

# **Evidence concerning the importance of perceived brand differentiation**

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## **Abstract**

The credibility and vibrancy of any discipline depends on a willingness to question even the most strongly held beliefs. Our research challenges the central importance of differentiation to brand strategy. We provide an empirically grounded theoretical argument that differentiation plays a more limited role in brand competition than the orthodox literature assumes. We then present empirical data, spanning many categories and two countries, showing that competing brands all receive low levels of perceived differentiation. However, despite this lack of perceived differentiation, customers are still buying these brands. This leads us to question the importance of perceived and valued differentiation and to instead place distinctiveness at the centre of brand strategy - where a brand builds unique associations that simply make it more easily identifiable. We discuss the very positive implications for marketing management and call for research on being distinctive and getting noticed.

Keywords: Brand differentiation, Distinctiveness, consumer perceptions, perceived differentiation

Topic code: Brand Management

Method code: Survey research

## **Brand Differentiation: the marketing tenet**

Differentiation is regarded as one of the core principles of marketing theory and practice. The near universal exhortation is “thou shalt differentiate” (e.g. Fulmer and Goodwin, 1988; Levitt, 1980; MacMillan and McGrath, 1997) - with the clear implication that marketers should be judged on how well they differentiate their brands. Such fundamental tenets deserve rigorous theoretical inspection as well as empirical testing. Science progresses not through consensus and the accumulation of conventional wisdom, but through competitive inquiry, questioning and testing. In this article we present theoretical and empirical evidence that throws doubt on the central position of differentiation in brand strategy.

## **Theoretical Development**

The concept of differentiation can be traced back to Chamberlin and Robinson’s independent 1930s work on deviations from the classical perfect competition model (Chamberlin, 1971; Chamberlin, 1933; Robinson, 1933). The economic literature asserts that marketers should try to differentiate their brands from others, so that they face less direct competition. The two current economic models that describe the conditions that create differentiation (Caves and Williamson, 1985) are respectively based on (a) brands offering different features that appeal to different segments in the market (Lancaster, 1984; Lancaster, 1979; Rosen, 1974), and/or (b) transaction costs and information imperfections (Nelson, 1974; Nelson, 1970; Stigler, 1961). Differentiation makes the brand an imperfect substitute with other brands so buyers of the brand are more loyal, and therefore its customer base is more secure. This makes the brand less susceptible to the activity of competitor brands; when a competitor lowers price, brands that are more differentiated are thought to lose fewer customers (Caves and Williamson, 1985). Reduced sales are a price that potentially paid for this, as a brand may appeal more to only one type of buyer, or all buyers but only in a specific buying situation.

The economic theory is analytic rather than empirical. Logically, brands that are less substitutable will compete less directly. This does not mean that the normative strategy implications are proven. They depend on some important empirical questions concerning differentiation in the real world, such as:

- How differentiated are brands?
- Do competitive brands differ in their degree of differentiation from one another?

- Is the payoff worth the costs?
- When does differentiation reduce sales (and by how much)?

### **Differentiation in marketing**

The marketing literature takes a motivational perspective. Textbooks talk of a meaningful perceived difference that provides buyers with their reason to purchase and be loyal to the brand (Aaker, 2001; Kotler, 1994). Undifferentiated new entrants are supposed to be most likely to fail because no customers should be motivated to buy them (Davidson, 1976). Established brands are exhorted to maintain their point of difference in order to stay desirable to their customers. Breakthroughs in perceived differentiation, achieved through either product features (e.g. Apple's iMac) or image building advertising (e.g. Marlboro man), are seen as the pathway to growth.

The marketing literature explicitly emphasises that the differentiation has to be *perceived* by customers as different (Ries and Trout, 1986) and must be *valued* (Carpenter et al., 1994; Kotler et al., 1996; Reeves, 1961). This valued difference does not have to be a material product feature. Rather, it may be symbolic, emotional, or even quite trivial (such as in Broniarczyk and Gershoff, 2003). Folgers "flaked coffee crystals" is an excellent example of this (Carpenter et al., 1994).

The advertising principle of promoting a 'unique selling proposition' (USP) (Reeves, 1961) is a reflection of this theory. Advertising that does not give buyers a reason to buy that brand is not thought to be effective. Recently however, others have challenged this orthodoxy arguing that advertising can work effectively without a USP, or means of persuasion (e.g. Ehrenberg et al., 2002).

