Zeneca Group PLC[1]

In March 1999, Steve Hawkins had been assigned the task of recommending whether the brand name used in the United States on one of his company's most profitable chemical products should be changed to the global brand name. Steve was North American product manager for Diquat/Reglone and he reported to Fred Johnson, North American Business Manager for Zeneca Group's non-selective herbicides. Fred also had asked Steve to recommend a brand migration strategy to prepare for the possibility that the brand name would be changed. In May 1999, after two months of data gathering, Steve was ready to develop recommendations.

Industry and Corporate Background

Zeneca Group Plc was a multi-national, life sciences company with its headquarters in the United Kingdom. The corporation had four principal lines of business. Zeneca Pharmaceuticals researched and developed ethical medicines for serious health conditions. Salick Health Care, Inc. provided cancer and kidney failure diagnostic and treatment services through seven comprehensive treatment centers in California, Florida, Kansas and New York. Zeneca Agrochemicals marketed crop protection products designed to improve crop yields and food quality. And Zeneca Specialties supplied a broad range of products for customer industries including health care, agrochemical, paint, leather and imaging applications.[2]

The principal products of Zeneca Agrochemicals were herbicides, insecticides and fungicides. Herbicides replaced or reduced mechanical weeding and were either selective or non-selective. Selective herbicides destroyed certain weed types without significantly affecting the host crop, but non-selective herbicides affected all vegetation. Insecticides controlled insect pests that damaged crops and caused food quality problems. Fungicides prevented plant diseases that reduced crop yields and quality.

The agricultural chemical industry was relatively concentrated. Ten large, integrated, life sciences or chemical companies based in Western Europe or North America accounted for 75% of worldwide sales of agrochemicals. Competition within the industry was based on innovation, product differentiation, geographical coverage and customer service. In all major markets, agrochemical products were subjected to comprehensive registration and re-registration procedures that mitigated the effects of patent expiry on a product's market position and price.[3]

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[1] University of Guelph professors Ralph Sykes and Tom Funk, and MBA in Agriculture graduate Steve Hawkins, prepared this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. Some information in the case has been disguised to protect confidentiality.

[2] Zeneca Group Plc. "Annual Report and Form 20-F", 1998: page 2.

[3] Zeneca Group Plc. "Annual Report and Form 20-F", 1998: page 23.

The Global Branding Challenge

Zeneca Agrochemicals marketed an important crop desiccant around the world. This product was a non-selective herbicide that was sprayed on potatoes, sunflowers and canola just prior to harvesting. The herbicide dried up foliage on the plants, simplifying the harvesting process and reducing drying costs. The main ingredient in Zeneca's crop desiccant was a chemical called "diquat". Zeneca's diquat desiccant "killed" foliage within one week of contact, and only affected the plant parts it contacted. This feature meant that the product could be used on seed and food crops. A consistent formulation of the diquat desiccant has been sold in all markets served by Zeneca.

Zeneca's crop desiccant was sold under the brand name "Reglone" in Canada, Europe, Australia and over seventy-five other countries (excluding the United States). The product has been sold under the brand name "Diquat" in the United States for over thirty years. Reglone/Diquat accounted for US $245 million of Zeneca's US $9 billion global sales, but was very important because it had generated a gross margin significantly above most Zeneca products.

At the beginning of 1999, Zeneca had reorganized its marketing group and appointed global brand managers. The newly appointed global brand managers were charged with implementing global branding whenever a global brand was advantageous. In February 1999, executives at Zeneca's headquarters started investigating where global brand names should be adopted in its various business divisions. Zeneca's marketing executives realized that, in the right circumstances, global branding would generate marketing efficiencies.

The Reglone global brand manager had requested Fred Johnson, the North American Business Manager for non-selective herbicides, to appoint a strong manager to investigate and recommend whether the Diquat brand should be converted to Reglone. In addition, in order to be ready with an action plan in the event of a decision to make the change, the manager was to recommend a strategy for migration of the Diquat brand to Reglone.

Shaping the Task

When Steve Hawkins met with Fred Johnson to discuss his global branding and contingent brand migration strategy assignment, Fred explained the importance of Diquat to Zeneca. Within the United States the target market of the Diquat branded product was consistent with Zeneca's global targets: 94% to potato crops and 6% to canola, sunflower and other crops. Diquat annual sales were approximately US $25 million, with only 1½ % of sales revenues spent on product promotion.

Fred Johnson stated that the desiccant had to deliver on seven key U.S. marketing objectives (Exhibit 1) independent of how the product was branded in the United States. One marketing objective was to communicate a formulation change to be implemented January 1, 2000. The chemical content of the product would remain the same, but the appearance of the product when in its container would change from dark, opaque and viscous, to dark red/brown and translucent. The reformulation was necessary because the product had settled out of its spray solution on a few occasions when used in countries with poor water quality. The reformulation did not add any value to the product for growers, nor change Zeneca's product costs.

Fred Johnson also told Steve that a new market entrant was expected in the United States in 2000. A competitor would introduce "Rely", a non-selective herbicide that would desiccate non-seed potato vines. Its main ingredient was glufosinate, a systemic chemical that permeated the vine and killed the entire plant in about three weeks. Rely was projected to enter the U.S. market at a cost per acre of about 15% less than Diquat and would add a new competitive force that could shift some power to customers. Rely's entry meant that the Diquat/Reglone migration had to be undertaken in an increasingly competitive market.

Fred Johnson concluded the meeting with Steve Hawkins by explaining that Steve's recommendations on whether Diquat should become Reglone, and his recommendations on a brand migration strategy, had important corporate implications. Throughout Zeneca worldwide there was resistance to the changing of domestic brand names, and Steve's recommendation on whether Diquat should become Reglone would influence similar decisions for other products. In addition, if the brand migration strategy were successful, it would provide a template for other brand migrations in Zeneca. Getting the right answers on Diquat clearly would generate internal resource leverage for the North American business unit within Zeneca. Steve felt the considerable weight of his new responsibility.

Information Gathering, Research and Analysis

Hawkins had begun his research by reviewing marketing textbooks, journals, periodicals and newspapers, and conducting an extensive Internet search. Steve discovered that decisions on global branding were multi-faceted and complex. He also identified a relationship between a decision on global branding in the Diquat/Reglone circumstances and the concept of brand equity. Steve summarized his findings on global brand decision-making (Exhibit 2) and his findings on calculating brand equity (Exhibit 3). Steve also summarized selected financial data that would be needed to calculate brand equity for Diquat in the U.S. and for Reglone in all countries excluding the U.S. (Exhibit 4). Finally, Steve found a chart summarizing the sources of brand equity in a marketing textbook (Exhibit 5).

