

## **FORMALIZATION OF BRAND MARKETING MANAGEMENT IN THE FOOD INDUSTRY**

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### **INTRODUCTION**

Companies that produce food are searching for opportunities to develop their products with quickly changing technology, consumer preferences, competitiveness and market position. Brands improve the individual life cycle of other products. It is mostly new food brands that are in demand and compete with outdated products, which need to be replaced in time. The interaction between aging brands and new brands companies have updated on distribution of a range of products with slow growth in demand in new places or changing their positioning strategy for life-long development.

This article identifies brand marketing management tools for building a food brand development strategy. Usually, to create high-quality food products or replace branded products of profitable worldwide companies using market penetration is not enough. Industrial food companies launch new products by using individual brand launch strategies, where product, price, distribution and promotion enable the proper selection of strategic marketing management tools. The brand launch strategy includes issues to start the formalization of brand marketing management.

The objective of the research done for this paper is to provide and determine a framework for the formalization of brand marketing management. The research uses Lithuanian new food brands of high quality and limited edition in Lithuania (e.g. meat of ostrich, beef, lamb).

In order to achieve the research objective, the following goals were established:

- to present a concept of the formalization of brand marketing management;
- to analyze brand marketing management tools;
- to highlight how food brand marketing management is formalized in food industry.

The research methods were used – a study of the scientific literature, a case study, a survey, primary data analysis and synthesis, comparative analysis and logical simulation.

## AIM AND METHODS

The aim of theoretical and empirical research is oriented on identification of food brand marketing management tools. Food industrial companies formalize brand marketing management in order to flick the impact of market forces, including fluctuations in demand over product life cycles, brands competition, customer reactions and lost sales. Theoretical and empirical explanations of this formalization are confined to simplifying the branding or launch process of new food products. The formalization depends on the goals and the building of a framework of general business strategy.

The theoretical and empirical research is based on B2B and B2C case study in this article. The empirical research focuses on several problems to be addressed in the process of formalizing food brand marketing management: the formation of demand for food brands; determination of supportive marketing tools for branding; marketing tools for identifying new customer needs. It is important to know how a new marketing mix impacts the effects on demand and sales revenue.

The empirical aim is formulated in order to identify, first, customer willingness and needs to use a food brand and, second, market force factors shaping demand for the brand. The main customers of food brands were selected from B2B (HoReCa system) and B2C markets. It was assumed that the segmentation is more powerful on the formation of demand for food brands and reveals the greater influence of customer needs.

The empirical research was organized in three regions of Lithuania: Kaunas, Vilnius and Klaipėda. Two questionnaires were issued (2014–2016) to two target groups of respondents. The first consisted of HoReCa customers (156 restaurants and cafes) while the second comprised (local) residents of the three regions (412 conventional customers). The primary data were collected from completed and returned questionnaires in 89% from of the first group and in 74% of the second group. It was necessary for the survey to span so much time so that the fluctuations in consumer needs and seasonal consumption under structural market changes could be identified. The first questionnaire was used to identify marketing tools which could be consistently important to apply in the brand marketing management model – for branding and target market development. The second questionnaire was used to identify the needs of conventional customers.

The findings are reported in a scoreboard as problems of branding for industrial food companies. The empirical research serves in the discovery and assessment of five factors: demand, purchase frequency and motives, brand advantages and substitution. The empirical research leads to the construction of framework for managing brand marketing, with focus on identifying target markets, positioning tools and new marketing mix.

## THEORETICAL ASPECTS OF BRAND MARKETING MANAGEMENT

Brand marketing management is an important construct for any modern business strategy [AMA 2007, Plinke 2015]. Market demand partly impacts on the objectives of business and a marketing core strategy. Available brand marketing management tools are

necessary to build brand identity [Heding et al. 2008]. The behavioral theory of firms [Cyert and March 1963, Plinke 2015] introduces new fields of marketing management for new product performance – marketing knowledge, funding and investment of marketing innovation, branding, strategic marketing and the harmonization of the relationship between suppliers and customers. Implementing the concept of brand marketing management helps companies differentiate the needs of customers and the levels of competition among suppliers, because it leads to the creation of rational, emotional and (in)tangible elements of branding [Heding et al. 2008]. Branding in many cases impacts on the dimensions supported for a new product performance.

