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Merchandising and Licensing to Improve Brand Equity. The Coca-Cola Case

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Abstract

Today's markets are characterized by over-supply, intense competitiveness in every sector, increasingly aggressive competition and product and market strategies which are open to imitation. Consequently, the brand, and the values it carries, has become the truly critical competitive factor.

In order to compete, each company needs to develop an integrated communication campaign which includes different communication tools, with high-impact like advertising, or with specific promotional tasks, as sales promotions (for short-term sales volume increases), merchandising (essential for promoting brand values at points-of-sale), licensing (which aims to transmit brand equity to members of the public and market sectors which would otherwise be difficult to reach) and sponsorship (where brand values are highlighted by associating the company with highly-visible shows and events).

Keywords: Brand; Brand Equity; Brand Management; Trade Merchandising; Sponsorship; Marketing Management; The Coca-Cola Case; The Coca-Cola Licensing; The Coca-Cola Merchandising

1. Brand and Brand Equity

What do Coca-Cola (the world's most famous brand), Levi's, Harley Davidson, Disney, Kodak, Marlboro and McDonald's all have in common? Why does everyone continually warn to 'beware of imitations'? What exactly does it mean to be a 'brand'?

The answer to all of the above questions is simple enough – nowadays, the brand is a crucial factor in a company's success. This concept is confirmed by the current trend for large companies to adopt an innovative view of marketing which centers on a specific strongpoint - so-called 'total brand management'. Thus, product quality becomes a necessary, though no longer sufficient, requirement.

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It is clear that a product's intrinsic quality remains the 'sine qua non' for consumer acceptance. There are no marketing, merchandising or licensing strategies that can make up for a lack of product quality.

Everything revolves around the fact that brand awareness can be the true determining sales factor in a market which is increasingly characterized by product homogeneity. First of all, a brand communicates a set of associated values which constitute the brand equity. Although there is certainly nothing more intangible than a brand, apart from how it is represented in terms of design, a brand cannot work effectively without constant reference to, firstly, a reality that is physically experienced by individuals, secondly, to the range of products available and finally, what such products can offer. Precisely because it *does* transmit values, a brand is an intrinsic part of the social, economic and human context of its time, reacting quickly to the symbolic and socio-cultural phenomena which redefine that same context.

Today's markets are characterized by over-supply, intense competitiveness in every sector, increasingly aggressive competition and product and market strategies which are open to imitation. Consequently, the brand, and the values it carries, has become the truly critical competitive factor (Total Brand Management).

In order to overcome the wall of indifference or defensiveness presented by prospective purchasers, each company needs to develop an integrated communication campaign which includes different communication methodologies alongside high-impact approaches like advertising.

Such methodologies include company promotional activity (for short-term sales volume increases), merchandising (essential for promoting brand values at points-of-sale), licensing (which aims to transmit brand equity to members of the public and market sectors which would otherwise be difficult to reach) and sponsorship (where brand values are highlighted by associating the company with highly-visible shows and events).

Each of these communication tools plays their own important role in building and defending brand equity. Product quality alone is an indispensable, but insufficient, condition.

From the start, products and services should be top-quality, technologically innovative and in a continual state of evolution in order to satisfy the ever-changing needs of the consumer. But even this is no longer enough. Research into the competition, the ease with which information can be accessed from around the world, continual monitoring of market trends as well as product analysis and disassembly techniques means virtually all products can immediately be reproduced, or nearly so, leaving a company's market share vulnerable.

Consequently, product success is played out at other levels based on a set of conditions that ensure the desirability of - not exactly the product in itself - but rather, the *offer*, which includes both the brand and the product.

Brand equity is none other than this set of conditions that represent the added-value inherent in any given company's offer – the real 'competitive edge'. This set of values, associated with the product by potential consumers, must be 'constructed' in a way which is consistent with the brand's market positioning. Thus, such values must be shared by the brand's target public and should highlight the privileged relationship established with the consumers. Only by following such a policy can a company gain sufficient competitive advantage over its rivals to allow it to steer clear of 'price competition'.

Increasing and maintaining brand name awareness is clearly one way to strengthen a product's brand equity. We can define brand name awareness as the ability of a potential purchaser to identify a brand in sufficient detail to be able to recommend, select or use it[1].