Steve's research determined that brand migration had not received a lot of attention in the available literature. However, the literature on corporate name changes, product line extension, family branding, product introduction, and product rejuvenation struck Steve as analogous to brand migration. Steve summarized the best examples in the hope that they would be helpful (Exhibit 6).

Next, Steve reviewed the customer segmentation work done by Zeneca on its Diquat customers. Individual psychographic profiles of more than 50% of Zeneca's potato growing customers had been prepared. This data classified the customer base into three segments (Exhibit 7). Interestingly, each segment contained approximately one-third of Zeneca's U.S. customer base. Segmentation allowed Zeneca to identify the marketing mix most appropriate for each segment, to customize its marketing message by segments, to analyze trends within and between segments, and to evaluate the return on investment by segment.

Zeneca had commissioned a study using customer focus groups to determine whether it was worthwhile to build a segment-specific marketing mix. The study confirmed Zeneca's hypothesis that its three segments would be receptive to segment-specific advertisements and promotional materials. Zeneca deliberately arranged for some of the focus groups to involve Idaho potato farmers because these farmers generally used sulfuric acid as a desiccant. A consequence was that Diquat had only a 10% market share in Idaho versus an average of over 60% for potato acreage throughout the rest of the United States. The study revealed that all three segments in Idaho preferred acid and would be unlikely to consider Diquat.

Steve reviewed the results of a brand share and pricing survey Zeneca had completed in the fall of 1997. This survey identified market shares in North America. It revealed that both Diquat (in the United States) and Reglone (in Canada) enjoyed a high level of unaided brand awareness in their respective North American markets (Exhibit 8). The survey also revealed that both brands had significant market shares in their respective markets (Exhibit 9).

The 1997 brand share and pricing survey also provided the data needed to determine whether Diquat (in the United States) and Reglone (in Canada) were priced optimally. The data showed that lowering the price of Diquat would increase the total acres treated. This increase in volume would come from farmers not currently using a chemical dessicant, but it would not be sufficient to increase total revenue. From this finding, Steve Hawkins concluded that the demand for Diquat was relatively price inelastic and that in 1997 Diquat was priced optimally.

Steve next turned his attention to the 1999 results of a Diquat brand value survey commissioned by Zeneca. This survey identified why customers valued Diquat and how Diquat users might react to the entry of a generic competitor called "Alpha". The brand value survey revealed many reasons why producers liked Diquat (Exhibit 10), a number of reasons why producers disliked Diquat (Exhibit 11), and a number of reasons producers offered for choosing the product (Exhibit 12). The survey also indicated farmers' propensity to use Diquat and competitive products at varying price levels (Exhibit 13).

Finally, Steve gathered some information related to the implementation of a U.S. brand name change, should Zeneca decide to go that route. Both Diquat and Reglone had been protected by trademarks and name registration in the United States many years ago. Nevertheless, Federal and State regulatory approvals would be required for a product name change. For planning purposes Steve decided to assume that regulatory approvals would be obtained quickly although he knew that there was a risk of late approvals. Steve estimated that regulatory approval would cost approximately $40,000 in one-time legal fees, not including Zeneca staff time.

The customer segmentation work, focus groups, brand share and pricing survey, and the brand value survey were all routine marketing projects undertaken by Zeneca independent of the global branding challenge.

Steve estimated that unbudgeted one-time costs for logo redesign, printing templates, training materials and a variety of other costs related to a product name change (not including marketing staff time) would total approximately $60,000. Steve also calculated that the annual product promotion budget for the United States would shrink from $375,000 to $250,000 as a result of packaging and promotion economies of scale and media overlap benefits with Canada if the decision were made to use the Reglone name.

Alternatives, Evaluation and Recommendations

Steve Hawkins leaned back in his office chair and stared at the pile of information and surveys he had gathered, and at the various working papers in which he had analyzed all the available data. He recalled Fred Johnson's admonition that the product had to deliver on seven key marketing objectives independent of whether the product's name was Diquat or Reglone in the United States. Steve also recalled the profitability of the product, and the importance of his recommendations to the leverage of the North American business unit within Zeneca worldwide. Was changing the name of Diquat in the U.S. market to Reglone the right thing to do? Of course there were benefits, but what about the risks?

As Steve thought about the challenge and the importance of the project, he was both apprehensive and excited. Time had become a big factor because the year 2000 budgeting process would begin soon and Fred Johnson needed a basis for financial planning.

For the global branding question Steve decided that he would calculate appropriate brand equity values and relate the theoretical arguments for and against global branding to the Diquat/Reglone situation. On the possible brand migration strategies, Steve decided that three apprlaches were worthy of exploration:

1. An abrupt and complete name change from Diquat to Reglone on January 1, 2000 (a "**stop and go**" strategy),

2. Communicating to the market throughout 2000 that a name change was coming and changing the name on January 1, 2001 (a "**slow and easy**" strategy), and

3. Incorporating the ingredient name (diquat) into the Reglone brand name and introducing the “co-brand” on January 1, 2000 (a “**tank mixing**” strategy).

To find a successful brand migration strategy, Steve decided that he would evaluate these and possibly other strategies against the product marketing objectives. Steve turned on his computer and started to think about what he would say in his report.

Exhibit 1
Diquat / Reglone U.S. Marketing Objectives

1. Maintain product positioning as a consistent, convenient, fast acting desiccant allowing producers to schedule harvest and produce a quality crop.

2. Continue to target the existing market niche, particularly potato producers in the potato growing regions of Maine, the Red River Valley, and the Pacific Northwest.

3. Continue Zeneca's psychographic market segmentation strategy

4. Maintain existing 60% market share.

5. Maintain or enhance brand equity[y]

6. Communicate a formulation change to be implemented in the year 2000.

7. Stay within the product's $375,000 promotional spending budget for the year 2000.

[4] For an understanding of brand equity, see Exhibit 3.

Exhibit 2
Global Branding: Why Or Why Not?

The worldwide trend to reduce trade barriers and open markets has encouraged globalization by many suppliers of goods and services. Companies that decide to expand beyond domestic markets for the first time must decide whether to take domestic brands abroad or develop country-specific brands. Companies with global operations resulting from past acquisitions or growth, also face difficult decisions on whether to continue country-specific brands or convert them to global brands.

The culture of some companies is highly centralized and, as Kapferer[5] suggests, decision-makers in these companies have a “singularity of thought” when it comes to branding. They simply disregard all arguments concerning local brands. At the other extreme, highly decentralized subsidiaries blindly guard local brands that have stood the test of time domestically. Most globally operating organizations exist somewhere between Kapferer’s extremes, and make decisions on global branding after studying the advantages and disadvantages.