Brand marketing management is a complicated process when it interacts within market segments with the active marketing mix [Keller and Lehmann 2006]. Most challenges brand marketing managers face are associated with the demand for suppliers. Thus, brand marketing management goals require information management challenges to be addressed. These include identifying market opportunities; analyzing demand; analyzing market segmentation and parametrization; creating the appropriate marketing mix and variation within respected market segments. According to Meffert [1995], brand marketing management is usually facilitated with the implementation of a new marketing mix in looking for simplification or formalization. In many cases, a new marketing mix is a great tool to get positive results from newly launched brands or new products, such as sales increase and long-term sales stability. Consequently, the formalization of brand marketing management is focused on new strategic items [Meffert 1995] and special marketing management functions [Page 1993].

Considerations about effective brand marketing management could be built into a framed closed-loop control system [Plinke 2015]. However, most of what is written about the framework of brand marketing management is linked to the formalization of strategic marketing. Arguments for formalizing brand marketing strategy are focused on a total set of actions, following the common business interests [Kotler 2015] – Figure 1.

According to brand corporate marketing strategy, the product development process is too complicated, mainly due to the efforts companies make to differentiate themselves from competitors, and through the advantages companies derive in meeting consumer needs [Kotler and Keller 2012].

Brand marketing management determines the overall resources and information about users and competitors during a given period and allows companies to formulate their operational and functional objectives after the analysis of the environmental situation. After market segmentation, marketing objectives can be changed or carried out to determine new objectives and target markets [Winer 2007]. The analysis of industrial cases reveals the prevalence of certain marketing management patterns for new products and brands [Cooper 1984, Dickson 1992, Grivens 1994, Tripunovski et al. 2014]. Using basic determinants of branding and several brand marketing management techniques helps to create high demand for brands [Amin and Cohendet 2004]. Firstly, market suppliers or intermediaries try to launch brands for shaping demand, creating new needs or “pushing” separate product attributes. Secondly, it is essential to define the functionality and quality of brands for customers through specific training and education, and show them how to apply new attributes.

Currently, brand marketing management is emphasized as an important determinant of product performance and sales power in turbulent markets [Cooper 1996]. The man-

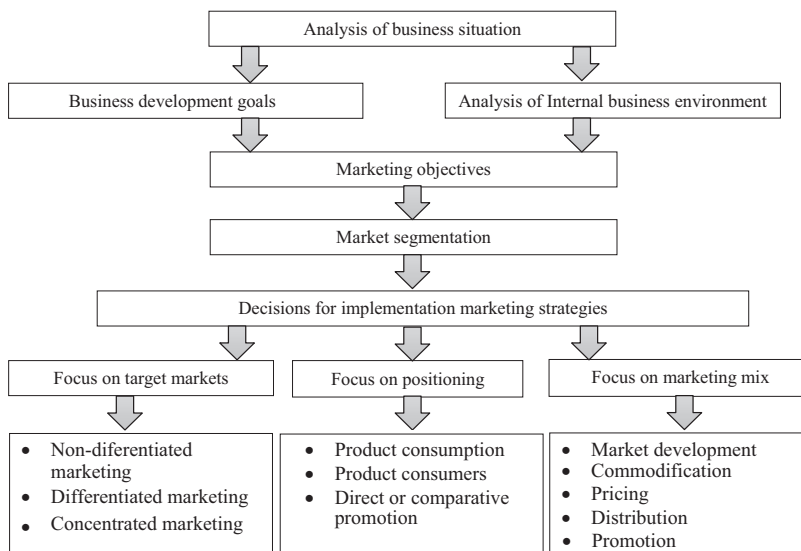


FIG. 1. A conceptual model of brand marketing management

Source: the author on the basis of Kotler 2015.

agement framework serves for building two framed marketing processes: the identification of marketing objectives and controllable (internal) variables (e.g. assortment for sale and pricing); the creation of referenced (external) variables (e.g. indicators of customer preferences), which interrelate with marketing management tools (e.g. promotional mix and innovations for customers in target markets).