Product awareness can be broken down into 'product recall', where the need precedes the purchase and hence leads to the brand itself (I need a certain type of product and I buy brand A), and 'product recognition', where the brand precedes the purchase and preempts the need (I recognize brand A and I realize that I need that type of product). Product recall is measured by spontaneous product awareness and product recognition by induced or qualified product awareness.

We use the term *spontaneous product awareness* when the question asked makes no reference to brand, and *induced product awareness* when interviewees are shown a list of brands and asked to indicate which ones they know.

The objective of integrated communication is twofold: first, to create and maintain product recognition - that is, to facilitate brand recognition during the acquisition phase or better still, to lead the purchaser to realize the existence of a need - and secondly, to create and maintain product recall. Product recall ensures that the brand is remembered prior to the purchase phase so that it comes spontaneously to mind when the need presents itself[2].

These two objectives are achieved through different communication tools. The first is based on visual elements (merchandising and packaging, in particular), while the second takes advantage of opportunities to repeat the brand name and associate it with core services that it offers (via licensing, for example).

2. Licensing and Brand Management

How a brand is perceived depends on its success in communicating its value. There is no such thing as product value based only on advertising, brand awareness or availability. Brand equity is a result of a brand's success in communicating its values without fail to any type of public.

A brand which is supported by intense advertising but unable to transmit its values 360°, i.e. whenever and wherever the company comes into contact with its public, will never build strong brand equity.

Everything communicates – the packaging, the ability of executives to deal with customers, interaction with the local community, interest in social issues, the salesforce's professionalism, means of transport, POS equipment, merchandising material, etc. The key to brand success, therefore, is the successful integration of all the different ways in which a company can communicate its values and by optimizing the performance of each method.

This leads us to an analysis of licensing, a marketing technique whose role within the communication strategies of major companies, especially North-American, has evolved enormously in recent years.

We can define licensing as a commercial activity that involves the temporary transfer to a third party of the right to use a name, image, brand or logo which has been officially registered and which is protected by law. Upon compensation payment of a royalty, this right can be ceded to product manufacturers, service companies or firms wishing to use it for advertising or promotional activity.

The earliest examples of licensing date back to the beginning of the 1900's and involved cartoon characters such as Buster Brown. Walt Disney characters (Mickey Mouse above all) along with Charlie Brown and Snoopy from 'Peanuts' were responsible for the true consolidation and global development of this technique. However, the real licensing explosion took place in the 70's and 80's both in terms of growth and in terms of its professional, conceptual and geographic evolution.

Licensing actually refers to two distinct phenomena which are difficult to group under the same umbrella. Corporate licensing occurs when a corporation decides to grant a license to use a brand for completely different product categories to those associated with the brand. Such licensing takes place when the corporation's own brand has achieved a certain level of recognition over a period of time and product awareness is high. Some well-known examples might include Ferrari lighters with the small yellow horse on a red background, and Coca-Cola beach towels.

On the other hand, we refer to character licensing when a person has become well-known (an actor, singer, sports champion, etc.) or when someone (a writer, artist, illustrator, playwright, director, etc.) has created a well-known character. They grant a license which allows their image or name to be associated with a product due to be put on sale. This latter system (character licensing) and not the former (corporate licensing) also includes activities run by institutions such as sports organizations, universities, etc., and events such as the Olympics, exhibitions, concerts etc.

2.1 Licensing and Brand Equity

Every year, thousands of companies discover licensing to be an effective marketing tool which allows them to strengthen the overall image of their product/service and reach segments of the public they would never have been able to reach otherwise.

Licensing has many innovative ways of being implemented, especially strategic. Its great advantage lies not so much in earning relatively large royalties as in the opportunity to position a brand in otherwise unreachable market sectors. One fundamental aspect in the whole delicate process of managing a brand and an image is the choice of both partners and merchandise categories. These categories must bear a close affinity with the brand and its associated values.

It is a challenge in itself to effectively handle all the integrated communication tools available to a company. Messages may appear valid on their own but if they end up as being inconsistent among themselves or not integrated into a clearly defined strategy, they can cause serious damage to the product or company image.

These difficulties, along with the risks stemming from them, multiply as soon as brand management is definitively transferred to another company. Indeed, if the company (the licensee) enjoying the right to attach the brand of another company (the licensor) to its articles uses low-quality products or is involved in some form of scandal, the brand image will suffer. Such damage will also be difficult to correct since it was not caused directly by the licensor.