Two trends are often cited as the motivation for global branding: (1) television, affluence and travel are causing tastes and styles throughout the world to become more homogeneous, and (2) there is a growing desire around the world for the best quality products and services[6]. At the same time, variations in competitive contexts from country to country, a tendency in some countries to buy “home grown”, and the fact that specific names and symbols have a damaging meaning (or are pre-empted) in certain countries, all discourage global branding.

In his book, **Managing Brand Equity**,[7] Aaker identified five advantages for global branding:

- Image of strength and staying power
- Economies of scale in packaging and promotion
- Benefits from media overlap
- Brand awareness facilitated when customers travel, and
- Often communicates a desirable home country association

To any list of global branding advantages, Keller[8] would add:

- Brand image consistency, and
- The ability to replicate domestic marketing successes quickly and efficiently.

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5 Kapferer,J. **Strategic Brand Management**. The Free Press, 1992.
6 Aaker, D. **Managing Brand Equity: Capitalizing on the Value of a Brand**. The Free Press, 1991.
7 Aaker, D. **Managing Brand Equity: Capitalizing on the Value of a Brand**. The Free Press, 1991.
8 Keller, K. L. **Strategic Brand Management: Building, Measuring, and Managing Brand Equity**. Prentice Hall, 1998.

It is also important to note that the potential to enhance brand equity[9] may be another significant advantage of global branding. Generally speaking, global branding will be attractive when the brand equity inherent in a global brand exceeds the sum of the values of brand equity inherent in the related but separate national brands.

In his book, **Strategic Brand Management**, Keller identified the disadvantages or constraints of global branding as differences in:

- Legal environments
- Marketing institutions
- Competitive environments
- Consumer needs, wants and usage patterns
- Consumer response to marketing mix elements, and
- Administrative procedures.

Aaker would supplement these disadvantages, arguing that:

- Names and symbols that will work everywhere are not optimally effective, and

- Global branding can pre-empt local marketing ideas that may be more effective than big budget, centralized efforts.

Notwithstanding the constraints on global branding, many companies feel compelled to develop global brands in order to grow revenues and benefit from economies of scale in packaging and promotion. The startling global successes of Coca-Cola, MacDonald's, Sony, Volkswagen and many others, act as a catalyst to encourage the international growth of countless other brands.

[9] For a discussion of brand equity, see Exhibit 3.

Exhibit 3
Calculating Brand Equity

Aaker has defined brand equity as a “set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”.[0] Keller documents at least seven other definitions for brand equity and acknowledges that from the mid 1980’s until the mid 1990’s there was a good deal of confusion, and even frustration, with the term. Today, most marketing observers would probably accept Keller’s notion that **brand equity represents the “added value” endowed to a product as a result of past investments in marketing for the brand**.[1]

In the Millennium Edition of Kotler’s benchmark text, this author observes that a high value for brand equity provides a company with competitive advantages, including: (1) reduced marketing costs because of consumer brand awareness and loyalty, (2) more trade leverage in bargaining with distributors and retailers because customers expect them to carry the brand, (3) the ability to charge higher prices because the brand has higher perceived quality, (4) some defense against price competition, and (5) a greater ability to launch extensions because the brand carries high credibility.[2] However, the value of brand equity is easier to conceptualize than it is to quantify and record.

Conventional accounting practices allow the identifiable costs of **acquired brands** to be recorded on company balance sheets, but not the value or costs of “**home-grown**” **brands** (except in the United Kingdom). For this reason, values for brand equity are generally only used by marketing professionals to measure their own brand stewardship over time, or by corporate managers to evaluate the brand stewardship of their marketing departments. This means that brand equity calculation methods need to generate a consistent estimate of the going-concern, current-use, economic value of a brand.[3] As a result, professional brand valuators generally ignore break up values, third party values and the value of future options.

The extensive literature on brand equity identifies at least eight different approaches to brand equity valuation. An early notion was to assign values to brands based on **consumer-related factors** like recognition, awareness and esteem.[4] But these factors are difficult to measure and there is no known method to weight and combine them in order to arrive at a reliable valuation.

Two other valuation approaches are **historical cost** and **replacement cost**. One major problem with historical cost is that the relevant costs are hard to identify. Do you include all costs since the birth of the brand? What do you do if some of the costs were

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10 Aaker, D. **Managing Brand Equity: Capitalizing on the Value of a Brand**. The Free Press, 1991.
11 Keller, K. L. **Strategic Brand Management: Building, Measuring, and Managing Brand Equity**. Prentice Hall, 1998.
12 Kotler, Philip. **Marketing Management: The Millennium Edition**. Prentice Hall, 2000.
13 Barwise, P., C. Higson, A Likierman, & P. Marsh. **Accounting for Brands**. The London Business School and the Institute of Chartered Accountants in England and Wales, 1989.
14 de Chernatoney, L. & M. McDonald. **Creating Powerful Brands**. Butterworth-Heinemann, 1998

ineffective? How do you account for historic inflation? Another problem is that the historical cost of brand development ignores such qualitative factors as the degree of creativity in marketing initiatives, management expertise and the organization's culture. Furthermore, calculating a replacement cost is equally problematic because it is never clear what the replacement for a particular product might be, nor what costs would be relevant.

A fourth approach sometimes suggested is to value brand equity on a **market value** basis. Brand valuators do not favor this approach for several reasons:

1. Brands are almost never developed with the intention of selling them,
2. Each brand is unique,
3. There is no market for brands where values are regularly established by arms length trades, and
4. When brands are sold, the prices generally represent the value to a particular buyer for a particular purpose (not the going-concern, current use, economic value of the brand)

Another approach involves calculating the **price premium** of a branded product over a similar non-branded product and multiplying the price premium by the volume of sales of the branded product. This method of valuing brand equity is problematic because it is often difficult to find a comparable non-branded product and not all brands pursue price premium strategies. Furthermore, it is unclear over what time period the sales volume should be calculated.

The sixth approach often discussed in relevant literature is the **royalty payments** method. Here the royalty that a brand owner would receive from licensing the brand to an independent third party is multiplied by an earnings multiple or used in a discounted cash flow calculation. The problems with this approach are that market royalty rates are available for very few brands, and it is usually impossible to separate out the portion of a royalty related to use of a brand from the portion of a royalty related to other rights granted by the license.

Sometimes brand valuators will attempt a **discounted cash flow** approach to valuing brand equity based on the theory that the value of any asset is equal to its expected stream of incremental cash flows in future periods discounted at an appropriate rate.[5] Discounted cash flow valuations are so sensitive to the discount rate selected and the reliability of projected cash flows that the method is far better suited to valuing financial instruments than product brands.