Industrial food companies are able to launch brands and new products, the success of which is not yet certain, to new regional markets and distribution channels using innovative communication. The success of brand marketing management therefore depends on several factors: brand launch intensity; product novelty; market size; business resources or other internal variables impacting brand marketing strategy [Wilson and Gilligant 2003]. Product novelty or brand serve to frame sales power [Gatington and Dominique 1987] through the business culture and corporate image, market share, long-term contracts, products type (uniqueness or novelty), branding. The Atuahene-Gima model, which was first published in 1987, can be used to monitor sales power [Atuahene-Gima 1995]. The Atuahene-Gima model reflects strategic marketing management items and their important place in the marketing mix for individual branding (Fig. 2).

Atuahene-Gima [1995] stated that companies tend to overfocus on existing customers, and may suffer a high loss of brand demand by ignoring potential customers from other demographic groups. The sales force adjusts to customer loyalty, but sales are created by exclusive sales conditions or focusing on price, volume discounts, postponements, settlement payment terms and other items. Atuahene-Gima [1995] also maintains that companies must be “ambidextrous”. Brands must stand out for certain properties and must be more unique or better than competitors [Li and Atuahene-Gima 2001]. If a brand is not

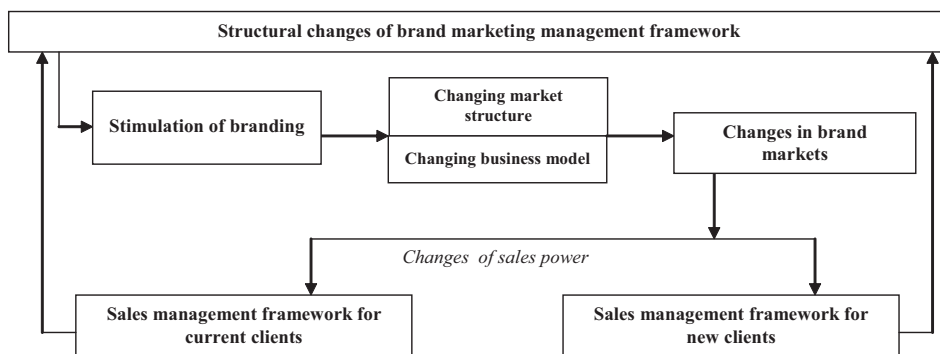


FIG. 2. The Atuahene-Gima model

Source: the author on the basis of Atuahene-Gima 1995.

physically unique, then it should at least be perceived as unique. Another characteristic a brand should possess is the ability to make the customer perceive value that exceeds what he or she pays – or at least be equal [Cooper and Kleinschmidt 1990].

Sales power depends on branding, market demand growth, product development intensity or modifications. The formation of sales power may follow various trends. Sometimes mistakes made in brand marketing management reduce sales, weakening the company's market position by rendering it less competitive. There are some cases when a brand is unique, but increasing demand for it is not possible using only traditional marketing management tools. Customers may not react to lower prices or are not interested in new product applications or even ignore product advertising. In such cases, the sales force for the brand decreases and the business also loses sales of other products.

The brand marketing management framework is analyzed here to determine the launch process and prevalence of marketing management patterns [Dickson 1992, Cooper and Kleinschmidt 1994, Grivens 1994] and formalization possibilities. It includes the analysis of the marketing environment, forecasting, strategic and operational planning and results of actions taken. Such formalization can be agreed thanks to brand marketing management strategies [Meffert 1995] or marketing management functions [Page 1993].

Industrial food companies launch brands and new products with increased frequency in order to increase business profitability, and replace or diversify an existing product assortment for which there is less demand. When a brand is launched smoothly and efficiently, marketing management items need to be reviewed. The strategy must be again formulated according to market expansion possibilities. In order to ensure the business for a more competitive position in the market (larger market share), companies must achieve higher profits and adopt brand marketing management objectives through demand formation and, then, increasing demand (Fig. 3).

Formalized brand marketing management serves to (trans)form the marketing strategy or marketing mix (Fig. 4).