As far as this last risk is concerned, licensing can be compared to sponsorship, another marketing technique, where the company name is linked to an event or show of public or media interest.

The choice of partner, event or article to be sponsored is crucial to the success of the entire communication campaign. The sponsor of a Premiership soccer team that does poorly in the championship or is even relegated will obviously not improve its image, just as a brand license conceded to products that are not in line with the values expressed by the brand will seriously weaken brand equity.

On the other hand, there are examples of happy 'partnerships' between a brand and its testimonial (in this case the name of the product is likewise linked to the image and achievements of a famous person) which have brought enormous benefits in terms of both image and sales. The most obvious case is the agreement between a famous major company in the sportswear sector (Nike) and the man who is considered to be the greatest basketball player of all time (Michael Jordan).

Thus, in sponsorship (or in more complicated agreements such as in the case of testimonials) as well as in licensing, the choice of partner is essential for a successful outcome. Studies, research, professionalism and constant monitoring are all indispensable requirements but often not enough in themselves and, not infrequently, their results are related to chance or fortuitous events. There is always an element of risk in these operations. For example, associating a name with undisputed sports champions who turn out not to be such great champions in their private lives can attach a negative image to the company. Success takes more than just getting the public to talk about you or your brand.

As regards licensing, it is important to consider the choice of commercial partner. The company granted the right to use a brand must have serious intentions; it must handle quality products and must also add value to the brand. The mission of licensing is precisely to strengthen brand equity and defend it from any inevitable erosion that might take place over time. An excellent example of this is represented by one of the most successful phenomena of the moment - the 'Spice Girls Company'. Thanks to a both engaging and aggressive marketing policy, the company is making a music group into a full-fledged cult phenomenon, selling their image along with the music.

As can be seen from the success and proliferation of such activity, licensing is becoming a fundamental strategic marketing tool, not only to defend and strengthen brand equity but also to expand commercially. From a communications point of view, the advantages for the company granting the license, in addition to the financial ones (royalties), are:

- increased product awareness and financial profit at no extra cost (accumulated recall). It will be the licensee's job to invest the resources necessary to gain positive results from the activity;
- the opportunity to reach a broader target insofar as the name is used in different sectors to the original positioning (return publicity effect);
- the opportunity to reach an international target when the name is used in countries where the licensor was not previously represented.

On the other hand, the advantages to the licensee relate to the pre-existing consumer awareness of the brand, the potential for recall and the transferal of consumer credibility from the existing brand to the new products. As a consequence, it takes less time to raise product awareness, with consequent lower advertising costs.

3. Merchandising and Brand Management

Another fundamental technique to increase the value of brand equity is merchandising; meaning the set of activities undertaken by the manufacturer and/or the trading company which are designed to create an efficient effective presentation of the product at a sales outlet.

Naturally, the values communicated via merchandising must be consistent with parallel marketing activities and in synergy with all the messages transmitted via the various means of communication. Furthermore, they must remain unchanged over a period of time in order to establish brand equity.

For example, let us compare merchandising with sales promotion, since these two techniques are often used together at a POS. Both basically aim to increase sales volume. However, sales promotions, by their very nature, must run for a limited time in order to avoid distorting consumer perception of the product's value or even devaluing the image. On the contrary, one of the strong points of merchandising is precisely that same continuity over a long period of time.

Thus promotional activity should be seen as a short-term tool, even if it is often repeated at intervals. It should aim to make consumers perceive an added value, i.e. the opportunity to purchase the product at a reduced price for a limited period of time. Merchandising, on the other hand, should look to strengthen image and support the communication of brand-associated values. For this reason, it must be consistent over time and space. It should succeed in reaching the target consumer at the most critical moment, that is, at the moment of intention-to-buy, and in the most appropriate way. It should transmit the same signals that the other communication techniques have previously stressed and will continue to highlight afterwards.

Although merchandising may sometimes be designed to visually draw attention to promotions, it has a particular important role in that it combines the goal of orienting the consumer to buy or try the product with that of communicating company values and safeguarding brand equity[3].

For some time now, the brand has left behind its original role as a simple means of identifying a manufacturing process as well as that initial equivalence between product visibility/awareness and commercial success. More recently, the brand has created meanings capable of characterizing the production process - distinctive singular attributes which stand out for the consumer and which are easily recognizable.

