

Brand management in a Brazilian dairy manufacturer

*Patricia Peghini
Universidade Federal de Uberlândia*

*Veronica Angelica Freitas de Paula (vafp@terra.com.br)
Universidade Federal de Uberlândia*

Abstract

As the fifth largest milk producer in the world, Brazil concentrates many dairy industries, all struggling to create and sustain competitive advantages. In this context, brand management may help manufacturers to achieve success. Therefore, this study aims at analyzing brand management in a Brazilian dairy industry.

Keywords: brand, brand management, dairy manufacturer

Introduction

There is large potential market for dairy products in Brazil and it favors the growth and maintenance of dairy manufacturers, mainly in the country's Southeast region (Gomes 2006, Vilela 2002). Minas Gerais state is in this region and ranks first in national milk production (IBGE 2010).

Similarly to other industrial environments (Porter 1998), dairy manufacturers face the constant challenge of creating and sustaining competitive advantages.

Considering the marketing context, brand management may be one possibility for differentiation and maximum performance. Managers are increasingly reporting the importance of brand management, stating that brands can be one of a company's most valuable assets (De Chernatony et al. 2011, Kapferer 1998, Keller and Lehmann 2006, Keller and Machado 2006, Macrae and Uncles 1997).

In this study, branding is considered as a way to achieve competitive advantage and to improve a company's financial and market performance in the studied region, also considering the need to improve Brazilian brands' management, as addressed by (Keller and Machado 2006).

Therefore, the research question in this study is: How does a Brazilian dairy manufacturer manages its brands?

Brand management

As brands are increasingly prominent and their management is part of the competitive strategy, it is important to deepen the concepts related to branding. Seeking to identify the most salient concepts (Tavares 2009) lists operational processes to an integrated brand management based on the analysis of twenty models, namely:

- Design the brand and its strategic vision;
- Build a brand-oriented organization;
- Formulate a strategy for the brand;
- Implement brand building programs;
- Evaluate and improve brand performance.

(Tavares 2009) highlighted the consistency of these processes with those established by (Aaker and Joachimsthaler 2002): the creation of structure and organizational process; the development of brand architecture; the development of brand strategy; and the development of brand building programs.

After all these concepts and processes were listed, and also based on the literature review, (Tavares 2009) points out that the phases of the brand management operational process listed by him overlap each other in many ways and influence each other, not being static and some activities of the different phases can consequently occur simultaneously (Tavares 2009).

Brand portfolio strategy

Branding decisions begin when a company decides to establish a brand on its products (Marqui et al. 2008). After deciding to have a brand, the company must decide whether or not to offer private label, licensed brand, individual name, family name, multi-brand, new brands or extensions, among other options (Marqui et al. 2008).

(Aaker 2007) describes an evolution in the nomenclature "brand portfolio strategy". Before this, brand systems and brand architecture were also used – he used them in 1996 and 2000, respectively. (Aaker 2007) believes that the development and management of a brand portfolio strategy involves making decisions. For this study, these decisions are referred to as brand decisions.

The depth of branding strategies regarding the nature and quantity of brands offered by a company is an important aspect for management (Keller 1998). Managers focus on developing a brand portfolio that maximize market coverage and minimize brands' overlap (Keller 1998).

In this way, using individual brands may guarantee advantages such as: avoiding associations between incompatible products; allowing an innovation sign; allowing the selection of a name associated with a central benefit of the product; and preventing conflicts among marketing channels (Aaker and Joachimsthaler 2000).

Complex brand portfolios, with several brands, subbrands and endorsed brands, may contribute to the company's brand strategy and objectives of marketing effectiveness (Aaker and Joachimsthaler 2000). Therefore, it is important to highlight that it is rare for a company to use a single configuration. It is common to have a mixture of all kinds (Aaker and Joachimsthaler 2000).