The "differentiation or die" type assertions (e.g. Trout and Rivkin, 2000), which are very common, are potentially empirically testable. Yet the marketing literature presents them largely as articles of faith, and so there have been almost no attempts to verify or falsify these beliefs. Consequently, we have almost no scientific quantitative knowledge about levels of differentiation between brands<sup>[1]</sup>. When market researchers and academics examine a brand's differentiation, they typically analyse brand image data deliberately looking for

differences in the way consumers perceive brands. The multivariate techniques that are routinely employed, such as factor analysis or perceptual mapping, are often sensitive to small differences. This allows them to highlight small differences, almost regardless of magnitude, but renders them less useful as quantitative measures of the degree of differentiation.

Collins (2002) criticises these techniques for missing the main patterns in consumer perception data, such as the finding that brands with more users gain more image attribute responses than brands with fewer users, almost regardless of the attribute (Barwise and Ehrenberg, 1985; Bird et al., 1970; Romaniuk and Sharp, 2000). Few marketing research studies show knowledge of these facts, nor do they seem to (re)discover them in their own data, which is probably a good example of how observation is dependent on theory (Chalmers, 1976).

The accepted view is that differentiation is a widespread, but not always adopted, strategy that is implemented with varying degrees of success (Porter, 1980). This means that some brands are more differentiated than their competitors. However Sharp and Dawes (2001) argue that differentiation, while a pervasive aspect of modern markets, is largely a market characteristic. Competitive brands within a market are similarly differentiated, with predictable (small) asymmetries between small and large brands. Brands are mainly differentiated at individual buying situation level (“this one is here now”; or “this is in my size”) rather than at brand level (“this brand is always different from the others”). Sharp and Dawes advocate location and information models to explain why differentiation occurs (such as in Hotelling, 1929; Stigler, 1961), drawing on a substantial body of generalised empirical evidence, which we now discuss.

### **Expected empirical evidence for differentiation**

If brand-level differentiation exists, whereby a brand appeals to a defined customer base that particularly value the differentiated feature, then we might expect many brands to differ in terms of the types of customers they attract. Yet brand user profiles rarely differ greatly in demographics or other customer identifying variables (Kennedy and Ehrenberg, 2001; Kennedy et al., 2000). Brands of vastly different price and quality do have different user

profiles. Expensive brands tend to be bought by wealthier people - but within their competitive set the brands' user bases look similar. Versace's buyers are similar to those of Gucci. Ultimately, competitive brands all appeal to the similar types of customers; some brands just have more buyers than others.

Differentiation theory suggests we should expect a great deal of market partitioning, where brands share more or fewer customers than would be expected based on their respective market shares. Yet the widespread fit of the 'Duplication of Purchase law', which states brands share customers with other brands in line with their relative shares, shows that partitioning is generally fairly rare and often small (Ehrenberg et al., 2004). We might also expect brands that appear close together on a perceptual map to share customers more than brands that are positioned further apart, but this is not the case. Instead it appears that image positions are largely independent of brand buying patterns (Sharp et al., 2003; Sharp and Sharp, 1997).

Thirdly, we might expect to see different price elasticities, as customers of more differentiated brands would be less price sensitive. However, price elasticities seem to vary more with the context of the price change (depth and direction) rather than being a brand-specific property, with different elasticities for different brands for the same price change (Scriven and Ehrenberg, 2004). This further suggests that brands within a category have similar levels of differentiation.

Finally, there is the strong empirically grounded support for the widespread fit of the NBD-Dirichlet model of purchase incidence and brand choice. The NBD-Dirichlet model (Goodhardt et al., 1984) effectively assumes that brands compete as undifferentiated choice options of varying popularity. Both brand segmentation (brands selling to different types of buyers) and partitioning (exceptions to the Duplication of Purchase law) violate the theoretical assumptions of the model. Yet the NBD-Dirichlet model successfully predicts a wide variety of brand performance metrics across many different product categories and countries, as well as across time (Ehrenberg et al., 2004).

Every category has brands that differ in price and quality, referred to as ‘vertical differentiation’ by economists. Sometimes there are brands that are vastly more expensive and this shows up in differences in user bases, and departures from Duplication of Purchase law and Dirichlet benchmarks (Ehrenberg et al., 2000). That evidence of this nature is not often seen in categories also suggests weak levels of differentiation. It should be noted that within these expensive/luxury sub-categories the brands compete as if there is little differentiation (Colombo et al., 2000).

This substantial body of theoretical and empirical evidence does not support the traditional role of differentiation in the marketing literature; neither does it support a ‘perfect competition’ (commodity) model. Differentiation undoubtedly exists, but empirically grounded theory suggests that it is best thought of as a category-level rather than brand-level phenomenon.