3.1 Merchandising and Brand Equity

Within its overall communications strategy, a large modern company must plan carefully to use all the tools at a POS which remind the consumer of the symbols and values which have already been transmitted. The bombardment of advertising a consumer is forced to undergo has seriously reduced the effectiveness of messages. Although advertising is still an essential tool, it is no longer sufficient in itself to orient a consumer's choice towards a given product at the moment of purchase.

POS activity can thus be considered the final act of the dialogue between product and consumer; it is the 'umbrella under which the consumer finds safe and welcome shelter from the rain of information and messages aimed at him/her every day and the inevitable confusion that results.' When choosing, it is reassuring to come across a brand, among all the increasingly similar and more widely reproducible products, which is not only familiar but which has managed to establish a relationship based on total trust over time.

Merchandising tends to reinforce this sense of trust and fanfares its last and most important message among the confusion on the shelves, 'We're right here. Here we are.' As if it were the product to find the consumer and not vice-versa. The most important specific tasks that merchandising must fulfill in order to bring this about are:

- remind and repeat the central themes used in advertising campaigns via the means of communication. So, at the moment when the intention-to-buy is strongest in the consumer's mind, he or she will remember everything that has been previously communicated regarding the product and its associated values;
- emphasize the visual image of the product which, along with the packaging, highlight any colours or physical elements which are characteristic of the company (a huge area of red on a shelf, a pyramid of cans or a custom-made refrigerator are not only easily identified in the midst of all the other products on display but often lead the consumer to make an unplanned spontaneous purchase);
- draw attention to the specific product by making the space it occupies unique, different and immediately recognizable. To achieve this, it is necessary to use special display materials and a superior 'mise en avant' to the competition.

Good constant merchandising activity brings a series of advantages, which include building and strengthening the product and company brand image, the opportunity to reach a greater number of consumers/end-users and satisfying client and area objectives.

Another particular feature of merchandising is its marked flexibility. This allows activities to be segmented geographically with micro-merchandising in mind. Consequently, a single message expressed in widely varying ways can be adapted to different local realities, sales outlet by sales outlet. Furthermore, these activities can be differentiated according to the relevant distribution channel and thus to the particular target public. For example, a refrigerator that gives an idea of cool freshness is very effective in a sports center, a gym or a bar at the beach, whereas a large display of tins or bottles is more appropriate for a department store.

In this area, the producer can help the sales outlet manager to prepare the most effective form of merchandising activity with the aid of guidelines, brochures, manuals and even specialized personnel (merchandisers). Doing so, the retailer is satisfied (which is important in order for the products to be looked after and presented well) and, as a result, the relationship between the manager and the product is strengthened. This helps relations with the company and improves the likelihood that the company's communication activities will be employed at the sales outlet in question over time, even if the management should change. Many objectives can actually be reached if the initiatives undertaken at the sales outlet are well-prepared, well-kept and updated in good taste and with the strategic goal of identifying the store as a quiet welcoming place where the product/consumer encounter takes place as rationally and spontaneously as possible. First of all, sales volume increases, which mean that there is greater shelf rotation. Secondly, consumer loyalty grows to both the shop and the brand that managed to give it such a clear identity through its merchandising activity. The success of merchandising activity depends on certain logistic and strategic considerations that the producer or the distributor will occasionally have to deal with, unfortunately not always with the same objectives or methodology that were agreed upon in advance. These conditions, ranging from the sales outlet layout to the size of materials to be used, can be grouped into the following four macro-categories.

