LOVEMARKS OR PASSION BRANDS MAY CREATE BARRIERS TO PRIVATE LABELS IN THE DIGITAL AGE

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ABSTRACT

With the growing number of national brands differentiation and brand building was never harder than today. Moreover, the powerful appearance of private label competition opened up a new field within the competitive landscape. Companies realized that good quality and trust is not enough to win consumer’s loyalty. They need to be engaged on an emotional level to create loyalty beyond reasons. Lovemarks and Passion Brands concepts elaborate this idea. My article focuses on the introduction of these concepts, and their applicability to retailers. With the digital age, numerous consumers went online, and created an important online community, that is powerful enough even to change the branding strategy of strong brands. Therefore the measurement of emotions within the online community gave a new and additional perspective on brand equity. The article discusses the limits and the advantages of these concepts and methods, with special focus on retail branding.

(Keywords: private label, Lovemarks, passion brands, social media)

INTRODUCTION

Among marketing experts and professionals the story of the Pepsi Cola’s blind test is well known. And so is the conclusion: consumers mostly preferred the taste of Pepsi vs. Coke in the blind test, but were not asked if they would be willing to give up their „old” coke for a new one, that tasted „better”, considering the results of the blind test. In 1985 the Coca-Cola Company - wanting to revitalize their brand - withdrew its original coke. Consumers started to protest heavily against New Coke. Finally the company decided to return to the original coke formula and rename it to Coca-Cola Classic. It was a painful and expensive lesson even to one of the biggest players among multinational companies. Coca-Cola did not consider the power of their brand equity well enough. Consumers are willing to pay more, and even override their sensual considerations („tastes better”) by the power of a brand. Today Coca-Cola is able to sell BonAqua bottled water, which is nothing more than cleaned tap water with little minerals added, for the same price as other real mineral waters. Moreover they would pay ten times more for a mineral water like Evian. Lincoln and Thomassen (2008) even suggest that the target segment of Evian is: EVIAN to be spelled backwards...

As a reason of the growing power of retailers and their private labels, some researchers even foresaw the end of national brands. It is a challenging time for producers to keep their brands on the shelves in the stores, and moreover to convince their customers that their price advantage is still worth every penny. The
economic situation, the concentration of retailers and the ever-changing customer behavior gives the prediction for a solution for fighting off private labels: Creating Lovemarks!

The article investigates branding concepts that have been known for some time, but have not been measured online. Therefore extensive secondary research was conducted to analyse the different concepts and attempts in related measurement methods being developed internationally. Therefore the article aims to provide the base for further research and discussion in a field, which has not been investigated in-depth yet.

**DISCUSSION**

**The „new” field of the game: National Brands vs. Private Labels**

For decades the competition for national brands was mostly focused on other national brands. Manufacturers tried to build their brands not only to differentiate, but to be trusted. All of them followed the same strategical approach: invest in ATL activities, such as TV commercials, print, cinema, online advertising, etc. The real focus was on building their brand equity. Brand equity is defined as „a measure of the brand’s ability to capture consumer preference and create loyalty” (Kotler and Armstrong, 2010, pp. 260). But brands are not only there to deliver unique benefits or differentiate themselves from other brands, but they are also in the minds of the consumers. These unique benefits or even trust is not enough to compete with the forthcoming competition of private labels, and their „value-for-money” concept offer. Retailers have also started to build their brands, using similar strategies that manufacturers used to: TV commercials, celebrity advertising, and most of all, in-store marketing (Kelemen, 2010a). As a result in the MillwardBrown Brandz (Schept, 2012) Top 100 most valuable global brands list there are several retailers: Walmart is the 17th most valuable global retailer brand followed by Tesco, Target, Aldi, and Carrefour. All of these retailers have done significant rebranding to strengthen their brand names, naturally using their private label brands as well. In the UK, Marks and Spencer and Tesco are in the TOP 10.

