractual or moral obligations towards the members of the network. From this point of view the capital of a corporate brand should be considered with reference to rational and emotional reactions of various interest groups to brand. In other words, the capital of a brand means opinions and behaviours of interest groups towards and organization in association with their reception of the attributes of a brand.

### **Brand building rules**

Creating a brand goes far beyond activities associated with choosing a name, logo and simple advertising messages. In reality this is an extremely complex task. For every brand which has gained a foothold on the market and is a source of benefits for an organization, there are many brands which have failed. There is no universal procedure for creating a strong brand. It is necessary to mention here a few fundamental rules of this process. A condition for creating a strong brand, apart from offering advantages demanded by the recipients, is distinguishing it from other offers available on the market. A strong brand has to be unique – it has to distinguish itself with its promises and have a clear and exceptional image. Weak brands are shapeless – they don't stand out from the rest on the market. That's why they provide no arguments (apart from the price) encouraging recipients to choose them. A condition for success in the process of brand building is consistency of actions in carrying out and satisfying the promises made by a brand. All members of an organization are responsible for building a brand. The process of brand-building takes place at various „points of contact“ between the consumer and the brand. This means that both the advertising specialist, as well as the company's receptionist or technician have an influence on the brand and the way it is regarded.

Creating a strong brand requires coordinating the promises of a brand with key activities of a company and promotional messages. It is necessary to remember that communication through advertising is a final element, which is supposed to raise awareness of the value for the target market,

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10 K. Keller, *Conceptualizing, measuring, and managing customer-based brand equity*, *Journal of Marketing*, vol. 57, January 1993, p. 1-22.

11 R. Jones, *Finding sources of Brand value: Developing a stakeholder model of brand equity*, *Brand Management*, vol.13, no 1, October 2005, (p. 10-32) 12.

created earlier within the organization.

In the implementation of the strategy of brand-building it is possible, regardless of the characteristics of the organization's branch, to distinguish a few stages associated with taking key decisions with regard to a brand. They are:

- Making a decision to start building a brand.
- Choosing the badges of a brand and the architecture of brands.
- Defining promises of the brand in association with stakeholders who are the recipients of the brand.
- Allocation of assets to securing the implementation of the brand's promises and external communication.

Before allocating assets to the construction of a brand it is necessary to answer the question whether such activities make sense. In other words, it is necessary to find out whether investing in a particular brand will provide an organization with benefits exceeding the scale of expenses. Brand is a decisive factor of success in branches offering consumer goods, especially luxury goods. In case of components, high-technology branches, as well as non-profit organizations brands play a less significant role and are not necessary for success. However, even in branches where brand is not a decisive factor, building it may be beneficial for an organization under the condition that the scale of spending on this purpose is proportionate to the potential effects.

Choosing the badges of a brand, including above all its name, is a decision which may have a long-term effect for an organization. A well-matched brand name may help achieve high level of awareness of the brand among recipients and may facilitate creating the desired associations. At the same time thanks to the possibility of registering a well-matched name an organization can gain the certainty that no one else will be allowed to use the position of the brand for his goals without consent. In case of organizations conducting complex activities using a series of brands, it is important to create an appropriate brand architecture. Defining brand architecture means defining relations between brands, to what extent they can support each other, where a conflict between brands is allowed, what their relation to the organization's brand is. Brand architecture present in an organization can be the result of a consistent strategy or may be „inherited“. In the second case, change, including change of brand name, should be implemented if the brand name doesn't comply with the current strategy of an organization.

Positioning a brand means a way of placing the brand in the minds of targeted stakeholders, which is desirable from the point of view of the organization. In other words, it means defining the way a brand should be regarded, thus, defining the so-called promises of a brand. Positioning requires defining the recipients of a brand and the recipients' expectations concerning the brand. Efficient positioning requires satisfying two conditions at the same time. First of all, the brand should differ from others. Second thing is that its recipients have to appreciate diversity. Diversity itself, if it doesn't concern messages important and significant to the recipients, doesn't make any sense, as it doesn't cause the desired reaction of the recipients.

