

Price Aspects of Brand Positioning in The Marketing Activities of Transnational Corporations

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Abstract: The article investigates price aspects of positioning brands in the activities of transnational corporations. The authors argue that the price has a significant impact on the process of brand positioning in different markets. Brands exist in different price segments. Transnational corporations often expand their portfolio of brands, by creating both expensive and cheap brands. The authors highlighted advantages and threats in creation and development of brands both in "high" and "lower" price segments of the market.

Key-Words: price, brand, positioning, marketing activities, transnational corporation

1. Introduction

The end of XX - beginning of XXI century turned to be a period of qualitative changes in the global economic framework, as well as in the theory and practice of company management. The external environment has become more flexible, fragile and complex. All the processes in the economic system have dramatically accelerated. Factors of globalization and technological progress made the companies look for new competitive advantages. Under the circumstances, the basic requirement to the company that strives to withstand heavy competitive pressure and take a strong position on the market is a timely response to any changes in market conditions and consumer demand. This is especially true of transnational corporations (TNCs) that are traditionally considered to be market leaders, operate in different countries and, hence, different marketing environments.

TNCs own global and international brands that compete in different price segments. Modern global economy is the economy of brands. The economic category "brand" takes on a new meaning in the process of internationalization and globalization. It is an expression of the interests of the company, one of the main sources of profit in the long run. From a simple label on the product the brand becomes a key element in formulating general corporate strategy.

Brands exist in different price categories either higher, or medium and lower. And their basic functions are identification of the company goods,

maintaining consumers loyalty and increasing corporation profits. Price is one of the main criteria of market segmentation significantly affecting the positioning of goods. Mass marketing is much less used by corporations and only in relation to goods of global nature. This explains the need and relevance of research of pricing aspects of brand positioning in the practices of TNCs.

2. Literature Review

Issues relating to the creation of successful brands are discussed in the works of Casper J. Werkman, Henri Charmasson, brands and advertising mechanisms are explored by David A. Aaker, Tim Ambler, Rajeev Batra, problems affecting brand management are touched upon by Gary Armstrong, Philip Kotler, Jean-Jacques Lambin, Peter Doyle. However, little research has been undertaken to study the influence of prices, as part of marketing, on brand positioning, that determines the relevance of the study by the authors.

3. Results

Leading global and international brands do not appear and exist on their own. They need purposeful systematic work on creation and development of the brand image, which forms the brand capital. The brand capital or brand value, according to the famous American researcher David Aaker, is

determined by the degree of awareness and propensity of consumers to the branded product, the quality, attributed to the brand, associations raised by the brand and other assets, such as patents and trademarks, as well as influence of the brand on marketing channels of sales promotion (Aaker, 1995).

The value of the brand is an important economic result of the company effective work in the field of brand management. Western management practices show that a well-known brand is a valuable intangible asset of the company (Table 1).

Table 1. Brand value to total assets of Top-10 companies

Rank	Company	Brand value, mln.\$	Total assets, mln.\$	Intangible assets, mln.\$	Intangible assets to brand value, %	Brand value to total assets, %	Intangible assets to brand value, %
1	Apple	178119	321686	8620	2,68	55,37	4,84
2	Google	133252	147461	19716	13,37	90,36	14,80
3	Coca-Cola	73102	90093	24132	26,79	81,14	33,01
4	Microsoft	72795	193694	21595	11,15	37,58	29,67
5	Toyota	53580	412809	64756	15,69	12,98	120,86
6	IBM	52500	110495	35508	32,14	47,51	67,63
7	Samsung	51808	149116	12706	8,52	34,74	24,52
8	Amazon	50338	65444	3759	5,74	76,92	7,47
9	Mersedes-Benz	43490	232387	10775	4,64	18,71	24,78
10	General Electric	43130	495692	82270	16,60	8,70	190,75

Source: Calculated using data from internet courses.

A famous brand affects all elements of the marketing mix. The brand can be viewed as a part of the whole international marketing mix that includes such elements as product, price, promotion and distribution channels. So, the brand is an element of the company commercial policy, it is also one of the tools of advertising, it affects the pricing (brand price premium) and a famous brand ensures intermediaries favour in the market. Brand, under current conditions of the global economy development, begins to operate independently in the market, has a price and generates added value.

The necessary elements of the brand concept are its components: verbal and graphic trademark, color and graphic solutions regarding packaging (design, type and size of packaging), which allow visual identification of the product and its brand, as well as the desired brand positioning in the market, by price including.

The position of the brand in the market is its image in the minds of consumers. Positioning at the launch of a new brand defines the place that will be occupied by the brand in the minds of consumers. To find one's own vision it is necessary to analyze product positioning of the competitors. In the process of positioning its products the enterprise might have two possibilities: either they

will seek a free niche in the market or they will deliberately try to break into the sector, where there are competitors.

To select the type of positioning the company must analyze its own product, products of its competitors and consumers attitude to them. Thus, we can determine where it is necessary to direct the efforts of the company, either to modify the product, or the attitude of the consumer to the product, or to influence consumer motivation.