Beside the fact that retailers started to build their brands, there is even a greater challenge for manufacturers. As distributors are the gateways to customers, they control shelf space. And they use this power by pushing more and more their own brands. Walmart cut big brand names Hefty and Glad bags from its food storage shelves in favor of its own Great Value brand. The two big brands were only able to get their shelf space back when Hefty increased its advertising more than sevenfold, and agreed to produce Walmart's own private label brand. Glad increased its ad spending by 58% in 2009 (Consumer Goods Technology, 2010). Even such strong brand names as Kellogg's or Ariel can be delisted in a second and lose more than 30% of the Scandinavian market overnight (Lincoln and Thomassen, 2010). Although the financial recession changed consumer preferences, experts agree, that only those brands will have a future that can be trusted and recommended (Schept, 2012), therefore customers will pull them out from stores. But trust also may not be enough. According to Kevin Roberts, the CEO worldwide of Saatchi & Saatchi, only
trust will not make a lifelong commitment between the customer and the brand. The company needs to go further and should create love affection, or how he calls these brands: Lovemarks (Roberts, 2004).

Mark Ritson (2003) conducted a research, where fifteen respondents were selected based on their demographics and their brand loyalty to a range of brands to provide empirical reasons behind strong brand loyalty. For six weeks these brands were withdrawn from their lives, and replaced by generic products in unbranded containers. Some of these brands were: Nike shoes, Vaseline, Lavazza coffee, Heinz ketchup, etc. The participants were interviewed before, during and after the period of research. Although before the test started, all have identified superior product performance as the basis of their loyalty, during and after the test, many indicated that generic products performed just as well, and in two cases even better than their favorite brands. At the same time, after the test all have returned to their original brand choices. „Interpretive analysis indicated five main types of reasons behind unusually strong brand loyalties: habit, unique sensory stimuli, intergenerational influence, emotional security and fit with personal identity.” (Edwards and Day, 2007, pp. 54.). Brand loyalty is closely related to brand equity and performance. As from the above research is visible, brands can develop loyalty beyond reason, that makes it almost impossible for generic products to succeed.

Introduction to lovemarks and passion brands
Creating brand loyalty is easier to be said, than done. Academics and practitioners agree that product performance is not enough to win the customer for a lifetime. Brands need to attach consumers emotionally. The above mentioned Lovemarks concept defines a Lovemark as ‘a product, service or entity that inspires Loyalty Beyond Reason’ (Saatchi & Saatchi, 2012). This concept is based on the idea that brands are tired, conservative, and cannot understand new customers. According to Roberts (2004) people are driven by emotions and not by their rational senses. Brands cannot connect with them unless they follow this new trail. Today, in the digital era, customers’ emotions and commitment will make or break a brand’s future. Trust is not enough as private labels are catching up on this dimension by providing good and reliable quality. Companies have to create an emotional bond with consumers by being passionate about their brands, involving their customers, rewarding loyalty, focusing on heritage and taking responsibility. Some Lovemarks, such as Coca–Cola, Nike, Apple, Starbucks, M&M’s have been successfully following this strategy. Nike employees are even „corporate storytellers” who share the great stories of the company. Nike stories incorporate heritage, and offer archetypes that people can learn from. But what makes a brand a Lovemark? In Roberts’ book, he identifies three major factors that can transform a brand to a Lovemark (Figure 1).

These factors are difficult to imitate. One may argue, that in the case of a private label product, from the category: sensuality, the visual and taste elements might resemble enough to a manufacturer’s brand to be chosen by the customer, but then let’s remind ourselves about the Cola fiasco, that even these two elements can be more than distinctive in consumers’ minds.
This approach, of considering brands as a part of the consumer’s identity on emotional bases, is not newfangled, but comes to the front more and more. Edwards and Day (2007) suggest another approach concentrating on the producers’ side. In their book – Creating passion brands –, they offer a methodology in two phases. In the analytical phase companies have to analyze their brand’s aspects and its environment. In the creative phase, using the results of the analysis, the passion brand identity needs to be formed. The authors have generated the „brand trampoline model” (Figure 2) to help this methodology. This governing model resembles to a trampoline that has four legs: capability, ideology, consumer and environment. „The points where these four forces intersect is called the Passionpoint; this is where to focus efforts, to create the brand’s identity and total marketing offer.” (Edwards and Day, 2007, pp. 97).

   Capability stands for matching the attractive beliefs that the company can offer with its credentials. In other words: what we offer needs to be credible. Ideology covers what the brand stands for. Consumers are outsiders or mavens who can bring fresh ideas. Last but not least environmental issues are to be considered, as consumers’ values shifted towards sustainability (Schept, 2012). If any of these four factors are not well balanced, it would lead to misdirected brand strategy, therefore the strategic fit among the four factors are essential.