- The sales outlet: The physical environment where the product is displayed and where the consumer/end-user will make a sales choice. Obviously, merchandising techniques should be fitted, and evolve, with the sales outlet in mind. Therefore, plans for such activities cannot fail to take some basic elements into consideration, such as the store and shelf layout, product positioning, the traffic flow within the store, possible strategic points (for example, the checkout counter) and the rotation of the product and rival products. The aim is to position attention-getting displays in the most visible locations, ensuring that they do not get in the consumer's way but, at the same time, making sure that they immediately lead the consumer to the product itself.
- The sales space: The product should occupy a space where it can be set off to an advantage. Therefore, it is necessary to ensure that the product is not set aside by the distributor, due to excessive volume or unsuitability to the assigned space, thereby missing the chance to be seen by the consumer precisely at the very moment when visibility would most help to generate the urge to buy. With respect to this last point, as with all actions, success requires precise synergy with the other marketing variables. In this case, the decisive element in obtaining good positioning on the shelves is packaging[4]. The container and wrapping is the first crucial element of what is referred to as 'purchase attraction'. Some experts, carrying this concept one step further, suggest that it is actually objects and their presentation which 'purchase' the consumer and not vice-versa. This emphasis on the importance of product and brand presentation highlights a critical issue for company sales strategy: the most important element is to 'be there', in the right place with the right 'product features'. Packaging is also an important element as regards display space suitability, ease of warehouse storage and packing, transportation, handling and the display and restocking of the products themselves. All these elements go unnoticed at the moment of purchase but play a decisive role in business dealings between the manufacturer and distributor. Each merchandising or promotional activity at the POS should take packaging features into account, show off the strong points and bring out the communicative impact (for example, a large display case in the shape of a Coca-Cola bottle containing many normal-sized bottles of the beverage might well successfully implement packaging-merchandise synergy).
- The product range: A single product generally does not attract consumer attention very much. On the contrary, a range of products is more attractive and also presents the producer's image more prominently. Similarly, the shelf space becomes more attractive and uniform, which offers significant advantages to the distributor. Product restocking is also essential, given that the presence of too few units on the shelf, even if due to the very success of

the product and its presentation, discourages successive purchases. Thus, merchandising also has the task of highlighting the entire product range through the use of appropriate containers, cases and equipment in order to create colorful POPs or somewhat bizarre but appealing arrangements that focus attention on the product. Again in this case, the message that is communicated must be in line with the values that the brand has decided to transmit in the past.

- Promoters: The POS is a place where consumers occasionally allow themselves to be influenced by their surroundings and where they decide to carry out a purchase of a specific brand. Promotional techniques must be enjoyable but also quite simple so that the space dedicated to the product, along with the related merchandising activity, lays the groundwork for a spontaneous and confident purchase by the consumer and helps reinforce the image of the brand in the consumer's mind.

3.2 Trade and Producer Merchandising

The continual growth in the number of supermarket/hypermarket-type sales outlets, the size of such POSs and the growth in their market share is creating an ever-increasing interest by distributors in merchandising issues. In the past, such issues were merely a marginal element in the entire context of communication variables.

The process of modernizing distribution activities has entailed a radical change in the services offered, often involving the adoption of marketing methods and techniques which have been developed successfully by companies in industrial sectors (for example, transforming certain services, which were originally carried out by company personnel and therefore charged for, into free services which are carried out by the consumer/purchaser themselves, i.e. self-service).

The present shape of competition has changed profoundly. Commercial businesses are now forced to put differentiated marketing policies into practice, segmenting the market and using all the elements of the marketing mix in an orderly coherent way.

In this context, merchandising activities play a fundamental strategic role among companies in the organized distribution sector. The struggle, which is still underway, to move from only slightly differentiated commercial services to policies aimed at giving specific identities to specific areas is leading to a re-evaluation of the variables that make it possible to lend particular features to a sales outlet and make it instantly recognizable.

Merchandise and equipment layout, product display, allotment of space to product lines, promotional and promoter activities are all techniques included in the term 'merchandising'. They are increasingly focused on achieving results that can no longer be grouped together and evaluated by the same parameters of effectiveness. When sales outlet models are differentiated, either to identify the distribution formula adopted or to analyze the product types carried, merchandising effectiveness can only be measured if the market objectives pursued by the company are very precisely defined.

Industrial companies, too, have been quite active on the merchandising front, often being among the first to turn to the use of product presentation techniques and I.T. tools to optimize sales outlet management. In particular, brand name industries have often used these tools to assess how product space is assigned both in terms of quantity and quality. Whereas the distributor is mainly involved in the use of those merchandising techniques that can improve the overall situation of the sales outlet (merchandise and equipment layout), manufacturers give preference to techniques that allow greater control over the allotment of space to their products. This difference in priorities in the use of merchandising is occasionally the cause of conflict between the two parties. The increased importance of merchandising to the distributor has had a direct consequence on the industry. The greater control exercised over sales outlets and the way they appear to consumers can actually determine whether producers will be able to reach the goals they set. Distributor objectives are especially centred on the assortment of products they intend to offer to the consumer, while manufacturer goals are much more focused to individual products in their portfolio. To make these two opposing lines of reasoning compatible requires coordinated actions.

