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THE THEORY AND PRACTICE OF CREATING BRANDS ON THE MARKET

The article considers the components of the modern brand, forms the main factors that need to be taken into account when creating a brand and affect the brand's success on the commodity market. The main purpose of writing the article is to substantiate the problems of brands formation on the market and the development of conceptual foundations for the formation and management of brands based on world experience. This article considers the goals, stages and principles of an effective marketing process, potential problems in strategic marketing, trends that should be taken into account when introducing a new product to the market. An attempt to find new approaches in creating the brand is made. The main task of marketing in launching a new product is a deep market and competitive environment analysis, optimization of the company's resources and the level of innovation of the new product. Systematization of the functions and principles of marketing contributes to the fact that the problems of interaction at the level of marketing and other divisions of the company will be less, and as a result, the effectiveness of marketing research and marketing objectives will increase.

Keywords: strategy, brand, new goods, development, promotion, marketing, market.

Problem statement in general terms and its relation to important scientific or practical challenges. It is obvious, that launching new products on the market and the process of turning it into a brand require tremendous efforts, knowledge, analysis and teamwork within the company. Under current conditions the brand is the most important component of the development strategy of modern enterprise and it implements a number of the most significant functions: it contributes to the identification of the product or company, becomes the guaranty of various characteristics of the goods, and provides positive image of the business. The increasing attention to the issue of brand formation and management is also defined by the fact that famous brands required for steady market position, and the factor of its competitiveness on different levels [4, p.126].

Meanwhile, the trade mark is the central component of marketing theory and practice. During the whole period of their activity the companies put significant efforts in order to create the brands' own capital. Thus, according to the annual report on the most expensive brands in the world «Brand Finance Global 500» of 2017 Google became the most expensive brand worth \$109, 47 billion. The 2016 leader, Apple Company, having the index of \$107, 14

billion, came down from the first to the second place. The Amazon still keeps the third place with the brand value of \$106, 39 billion. It is notable that the difference between the leaders is not considerable, within 1-2 %. Tellingly, the only two companies out of ten that are not located in the USA are Samsung Group (South Korea) and ICBC (China) [15].

Note that in the list of top 50 and top 100 world's brands the superiority of American companies looks blanket. Thus, more than half of 50 world's most expensive brands belong to the USA with a total value of \$1.2 trillion. Also note that their leadership on the quantity of companies is not as substantial as on the value of brands. Therefore, in the total cost of all top 50 brands the cost of American brands is more than one and a half times higher than the total cost of brands of the world.

Analysis of recent studies and publications in which the solution to the issue was initiated and on which the author relies, highlighting some of pending issues of the general problem to which this article is devoted.

The wide range of issues connected with brands formation and management and their contradiction are reinforced by the ambiguity of the conceptual apparatus. In Ukrainian publications the term «brand» has been used with the meaning of «trademark» (a

legal term which means the object of intellectual property and protects the name and some other attributes of the product from competitors) for a long time. Meanwhile, its English equivalent «trade mark» is most frequently used to denote not only the legally protected name, but also the product itself and its image while the term «brand» has an initial meaning of «stamp», «trade mark» or «to burn out» was quite rarely used by national authors and was defined as a popular trade mark that gained popularity and won the confidence of customers due to successful marketing tools. Therefore, one of the key points of the discussion was the comparison of «trade mark» and «brand». Some scientists believe that «brand is a kind of trademark with stable image», or a brand is a trade mark with a set of emotional feeling and stereotype. Additionally, the brand is considered as «a system linking a product with its characteristics, a trademark, its image in the consumer's mind, as well as the concept of a manufacturer in relation to his product, trade mark and consumer» [4, p. 127].

In academic literature, each of these phenomena has been studied: brands developing and their justice (Keller 1993); association of marketing expenses with brand stocks (Sriram, Balahandr and Calvani, 2007; Stahl et al, 2012.); results of brand stocks market, such as market share, price premium, income premium and profit premium (Ailawadi, Lehmann and Neslin 2003; Goldfarb, Lu, and Moorthy 2009; Srinivasan, Park, Chang, 2005); results of the financial brand stock market, such as stock market profits, risk and market value (Aaker and Jacobson 1994; Mizik and Jacobson 2008; Rego, Billett and Morgan 2009); and also, factors that improve or limit brand ability to use its capital to expand the brand (Aaker and Keller 1990; Batra, Lehmann and Singh 1993; Bottomley and Holden 2001) [6, p. 1]. Also, the works of national scientists, such as L. Balabanova, V. Vasylenko, N. Dikhtiarova, A. Kryvenko, N. Kudenko, R. Nozdreva, S. Oborska, V. Ponomarenko, are devoted to studying the formation of a marketing strategy on enterprises. However, the issue of theory and practice of brands formation is still of growing interest to the researchers, considering the dynamics and market transformations of economy.