   Lovemarks or passion brands are identified by the consumer. Newlin (Ferrante, 2009) goes even further by defining passion brands as „a brand you feel so strongly about that when you recommend it to a friend and the friend does not love it the way you do, there’s a question mark over the friendship, not the brand.” On lovemark.com anybody can nominate a brand for a Lovemark. If we look around in
Hungary, we could just as well find some very strong and special local brands that could be nominated as passion brands: Túró Rudi, Pick, Herendi, Zwack Unicum, etc. These brands all have their history, their great stories, created emotional bonds, some based on nostalgia, some on national heritage. What is vital, they cannot be substituted in the eyes of the customers, even; if rationally there are better products available. Bradley et al. (2007) argues that these Lovemarks also have to be shared by a wide variety of consumers. Even anti-Lovemarks such as the Edsel had diehard supporters, so to be considered as a true Lovemark like: Apple, Google, Target… the brand needs to have substantial emotionally involved customer base.

Figure 2

The Brand Trampoline with a weakness at one leg – resulting in a misdirected brand strategy

![Brand Trampoline Diagram](image)

Source: Edwards and Day (2005, pp. 102)

**Retailers as passion brands**

Retailers fought their way up to the level, that they are considered brands in their own right. Even 10 years ago not many would have thought that from those generic private labels such a strong competitive force can emerge. Today the question is how far retailer brand building can go? Can they be passion brands in the future as well?

Kate Newlin (2009) made an omnibus telephone research which asked people to name a passion brand without presetting any categories. They have received lots of answers including sports teams, cities, restaurants, but not any retailers. Retailers either use their name as an umbrella brand for branding their private labels, or in the case of discounters they brand the store itself as they use phantasy brand names. Either way they would need to build their store names into brands. Retailers’ private label products can be very good quality, in some cases even better than the manufacturer’s brands’, and mostly have an undeniable price advantage.
They put a lot of emphasis on their packaging and in-store communication to make sure that comparison with national brands is inevitable by the consumer at the shelves. On lovemarks.com there are several retailers named as Lovemarks: Carrefour, Whole Foods, IKEA ... But would they then be equal to Heinz, Coca-Cola, or M&Ms? Certainly this list is not generated from an empirical research study, but the question is valid. Retailers are becoming brands, and today they are in many cases the biggest competitors of national brands. Therefore it is relevant to compare such “true lovemarks” to retailers, as the gap between national brands and private labels are closing, and the future goal seems to be logical: creating a passion brand in retail business as well. To manage this process, Newlin (2009) suggests three stages that are particularly relevant to retailers:

1. Market to a mindset (not classic demographics)
2. Differentiate on design
3. Hire Passionistas.

Some leading retailers started to target niche segments with special private labels, such as Tesco functional products for reducing cholesterol or for diabetes, Tesco Organic, Lidl’s Fairglobe fair trade brand etc. These products have very good quality and enhance the image of the retailer. In the premium segment retailers also try to differentiate themselves from national brands, and create unique packaging for their premium products. But it is not just about the products. Design includes shopping bags, credit cards, store atmosphere, sales circulars and loyalty programs. The retailer, Whole Foods, is an upscale, organic food retailer in the US. Its customers share the same values as the store’s target segment is very specific so they organized a Valentine’s Day shopping night for singles accompanied with wine, champagne tasting, and receipe sharing. People are happy to express their values and identity by shopping at this store. Hiring passionistas is key to create a passion brand. Starbucks realized it when they trained their counter help into baristas, who matched the unique feeling of the place and service. Newlin also suggests that price emphasis should be avoided by retailers as well, but as it can be seen later in the Net Base research, that almost all comments for loving a retailer include some reference to price. Therefore, in my opinion, in the case of retailers, price needs to be incorporated in the brand values, but not necessarily as being „cheap”.