The brand equity valuation method that is most popular among professional brand valuators is the **earnings multiplier** approach. This method involves multiplying expected brand earnings by an appropriate multiplier. Although fairly popular, this method is not problem-free. In the first place, projecting expected earnings is a

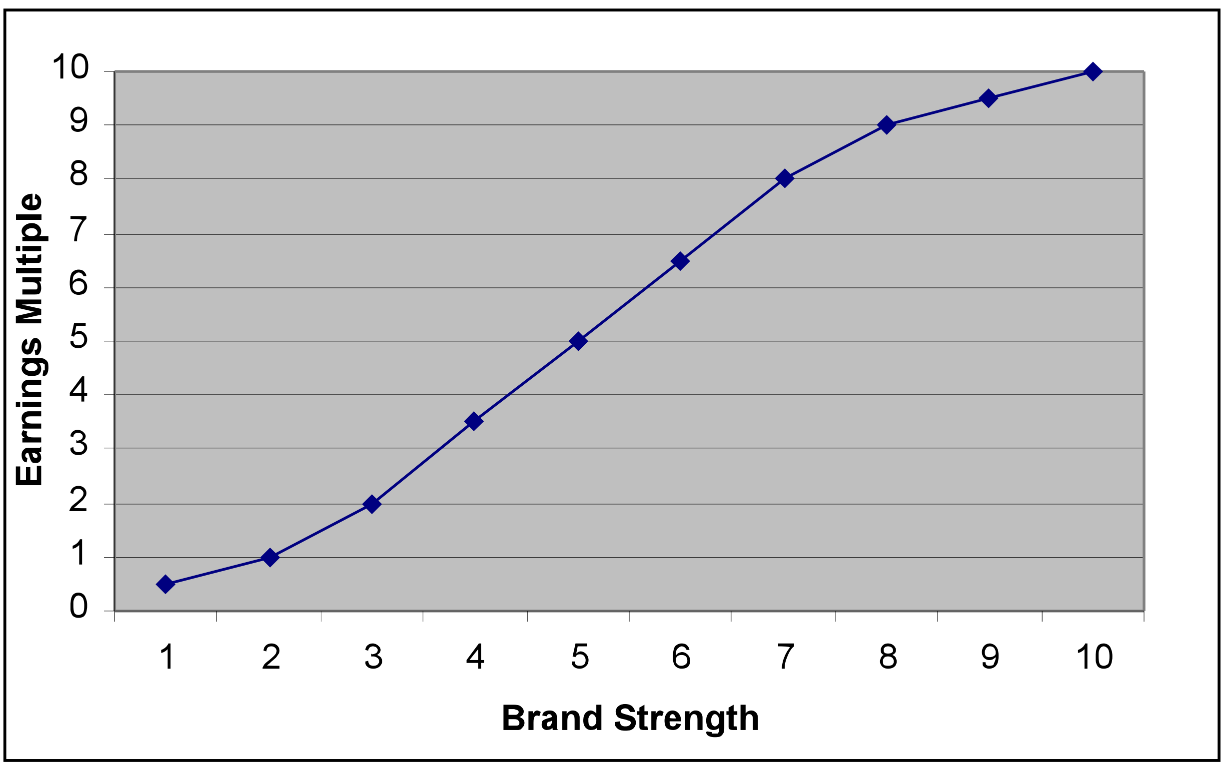
[15] Barwise, P., C. Higson, A Likierman, & P. Marsh. **Accounting for Brands**. The London Business School and the Institute of Chartered Accountants in England and Wales, 1989.

complex task and always subjective. Second, choosing an appropriate multiplier is also subjective and usually requires the application of considerable judgment.

The choice of an appropriate multiplier is often tied to a measure of brand strength. A consulting company that uses this approach for calculating brand equity is Brand Metrics Inc. (BMI). BMI rates brands on several key factors to determine brand strength scores. The brand strength scores are then used to determine an appropriate multiplier using an S-shaped curve developed by the company. The following six factors are used by BMI to measure brand strength:

- Market leadership – degree to which the brand is a share leader in the market
- Sales growth – degree to which sales are growing
- Sales stability – degree to which sales are stable from year-to-year
- Internationality – degree to which the brand is well-known throughout the world among target customers
- Protection – degree to which the product and/or brand is protected by patent or trademark
- Marketing support – degree to which the manufacturer provides effective marketing support for the brand.

The relationship between brand strength and the earnings multiple developed by BMI is shown below.



Zeneca engaged the services of BMI to determine a multiplier for Diquat and Reglone. The following table shows the brand strength ratings for Diquat and Reglone developed by BMI in 1999.

Factor	Weight	Diquat	Reglone
Market leadership	0.3	9	7
Sales growth	0.1	3	4
Sales stability	0.1	8	8
Internationality	0.1	0	8
Protection	0.2	6	6
Marketing support	0.2	3	3
Weighted brand strength	**1.0**	**5.6**	**5.9**

Using their S-shaped curve (shown above), BMI converted the weighted brand strength ratings to estimated earnings multiples of 5.9 for Diquat and 6.4 for Reglone.

After determining a multiple, BMI uses the following procedure to calculate brand equity:

1. Determine the branded product's expected sales and earnings.
2. Estimate the amount of capital that will be employed to produce the branded product's expected sales.
3. Calculate the expected product's earnings-not-related-to-the-brand by taking 5% of the capital that will be employed to produce the branded product's sales. (There is a presumption here that a generic product should earn a 5% profit on the capital employed.)
4. Determine the expected earnings attributable to the brand by subtracting the expected product's earnings-not-related-to-the-brand (step 3) from the branded product's expected earnings (step 1).
5. Determine the expected brand net income by subtracting income taxes that would be payable at the maximum corporate rate from the expected earnings attributable to the brand (step 4).
6. Calculate brand equity by multiplying the expected brand net income (step 5) by the earnings multiplier identified by the BMI S-curve using the brand strength factor determined in the brand audit.

At best, brand equity values (even using BMI's earnings multiplier) are very rough estimates of value. The difficulty separating out brand earnings and the uncertainty and subjectivity inherent in projecting sales, earnings and capital to be employed are the reasons generally accepted accounting principles preclude the recording of brand equity values in balance sheets. Nevertheless, many marketing managers favor the regular calculation of brand equity values in order to demonstrate their brand stewardship. It has also been argued that regularly valuing brand equity usefully shifts a company's focus from short-term profit to investing wisely for the long term.[8]

The support among marketing managers for regularly measuring brand equity is by no means unanimous. A cross-America study of consumer goods and industrial/business-to-business companies in 1994 found that only 43% of these companies were

[18] **Feldwick, Paul. "What is brand equity anyway, and how do you measure it?" Journal of the Market Research Society**, April 1996.

measuring brand equity.[9] Interestingly, among those that did measure brand equity, only 55% felt their valuation method was satisfactory. The researchers found that companies tended to monitor brand equity using such qualitative factors as customer satisfaction and customer loyalty.