Presentation of basic research material with the justification of the obtained scientific results

Ukrainian market is specific in terms of brand promotion, it is still attractive to new foreign brands,

the revenue of which is forcing Ukrainian firms to engage in active promotional activity. In general, characterizing the current tendencies of branding development in Ukraine, one can distinguish some of its characteristic features: the number of brands bearing the «national color» is increasing; the number of brands with elements of national symbolism is growing [4, c. 125].

Perhaps the most common definition of brand attributes is Keller's (1998) concept: the various benefits and responses to the marketing efforts that the product receives through brand identification over the benefits and responses that a given product will receive if it does not have a brand identity. Despite the fact that brand practices are practically the same as researchers and consultants working in this area, there are two large-scale measurement approaches: one is based on what consumers think of the brand (consumer brand-property [CBBE]), another is based on choice or market share (selling brand oriented [SBBE]) [6, c. 1]. Thus, the specialists from Edelman PR agency conducted a survey (surveyed about 14 thousand people in 14 countries) and found out what it takes to make brands to maintain consumer relationships. 50% of respondents indicated that they are taking purchase decisions depending on the position of the brand, and 67% will make their first purchase through positions on sensitive social issues.

Relationship between buyers and brands is promoted by the great brand position. Thus, 23% of respondents agree to pay more for brand products (25% more), 48% are ready to protect the brand and be their attorney, 51% will be loyal to the product and make purchases more often [16]. At the same time, the Earned Brand report found that 57% of consumers are ready to buy brand products or boycott the product due to the company's political or social position. Now buyers are also 30% more inclined to decide to buy a brand product based on brand principles than three years ago. For 60% of millennials, 53% of the Z generation and 51% of the X generation the brand ideas are important when making purchasing decisions. Buyers with high profits are also concerned about brands ideas, as 57% of respondents who earn in the upper quartile are worried about brand principles.

Note that the high cost of brands determines the cost of new products on the market. Choosing the best pricing strategy is an important and very difficult task for managing companies under current unstable

market conditions, with a decrease in consumer activity of the population. Finding sound managerial decisions is complicated by many factors of the internal and external environment and requires a well-grounded algorithm of action [13, c. 142].

The pricing policy of the company is formed within the framework of the company's generally accepted strategy and includes the price strategy and pricing tactics and is realized through price strategies. That is, an enterprise must always compare its pricing decisions with the general objectives of the company, which are determined by its strategy in the market,

taking into account that the pricing strategy is part of the overall marketing strategy of the company as an element of marketing activity [13, p. 146].

Companies should use three approaches (cost pricing, competitive pricing and value pricing), or at least two of them (table 1). Companies can start using a cost-pricing strategy because of a lack of information, but most likely, companies will have to take into account competitor prices later on. Most companies need to take into account the wishes of their clients, since very few of them can work without feedback from consumers [13, p. 153].

Table 1. The influence made by ignoring information on price decisions

The category of the participants of pricing policy and strategy development process	The type of the mostly ignored information	Undesirable aftermaths of ignoring the information
Marketers	Expenditures data	Making price decisions that ensure maximization of the company's market share, but not the profitability of sales
Financial managers	Data on the actual value of enterprise goods for the buyers and the regularity of their behavior	Making price decisions that undermine the opportunities for increase of sales and reducing the specific fixed expenses
Financial managers and marketers	Data on the competitors and their potential actions	Making price decisions the efficiency of which is brought to naught at the first relevant reaction of competitors

According to: [13, p. 153]

From the point of view of creating the brands on the market on the first stage it is necessary to identify the circle of existing competitors within the market. One can use several criteria for this purpose. For instance, only the direct competitors can be studied, those producing similar products, the sales of which in value and volume terms are the most close to the companies studied. Such companies usually focus on the same market niche, they are called the strategic group. The strategic group of competitors is a certain number of companies that have close positions on the market and compete with each other on the base of similar competitive advantages with the help of similar methods. The differentiation of niches eases the competition between different strategic groups but increases it within such groups.

Famous American economists A. Thompson and A. Strickland suggest applying graph method, that is, building up the map of strategic groups, for identification of strategic groups of competitors on

the market. The map is a two-dimensional coordinate system, on which the positions of the competitors figured are defined at least by two the most significant criteria of their classification. The companies having close positions on the map are referred to one strategic group, the area of a circle, herewith, is proportional to the total market share of strategic group.