This is consistent with a recent examination of consumer perceptual data, which found that brands that are more successful did not have proportionally more unique associations than less successful brands. Further, the evidence was that customers with higher preferences for a brand did not hold more unique associations than those with lower preferences. In contrast, the level of brand uniqueness, as designated by the proportion of associations that customers held for one brand only, and the number of brands in the category are negatively correlated (Romaniuk and Gaillard, 2007).

In summary, differentiation theory is much like the classical economics perfect competition model in that it describes an abstract ‘ideal’ world. Marketing textbooks, much like classical economic texts of the past, treat this idealised model as if it were an adequate representation of the real world. This model underpins a series of widely held beliefs, which can be broadly summarised as the following:

- A brand must be perceived as different in order to win market share (i.e. customers must have a reason to start buying the brand)

- A brand must be perceived as different in order to maintain market share. That is, customers must have a reason to keep preferring the brand in the face of competition from other brands and new entrants.
- Some brands are much more differentiated than others, meaning that their customer base is more loyal and less sensitive to actions of competitors. This may result in greater profitability. However, the highly differentiated brand may suffer from constraints on market share because it is only a select group of people, or only in a specific situation that it is preferred.

There is a need for research to empirically test these fundamental tenets of marketing. Here we focus on testing one important aspect of differentiation, the extent to which buyers *perceive* the brands they use to be differentiated from other brands in the market. If differentiation is a key reason why buyers buy the brands they do, then we would expect a high proportion of a brand's buyers to say that it is different. We would also expect non-buyers to see it as different – this difference being why they do not buy. We might also reasonably expect to see variation in the degree to which brands are perceived as different, with some brands better at providing a meaningful 'reason to buy' than others (perhaps growing brands or highly profitable ones, or those serving a specialist niche).

### **Research method**

To examine consumer perceptions of differentiation, we draw on data that asks consumers directly how different or unique they perceive the brand to be. We compared the responses from the customer bases of different brands in the same market. Over a variety of markets and survey methods, we experimented with several alternative direct measures of perceived differentiation. They all produced the same patterns presented here for the measures of *different* and *unique*.

Our measure is therefore a generic direct measure of perceived differentiation. This means that we did not have to infer differentiation levels indirectly from measures of perceived functional or symbolic attributes, brand personality, or perceptions of who uses the brand. Indirect measures are the traditional way of inferring differentiation, e.g. distance from other brands on a perceptual map<sup>[2]</sup>. As a quantitative measure of differentiation, this suffers from

several problems. First, indirect measures of differentiation are dependent on the particular attributes that are measured. Their choice for inclusion in the survey is subjective and some reasons for perceiving a brand as being different may be idiosyncratic or personal (e.g. “the brand my grandfather introduced me to”) and therefore unlikely to be included in a survey. Second, there is the difficulty when interpreting the contribution of attributes to meaningful differentiation. For example, if more Coca-cola users associate the brand as being American than Pepsi users, does that mean that Coca-cola is more differentiated? Even when indirect measures imply differences in differentiation levels between brands, they give little sense of the absolute level of differentiation. We chose our direct measure of differentiation to avoid these problems<sup>[3]</sup>.

The seven Australian markets were Skincare, Spirits, Cars, Beer, Fast Food, Banking and Supermarkets. All data were collected by telephone, using trained market research interviewers. For each study, the attributes of *different* and *unique* were interspersed randomly with other attributes relating to the category, so the intent of the research was not obvious to respondents. At the end of the survey, there were questions about the brands currently used by respondents. We used these questions to identify the customer base for each brand.

Two methods of data collection were used. The first was a free choice, pick-any, approach where respondents were read out the attribute and asked which, from a list of brands, they consider to be associated with that attribute. The second was five-point rating scales, employed in a subset of three markets. These are the most commonly employed methods in academic and market research.

For the remainder, Young & Rubicam kindly provided us with historic data from their Brand Asset Valuator survey. Here we report on ten product categories using Brand Asset Valuator (BAV) data collected in 1999 in the UK<sup>[4]</sup>. There were some important differences in the questioning and data collection method for the Australian and UK data, yet the results were consistent.

- The BAV data was collected by self-completion questionnaire exclusively using the pick-any approach. Brands from different product categories were interspersed and

respondents were instructed to fill in the booklet one brand at a time. Respondents were not asked to compare the brand in question with other brands directly (Coke with Pepsi or Dr Pepper). Instead, they were asked only whether the listed brand, alone, is *different*, and so on for each of the many attributes contained in the BAV questionnaire.