[19] **Davis, S. & D Douglass. "Holistic Approach to Brand Equity Management". Marketing News**, January 16, 1995.

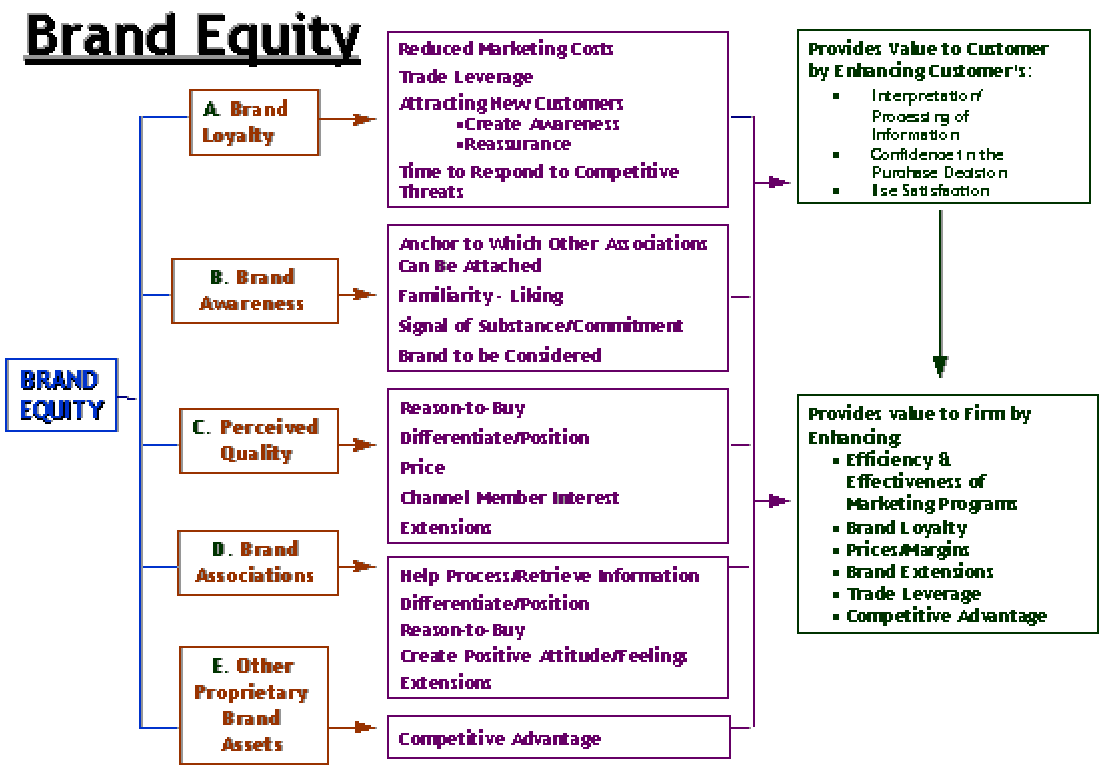
Exhibit 4
Selected Financial Data

	Diquat in the U.S. (U.S. $)	Reglone In All Other Countries (U.S. $)
Projected sales	$25,000,000	$245,000,000
Projected earnings	$5,000,000	$30,000,000
Capital employed to generate projected sales	$40,000,000	$270,000,000
Applicable income tax rates	37%	40%
BMI earning multipliers	5.9	6.4

Notes

1. The sales, earnings, capital employed and income tax data are estimates based on the figures, ratios and explanations published in the 1998 Zeneca Group plc. Annual Report.
2. The BMI earnings multipliers are those determined by the 1999 BMI audit.

Exhibit 5
Sources of Brand Equity



Source: Aaker, D. **Managing brand equity: Capitalizing on the value of a brand name**. New York: The Free Press, 1991.

Exhibit 6
Some Historical Brand Change Examples

When Coca-Cola's marketing department became defensive about Pepsi's taste comparisons, the company abruptly introduced a new product taste under the Coke brand. The consumer backlash to the sudden product change was so extreme that it forced Coca-Cola to reintroduce their original taste under the label "Coke Classic".[0]

In 1985, Black and Decker purchased the small appliance business of General Electric (GE) and abruptly changed the GE name to the Black and Decker brand name. By all indications, the Black and Decker small appliance business went on with great success and did not suffer from the lost equity of the GE brand. However, this brand name change was accompanied by a multi-million dollar promotional strategy.[1]

During the 1980's, the Nissan Corporation had established itself as a competitor in the North American automotive industry under the Datsun brand name. Over a four-year period the Datsun brand was changed to Nissan by a gradual acclimation process. Nissan's North American sales plummeted during this period, although it must be acknowledged that North American auto sales also slumped at about that time.[2]

Another gradual name change was the global change of ICI Paints to the "Dulux" brand name. The market was sensitized to the new brand over two years by getting the ICI sales group to "buy in" to the name change through training and other internal processes. The internal brand conversion was translated into a very positive external message delivered by committed sales staff. The global establishment of the Dulux brand was successful, although it was admittedly supported by a relatively large promotional budget.[3]

In between abrupt and gradual brand changes are strategies involving dual branding or co-branding. EuroDisney failed as a brand name because the French did not see the theme park as European, and Europeans considered the park French based on its location. In effect, consumers perceived no equity in the EuroDisney brand because the Euro component did not fit the target market. The park was subsequently rebranded as Disneyland Paris.[4]

When the Philips Company purchased Whirlpool they decided to capitalize on Whirlpool's solid brand equity. Philips rebranded the product as Whirlpool by Philips. This co-branding approach was very successful during the brand migration process, and has been successfully continued since.[5]

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[20] Oliver, T. **The Real Coke, The Real Story**. Offset Paperback Manufacturers, 1986.
[21] Aaker, D. **Managing Brand Equity: Capitalizing on the Value of a Brand Name**. The Free Press, 1991.
[22] Aaker, D. **Managing Brand Equity: Capitalizing on the Value of a Brand Name**. The Free Press, 1991.
[23] Kapferer, J. **Strategic Brand Management** (Revised Edition). Kogan Page US, 1997.
[24] Daniels, J. and L. Radebaugh. International Business: Environments and Operations (Seventh Edition). Addison-Wesley, 1995.
[25] Kapferer, J. **Strategic Brand Management** (Revised Edition). Kogan Page US, 1997.