The most important strategic and operational nature of demand-side brand issues are analyzed by marketing key environmental factors that determine a business's strengths and weaknesses, and the creation of brand demand. In this context, the behavior of cus-

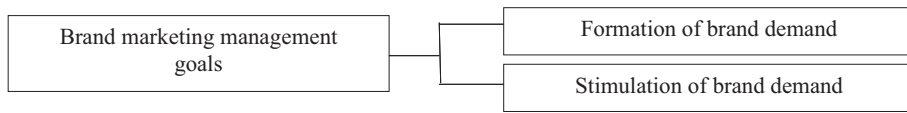


FIG. 3. Brand marketing management framework

Source: the author's elaboration.

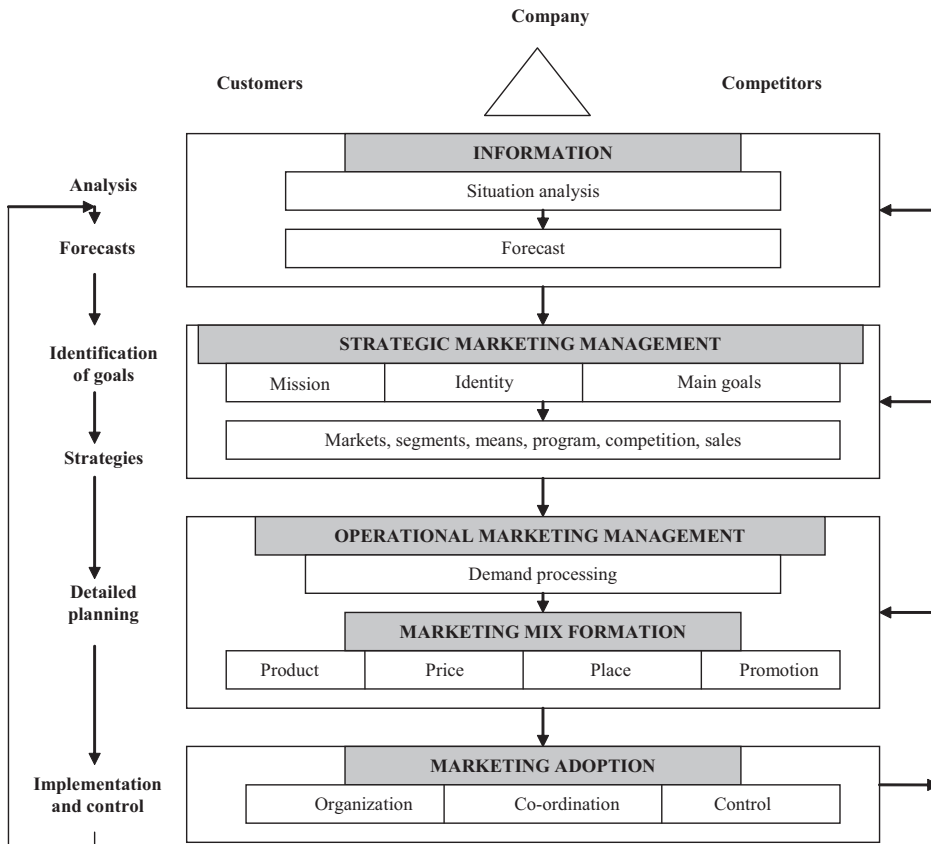


FIG. 4. Model of brand marketing management formalization

Source: the author on the basis of Meffert 1995.

tomers and competitors and macro-environmental tendencies, market changes and sales forecasts are all important.

Brand marketing strategy procedure is based on a formalized brand marketing management process, where external issues serve for business development, co-ordination and control of markets and the general business goals. The formalization of brand marketing management facilitates the resolution of typical problems of market expansion by using indicators, which promptly provide information about the execution of marketing

plans, allowing a company to adjust and take additional measures. On the basis of brand marketing strategy, companies decide on and implement all management functions by using the new marketing mix.

Brand marketing management is therefore oriented on: figuring out the most important strategic and operational issues for demand formation and stimulation; analyzing the marketing environmental factors that determine the company's ability to create demand for a brand; estimating major marketing mix factors.