- In contrast, the Australian data was collected via telephone with instruction to answer for each attribute, across all brands. So respondents were given a list of brands and asked which of those brands was *different* (or asked to rate its degree of being different).

A table outlining the key characteristics (sampling frame, screening criteria, sample size, geographical spread and measures) is contained in Appendix 1.

## **Results**

First, we examined the overall results for the attributes *different* and *unique* using the pick-any approach. To allow for the possibility that respondents felt the two attributes duplicated each other, and therefore only answered once, we calculated the proportion that stated the brand had either attribute. Only current brand users were included in analyses.

Table 1 illustrates the proportion of each brand's customer base that gave either response (*different* or *unique*) for Soft drinks (UK) and Banking (Australia). In both categories, only about one in 10 current customers perceive the brand to be *different* or *unique*, and about 15-20% state it is either.

Table 1: Brand user perceptions of differentiation in the Soft drinks (UK) and Banking (Australia) categories

	Different	Unique	Either		Different	Unique	% Either
Coca-Cola	8	13	19	ANZ	12	4	15
Diet Coke	9	8	15	CBA	12	12	19
Pepsi-Cola	7	10	15	NAB	8	12	12
Fanta	8	5	12	Westpac	9	6	11
Pepsi Max	9	10	19	St.George	26	16	32
Schweppes	6	9	13				
Canada Dry	10	9	17				
Average	9	9	16	Average	13	10	18

All 17 markets we tested (see Table 2) follow a similar pattern, with averages of 11% for *different*, 10% for *unique* and 17% for *either*.

It could be that these responses reflect respondent apathy, however there are three indicators that this is not the case. The first is that there were exceptional brands within markets. These were brands with obvious functional differences, such as Aldi supermarket, which does not stock national brands (scored 67% for *different* from its current customers) while in Fast food, sandwich-only brand Subway achieved 50% for *unique* from its current customers when put in a competitive set with McDonalds, Dominos and KFC. So respondents could indicate when something was perceived as more differentiated. Few brands however, were perceived as such. The second indication that respondents were properly answering the questionnaire is that three times more people named at least one brand, than named any one brand. This shows that while many customers did consider at least one brand to have these qualities, the particular brand varied across customers. A further indicator of data quality is that the results show expected differences between categories. For example, soft drinks had higher differentiation scores than water. Further, spirits and skincare, two categories deliberately chosen by the researchers as highly “image driven” and supported by vast amounts of brand advertising expenditure, both showed amongst the highest levels of differentiation (although still low).

**Table 2: Results across 17 categories in Australia and the UK**

	% current users perceive it is Different	% current users perceive it is Unique	% current users perceive it is either	% at least one brand for either attribute
Spirits (Aus)	20	27	36	71
Supermarkets (Aus)	25	21	31	72
Skincare (Aus)	17	21	30	66
Ice cream (UK)	14	11	20	43
Fast food (Aus)	16	13	20	64
Banking (Aus)	13	10	18	73
Soft drinks (UK)	11	9	18	76
Condiments (UK)	10	9	17	67
F&V drinks (UK)	11	8	16	51
Ready sauces (UK)	9	7	14	53
Computers (UK)	9	10	14	44
Soups (UK)	8	5	12	35
Yoghurt (UK)	8	5	11	43
Cars (Aust)	9	6	11	66
Cars (UK)	8	6	11	19
Water (UK)	6	6	10	32
Electronics (UK)	4	6	8	47
Average 17 markets	11	10	17	54

To check whether the result was simply an artefact of the measure, in three of these categories we employed a five-point scale, ranging from not at all descriptive to extremely descriptive. A different set of respondents were recruited, and interviewed via telephone by professional interviewers. As shown in Table 3, few brands scored higher than the neutral midpoint of three. None had a mean as high as four, a score that would indicate that a brand's buyers thought this quality was somewhat descriptive of the brand. Therefore our finding that consumers did not see their brands as highly differentiated is consistent across both pick-any or a scale measures. This extends previous research that shows that perceptual surveys employing either rating scales, rankings or pick-any all produce similar findings (Barnard and Ehrenberg, 1990; Driesener and Romaniuk, 2006).