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The stage of marketing communication and satisfying brand's promises in practice follows the choice of the brand's position. Traditionally, the process of building a brand is associated with advertising and promotional activities. Advertising is only one of a few elements of the process of brand-building. Its purpose is to inform a broad audience about the values borne by a brand, and which have been created within an organization. As the value of a brand can be built up at any interaction of the recipient with the organization and its offer, it is necessary to make sure that the moments of „contact“ provide the recipients with exactly what the brand promises. Many organizations are unable to keep the promises made to their stakeholders. Such actions – promising and disappointing may undermine the credibility of a brand. Not keeping a promise may take place at any moment, at which the stakeholder has contact with an organization, its offer or its employee. Every such experience is a „moment of truth“, which may have either a negative or a positive impact on the way a brand is regarded and thus may either improve or harm the results of an organization.

### **The brand of a research institution**

The marketing of a research institution is a comparably new area of the utilization of brand. The brand of a research institution, in order to stand out from others, should have a clear and easily comprehensible identity, which can be noticed and create positive associations. Strong brand may help an organization stand out from other institutions running similar activities. The strategy of the brand of this type of institution can be analyzed according to the the above-mentioned four-stage model.

Even though in case of research institutions the brand is not essential for success, taking consistent actions aimed at building a positive image of the brand of an organization seems to be desirable. Having a strong brand may help an institution distinguish itself on the market, in comparison to other entities of this kind, which may provide a certain advantage in obtaining orders or the best employees.

The brand name of a research institution is secondary in terms of its significance for the success of the organization, however, it should satisfy a few basic requirements: it should be rather short, depending on the area of activity and plans for its expansion it should be more or less general, it should bear no negative associations from the past. In research institutions the problem of brand architecture usually doesn't exist, because even in case divisions of an institution function under different names, the corporate brand plays the main role.

The promises of the brand of a research institution should be chosen on the basis of the analysis of expectations of basic interest groups. In case of a research institution along with such traditional interest groups as: government agencies or entities ordering research – more and more important are also such groups as: partners, rivals, media and employees. The activities of each of these interest groups may have an impact on the manner of functioning of a research institution and thus on its results. Their activities are determined by the extent to which expectations towards an organization are satisfied by the organization. Many of these activities are regarded by interest groups from the perspective of perceiving the corporate brand. In order to gain the stakeholders' favour an organization should build up the capital of its brand

based on promises adapted to their expectations. Table 1 shows examples of expectations of particular groups of interest with regard to the research institution and their behaviour depending on the level of satisfaction. On the basis of the analysis of expectations of an interest group of a research institution it is possible to identify the following main promises of a brand: highest quality of conducted research, credibility, professional approach, responsibility, modernity, topicality, punctuality, prestige.

In a research institution it is possible to satisfy the promises of a brand by delivering experiences in form of carrying out ordered research at the highest level. An additional factor improving the recognition of a brand as professional and credible, is the activity of the institution associated with publishing – releasing research results in own publications, as well as publishing materials in prestigious branch magazines.

**Table 1. Examples of expectations and behaviours of interest groups of a research unit**

Interest groups	Expectations of interest groups	Behaviours of interest groups
Contractors	High quality, credible results of research and analyses, punctuality, reasonable price, guaranteed by the authors' reputation	Positive: Loyalty towards the organization, accepting the price, ordering new research, references
		Negative: Lack of loyalty, looking for other contractors, negative message to potential clients
Competitors/ Partners	Cooperation on conducting research, actions aimed at establishing positive reputation of the branch, honesty in business	Positive: Not making attempts to steal clients, creating research consortia
		Negative: Aggressive fight for orders, discrediting rival's reputation
Government agencies	Legality of actions, creating new jobs, not creating additional costs for the society, taxes, carrying out precious research projects	Positive: Lack of additional disciplining regulations, ordering grants
		Negative: Introducing additional regulations, lack of grants
Media	Socially responsible behaviour	Positive: Not expressing criticism, positive publicity Negative: Criticism in the media, negative publicity
Employees	Friendly workplace, security of employment, reputation, opportunities for scientific promotion	Positive: Company as an attractive workplace for good professionals, including skilled specialists, low level of fluctuation of employees
		Negative: High fluctuation, low morale