## **EMPIRICAL OUTLOOK OF BRAND MARKETING MANAGEMENT**

The process of launching a product on the Lithuanian market is based on improving sales and positioning the brand. The large variety of food trademarks makes it difficult to identify food innovation because of the countless new food products. Suppliers of the new food brands in Lithuania are faced with the formal marketing goal of product/brand positioning by novelty, quality, place and price. This makes brand marketing management no simple task, one that can be formalized only after the market's capabilities have been studied at some length.

In order to reveal the problems that attend the formalization of brand marketing management in the food industry, empirical research was done on the basis of food processing and marketing activities. Usually, sales of rare food brands are organized using a short-supply chain model, and the formalization of brand marketing management is focused on food processing, positioning and branding.

Food companies can not simply increase the scope of their production as the demand for national food brands is limited. The processing of food brands (e.g. rare meat) depends on local farming and intermediary networking. Customers in both the B2B and B2C markets can find local food brands in special trading places. The marketing communication in the B2B market serves to improve local food brand distribution. The target group (conventional customers) is limited for local food brands.

Empirical implications reveal the situation that customers of B2B and B2C markets are sensitive only to brand, but not new food products. The main survey scoreboard is established to place the results of both respondent groups for identification problems affecting the formation of demand for a given food brand:

- the first group of respondents indicated their demand is limited by a specialized menu (e.g. gourmet menu, healthy grains menu);
- sales promotion was the most effective marketing tool for respondents of both groups;
- marketing information about local food brands to customers is presented as static brand advertising (where the sales occurred).

The results of the scoreboard (Table) illustrate that demand for new food brands is limited in both markets. Food brand marketing management can be accomplished with specific marketing tools and promotional campaigns. Demand for products is formed using the principles of test-marketing. Food brands are put on sale more for selected segments of the market. Customers in the B2B market, who need new products and use food

TABLE. Survey scoreboard for assessment of demand of food brands

Brand marketing management results	Survey for identification of brand demand						
	B2B market			B2C market			
Demand level (%)	low	average	high	low		average	high
	63	23	14	86		12	2
Distribution of answers about customer purchase frequency (%)	once per month and less	once per month and more	once per week	never optional	always during purchase	for exceptional purposes	for special needs
	60	37	3	68	2	28	2
Distribution of answers about purchase of brand package size (%)	frozen – 0.5 kg		7	frozen – 0.5 kg		53	
	frozen/vacuumed – 2.0 kg		47	frozen/vacuumed – 2.0 kg		35	
	frozen – 5.0 kg		45	frozen – 5.0 kg		12	
Distribution of answers about food brand advantages (%)	low	average	high	low		average	high
	20	36	44	62		17	21
Distribution of answers (%)							
Purchase motives	exotic product advertised product “pushing” product			trial purchase		8	
				satisfaction of brand use		26	
As new product	high	average	low	never optional	new	known	conventional
	58	38	4	56	30	12	2
As substitute of brand	high	average	low				
	49	39	12				

Source: the author’s own empirical research and survey data.

brands as substitutes with higher value, order in bulk that is frequently delivered, ask for price discounts and other options.

The differentiation of market segments impacts marketing effectiveness in short periods. Suppliers of food products formulate proposals for markets more effectively by using brand marketing strategy focused on the new marketing mix.

Short-term test marketing requires marketing management to be reviewed. In applying the test-marketing, regional producers must periodically collect information about potential customers and their behavior and assess changes occurring in segments of the market, for example their size.