However, the creation of new brands must be cautious. It is difficult to affirm when to use a particular setting or how to combine and relate the brands, as these decisions depend on many factors, such as: if the main brand will be strengthened by the association with the new offer or if the business will support a new brand (Aaker and Joachimsthaler 2000).

In this context, it is worth noting the extension strategy, which according to (Kapferer 2003) represents a concentration of efforts on company's strategic brands. In this strategy, instead of launching a new brand for each new product, the company launches the new offer under the aegis of the existing brand.

The concern about the development of new brands and the relationship between them and the existing brands is related to the need to create brands that add value to the product and to the company. In this way, the attention to the elements involved in building brands is also essential.

Brand building

(Khauaja and Mattar 2006) define the marketing factors actually used by Brazilian companies to build brands. They identified these factors through a qualitative study in which they observed

that the companies analyzed: [...] Based on information to manage their brands, have adopted the factors related to strategy and marketing mix to build them, since its foundation laid great emphasis on innovation and always invested consistently adequate resources in the construction and management of brands (Khauaja and Mattar 2006, p.36).

Positioning, implemented through the marketing mix, helps to focus on creating an identity, which "is the heart of the brand leadership model" (Aaker and Joachimsthaler 2002, p.27). It is the identity that, according to (Kapferer 2003), grants an organization the feeling of existing as a consistent and specific being, taking over its history and filling a space in relation to others.

The main elements of the brand are those that identify and differentiate it from other brands, such as brand names, Internet domains, logos, symbols, characters, slogans, jingles and packaging (Keller and Machado 2006).

Although the name is considered the centerpiece of the brand, other elements must be combined in order to maximize their contribution, mutually strengthening and sharing some meaning, which results in an identity for the brand (Keller 2002).

Slogans, for example, are sentences or group of words that may accompany the brand, highlighting its concept, attributes and benefits (Wheeler 2006).

Another important element of brand recognition is the appearance of its package (Keller and Machado 2006). Packages consist of a powerful customer relationship tool, representing the brand image (Mestriner 2007).

Considering this, merchandising, as a form of sales promotion, must consider different aspects, from the suitability of product image to sales point until the performance of these products with consumers (Blessa 2005). Merchandising is generally used as a support for the advertising and publicity activities, especially when competing products are similar and when the product can not compete with the major competitors' campaigns (Costa and Talarico 1996).

Therefore, the packaging visual design is an important point of attention to experts. In the search for better appearance, they analyze the appropriate hierarchy of elements that should predominate (for example, the brand name, illustration or other graphic) and how these elements should be related (Keller and Machado 2006).

"Brand elements can be chosen to enhance brand awareness or to facilitate the building of strong, favorable and unique brand association" (Keller 2002, p.45). The choice and design of brand elements contribute to the construction of brand equity (Keller 2002).

Brand equity

During the 1980s, as many mergers and acquisitions took place, scholars and managers realized that the value of a company far exceeded the sum of its material goods, recognizing the brand as an intangible asset (Levitt 1985).

According to (Keller 1993), brand equity refers to the marketing effects uniquely assigned to the brand, and which would not occur without it. And branding means providing brand equity to products and services (Keller and Machado 2006).

In order to build a strong high value brand, (Keller 2001) presents four steps: (1) ensure the identification and association of the consumer to the brand, (2) firmly establish the significance of the brand in the consumers' mind, (3) extract the correct meaning and identity of the brand and (4) convert the information into consumers' relationship.

It is essential for managers to know how consumers buy and use a brand's products and what they think and feel about it to know the value of the brand (Keller 2002). However, the

concept of brand equity is multidimensional and very complex, requiring different types of measurement, as pointed by (Keller 2002, p.477-478): "multiple measures increase the diagnostic power of marketing research and the likelihood that managers will better understand what is happening to their brands and, perhaps more importantly, why".