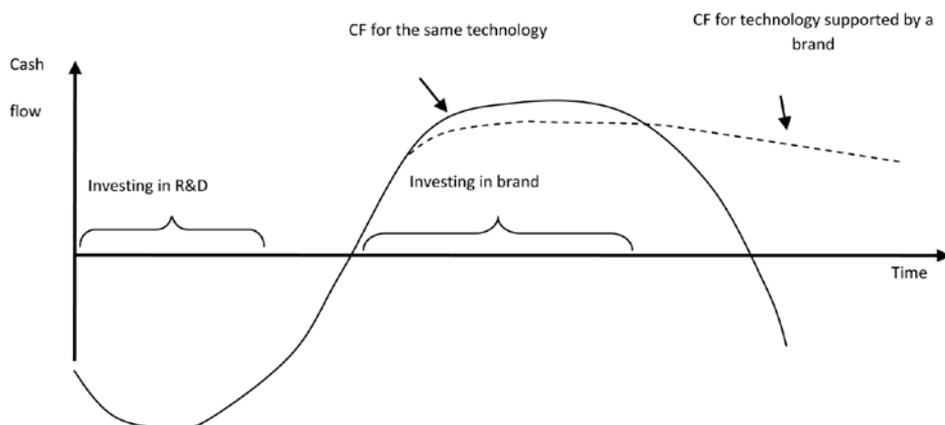
Source: Own materials.

### Using brand for promotion of technology

An issue related to the marketing of research units is applying brands for promoting technologies produced as a result of conducted research. For a very long time the importance of brands for the success of technology was treated as a secondary issue. It was because the technology and the brand were often treated as opposing issues. Branding means consistency and stability – brands are built over a long time by consistent provision of only slightly changing promises and messages. At the same time technology means constant change and innovation, improving products and reducing costs<sup>12</sup>. However, changes which have taken place over the recent years, stimulate the growth of importance of brands also in case of technology. A strong brand may be a factor which determines the success of a particular technology, which itself may not differ much from the offer of the competition (Apple's products). A competitive advantage based on a patent may be strengthened and maintained thanks to the simultaneous usage of a brand. Picture 1 shows how using a brand may extend the period of obtaining economic benefits from patented technology.

12 M. Sawhney, *Branding in Technology Markets*, [in:] A. Tybout i T. Calkins ed., *Kellogg on Branding*, John Wiley&Sons, Hoboken 2005, p. 201-225.

Picture 1. Life cycle of economic benefits associated with technology and brand



Source: G. UrbaneK, *Kompetencje a wartość przedsiębiorstwa*, Wolters Kluwer, Warszawa 2011, p. 175.

The continuous line on the diagram shows the profile of financial benefits in a situation, where patented technology is commercialized without the support of a brand. After spending associated with the phase of research and development works, when the market accepts the innovation, it becomes profitable thanks to a position of a quasi monopolist stemming from the possession of a patent. This situation continues till the moment the patent expires or a similar technology appears, which is associated with the competition's progress in technology. As a result, the benefits gained by the company are decreased. The dotted line shows the profile of cash flows in a situation, where technology is supported with a brand. However, applying a brand also makes clients associate a particular functionality of a product with a brand. In such situation, when rivals enter the market with a similar offer or even when patent protection expires, cash flow doesn't decrease substantially. In this case the revenues of a company are associated with the position of a quasi monopolist in the minds of consumers, thanks to a strong brand<sup>13</sup>.

Regardless of extending the competitive advantage of technology, brands from the area of modern technologies may constitute a signpost for consumers who find it hard to keep up with the pace of development of technology on the market. Flooded with information and opinions about various available offers – those marked with a strong brand boost confidence in the correctness of a particular choice.

## Conclusion

More and more often the brand constitutes a tool which can be efficiently used to boost the competitive position of an organization, also in sectors not associated with consumer goods. Some of the universal rules of brand management, which have been used for a long time in consumer sectors,

<sup>13</sup> G. UrbaneK, *Kompetencje a wartość przedsiębiorstwa*, Wolters Kluwer, Warszawa 2011, p. 175.

can also be applied in other sectors, for example, in non-profit organizations or research institutions. The characteristics of these areas, above all aiming activities at a broad group of stakeholders, makes brand management in these organizations a complex task. Due to the fact that the issue is new, it hasn't been thoroughly investigated yet. It constitutes a new area of challenges for brand researchers.

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