There are three types of positioning in the global market for goods (Werkman, 1974):

- objective, when the functional value of the product is important;
- psychological, when the ability of the brand and product to create "imagined" values is in the foreground;
- symbolic, when "symbolic" value of the product and brand leads to social differentiation.

Successful brand positioning in the market is impossible without deep understanding of the competitive environment, together with an analysis of the company's own capabilities. This necessitates conducting market research and internal (management) audit of the company as an important stage in the design and development of brands.

When positioning a brand the company must decide whether it wants to make its brand the leading one or to put it "in a number of others." The current brand management involves the use of all elements of the marketing mix for brand product maintenance: pricing, marketing system and promotion of products in the first place.

In addition to that, it is necessary to periodically assess the perception of the brand, interviewing consumers, experts, watching the sales process and, if necessary, make adjustments in the brand management plan of action. Note the need for monitoring two levels of competition in the market: branded goods competition in its product category and information competition in consumer minds (awareness, brand knowledge etc.).

The company should clearly define their pricing policies with respect to the brand, i.e. conduct price positioning and, therefore, determine the best channels for selling branded goods and means of communication policy. If a company wants to position its brand as a quality and expensive one, the sale of products cannot be high (e.g., branded cosmetics, perfumes, expensive accessories, jewelry, etc.).

Intensive marketing implies that the brand is aimed at mass market, and in this case, the branded product should be available in almost all points of sale (drinks, chewing gum, cigarettes, food, detergents, etc.).

Due to the creation or acquisition of new brands the company can operate in different price segments, providing steady demand from various consumers and improving its competitiveness (Charmasson, 2004).

In branding there is a principle of "positionality", which suggests that it is impossible to deprive the company its position in the minds of consumers if it was the first one to take it, like, for example, multinationals Coca Cola, and Xerox. This company usually receives the biggest profits in the industry, and its brands are sold at the highest price.

If the company is not able to be the first one (it lacks financial resources or it came to the market later than others), it should always be aware that you cannot start a frontal attack on the companies that already have leading positions in the market. If it has the desire to be first, it must first gain a foothold as a leader in another field, and then move to the desired market. Another option to gain the

leading brand position is to create a completely new product and become a leader because of it, or purchase a "luxury" brand that will immediately improve the company's image and attract new customers. In the world practice there are the following examples of such purchases: TATA Motors acquired Jaguar Land Rovers, Geely bought Volvo, BMW acquired Rolls Royce, Volkswagen got Bentley, and Lenovo bought Motorola brand (mobile phone sector). At the same time, transnational corporations create their own premium brands: Toyota Lexus, Nissan Infinity, Honda Acura (Kotler, 2016).

What are the benefits of TNC's movement up in the price segment?

Firstly, the corporation increases its prestige, and improves its image as a company that can produce quality products for demanding consumers.

Secondly, the improved image of the company results in an increase in the market price of its shares and correspondingly in an increased level of capitalization.

Thirdly, the risk of activity is reduced, as with the fall in demand at lower price segments, the company can "survive" due to the demand in higher price segments.

Fourthly, corporate profits increase. Wealthy consumers are willing to pay a significant price for well-known brands, gaining not only a quality product but also confirming their own social differentiation and social status.

Fifthly, the company having a strong expensive brand can take a series of measures that will allow it to increase revenue from the existing brand. First of all, the brand can be applied to a wider target segment of consumers, geographic market or distribution channel. In western practices, this action is called brand stretching (Aaker, 1995).

Undoubtedly, there is some risk from buying an expensive brand. Consumers may not be willing to buy this brand because it belongs to the company that serves mid-price segment.

In the process of brand management multinationals often face the situation when their brand does not fully meet the needs of the target market. That may have several reasons: the market is saturated with brands and consumers do not see much difference between them; goods are sold through retail trade networks, which are reluctant to buy expensive brands, preferring cheaper goods

etc.

You can see that some brands can quickly and easily find themselves in the lowest price segments of the market. The most difficult thing in this case is not to damage the brand, particularly with regard to the quality of the product which it represents. The problem is that the price reduction affects the perception of the user more than any other action associated with the brand.

Nevertheless do not think that the movement down is always too risky, skillful brand management in the lower segments of the market can bring the company a considerable income. There are a number of tools to differentiate the core brand and its cheaper modification in the minds of consumers. Typically, consumers can isolate related brands from one another, even if one of them is in a lower quality grade or the goods quality is under criticism. The fact that consumers can differentiate their perception of the brand of various goods, is used, for example, by the transnational conglomerate Samsung, which operates both at the top end of the market (smartphones Samsung Galaxy) and at the lower end (e.g. TV sets).

To reduce the risk of damaging the brand while creating its cheap variants the new product should be separated from the previous category. The bottom line is that consumers can differentiate the brand identity by product classes. The risk of transferring a negative opinion about the product will be smaller if the goods differ much (such as food and clothing).

Creating a new brand does not ensure the protection of the main brand of the company, and does not guarantee success either. For example, once the corporation IBM created Amber brand in order to successfully compete with other firms engaged in processing orders and dispatching goods by post. However, the idea was buried in two years. The IBM project would have been much more successful if the company had used its own brand, one of the most famous in Europe. Creating a new brand and building its credibility is an extremely difficult task (Ambler, 1996).