**Table 3: Rating scale results (mean score, current brand users only)**

<b>Cars</b>	Different	Unique
Ford Falcon	3.1	2.7
Toyota Corolla	3.4	3.1
Holden Commodore	2.8	2.7
Mitsubishi Magna	2.8	2.5
Toyota Camry	3.4	3.1
<b>Average</b>	<b>3.1</b>	<b>2.8</b>
<b>Banking</b>	Different	Unique
ANZ	2.7	2.1
CBA	2.3	2.3
NAB	2.2	2.5
St.George	3.0	2.9
Westpac	2.6	2.6
<b>Average</b>	<b>2.6</b>	<b>2.5</b>
<b>Fast food</b>	Different	Unique
Dominos	2.5	2.4
HJ	2.2	1.9
KFC	2.5	2.8
MCD	2.4	2.7
Pizza hut	2.1	2.0
Red Rooster	2.2	2.3
Subway	3.2	3.7
<b>Average</b>	<b>2.4</b>	<b>2.5</b>

Of course, while being perceived as different may be a reason to buy, it can also be a reason not to buy (something rarely acknowledged in marketing's differentiation literature). This, however, is not evident in our results, with users twice as likely to associate brands with the differentiation attributes than non-users (see Table 4). This result suggests that the attributes *different* and *unique* are following the normal evaluative patterns seen for positive associations (Barwise and Ehrenberg, 1985; Hoek et al., 2000). Buyers know very little about brands they do not buy.

**Table 4: User and non-user average responses for perceived differentiation**

	Different		Unique	
	User	Non	User	Non
Ave Aus markets	17	8	16	7
Ave UK markets	9	6	8	4

### **Discussion: Perceptions of differentiation**

Our aim was to examine the extent to which consumers considered the brands they buy as differentiated from other brands in the market. Effectively, we were investigating whether

buyers needed to perceive a reason-to-prefer in order to buy a brand. We found that the majority of buyers do not explicitly state that they perceive their brand to be differentiated from other brands. Therefore it is questionable whether perceptions of brand differentiation are significant drivers of buyer behaviour.

There were some systematic deviations from this general pattern, where certain brands consistently obtained higher response levels. These were small, higher priced brands, which is consistent with the notion that more differentiated brands will tend to be smaller. There were also some deviations linked to obvious functional differences, rather than image differentiation.

Our low scores could be because buyers felt such attributes did not apply to any brand, and that brands are commodities. Alternatively, a dominant segment could feel all the brands are the same. However, neither of these explanations have evidence to support them. We found that while any one brand's score was low, up to six times more respondents associated at least one brand in that category as *unique* or *different*. That is, while 19% considered Coca-cola to be *unique* or *different*, 76% considered at least one of the soft drink brands to be *different* or *unique*. This indicates that the responses for each brand are not from the same people saying multiple brands are *different* or *unique* but rather are from different respondents choosing specific brands (usually one or two). Thus, the low scores for the perceived differentiation attributes appear to be due to respondents being very selective about which brands they consider to have these qualities, rather than rejecting the attributes in general.

### **Implications for marketing theory and practice**

As previously discussed, the marketing theory on brand differentiation takes a motivational perspective. Differentiation is claimed as necessary for buyers to have a reason to buy the brand. Other theoreticians have argued that there is sufficient situation-level differentiation in marketplaces for choice to take place (and preferences exist) without buyers perceiving brand-level differentiation (Sharp and Dawes, 2001). Our empirical results support this latter

view, with the finding that most buyers of a brand do not see it as *different* or *unique*. Yet, these buyers still buy it.

Table 5, showing expanded data from the Computers category (in Table 2), illustrates this point. Apple is often presented as a poster child for differentiation. While Apple’s level of perceived differentiation is higher than other computer brands, most of Apple users (77%) did not perceive their brand to be different or unique. This seems surprising given that Apple computers tend to look different and have a different operating system<sup>[5]</sup>. However, most computer users have little technical knowledge. An Apple Macintosh is a personal computer (PC), with a graphical user interface and a mouse and keyboard. It runs software (e.g. Microsoft Office), sends email, stores files, prints and so on – like any PC. It is therefore understandable that many Apple users might not see the brand as particularly *different* or *unique*. They bought it to fulfil the requirements of being a computer, just as did the buyers of any other computer brand.

**Table 5: Computer brand users’ perceived differentiation**

Users of:	Different	Unique	Either
HP	4	8	11
Toshiba	11	5	13
Compaq	10	10	18
IBM	16	13	18
Apple	15	25	23
Dell	5	5	5
Average (all)	9	10	14

The marketing literature instructs marketers to strive towards achieving valued differences between brands. Yet, even marketers of highly successful brands appear to have failed. It is certainly not a case of “differentiate or die”, else most of the brands we buy would be gone.