On Fig. 1 the map of strategic groups for the market of jewelry of the USA is shown. The quality/price ratio of the jewelry and the level of competitors' specialty have been chosen as the most significant criteria.

The second approach to identifying the circle of competitors is a choice of the most powerful players on the market (market makers, market leaders), who define the character of competitive struggle and possess undeniable competitive advantages, or the fixation on the companies that have the substantial total market share.

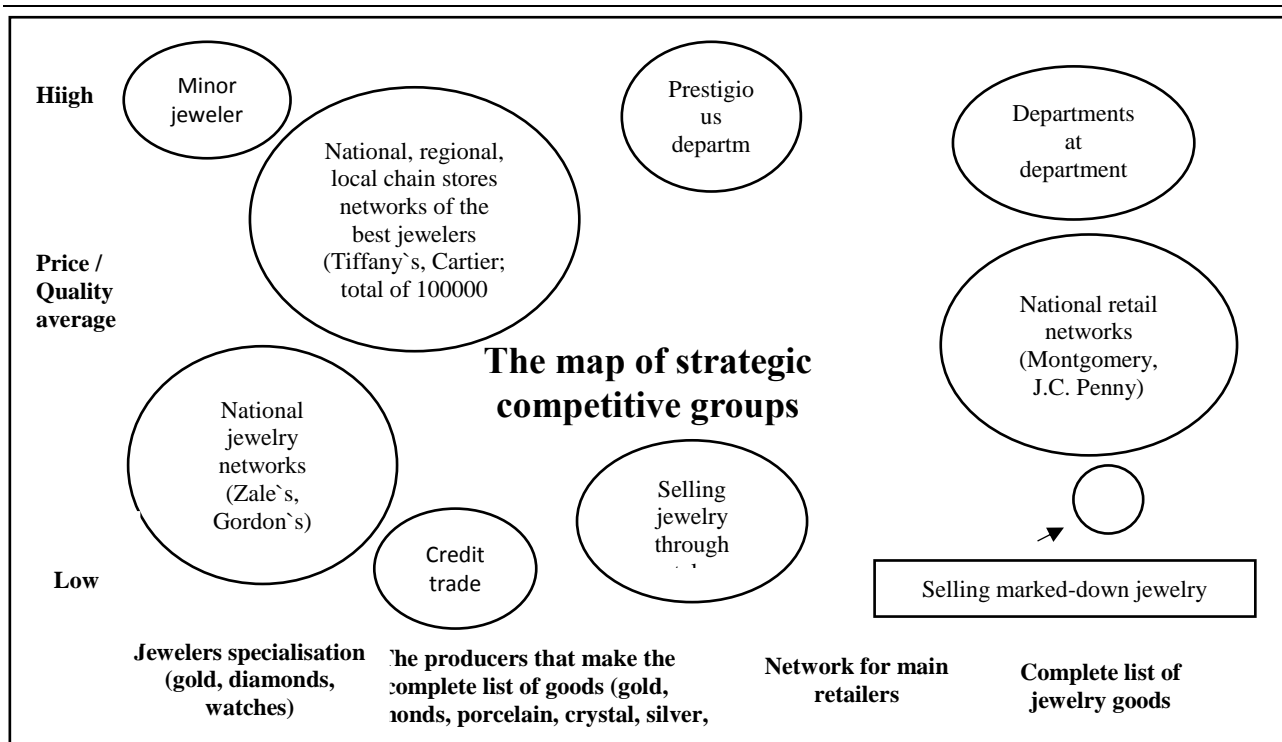


Fig. 1. The map of strategic competitive groups

According to authors

Studying such competitors allows improving business model, developing more efficient competitive strategies, creating wide range of events both offensive and defensive.

Thirdly, the company can keep all the competitors that operate within the geographical market in sight. This approach to competitive analysis is quite laborious, but its results allow making reasonable decisions regarding the creation of strategic competitive advantages and development of company key competences.

Fourthly, the company can monitor the activity of all potential competitors.

The monitoring of competitors identified on the first stage of the diagnostics should be carried based on the complex of indices of financial, industrial, marketing, scientific and technological, and innovative activities. Specific models and methods of the analysis of companies' international competitiveness level will be considered further.

The next stage of the diagnostics is the characteristics of competitive forces and defining the type of the market, which is made by expertise based on Porter's five forces model (Table 1). For estimation of the influence of certain factors of competitive environment using three-point grading

system, where 1 point means slight influence, 2 points mean moderate influence, and 3 points mean strong influence, is appropriate. The average meaning is estimated for each particular force.

The method of expert analysis of competitive environment (based on Porter's five competitive forces model) is a powerful instrument for conducting deeper analysis of the competitive structure of the field. Moreover, Porter's five forces model may be used as an addition to SWOT-analysis and is useful for company strategic planning regarding the launch of new products on the market, meanwhile evaluating the profitability potential.