The simplest approach to brand "lowering", i.e. its transition to a different market segment, where it will be designed for the mass market consumer, is the price reduction. Marlboro, Budweiser and Pampers belong to the brands whose owners believe that there should not be a big premium to the price in the world with strong

competition and the main sales are made through retail networks. Thus, they cut the price for their products, making them more competitive. There appeared a concept that can be described as "optimal price / quality ratio" (Batra, 2009).

Remember that price is the primary means of positioning brands. A sharp decline in prices shows that buyers get a reason to doubt whether this product really differs from a product under a different brand, and its quality is not above the average.

Many brands are in the upper price segment of the market. Typically, the branded products there have unique qualities. If their owners make a decision to lower the price, they should take steps to preserve consumers' perception of high quality of their products, as different from the competitors' products. The difficulty in this case is to start competing with new prices without changing goods positioning. The essence of this policy of lowering prices while maintaining the quality perception is to convince retailers and customers that the quality remains the same.

The Procter & Gamble transnational consumer goods company, for instance, reduces prices explaining that by the cost reduction program and the "new style of doing business." The new pricing policy, according to the Procter & Gamble Co managers, will help reduce the cost of order, warehousing and storage. Thus, the price reduction is seen as a part of the corporate strategy (Lambin, 1997).

Quite an opposite behavior was typical for the Marlboro brand of Philip Morris International, the managers of which dramatically reduced the price of its main brand, when faced a decrease in its market share (Aaker, 1995). The move, in fact, strategically correct, was taken by retailers, customers and shareholders as a panic reaction, which further worsened the position of the brand. The sharp decline in prices was not logically justified, as in the case of Procter & Gamble, and buyers and retailers had to look for an explanation of what was happening. Of course, the Marlboro brand is too stable and strong to be destroyed, but the corporation has suffered significant losses as a result of this action., If it is necessary to enter the market in the low price segment without a threat to major brands, a good step is to create a sub-brand - an additional line to the brand that exists in the higher price segments of the market.

If possible, the sub-brand must distance itself

from the major brand. Associations with low quality goods might be transferred to the main brand. In the computer business, the companies like Hewlett Packard, Lenovo and Dell used sub-brands to enter the low-end market, which accounts for the bulk of sales. An example is the product lines of Hewlett Packard Pavilion, Lenovo IdealPad, and Dell Inspiron. These lines are characterized by lower prices than the other lines. They normally take some market share away from other lines as the opportunity to buy a cheap computer of a well-known brand is very attractive. When you create a sub-brand it is imperative to inform users that it does not have all the features of more expensive product lines.

It often happens that a sub-brand is used as a weapon in the competition since switching consumers from expensive models to cheaper ones can occur not only among the products of one company, but also among products of different companies. So what seems like taking away the market share from the company's more expensive models is actually fight with competitors.

The risk for a major brand is significantly lower when the new sub-brand is qualitatively different from the major one. For example, Gillette shavers were traditionally positioned as high quality and innovative. Considering the growing market for disposable shaving machines as a critical market segment, the company released a series of products Gillette Blue. The sub-brand was added a lighter and more youthful image that contrasted with traditionally masculine image of Gillette; it was a key point in distancing the new sub-brand from the main brand.

The name and logo of the sub-brand can influence its perception as a product for the lower market segments. Including the word IdealPad in the title, corporation Lenovo hints the customers that this series is designed for the low-end market. The names of product lines like Professional and Thrifty speak for themselves. This technique is widely used in the world of sports goods or musical instruments.

When working with sub-brands the question arises whether the individual characteristics of a particular product (e.g. belonging to the low-end segment) will be perceived by consumers as belonging to all product lines. In other words, there is a danger that a consumer will form his/her opinion based on the last cheap model entering the market. In practice, it depends primarily on the

main idea carried by the brand. The product itself is one of the ways to separate the sub-brand from the main brand. If the product is significantly different in its characteristics, methods of application and users, the risk for the major brand is reduced.

When it is difficult to differentiate between the products as their key characteristics are elusive, the problem becomes more serious. For example, laptops of Hewlett Packard Pavilion line have differences not significantly tangible for the majority of inexperienced users. In such cases, it becomes crucial to create a different identity and control symbols associated with the brand. Even different logos can help differentiate brands.

The focus on different market segments will not only give the opportunity to separate products, but will also reduce the risk of brand "aging", as the consumers of the main brand are unlikely to get interested in the new proposal. Thus, a simplified brand can appeal to a younger audience, focus on the market of small town residents, leaving the core brand for major cities.

4. Conclusion

A successful, strong brand is today's "treasure" owned by a firm. The brand is an intangible asset of the company the value of which often exceeds the value of the firm itself. Successful brand positioning in the marketplace is a strategic task of management as it affects the profitability of the transnational corporation in the future. Price factors have a significant impact on brand positioning. Thus there are some advantages and threats in the creation and development of brands in "high", "medium" and "low" price segments of the market. And managers of corporations must take them into account when developing and implementing marketing strategies, as well as promptly react to the changes that may occur in the consumers' perception of brands.

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