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 the creation and development of brands both in "high" and "lower" price segments of the market.

Keywords: price, brand positioning, marketing activities, transnational corporation

1. INTRODUCTION

The end of the twentieth and the beginning of the twenty-first centuries turned out to be a period of qualitative changes in the global economic framework, as well as a period of change 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 companies look for new competitive advantages. Under the circumstances, a basic requirement of a company to withstand heavy competitive pressure and take a strong position on the market has become a necessary and 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, as they operate in different countries and, hence, in different marketing environments.

TNCs own global and international brands that compete in different price segments. The modern global economy is an 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, and is a main source of profit in the long-run. From something as simple as a 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. Their basic functions are identification of the company's goods, maintenance of consumer loyalty, and to increase corporate profits. Price is one of the main criteria of market segmentation significantly affecting the positioning of goods. Corporations use mass substantially less, and only in relation to goods that have a global nature. This explains the need and relevance of research into 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 and Henri Charmasson. Brands and advertising mechanisms are explored by David A. Aaker, Tim Ambler, and Rajeev Batra. Problems affecting brand management are touched upon by Gary Armstrong, Philip Kotler, Jean-Jacques Lambin, and Peter Doyle. However, little research has been undertaken to study the influence of prices, as part of marketing, on brand positioning in the relevant literature.

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).

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 a company's commercial policy, it is also one of the tools of advertising, and it affects the pricing (brand price premium). A famous brand ensures intermediaries favour conditions in the market. Brand, under the current conditions of a developing global economy, begins to operate independently in the market, its price is established, and as a result, it generates added value.

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

Table 1. Brand Value to Total Assets of Top-10 Companies (as of 2015)

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	178,119	321,686	8,620	2.68	55.37	4.84
2	Google	133,252	147,461	19,716	13.37	90.36	14.80
3	Coca-Cola	73,102	90,093	24,132	26,79	81.14	33.01
4	Microsoft	72,795	193,694	21,595	11,15	37.58	29.67
5	Toyota	53,580	412,809	64,756	15.69	12.98	120.86
6	IBM	52,500	110,495	35,508	32.14	47.51	67.63
7	Samsung	51,808	149,116	12,706	8.52	34.74	24.52
8	Amazon	50,338	65,444	3,759	5.74	76.92	7.47
9	Mersedes-Benz	43,490	232,387	10,775	4.64	18.71	24.78
10	General Electric	43,130	495,692	82,270	16.60	8.70	190.75

Source: Calculated using data from internet resources.

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 of a new brand, a company must analyze the product positioning of the competitors. In the process of positioning of the new brand 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, the products of its competitors, and consumer attitudes toward them. Thus, we can determine where it is necessary to direct the efforts of the company, either to modify the product, or the attitudes of the consumer toward 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 an 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 "with a number of others." Current brand management involves the use of all elements of the marketing mix for brand product maintenance: pricing, the marketing system, and promotion of products.

In addition to those elements, it is necessary to periodically assess the perception of the brand, interviewing consumers, experts, watching the process of sales and, if necessary, make adjustments to the brand management plan of action. There is a need for monitoring two levels of competition in the market: branded goods competition in its product category, and information competition in the minds of consumers (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 the most effective means of communication. If a company wants to position its brand as a quality and expensive one, the sale of the products cannot be high (e.g., branded cosmetics, perfumes, expensive accessories, jewelry, etc.).

Intensive marketing implies that the brand is aimed at a 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 a steady demand from various consumers and improving its competitiveness (Charmasson, 2004).

In branding there is the 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, the 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 in gaining 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 global market there are the following examples of such purchases: TATA Motors acquired Jaguar Land Rovers; Geely bought Volvo; BMW acquired Rolls Royse; Volkswagen took over Bentley; and Lenovo bought the Motorola brand (its 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, and consequently, 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 brands. First of all, the expensive brand can be applied to a wider target segment of consumers, geographic markets, or distribution channels. In Western practices, this action is called "brand stretching" (Aaker, 1995).

Undoubtedly, there is some risk in marketing an expensive brand. Consumers may not be willing to buy this brand because it belongs to the company that serves a 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. There may be several reasons for that outcome: for example, the market is saturated with brands and consumers do not see much difference between them; goods are already being sold through retail trade networks, which are reluctant to buy expensive brands, preferring cheaper goods, etc.

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 regards to the quality of the product that it represents. The problem is that price reduction affects the perception of the user more than any other action associated with the brand.

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

To reduce the risk of damaging the brand while creating cheap variants the new product should be separated from the previous category. The bottom line is that consumers can differentiate product classes within a single brand identity. The risk of transferring a negative opinion about the product will be smaller if the type of goods having the same brand identity differ greatly (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 IBM Corporation created the 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 price reduction. Marlboro, Budweiser and Pampers belong to brands whose owners believe that there should not be a big margin given to price in a global market, characterized by strong competition and where the main sales are made through retail networks. Thus, they cut the price for their products, making them more competitive. This concept has been termed as "optimal price / quality ratio" (Batra, 2009).

Price is the primary means of positioning brands. A sharp decline in prices may give buyers a reason to doubt whether the product really differs from a product under a different brand, and may cause some consumers to conclude that its quality is not above the average.

Many brands are in the upper price segment of the market. Typically, these branded products have unique attributes. If the company makes a decision to lower the price, they should take steps to preserve consumers' perception that the high quality of their products is different and better than the products of competitors. The difficulty in this case is to start competing with new prices without changing the positioning of goods. 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.

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

A very different behavior was exemplified by the Marlboro brand of Philip Morris International, in which the managers dramatically reduced the price of its main brand when faced with a decrease in its market share (Aaker, 1995). The move, in fact, though strategically correct was taken by retailers, customers and shareholders as a panic reaction, which further worsened the position of the brand. A 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 still 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 being 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 now accounts for the bulk of sales. Another example of this is the product lines of Hewlett Packard Pavilion, Lenovo IdealPad, and Dell Inspirion. 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 a sub-brand is created, it is imperative for companies 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 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. Therefore, what seems like taking away the market share from the company's more expensive models is actually fighting 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 named Gillette Blue. The sub-brand added a lighter and more youthful image that contrasted with the 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, the Lenovo Corporation hints to 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 the company's 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 to the major brand is reduced.

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

The focus on different market segments will not only give an opportunity for consumers to mentally 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, or focus on consumers in small towns and rural areas, leaving the core brand for major cities.

4. CONCLUSION

A successful, strong brand is today's "treasure" of 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 risks in the creation and development of brands in "high", "medium" and "low" price segments of the market. Managers of corporations must take the characteristics of these market segments into account when developing and implementing marketing strategies, and must promptly react to the changes that may occur in the consumers' perception of brands.

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