Test-marketing can be done to improve food brand marketing management. Such tests allow producers/suppliers to test new price, distribution, positioning and advertising strategies and marketing tools (e.g. brand value, package) in order to control their marketing budgets under real market conditions. Brand novelty, price and distribution



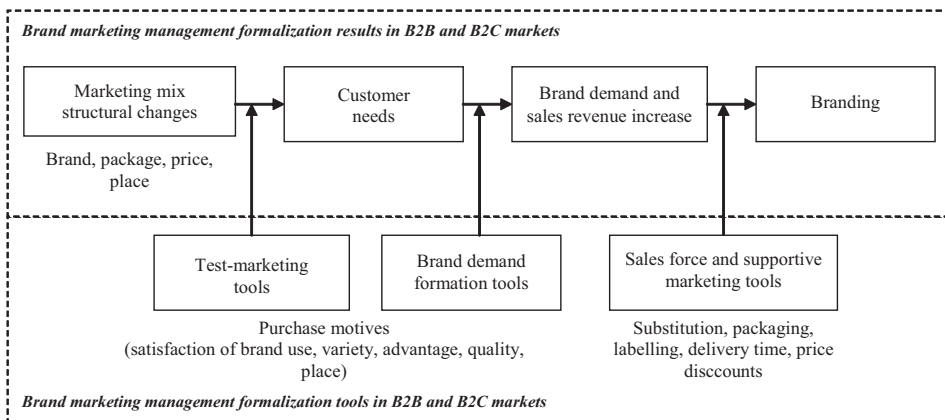


FIG. 5. Food brand marketing management formalization model for B2B and B2C markets

Source: the author's elaboration.

indirectly reflect current customer needs. The promotional mix used can increase market share, prolong purchase terms and brand life cycle. Brand marketing management tools have to be used as a new marketing mix, and individual elements must be selected so that each of them can reinforce positive peer effects while counteracting negative ones. It is important to ensure that the overall impact of the co-ordination carries the optimum effect for customers. In this case, promotional tools deal with customer relationships forming the new challenges of B2B and B2C communications systems. Direct promotion can lead to a positive market reaction for food brands that have been launched but remain little known or have been overlooked. Brand promotion serves for higher image in the market, and differentiated marketing tools are more effective in different marketing mixes.

## CONCLUSIONS

In order to construct the brand marketing management framework, the tools of brand marketing strategy have to be analysed.

The following fields of brand marketing management are identified as problematic:

1. Food brand marketing management should be based on the implementation of a marketing strategy development framework. Brand marketing management tools lead to cause customers to react in different ways. The brand demand formation tools identified in this paper are connected with test-marketing and purchase motives – satisfaction with brand use, variety, quality, advantage and place, to name a few.
2. The food brands are important for B2B and B2C markets, and especially have to be powered in the B2C market. Support from marketing and the sales force bolster communication and branding.
3. Brand marketing management can be formalized only when the launch of new food brands increasingly impacts their demand and compatibility with other local food

- products. Otherwise, brand marketing management goals have to be included in the brand marketing strategy and must be developed by a new marketing mix.
4. It can be argued that the formalization of brand marketing management serves for the formation of the new marketing mix or solve the marketing strategy which masters challenges arising in the target market.
  5. Brand marketing management is a long-lasting process and requires special positioning and promotion. The market justifies new food brands differently: producers expect to get certain turnover faster by launching new products; intermediaries introduce new products with notable and successful positioning; customers expect to recognize brands and new products by price, quality, safety and adaptability. In order to improve the brand marketing management in B2B and B2C markets, marketing communication and several active marketing mix elements (e.g. place and promotion) have to be included in the formalization framework and target differentiation marketing strategy.

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**Summary.** The article helps to identify interrelated factors of the formalization of brand marketing management using applied strategic marketing tools. The brand marketing management framework is constructed on the market research results – new marketing mix. Consequently, valuable brands and new food products are more successful in market at the lowest costs under more intensive promotional activity. Customers always fix their choice at an advantage in consumption of new brands with (in)tangible attributes – quality, use convenience, time savings, image or variety by personal experience. Producers try to gain from new brand marketing management and try to form new consumption trends together with intermediaries. The theoretical and empirical researches were provided on the basis of scientific literature, case studies, primary data collection, surveys, primary data analysis and synthesis. A questionnaire was used to identify brand marketing management tools and the results of using them. The answers to research problems are formulated on the base of situation in the B2B and B2C markets of food brands. The research was framed to demonstrate that the formalization of brand marketing management can be implemented successfully by forming target marketing strategy and marketing communication.

**Key words:** brand management, marketing, formalization

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