However, the five competitive forces model has a few weak points and restrictions. Firstly, the model underestimates the influence of key competences of the ability to gain the profit on the company. Instead it states that the field's structure is the only determining factor. In that case Porter's model is hard to apply to large transnational companies with synergy and interrelation, achieved within the company portfolio. Furthermore, the five forces structure does not consider the possibility of creating new product market.

Table 1. The method of expert analysis of competitive environment (based on Porter's five competitive forces model)

Competitive Forces	Factor	Factor State	Factor scores		
			1	2	3
1. Entry of new competitors	1.1. Level of the barrier to entry	- considerable saving on the volumes of sales	x		
		- high level of financial investments		x	
		- conservatism of the existing supply system	x		
		- low level of the product differentiation	x		
	1.2. Reaction of existing competitors	- the necessity of the regular customers engagement			x
		- the lack of active marketing policy	x		
		- low innovative activity of enterprise executives			x
		- weak use of the methods of conducting competitive battle		x	
The average power of influence of the entry of new competitors (I_{nc})			1,75		
2. Entry of substitute products	2.1. Influence of substitute products	- the cheaper product gains an advantage			x
		- the tendency for realization of cheaper and less qualitative goods			x
		- the lack of substantial differences in the assortment of the main competitors		x	
	2.2. Illegal imitation of goods	- emerging of large number of substitute products which appeared as a result of the substitution of brand-name products, brands, and trademarks by the firms of Turkey, China etc.			x
The average power of influence of the substitute products (I_{sp})			2,75		
3. Competitive forces of buyers	3.1. The influence of buyers on the conjunctural positions of an enterprise	- high level of consumer organization;		x	
		- great buyers opportunities of choosing the substitute products;		x	
		- high level of products standardization;			x
		- high malleability of tastes and preferences of customers regarding the enterprise products	x		
	3.2. Bargaining power of buyers	- consumers sensitization on the products	x		
		- high price elasticity of the products			x
The average power of influence of the buyers (I_b)			2,00		
4. Competitive forces of suppliers	4.1. Suppliers influence on the competitive position of enterprise	- enterprise unlimited opportunities in choosing the supplier	x		
		- the tendency for reduction the duration of economic relations		X	
		- low price of the transfer to another supplier	x		
	4.2. Limitation of the resource potential of enterprise	- deficiency of own floating assets	x		
		- the lack of warehouses			x
The average power of influence of suppliers (I_{sup})			1,60		
5. Competition between the existing enterprises	5.1. The level of competitive intensity	- composite index of the competitive intensity;			x
		- large number of small competitive enterprises;			x
		- narrow markets are strong competitors;		X	
		- moderate increase of enterprise product demand			x
	5.2. Competitive positions of the companies studied	- favourable location of the firm	x		
		- the lack of competitors study		X	
		- the competitors studied virtually do not have strong competitive advantages			x
The average power of influence of the competitive intensity between the existing companies (I_c)			2,42		

Conclusions and prospects for further exploration in the direction.

Modern economy is an era of products sufficiency and severe competition between companies. There are at least 20 companies that carry out production or realize, for example, leather goods in each city. Only some of them can be marked for actual quality, and only a few are really successful. In the course of the research, the goals, objectives of marketing strategy of an enterprise while launching new product, its development algorithm are defined, the sequence of its stages and

strategic decisions that are taken on each of them are substantiated.

The modern brand should conform to the principle of customer-orientation in practice. Manufacturers should exactly understand their customers, constantly communicate with them and sincerely want to make their customers' lives better. The brand should change business to maximize the audience engagement. This approach can help Ukrainian manufacturers to take a place in the minds of the consumers and cause an associative, emotional connection during consumption.

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Теорія та практика формування брендів на ринку

В статті розглянуто складові сучасного бренду, сформовано основні фактори, які необхідно врахувати при створенні успішного бренду на товарному ринку. Обґрунтовано проблеми формування брендів на ринку та концептуальні засади використання світового досвіду формування та управління брендами. Систематизовано цілі, етапи та принципи ефективного маркетингового процесу, можливі ризики стратегічного маркетингу, тенденції, які необхідно враховувати при виведенні на ринок нового продукту. Здійснено спробу пошуку нових підходів формування бренду. Узагальнено існуючі методи оцінювання ринку, конкурентного середовища, шляхи оптимізації власних ресурсів підприємства та рівень інноваційності нового продукту.

Ключові слова: стратегія, бренд, новий продукт, розвиток, просування, маркетинг, ринок.

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