Our analysis was largely confined to successful, established, larger brands. However, within these were brands that are far more successful than others. In addition, some were presumably growing and others declining, some very profitable and others not. Yet there was very little difference in terms of the degree of perceived differentiation. This casts doubt on a

causal link between perceived differentiation and brand performance. It does not totally negate the possibility, as a shift in perceived differentiation may lead to a shift in market share. However, our results suggest that either the gain is temporary and differentiation perceptions return to normal, or other brands quickly match any perceived differentiation gains to return all brands to a new status quo.

The consumer behaviour literature has for decades focused on customer perceptions of brands as the main reason why one brand is chosen over others. This emphasis seems misplaced. If buyers of a brand do not think their brand is different or unique, then presumably this is not the reason why they buy it. We need to look elsewhere for explanations of why they buy this brand and not others.

While it seems counterintuitive that buyers do not often notice that the brands they use are explicitly somehow different from other brands, particularly given that some of the brands are functionally different (e.g. McDonalds versus KFC). However, brand choice is a relatively trivial task compared with deciding whether to buy or not from the product category. So buyers seldom spend much time comparing brands in the category, and as such, differentiation (which is relative to other brands) is not given much attention. This view is counter to many models of information processing, where buyers are thought to weigh up brands on the merits of their relative attributes (Alpert, 1971; Fishbein and Ajzen, 1975; Green et al., 1981). This implies that buyers were knowledgeable about differences between brands. However, we find empirically that buyers seem to know something about the brands they use, and very little about the ones they do not use.

The main implication of this research for marketing practice is that marketers do not need to convince buyers that the brand is different in order to get them to buy. This should take a considerable weight off marketer's shoulders as our data shows that such a task is probably near impossible. Instead marketers need to focus on achieving the things that do make customers buy.

Recently, it has been suggested that awareness and salience play a greater role than conventional differentiation theory would suggest (Ehrenberg et al., 1997; Romaniuk and

Sharp, 2004). Our result provides empirical support for this theory. This means that all brands are ‘differentiated’ (they do not compete as perfect substitutes) in that for each buyer there are brands that they know well and other brands they think very little about. For each buyer, there are also many brands never or seldom considered for purchase. However, this is not brand differentiation in the sense that buyers perceive some brands as being meaningfully different from others.

Our research also highlights the dangers of relying solely on techniques that focus on identifying differences between brands (e.g. perceptual mapping). Most multivariate statistical techniques are very prone to outliers. Our analysis was deliberately simple and transparent and we were able to highlight differences between brands. However, more importantly, we were able to clearly see the similarities, which multivariate analysis would probably obscure.

### **Distinctiveness: An alternative perspective**

Paradoxically, the reduced emphasis on meaningful differentiation makes branding even more important. If brands are not considered to be truly different, then the incentive for the buyer to search for a particularly brand amongst a sea of look-a-likes is low. To ensure that consumers keep buying a particular brand, it needs to stand out so that buyers can easily, and without confusion, identify it. The focus on meaningful perceived differentiation in the marketing literature has arguably led to the neglect of this more traditional aspect of branding practice.

The fundamental purpose of branding is to identify the source of the product/service. This is the reason that branding, as an activity, first originated. This requires qualities that distinguish one brand from other competitors. One obvious characteristic is the brand name itself, which is by law, unique. Distinctive qualities are the other elements of the brand identity that can substitute for the brand name. They help the consumer to notice, recognize and recall the brand, in buying situations and/or when the brand is advertising, as they provide additional stimuli for processing. These elements can include:

- Colours - such as the Coca-Cola red;
- Logos - such as the McDonald’s arches;

- Taglines – such as Nike’s ‘just do it’
- Symbols/characters - such as Mickey Mouse’s ears, the St. George Dragon;
- Celebrities – such as Tiger Woods for Nike; and
- Advertising styles – such as the Mastercard “priceless” campaign.

A distinctive element can be anything that communicates the brand name at the most basic level. It can be used in packaging, advertising, in-store displays, and sponsorships –any activity where the marketer wants the consumer to identify the brand. This might be to create, refresh or reinforce consumer memory structures in order to build consumer based brand equity (Aaker, 1996; Keller, 2003), or to facilitate actual purchase by making the brand easier to locate. The stronger/fresher these distinctive qualities, and the more links in memory, the easier it is for the consumer to identify the brand.