(Kapferer 2003) indicates that the setting and accounting of brand equity are fairly debated. Among the questions related to brand equity, there are: Is a brand a leader in its market? Can it continue to be so? (Kapferer 2003). The answer to these questions may involve both the analysis of market share and its potential to grow. In order to analyze a brand's reputation, top of mind research is a possibility, and it may indicate that the brand is a reference to the consumer and a key player in its market (Kapferer 2003).

Methodology

Literature review provided a greater understanding of brands and brand management, helping to define more clearly the specific objectives of this study, which are: to analyze the company organization to brand management; to describe how the company structures its brands portfolio; to analyze how the company builds its brands; to analyze how the company evaluates and improves its brands.

Whereas there is no consensus on which brand management processes to investigate, considering the diversity of concepts and models in the literature, this research was based mainly on the subdivision proposed by (Tavares 2009): designing the brand and its strategic vision; building a brand oriented organization; formulating a brand strategy; implementing brand building programs; evaluating and improving brand performance. (Tavares 2009) defined these processes after analyzing twenty brand management models from the literature, noting their consistency with the processes mentioned by (Aaker and Joachimsthaler 2002): the creation of structure and organizational process; the development of brand architecture; the development of brand strategy; and the development of brand building programs.

In this research, a qualitative approach was used. According to (Ludke and André 1986), first of all it consists of organizing all the material obtained during the research, identifying relevant trends and patterns, and then, reevaluating what was identified through relationships and inferences in a higher level of abstraction.

The procedure method adopted was the single case study. The studied dairy manufacturer started and is located in the state of Minas Gerais, Brazil. It is listed in the Brazilian Largest Dairy Companies Ranking (Leite Brasil 2012). Therefore, it is an intentional and non-probabilistic sample.

This study used documentary sources, containing institutional publications (book and journal) and other documents (newspaper and media clippings and other researches). An in-depth personal interview was also developed according to indications of (Yin 2010).

The content analysis technique is appropriate for this study because it enables the production of inferences based on textual materials written in an objective manner, systematizing information by encoding the texts (Bauer and Gaskell 2002).

According to (Bardin 2002), categorization is a fundamental part of coding and it can be defined in advance according to research objectives and object. It can also be defined and redefined through a continuous process with the gradual classification of the elements found in the research data. In this study, the categories were adapted from (Tavares 2009), considering the specific objectives established. Four categories were used, namely: (1) organization for the brand, (2) brand portfolio, (3) brand building, (4) brand assessment and improvement.

Research results

Alfa (fictitious name) is a large company from the state of Minas Gerais, Brazil, originated from the junction of cooperatives. With annual sales exceeding 2 billion reais and a staff of more than 3000 direct employees, the company processes about 3 million liters of milk per day, in 5 manufacturing units. The company has distribution centers in 8 Brazilian states and it manufactures and sells dairy products for the entire domestic market and also to export. The company's products have been exported to more than 60 countries.

Besides the main brand (also called umbrella brand), the company has more than eleven adjacent brands, described in Table 1.

Table 1 – Characterization of Alfa's brands

Brands	Creation	Name	Product lines
Umbrella Brand	1950	Company name	Milk powder, condensed milk, cream, sweet milk, yogurt, butter, cottage cheese, pasteurized and UHT milk
Adjacent Brand – A1	1996	Company name plus suffix	Flavored milk and chocolate powder
Adjacent Brand – A2	2007	Company name plus suffix	Fermented Milk
Adjacent Brand – A3	1997	Company name plus suffix	Petit suisse
Adjacent Brand – A4	1991	Company name plus suffix	Yogurt
Adjacent Brand – A5	1992	Prefix plus Company name	Yogurt
Adjacent Brand – A6	1988	Prefix plus Company name	Flavored milk
Adjacent Brand – A7	2010	Fanciful name	Pateurizes and composite milk
Adjacent Brand – A8	1997	Suggestive name	Flavored milk
Adjacent Brand – A9	1994	Suggestive name	Flavored milk
Adjacent Brand – A10	1995	Suggestive name	Yogurt
Adjacent Brand – A11	2005	Company name plus Suggestive name	Yogurt

The first specific objective of the study was to analyze the company organization to brand management. It was identified that the brand organization in the dairy company studied is characterized by the following main influences:

- Alfa has decisive support from international consultancies that help the administrative processes and the generation of an effective integrated management model;
- The company studies constantly new governance mechanisms that may allow continuous access to capital and technology, as well as may ensure the professional management;
- It values the technical knowledge as a basis for decision making. For the company, this is a feature of their organizational culture, considered very solid;
- It makes significant investments in the installation of modern plants in new producing regions and in the supply chain process.