4. The Coca-Cola Case

Merchandising and licensing are the two main elements that add brand value to consumer goods such as Coca-Cola. Both should transmit the same values as the brand, consistent with all the other elements in total brand value. Accurate marketing in all its aspects - impact advertising, merchandising everywhere and strong trade partnerships – plus extensive, selected licensing lie behind Coca-Cola's success and a growing presence that has lasted for over a century.

The company's approach is based on exceptional product availability for the consumer, with packs, bottle and can formats to satisfy every need, and special emphasis on image. Together, these make The Coca-Cola Company beverages and brands instantly recognisable and has helped extend Coca-Cola throughout highly diverse and original distribution channels. Strategy has always centred on resellers and consumers with a natural, basic need to quench thirst. Real-time market analysis, research to identify consumer types and ongoing life-style monitoring are continually updated with respect to behavioural changes and the company's approaches to consumption.

Hence the creation of new products and packaging that respond to precise consumer needs. Coca-Cola was joined by Sprite and Fanta, in the classic version and in the new Bitter Orange, Grapefruit and Lemon tastes. And then came Coca-Cola Light, Caffeine-free Coca-Cola, Nestea in Peach and Lemon tastes, Kinley Tonic Water, and in Italy, the cocktail Beverly.

Constantly updated and pioneering marketing strategies together with new sales actions have improved product acceptance. At Coca-Cola, 'quality' does not just mean meeting specific parameters and standards (carefully specified in numerous volumes covering all operational activities). Rather, it comes from a responsible company choice, a key concept inspiring and regulating all production processes and every step in distribution, to satisfy consumers and the trade.

The consumer is The Coca-Cola Company's engine. All strategic and marketing actions gravitate to consumer satisfaction, and this is reached through customer satisfaction (trade), where sales outlets make the product physically available.

Coca-Cola's winning strategy is simple. It operates at two different but highly correlated levels. It uses a 'pull' strategy by working on end consumers through advertising, sponsorship, licensing, physically 'pulling' them into sales outlets and preparing them mentally to look for and buy the product. It then uses a 'push' strategy by leveraging on the trade (consolidating a fundamental strategic alliance) so that its products are not just present in outlets, but are presented through attractive merchandising to 'push' sales.

Merchandising and licensing are two marketing techniques that have only recently acquired a strategic position in large companies. They combine to achieve the double task of increasing sales and turnover with short-term results, while at the same time contributing to the defence and strengthening of company brand-equity.

4.1 The Coca-Cola Licensing

Licensing is of fundamental strategic importance for The Coca-Cola Company. Licensing (or brand licences) is carefully handled in detail and becomes part of an integrated, strategic communication plan. Even though it has to fit into a precise, legally-bound communications context, Coca-Cola licensing exploits specific characteristics to the maximum.

In its simplest definition, licensing is just a contract by which The Coca-Cola Company licences its brand to a small, select group of licensees. As a consequence, the Coca-Cola legal division is of great importance within the company. Each contract is carefully studied to safeguard all possible aspects within the collaboration. Studying the contract is hugely important as licensing is a marketing technique. If used approximately or carelessly, licensing can badly damage company image. The legal division has the job of safeguarding the brand and protecting the company. Contract standards are defined worldwide by Atlanta headquarters and are then applied to the specific local contexts by country legal offices.

The contract must protect licensees who, in most cases, have exclusive rights to produce and commercialise a specified product category. The Coca-Cola Company must guarantee not to grant third parties brand exploitation rights for the same or similar products and, at the same, undertake not to commercialise the same products directly. Coca-Cola must guarantee to safeguard its partners' businesses and create sincere, long-lasting collaboration.

One of the benefits of licensing comes from license royalties. The amount and mode (a set one-time amount based on product type and business forecasts or a percentage on sales) are defined and negotiated in the contract. Hence, The Coca-Cola Company has no interest in limiting licensee activities. On the contrary, it does everything possible to ensure the integrity of their businesses, even flanking them strategically and legally at times.