The case of the “GÔBÉ product” brand

In my research conducted in Hungary (Kelemen, 2010b) one of the preferable directions for private label development was a Hungarian private label brand. This would be similar to the “Magyar Termék” (Hungarian Product) trademark, but it would be a separate private label, just like for example Tesco Organic or Spar Vital. The creation of a Hungarian private label brand, as private labels are generally tools to attract shoppers to the given chain, would play purely on an emotional basis, especially on nationalistic feelings. There is an interesting startup company in Transylvania which created the brand “GÔBÉ product” in 2010 (Figure 3). The brand concept is based on the trend that consumers are returning to nature (Helyi Termék Magazín, 2012). Their motto is: “From local producers through local retailers to
local people.” They are offering a wide variety of home style food products which are handmade in Transylvania. They distribute it through local supermarket chains, eg. “Merkur- The Transylvanian retail chain.” Hereby the concept is important. Under one umbrella brand: GÔBÉ products they are able to offer easily recognizable, local quality food.

**Figure 3**

**GÔBÉ dairy products: Milk, curd and sour cream**

Source: http://www.gobetermek.ro/images/termelok/tejtermek/lactis-tejtermek.png

It is not a private label, but considering the above mentioned theories, it would be a good concept to be followed by big retailers. According to the brand trampoline model the brand must be **credible** to support its ideology. In this case the brand name, logo and packaging already suggest the origin of the product as GÔBÉ is a “synonym” for Transylvanian. The **ideology** is to support local producers and local community.Only such products can become a part of the product line which are traditionally Transylvanian and also produced locally. As consumers are a part of the local community they can serve as another quality check and also for further development of the product categories. Environmentally the brand is similar to a Fair Trade product, and as its core concept, it supports local sustainability.

**Love marks in the digital age**

Companies want to be a part of the online communication platforms to be able to reach and understand the fragmented customer segments and involve their customers. The basic elements include a facebook and twitter account, but blogs and customer forum sites are also expected from strong brands. The web 2.0 technology empowered customers, and gave a unique opportunity for companies to reach them. **Crowd sourcing** is one way to reduce risks of rebranding strategies. According to Kandusa (2005): "Crowd sourcing is a distributed, problem-solving and production model. Problems are broadcast to an unknown group of solvers in
the form of an open call for solutions. " Gap learned the hard way, what it means to rebrand the logo of a true Lovemark in the digital age. They have redesigned their 20 years old logo, and published it on their site, but within days the uproar from the internet community - mainly Facebook and Twitter – was so large, that the company decided to hold the new logo, and launched a new crowd sourcing project. In the end Gap decided to remain with its old logo, disregarding the outcome of the crowd sourcing project. The company admitted: „We recognize that we missed the opportunity to engage with the online community. This wasn’t the right project at the right time for crowd sourcing.” (Fast Company, 2012). Gap was not the only brand that has failed to redesign a part of its brand, Tropicana and Facebook did as well.

**Measuring lovemarks or passion brands**

Gap did not expect so much passion about their brand, and they paid a high price for it. They were unable to refresh their logo; they have failed the crowd sourcing project, and upset their customers. But how can one know, how far the brand’s customers may go with their emotional attachment to the brand?

There are behavioral – and intermediate ways to measure brand equity (Winer, 2007, pp. 189). These approaches are well defined and widely used, but in the digital age, companies have to consider also new ways to measure brand equity with special attention to emotions. This is especially valid with the rising phenomenon of private labels that are trying to follow the same branding strategies that manufacturer brands do: TV advertising even with celebrities, road shows, product placement.

According to Mitev and Dörnyei (2010) netnography is a useful qualitative research tool that adopts ethnographic research techniques to the culture of online communities by observing customers’ online conversations. Using this method as discovering research can give companies a good starting point to understand their customers or even segment the online community. But certainly companies are also interested in quantitative and easily understandable results. There are several attempts to unite qualitative and quantitative methods. In the case of Lovemarks or Passion Brands the American company NetBase introduced their Brand Passion Index in 2010 May (Netbase, 2010a) According to their press release „This valuable comparison helps to normalize qualitative data into quantitative reports, helping brands see not only the intensity of passion consumers have, but more importantly why consumers feel the way they do.” said Jonathan Spier, CEO and co-founder of NetBase”. To generate the index, „its semantic technology reads sentences to surface insights from billions of sources in public and private online information”, capturing the amount of chatters people make and the passion level of these chatters. With this technology companies can get a picture about what people are saying online, and most importantly emotions and behaviors associated with the brand. They research certain topics and publish their findings also online in their company blog. Considering retailers, NetBase researched the topic „Back-to-school” and got the below results (Figure 4)
Figure 4

