

2015

Building your brand

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Recommended Citation

Giddens, Nancy (2015) "Building your brand," *Ag Decision Maker Newsletter*: Vol. 6 : Iss. 3 , Article 3.
Available at: <http://lib.dr.iastate.edu/agdm/vol6/iss3/3>

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(and still does not) constitute a taxable gift until and unless the one not providing consideration redeems the bond during the lifetime of the other without any obligation to account for the proceeds to the other owner; (2) the transfer of funds into a joint bank account did not (and still does not) produce a taxable gift until and unless the one not providing funds withdraws amounts for his or her own benefit; and (3) through 1981, for a joint tenancy in real property created after December 31, 1954, in a husband and wife, by one of the spouses, a taxable gift did not result at the time of the transfer unless the donor elected to treat the transfer as a gift. Contribution was defined in terms of "money, other property or an interest in property."

Thus, these three types of categories of property appear eligible for application of the "consideration furnished" rule at the death of the first to die of a husband and wife joint tenancy, although only the land exception is of much interest. Of course, it is necessary for the spouse who provided the consideration to die first in order for the surviving spouse to benefit from a new basis for up to 100 percent of the value of the property. Note that if assets had declined in value, and death of the first to die would

result in a step-down in basis, the fractional share rule would result in a more advantageous result for the survivor. However, *Hahn v. Commissioner* states that "...section 2040(b)(1) [the "fractional share" rule] does not apply to spousal joint interests created before January 1, 1977."

Who can use *Hahn v. Commissioner*?

Obviously, in the estate of the first to die of a husband-wife joint tenancy, if the estate applied the "consideration furnished" rule (for acquisition of eligible property before 1977 when the first to die contributed the consideration), the rule of *Hahn v. Commissioner* can be applied. What if the estate of the first to die was not sufficiently large to file a federal estate tax return? In that case, it would appear that, so long as an inconsistent position was not taken after the first death (and the facts otherwise support application of the "consideration furnished" rule), the "consideration furnished" rule could be applied. An "inconsistent position" could possibly have been taken on a depreciation schedule as the schedule was adjusted after death of the first joint tenant to die or on a state inheritance tax return in a state with rules for joint tenancy taxation similar to the federal rules. These possibilities await further illumination in rulings or cases or both.

Building your brand

by Nancy Giddens, Agricultural Extension Marketing Specialist, Missouri Value-added Development Center, University of Missouri

Value-added products need a distinct identity - they need a brand. This article is the first of a five-part series and will examine what branding is, why it is important, and the necessary steps to brand your new product. Next month, we will discuss flanker branding.

What is branding?

Branding is one of the most important factors influencing an item's success or failure in today's marketplace. A brand is the combination of name, words, symbols or design that identifies the product and its company and differentiates it from competition.

Businesses use branding to market a new product, protect market position, broaden product offerings, and enter a new product category. Four types of branding are:

- **New product branding** — creating a new name for a new product in a category completely new to the company. Example: A Taste of the Kingdom jellies.

- **Flanker branding** — protect market position by marketing another brand in a category in which the firm already has a presence. Example: **HORMEL®** chili and its flanker brand, **STAGG®** chili.
- **Brand line extension** — use of the company's brand name in the firm's present product category. Example: PepsiCo's Pepsi and Diet Pepsi.
- **Brand leveraging (franchise extension)** — use of the existing brand name to enter a new product category is called leveraging. Example: Mr. Coffee (a coffee maker) and Mr. Coffee coffee.

Why is it important to develop a brand for your product?

A brand offers instant product recognition and identification. Consumers identify branded products

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and, as a result of effective advertising, have confidence in product quality. Retailers like branded products because they make the store profitable - shoppers attracted to branded products spend three to four times more on groceries than do private-label shoppers.

Branding is beneficial for four reasons:

- **Differentiate** — A brand provides a clear and definitive reason for customers to buy your product. If this reason does not exist, your product is a commodity and the only measure of value is price. Small, value-added businesses cannot compete on price successfully and need to incorporate some form of differentiation.
- **Conveys value** — Consumers perceive brand-name products as higher quality, more reliable, and a better value than non-branded products. The number one brand in a category can command a 10 percent price premium over the number two brand, and a 40 percent premium over the store brand. This price premium is known as a brand tax. Consumers understand that a strong brand can reduce getting stuck with disappointing or faulty products.
- **Builds brand loyalty** — Brand loyalty is the recurring stream of profit generated by repeat and referral sales of a specific brand. Repeat sales can be as much as 90 percent less expensive to a company than new customer development.
- **Builds pride** — Branded, recognizable products invoke a sense of pride in those associated with production, promotion, sale, and distribution of those products.

What is the process of branding a product?

A brand must be clear, specific, and unique to your product. For example, the Wheaties brand differentiates the cereal from its competition due to its association with health and "sports excellence." To achieve the same successes with your products, you need to execute the following steps to establish an effective brand:

- **Find a name.** Choose an appropriate name that is easily remembered and specific to the product. The name should be restricted to three

words or less - anything longer is difficult for customers to recall. This process may require legal screening to guarantee availability of the name and customer input to assess attractiveness and appropriateness of the name.

- **Develop a slogan.** The selected slogan needs to be two to three words, catchy, and easily remembered. To generate slogan ideas, you must stay focused on the buyer. Why should they buy the product? What will they like about the brand? How does competition compare? The slogan should take into account answers to these questions.
- **Create an appropriate symbol or logo.** It can be as simple as a geometric shape or as elaborate as a silhouette of a person or object. Use the name, slogan and symbol on every piece of correspondence related to the product- e-mails, invoices, letterhead, business cards, advertisements and promotions, etc. This system will eliminate inefficiencies in creative and production fees and extend the branding process throughout everything you do. In a sense, it will prevent "recreating the wheel" with each new media effort.

What are the challenges of building a brand?

The greatest challenge faced when developing and building a brand is creating just the right name, slogan, and symbol for the product. It will take a great deal of time and consideration. A thorough thought process and feedback from others will help to get past this obstacle.

It is often difficult to achieve initial customer recognition of a new product, regardless of branding. However, branded items are more recognizable and memorable. Effective advertising before and after the sale is key to overcoming this obstacle. Advertising and promotion before the sale are essential to obtain first purchases and follow-up advertisements after the sale will promote customer satisfaction and repeat purchases.

Repeat purchases are one of the primary objectives in brand development. Repeat purchases are critical to your business' long-term success and contribute to brand loyalty, which will be discussed in the final article of this series.

No endorsement of products or firms is intended nor is criticism implied of those not mentioned.