### **Benefits of a distinctive brand**

Building distinctive brand qualities benefits both the marketer and the consumer. The brand avoids losing custom due to its potential customers being unable to find it. Further, communications are more effective if the customer can correctly identify the brand. Having an easily identifiable brand also reduces risk in message strategy. It lets a brand communicate a message or value proposition that is highly relevant to consumers, but not unique (as advocated by Barwise and Meehan, 2004), as distinctive elements reduce the likelihood of the advertisement being attributed to the wrong brand. This means marketers can concentrate on refreshing and reminding consumers of core messages, rather than constantly searching for new unique points of difference that risk focusing on areas of little value to the consumer (Keller et al., 2002).

Distinctive qualities benefit the consumer because they reduce cognitive effort by aiding search and information processing. Much has been written about cluttered brand and advertising environments, as well as the overload of information due to the greater number of choices available. Distinctiveness reduces the need to think, scour and search – thus making life simpler for consumers. This is a very different consumer benefit to that offered by differentiation with intrinsic value (e.g. *I value service, therefore I seek a brand that will give fabulous service*). Consumers do not buy Commonwealth Bank because they value the

colour yellow, but seeing yellow allows people to easily identify that this branch/advertisement/piece of direct mail/sponsorship is by Commonwealth Bank (Gaillard et al., 2005).

Distinctive qualities also represent a considerable competitive advantage to brands. Unlike “meaningful” differentiation, these qualities can be trademarked and legally protected (Johnson, 1997). There is also a natural disincentive for competitors to use the same elements in advertising, as their advertising is then likely to be misattributed.

### **What constitutes a distinctive brand quality?**

There are two criteria that are important to consider when identifying the distinctive elements. These are uniqueness and prevalence. The purpose of building strong distinctive qualities is to increase the number of stimuli that can act as identification triggers for the brand. It is therefore important that the distinctive element be uniquely linked to the brand. If the quality also elicits competitor brands from consumers, it fails to act as a brand name substitute. The second criterion for considering an element to be a distinctive quality is that it is prevalent. This means that the majority of customers link the brand to the element. A distinctive element that is unique, but unknown, cannot act as a substitute for the brand name, as most who are exposed to it will not think of the brand name.

### **Building distinctive qualities**

The way to build strong distinctive elements is through consistency in how the brand is communicated to consumers across all media and over time. The importance of consistency has been emphasised by many branding commentators, and particularly the proponents of integrated marketing communications (Belch and Belch, 2001). However, this is often about message/positioning rather than the visual, verbal or style of branding elements. Consistency in brand identity is something that many brand strategies currently lack, particularly across campaigns. When creating a new campaign, most of the attention from marketers is on aspects that are new and fresh. We would argue that it is equally important to make sure the branding elements are similar and consistent, such that someone who did see the previous campaign would recognise that this comes from the same brand. It is only when there is discipline in this consistency that we can build distinctive brand assets.

It also takes time to build up distinctive elements. For example, the Nike Swoosh was first introduced in the 1970s, and was initially shown along with the brand name, prior to being used as a solo brand identifier. The strong recognition that the Swoosh has today is because of the consistent investment over many decades.

### **A new research focus**

While there has been considerable literature on the different elements that could represent distinctive qualities, a great deal of this research may be misdirected. It has tried to establish the value of potential distinctive qualities to consumers, from a differentiation-style perspective. For example, research into the colours associated with brands often focuses on what the colours mean to consumers, or has tried to identify the best colour for a brand (e.g., Bellizzi et al., 1983; Grimes and Doole, 1998). We argue that the real value of building up strong links to an element (such as a particular colour) is not that people may like, for example blue more than yellow, so a brand should choose blue over yellow. Rather, if a brand consistently uses blue in its packaging and communications, and is the only brand that uses blue, consumers will come to quickly and easily identify that the colour blue represents the brand. This will mean that blue can replace the brand in some circumstances, or extend the branding quality of any communications beyond simply mentioning or showing the brand name.

An emphasis on brand distinctiveness, rather than differentiation, requires a new direction in brand research. It calls for research that identifies distinctive qualities from a consumer perspective, so marketers can understand what cues consumers use to identify brands. This will also contribute to understanding relative effectiveness to help identify whether there are certain distinctive elements that are more valuable than others. Most of the research to date has focussed on testing potential elements individually. However, in order to equip marketers with the knowledge about which distinctive elements to choose to develop, a research approach that tests the relative effectiveness of different possibilities is needed (e.g. colour versus logos versus characters versus music). Some of this research is starting to emerge, with eye-tracking tests to see which advertising or in-store characteristics attract

attention (e.g. Pieters et al., 2002). The research so far is however limited in its visual focus; we would like to see more comparisons across different sensory distinctive elements.