Brand Passion Index August 2010. related to Back-to School shopping

In the chart the size of the bubble shows the amount of chatter generated on the web, and the placement of the bubble indicates the intensity of passion. In Figure 4, we can see that Target generated the most chatter which were mostly positive – love and like feelings. Some of the comments included in the analysis are noted as follows (Netbase, 2010b):

“I love Target because it’s one-stop shopping for everything and they are excellent with selection, coupons and prices”

“I love Target because their clearance racks for kids clothes have way more selection and the prices are way cheaper”

Old Navy shoppers were the most enthusiastic and the most passionate about the brand, but they were much less involved in sharing their experience online. What is interesting is that Old Navy is GAP’s private label brand, which has reached the best position compared to the other retailers that have manufacturers’ and own brands as well.

“I love Old Navy because they have good quality cute clothes at low prices!”

“I love Old Navy because they have the best prices and a wide selection of clothes to choose from”

Walmart shoppers showed the most intense „hate” and „dislike” feelings in a large amount for the poor quality of the clothes and negative shopping experience.

“Personally I don’t like Walmart’s clothes because the quality is terrible”
From the chart, it appears to me, that Old Navy’s customers expressed a much stronger „love” to their brands, but they did not participate as much as Target shoppers did. In the online environment, word-of-mouth communication is a very powerful possibility, if we can involve our customers. Therefore action plans should include different strategies based on these results. Another question raises that „like” and „love” feelings are very subjective. Some people love everything, some choose carefully what they love, but regarding consumer behavior, or even willingness-to-buy, may be the same. Also NetBase’s Brand Passion Index is related to topics: such as „back-to-school”, Memorial Day supermarket shopping etc., which makes it hard to translate the results to practical action plans. Walmart may perform bad in the back-to-school topic, and much better for example in dog food, even though the brand is the same. Old Navy that is specialized in clothing must do better in that category than any other retailer that has a diverse focus. With all the limits though, the creation of this method highlights the new focus that companies need to follow when building brands, and considers the opportunities social media has to offer in the new competitive landscape with the growing number of digital customers.

**CONCLUSIONS AND RECOMMENDATIONS**

The economic situation, and the retail competition forces manufacturers to reconsider their activities. Private labels have been a serious threat to manufacturers with leading national brands. Strong retailers started to delist famous market leading brands from their shelves in favor of their private label brands. Moreover several of these strong retailers made it to the TOP 100 most valuable global brands in 2012 (Schept, 2012). Today they not only offer good price and value, but private label brands that are preferred by consumers. Retailers may delist even market leaders, if they do not have an emotional bond with customers, and can be substituted in the eyes of the customer. As Kevin Roberts (2004) elaborated in his book: „The future beyond brands are Lovemarks”. The concepts of Lovemarks and passion brands have been pointed out as the new direction for manufacturer brands, but the application to private labels has been peripheral. It is true, that even though some retailers are listed among the Lovemarks (www.lovemarks.com), but people, when they think about their favorite brands, do not consider retailers. (Certainly I consider as retailers, those stores here, which follow a multilevel private label branding strategy, therefore it does not include Gap, or H&M, that are also not considered as private labels by customers.) This is an opportunity for manufacturer brands that have been trying to build a barrier to the growth of private labels for long. Some Lovemarks brand executives – like GAP’s – do not even seem to know that they are passionately loved by their customers, and thus fail to engage with them more deeply. Most strong brands have the necessary „ingredients” already at hand for creating a passion brand, such as mystery, sensuality and intimacy (Roberts, 2004), but they need to be strategically incorporated in the brand values and its marketing mix. The Brand Trampoline model (Edwards and Day, 2007) gives a good methodology to handle the process of creating a passion brand. By following their advice companies can create brands that focus on engaging the customers emotionally. Unfortunately to turn to
this solution, the company needs to realize that market leadership, and a trusted brand does not equal to a passion brand. To get the companies’ focus on the passion level of brands, the traditional brand equity measuring models are not enough. There are new methods: netnography, by which analyzing the online conversations of customers, companies can understand and segment them better. Net Base’s Brand Passion Index that measures the amount of chatters on on-line communication platforms considering also the passion level of the comments. The limits of this approach, is certainly that it does not include offline database, and focuses on certain topics, so brands are evaluated in a given category. But it still plays a significant role: it draws the attention of executives to the importance of social media, and the new directions of brand management: creating Lovemarks or so called passion brands.

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