Once legal aspects have been defined as clearly and uniformly as possible, the marketing department comes into the picture. It operates at two different levels: managing licensee selection and control, and defining basic licensing strategies that they then integrate with other communications techniques. Naturally, these two levels are tightly linked together: selecting certain licensees and product categories the trade mark is to be placed on, cannot help but depend on a decisive strategy and on the consistency of messages transmitted this way.

Besides the important financial aspect linked to the receipt of related royalties, licensing is particularly important for defending and building brand equity. Licenses have allowed the Coca-Cola brand to acquire visibility in sectors that have nothing much to do with beverages, thereby reaching a public audience that would be difficult to reach otherwise. The Coca-Cola brand is one of the key aspects of brand equity and definitely one of the reasons why Coca-Cola is not just the most consumed beverage in the world, but is also the most well-known brand.

The Coca-Cola Company transmits its brand heritage through all of its licensing and all articles. Coca-Cola branded articles generate interest, curiosity and prestige: the company still gets daily requests for old prints, wall mirrors and fridges.

This way of managing a brand and its associated merchandising greatly facilitates success from sales promotion campaigns and licensee activities. Coca-Cola branded products have a real value in themselves, independent of the article in question (be it a watch, beach towel or cap). Hence it is the brand and the values linked to it (brand equity) that always make Coca-Cola merchandise highly desirable. That is why license applications are on the increase year after year all over the world: a Coca-Cola branded product has value in any consumer market.

A huge risk associated with famous brands and demand for products linked to it, is forgery. Forged articles - besides exploiting the brand in the absence of a contract and delivering no royalties - go onto the market with none of the product quality control that Coca-Cola demands. Naturally, sales of defective or low quality branded products weakens its image. How can we stop forgery? How can we control all goods sectors all over the world? What forces can be used? For Coca-Cola the answer is clear and simple: licensees. Who better than licensees, living and working every day in a market sector, can police product forgeries?

Licensees probably have the most interest in making sure that the products they sell are not copied and that their businesses are not affected. They are the ones taking the necessary legal action against criminals, thus lightening the load for The Coca-Cola Company.

4.2 The Coca-Cola Merchandising

Merchandising is the link between all communicated brand values and the purchaser. It is an effective, efficient product presentation process at a sales outlet. It is not just the promoter, salesperson and merchandiser’s responsibility. Everyone in the organisation must make sure that products are well presented to customers. If a product is presented dirty, is out of stock, not visible or if fridges and shelves are in a state of abandon, a potential consumer will almost certainly not buy. Effective merchandising highlights brand value at a sales outlet, stimulates impulse buying and confirms brand value for the consumer. Product presentation on shelves, on equipment and in display cases is the consumer's first contact with the product.

Merchandising is enormously important as it reflects brand and company quality and image. The Coca-Cola Italian Region merchandising service is an integral part of customer and consumer service and must be professional, consistent and ongoing. Coca-Cola Italia is focussed on developing and maintaining a merchandising culture and organisation at all levels. The goal is to increase impulse buying, increase Coca-Cola Italia and customer profits and increase volumes.

As far as merchandising is concerned, The Coca-Cola Company strategy is to consolidate that strong, fundamental ally represented by the trade and this occurs at three distinct, but equally important, levels:

- drafting specific agreements;

- sales calls to purchasing points;
- through an active, ongoing, professional presence at sales points.

Each of these points goes towards creating a relationship - not just financial and responding to different needs - but collaboratively and through analysis of the best strategies to be used depending on the distribution channel and positioning of each sales outlet.

Merchandising is one of the Coca-Cola system tools used to manage and monitor consumer satisfaction at sales outlets and match it with trade interests. The impact of merchandising is felt as consumers decide what and how much to buy. It can, therefore, be analysed immediately and is a real thermometer of how well the work is carried out.

The main sales outlet activation target is to increase the value perceived by consumers and customers inside the sales outlet, where branded and unbranded products tend to be grouped together as a result of aggressive private label action.

Merchandising results from a complex process involving marketing, trade marketing and external communications agencies. When Coca-Cola talks of sales outlet merchandising, they mean professionals (merchandisers). Merchandisers receive intense training and are supported by company experience and know-how, and studies carried out by noted universities and highly advanced research centres. Merchandisers work to optimise the product at sales outlets. Merchandisers are fundamental for Coca-Cola: they do not just have contact with distribution operators, they also perceive operator needs and understand problems the sales outlet has with the public using it. They interact with operators on how to manage the Coca-Cola space.