Finally, there is a need for research that tests the extent to which distinctive elements can replace the brand name in advertisements. This may be a potential way of maintaining strong branding, without compromising the creative quality of the communications.

## **Conclusions**

This iconoclastic article challenges the high importance placed on perceived differentiation. We have presented theoretical argument and considerable empirical evidence that perceived differentiation is not necessary for a buyer to buy a brand, or for that brand to be successful. This empirical evidence draws from decades of research into buying behaviour, brand segmentation, and pricing elasticities, as well as our own research into consumer perceptions. Our own findings across 17 markets show that unless there is an outstanding functional (especially price and/or location) difference, consumers do not see the brand they buy as differentiated from other brands. Yet these brands are bought, and many are successful and profitable. This suggests that much of our current brand strategy and research agenda, both academically and in industry, is misdirected.

We are not concluding that differentiation does not exist, but that it is weaker and less important than is generally assumed. Brands within a category do not vary markedly in their degree of differentiation, perceived or otherwise. While Pizza Hut, McDonald's and KFC are quite different (pizza, burgers, and fried chicken respectively) they essentially compete as fast food brands (Sharp, 2006).

The discovery that differentiation plays a lesser role than conventionally assumed leads us to advocate an alternative strategy, which is to build up distinctive qualities. These qualities increase the visibility of the brand in its competitive environment. This makes it easier for consumers to notice, recognize, recall and, importantly, buy the brand. An emphasis on distinctiveness means less trying to find unique selling propositions and more trying to find unique identifying characteristics. In themselves, distinctive qualities do not motivate customers to buy brands. The role they play is through helping the customer to notice and

identify the brand, in competitive settings, at different stages of the buying and consuming process. However, there is still much to learn about the different types of distinctive qualities and how they each perform roles ranging from identification in advertising across different media, to on-shelf identification. We hope this research stimulates people to direct research effort to this part of branding.

#### Footnotes:

1. There are commercial market research studies (e.g. brand equity or health monitors) that suggest there are considerable differences in levels of differentiation between competing brands. However, these are proprietary studies and so it is often not clear how this result was produced. Collins' (2002) criticism (see above) probably largely applies.
2. The key purpose of perceptual maps is to gain insight into how the market perceives the brand, which is extremely useful in constructing distinctive advertising that looks like your brand. It is a stretch of the technique to use maps to understand what motivates people to buy, or to quantify perceived differentiation.
3. We thank Y&R for introducing the direct measurement of perceived differentiation to us, as they employ this approach in their BAV methodology. See [http://en.wikipedia.org/wiki/Brand\\_asset\\_valuator](http://en.wikipedia.org/wiki/Brand_asset_valuator)
4. We gratefully thank Jim Williams and Young & Rubicam for providing data from their Brand Asset Valuator (see <http://www.yrbav.com/> and <http://www.brandassetvaluator.com.au/>). This article does not seek to report the views of either Y&R or Jim Williams.
5. In 1999 when this survey took place Apple computers generally ran MacOS 9 and did not yet have the easy ability to run Windows. Other brands of computer generally ran Windows 95. In 1999 Apple was marketing coloured iMacs while competitors' computers were beige or sometimes black.

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## Appendix 1: Data set details

Table 2: Category level results – 17 categories in the Australia and the UK

	Country	Data collection method	Total sample size	Measure
Condiments	UK	Self completion	501	Brand-prompted pick-any
Mineral Water	UK	Self completion	571	Brand-prompted pick-any
Supermarkets	Australia	Telephone	303	Attribute prompted pick-any
Ready sauces	UK	Self completion	511	Brand-prompted pick-any
Banking	Australia	Telephone	144, 145	Attribute prompted pick-any, scales
Soups	UK	Self completion	522	Brand-prompted pick-any
Electronics	UK	Self completion	506	Brand-prompted pick-any
Soft drinks	UK	Self completion	501	Brand-prompted pick-any
F&V drinks	UK	Self completion	511	Brand-prompted pick-any
Yoghurt	UK	Self completion	571	Brand-prompted pick-any
Ice cream	UK	Self completion	571	Brand-prompted pick-any
Fast food	Australia	Telephone	144, 145	Attribute prompted pick-any, scales
Spirits	Australia	Telephone	579	Attribute prompted pick-any
Computers	UK	Self completion	571	Brand-prompted pick-any
Cars	Australia	Telephone	122, 125	Attribute prompted pick-any, scales
Skincare	Australia	Telephone	291	Attribute prompted pick-any
Cars	UK	Self completion	2611	Brand-prompted pick-any

## **Evidence concerning the importance of perceived brand differentiation**

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