Exhibit 7
Customer Segment Profiles

Segment 1 - Pole Positioners

Like a particular group of racecar drivers, these farmers strive for the best starting position because they want to optimize their chances of winning. Pole positioners are open to new product innovation, carefully research alternative farming methods and are extremely comfortable operating in a rapidly changing environment. Like pole positioners in the world of racing, these farmers seek out leading edge technology, are very confident in their ability to make choices and rely only minimally on input suppliers for advice. Much like the incomes of race circuit winners, the profits of pole positioners tend to be high and stable, and they are not generally sensitive to input prices.

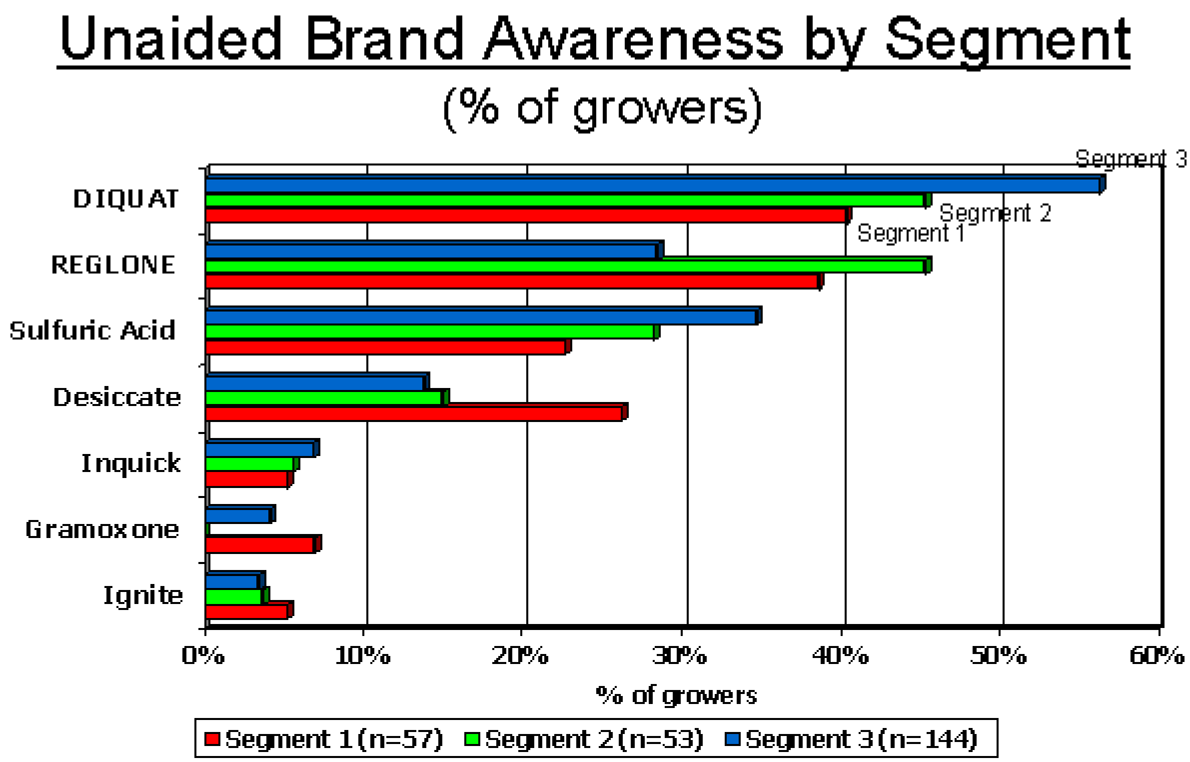
Segment 2 - Tail-Enders

In contrast, just like racecar drivers who frequently lag behind the majority in any car race, these farmers are not focused on winning and therefore have little interest in learning new farming practices. Tail-enders tend to lag behind industry changes and are not proactively looking for new technology. These farmers are not confident in their ability to make choices and rely heavily on input suppliers' advice and support to decrease their "burden". Tail-enders are not particularly loyal to brands or manufacturers and, much like the incomes of laggard racing teams, the revenues and incomes of this group of farmers tend to be low.

Segment 3 - The Pack

Sandwiched between Pole Positioners and Tail-Enders in any auto race is the Pack. In farming, the Pack includes traditional, conservative and very experienced farmers. This group generally has difficulty keeping up with changing practices and is likely to resist new technologies. However, the Pack is environmentally concerned and cares about its community. These farmers have long-term relationships with local dealers and value service. Before adopting new products, important prerequisites for the Pack are seeing pole positioner neighbors succeed with those products and running small trials on their own farms.

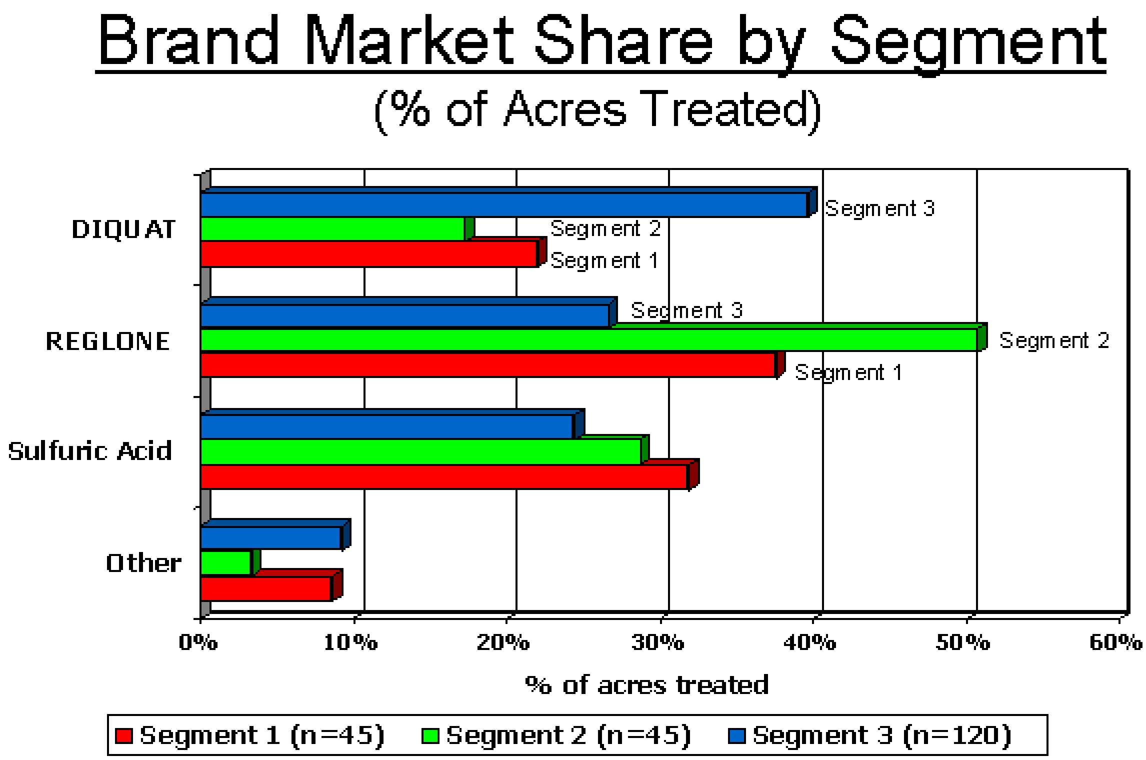
Exhibit 8



Notes:

1. From Rockwood 'Pricing' survey, 1997, p. 15.
2. The underlying data reflects Reglone's brand awareness in Canada, Diquat's awareness in the United States and sulphuric acid's awareness in North America.
3. Desiccate, Inquick, Gramoxone and Ignite are non-competitive Zeneca products that were surveyed at the same time.

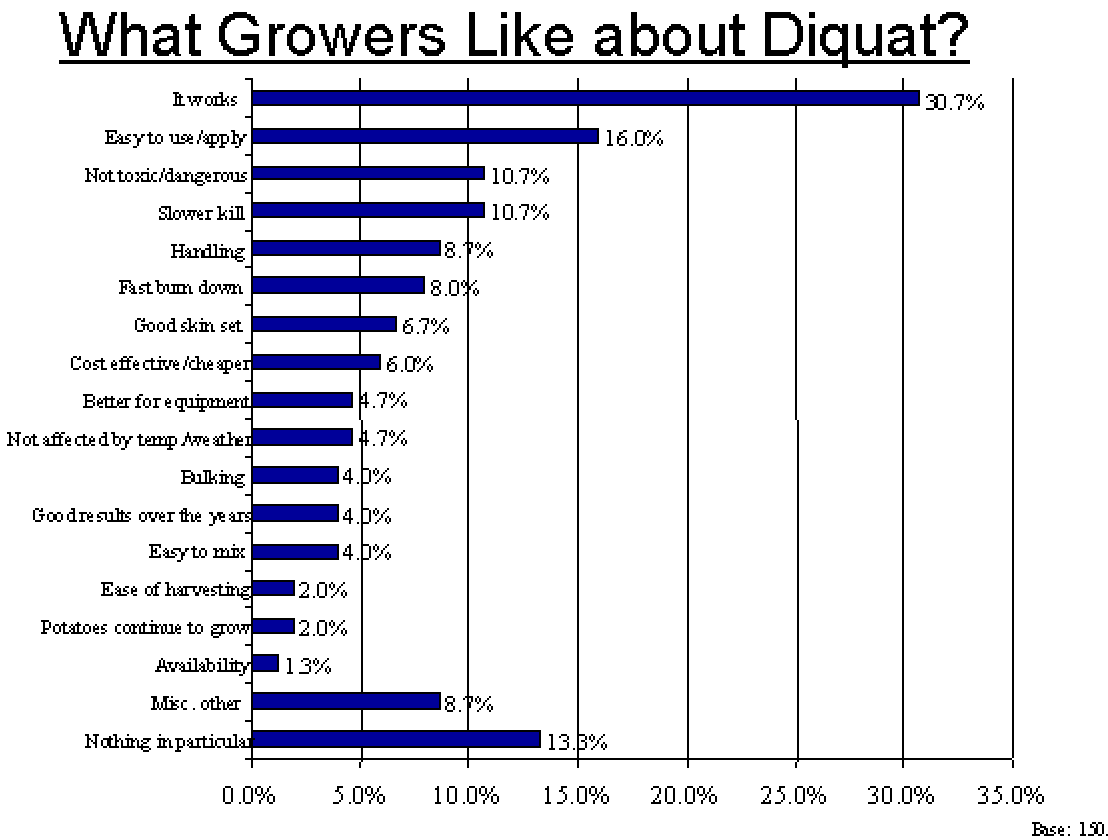
Exhibit 9



Notes:

1. From Rockwood 'Pricing' survey, 1997, p. 8.
2. The underlying data reflects Reglone's market share in Canada, Diquat's market share in the United States and sulphuric acid's market share in North America.

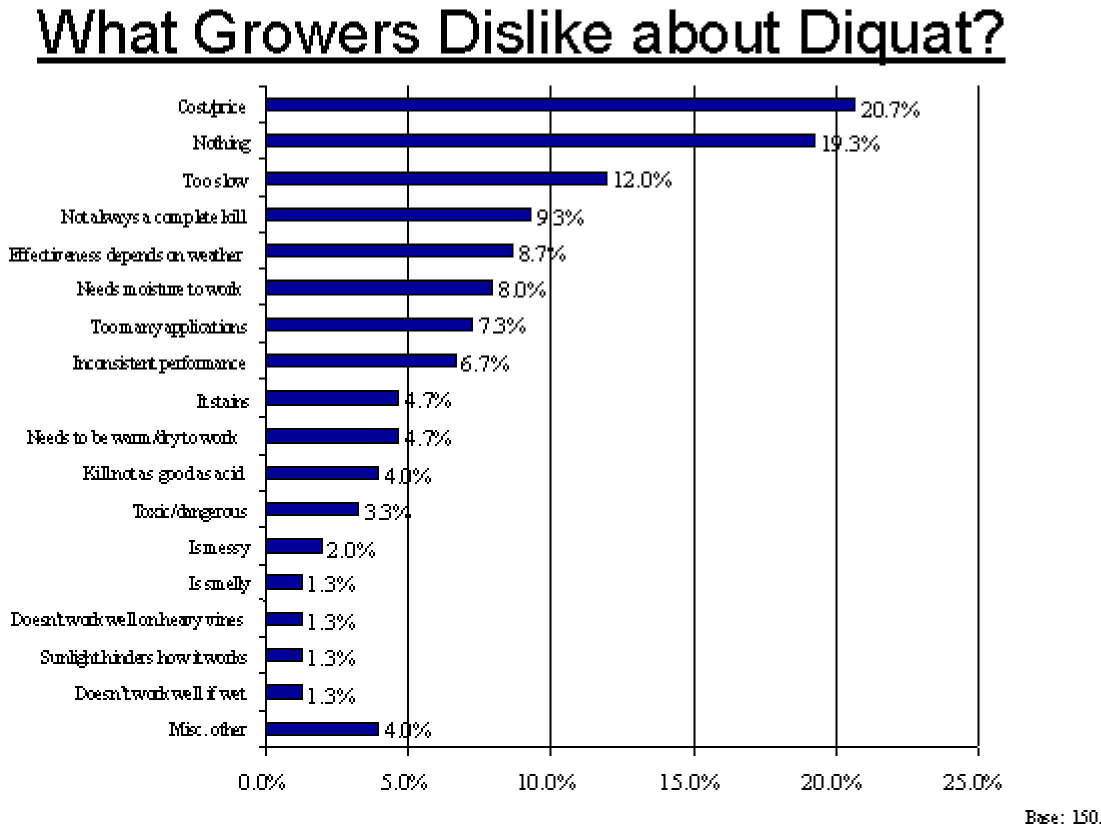
Exhibit 10



Notes:

1 From SM&S 'Brand Value' survey, 1999, p. 22.

Exhibit 11

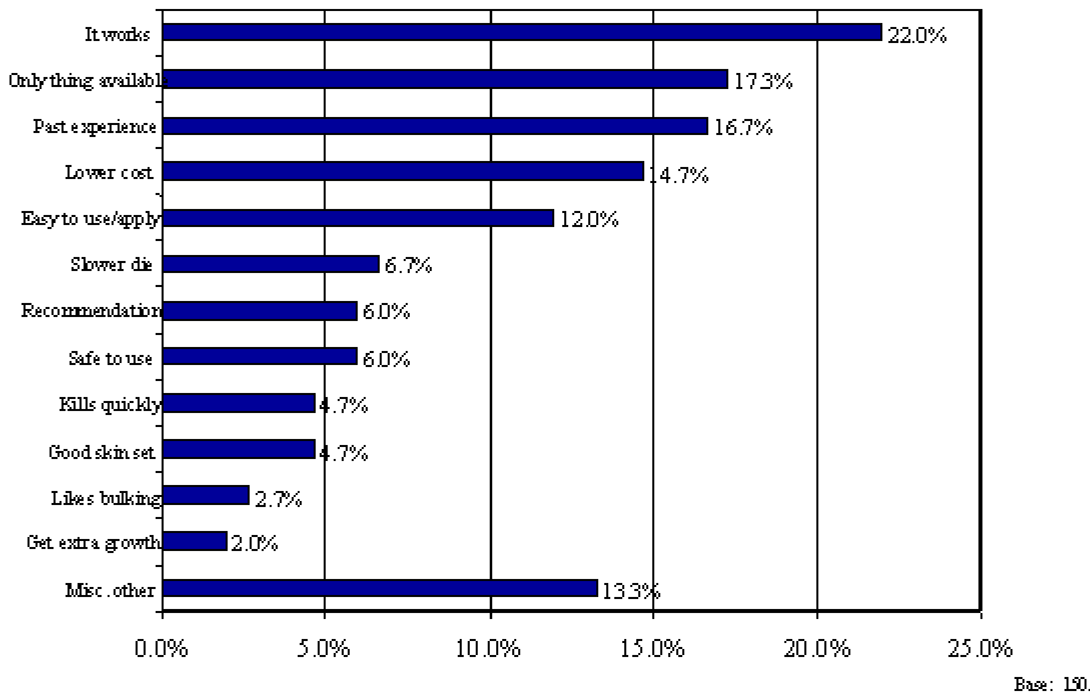


Notes:

1. From SM&S 'Brand Value' survey, 1999, p. 23.

Exhibit 12

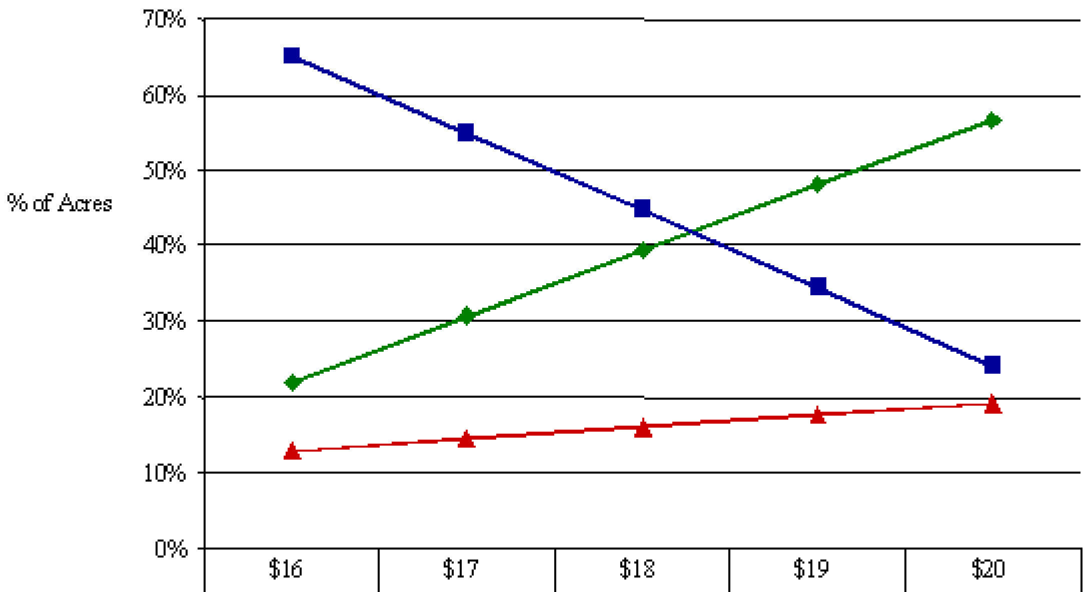
Primary Reason Growers Choose to use Diquat



Notes:
1. From SM&S 'Brand Value' survey, 1999, p. 21.

Exhibit 13

Share of Gross Treated Acres on which Indicated Desiccants will be Applied - Price of Alpha Changing



	$16	$17	$18	$19	$20
Diquat at $20	22.0%	30.7%	39.3%	48.0%	56.7%
Alpha	65.1%	54.9%	44.7%	34.4%	24.2%
Sulfuric Acid at $22	12.9%	14.5%	16.0%	17.6%	19.2%

Notes:

2 The underlying data reflect the findings of Zeneca's 1999 SM&S brand value survey.

3 There is a core 22% of growers that are loyal to Diquat at its existing price positioning.

4 In the event Diquat was not available, loyal users would migrate to another chemical desiccant rather than to sulfuric acid.

5 Diquat brand loyalty declines (and thus brand equity declines) with even a $1 per acre price advantage for a generic competitor.

6 With greater pricing differences favoring the competitor, users of Diquat are quickly reduced to the loyal core. (Probably this threat is mitigated significantly by the fact that Alpha's pricing would be constrained by a relatively high unit cost of production.)

7 As a generic competitor's pricing advantage increases, most switching growers move to the generic and not to sulfuric acid.