The main merchandiser tasks are to:

- check on the presence of company product/s;
- check product assortment based on package type;
- check product consistency based on type of public using that sales outlet;
- stock shelves (shelf or fridge must always be full), to avoid harmful ‘Stock breakages’[5] (5);
- monitor own product and competition prices;
- check that products have the right amount of shelf space;
- lay out merchandising material.

Naturally, to be able to do all that, they have to have sales outlet authorisation.

Merchandisers operate directly on the end consumer transforming the Coca-Cola space from a passive product layout to an active presence of not just product (whether cans or bottles), but of the ‘Coca-Cola world’ and its distinguishing values.

Merchandisers do a specific number of activities at sales outlets:

- check stock breakages and calculate best restocking times for that individual sales outlet;
- develop ‘lively’ activities at sales outlets that make Coca-Cola an active, inviting presence for consumers. All this to attract consumer attention and offer Coca-Cola as an alternative thirst-quenching buy, refreshing and suited to any occasion;
- check product position (must be close together with the label well visible, tidy);

- make sure the Coca-Cola space is really visible and create identifiable splashes of colour;
- make sure products are on specific shelves, in fridges or in consumer-recognisable containers (with predefined backdrops and pictures);
- set up the area so that products are highlighted by posters, rotairs, multi-coloured arrows and cardboard shapes.

Effective merchandising also benefits a sales outlet by helping the manager increase space value: fully functioning modern equipment, hostesses offering free product samples, clean, tidy, loaded shelves, the chance to have branded chairs, tables and sunshades and material created specifically for the outlet gratifies the end consumer, but also increases sales outlet value - an important partner, not just a distribution channel.

There are many different distribution channels and each has its characteristic features. In merchandising programs, for example, the articles used are different based on different customer targets for each sales outlet. A clear distinction here is the kind of service offered by the sales outlet. If it is a grocery outlet, the merchandising and articles linked to it will 'push' the consumer to buy multi-packs. If it is a bar or pub where people drink Coca-Cola beverages, merchandising will aim to get people to consume more immediately.

Channel marketing means two things for Coca-Cola: understanding consumer needs at different consumption moments and categorising the market into activity groups. Coca-Cola actions aim to relate consumption (When/Why) with purchasing moments (Where/How). In order to do this the company operates at three different levels: product availability which must be an extended network (always available for any potential consumer, everywhere), product satisfaction (choice must be conscious and satisfy expectations), and product value (the consumer is asked to pay the perceived value for Coca-Cola products).

Channel marketing must provide - for each consumption moment, at every sales outlet - the right offering to satisfy the consumer. Each consumption moment is different by type and consumer behaviour, and consequently different in terms of sales outlet objectives, strategies and characteristics. Channel marketing helps understand and facilitates matching customer needs (trade) with end consumer needs in sales outlets. It works on product and brand assortment, sizes designed for different consumption moments, recommended retail prices, merchandising - through targeted, differentiated promotions.

In this context, merchandising is a strategic tool used to promote and stimulate purchasing, and protect and implement brand equity achieved though great effort. Coca-Cola has cultivated a merchandising culture. The efficient, effective presentation of products at sales outlets - where a consumer has initial brand contact - is fundamental for achieving targets such as increasing impulse buying, sales volumes, and company and customer profits.

Everything communicates and all of us assign our own value to a brand from the numerous contacts with it. The market only rewards companies that communicate their value consistently.

Notes

[1] Jean-Jacques Lambin, *Marketing*, McGraw-Hill, p. 103.

[2] Silvio M. Brondoni, Comunicazione, risorse invisibili e strategia competitiva d'impresa, Silvio M. Brondoni (ed.), La comunicazione d'impresa, *Sinergie*, n. 43-44, May-December, 1997, pp. 3-35.

[3] Igor Buratti's graduate thesis 'Merchandising and Licensing in Adding Value to Brand Equity', 1999, University of Milan-Bicocca.

[4] Packaging refers to that activity connected to the study, planning and creation of a container for a product that protects it and 'dresses' it appropriately, allowing it to reach consumers and communicate, along with all the other elements of the communication mix, that this is indeed the answer to their needs.

[5] We speak of 'stock stock-out' when the consumer cannot find the product he is looking for on the shelves because it is momentarily sold out.