The second specific objective was to describe how the company structures its brands portfolio. The facts that deserve attention in the company studied are, basically:

- The company maintains its more traditional products under the same brand (umbrella brand);
- It adopts new subbrands for higher added value products;
- Alfa endorses all the subbrands from its portfolio with the umbrella brand, which carries the company name;
- It considers the possibilities to agglutinate subbrands in order to strengthen the core brand and minimize brands' overlap;
- It adopts licensing to face competition from multinational brands when children are the target market.

Alfa uses various brand settings - umbrella, adjacent and endorsed. It reflects a brand portfolio strategy that is common to many organizations, as it is rare for a company to use a single configuration. It is common to have a mixture of all kinds (Aaker and Joachimsthaler 2000).

The third specific objective was to analyze how the company builds its brands. As for building brands, it is important to highlight that the company studied:

- Focus the promotion on the point of sale as a main communication activity;
- Ensures the quality of its products with the recovery and empowerment of the raw materials supplier and the improvement of production systems incorporating advanced technologies;
- Has quality and tradition as key differentiators;
- Attaches a brand image of environmentally responsible company;
- Invests in communicating subbrands when they are released and then associates its communication to the umbrella brand. Therefore, communication investments for the umbrella brand are permanent;
- Promotes constant updates in its brand elements, based on researches;
- Expands and captures new market segments with packaging differentiation (materials, available sizes, among others);
- Focuses on R&D to develop higher added value products.

By conducting market research and focusing on research and development (R&D), the company began to launch new higher added value products - especially from the 1990s, when an Innovation Committee was created. There are many cases of product innovation and pioneering, in packaging (material, fractionated sizes) and in differentiated compositions (flavors, reduced calorie, addition or reduction of vitamins and components). Innovation has been identified as a common practice in building strong brands (Khauaja and Mattar 2006).

The fourth and final specific objective of this study was to analyze how the company evaluates and improves its brands. It is observed that:

- The company hires specialized institutes for conducting market research (sales, new markets, performance related to the competitors, customers' shopping experience) and to conduct research to assess the value of the brand;

- It uses research as a resource for decision-making so the brand value is permanent and sustainable.

Therefore, by achieving the specific objectives, the general purpose of analyzing brand management in a Brazilian dairy industry was also accomplished.

Conclusion

An important academic contribution of this study is the enrichment of the brand management conceptual basis by adding knowledge to the research topic. Therefore, this research can be used as a reference for other studies as it consolidates a specific arrangement of variables involved in brand management.

Moreover, as this study was developed in a leading national manufacturer from an important economic sector, it may stimulate industry attention to brand issues and its opportunities for both market performance and financial improvement.

Despite the consistency of results and contributions of this study, it is important to mention its limitations. As this research consisted of a single case study, it was limited in its scope, preventing generalizations. Besides that, a specific characteristic of the research theme has imposed significant limitations to this research: the brand management phases are not clearly defined in the literature, and these phases overlap and influence each other constantly. Moreover, there is no consensus on the designation of variables involved in brand management. Often, each author uses different terminologies to address the same subject. This denomination conflict is observed even in the studies of a same author. These conditions made it difficult to present a clearer delineation and a more precise planning of the content covered in this research.

Finally, in this study focus remained on the brand manager. Therefore, it is important to suggest other studies involving consumers (survey or focus group).

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