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# **Rebranding as a Way to Boost Sales in an Example of the Entertainment Center “House of Fears”.**

How to Develop and Implement a Successful Rebranding Strategy in Order to Improve the Company's Image and Attract New Customers.



Bachelor's thesis

International Business

Valkeakoski 2016

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Clarification of signature.

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Unit: Valkeakoski

Name of degree: International Business/ Global Marketing

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**Year** 2016

**Subject of Bachelor's thesis** Rebranding as a Way to Boost Sales.

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## ABSTRACT

The purpose of this thesis was to develop a successful rebranding strategy for the entertainment centre "House of Fears" in order to improve the company's image and attract new customers. To achieve this goal, the theory of rebranding was studied in depth and the different marketing research activities were implemented. Based on the primary and secondary data collected during the research, the recommendations were given.


Due to the lack of literature about rebranding, the theoretical background includes much theory about the branding. This part of the thesis covers such topics as the concept of brand equity and the asset dimensions of brand equity. Nevertheless, the drivers of rebranding, the rebranding process and strategies were described in details. All the data was mostly collected from the marketing books and articles. Such theoretical frameworks as SWOT and Porter's 5 Forces were used to evaluate the current situation on the entertainment market of Saint-Petersburg and the position "House of Fears" takes there.

In order to provide high quality recommendations, the primary data was collected through the customer survey. One hundred visitors were asked to fill the survey, which aimed to clarify what image of the company the customers have in their minds. When the results were collected and analysed, a few recommendations were provided. All the recommendations were based on the theory studied in the first chapter and the results collected during the marketing research. The suggested rebranding strategy includes such activities as name and logo change, redesigning of the web pages and the interior, adding such services as a cinema, edutainment and a snack-bar. Besides, it was suggested to pay more attention to the development of the social media channels.

To make sure that the new strategy is going to be successful, it was suggested to perform a focus group meeting with customers of different ages, where all the changes could be discussed and tested. Thus, the needed corrections can be made before the new project is launched.

**Keywords** Rebranding, branding, entertainment market, SWOT, Porter's 5 Forces.

**Pages** 40 pp. + appendices 2 pp.



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# CONTENTS

|       |   |    |
|-------|---|----|
| 1     | INTRODUCTION.....                                 | 1  |
| 1.1   | Background Information.....                       | 1  |
| 1.2   | House of Fears.....                               | 1  |
| 1.3   | Research Question and Objectives.....             | 2  |
| 1.4   | Research Methods.....                             | 3  |
| 2     | THEORY - BRANDING.....                            | 4  |
| 2.1   | Branding.....                                     | 4  |
| 2.2   | Brand Equity and Customer Based Brand Equity..... | 4  |
| 2.3   | Asset Dimensions of Brand Equity.....             | 7  |
| 2.3.1 | Brand Loyalty.....                                | 8  |
| 2.3.2 | Brand Awareness.....                              | 8  |
| 2.3.3 | Perceived Quality.....                            | 9  |
| 2.3.4 | Brand Associations.....                           | 9  |
| 2.3.5 | Other Proprietary Brand Assets.....               | 10 |
| 2.4   | Rebranding.....                                   | 10 |
| 2.5   | Drivers of Rebranding.....                        | 11 |
| 2.6   | Rebranding Process.....                           | 13 |
| 2.7   | Rebranding Strategies.....                        | 14 |
| 2.8   | The Risks of Rebranding.....                      | 15 |
| 3     | CURRENT SITUATION.....                            | 16 |
| 3.1   | Macro Environment Analysis.....                   | 16 |
| 3.1.1 | Market Analysis.....                              | 16 |
| 3.1.2 | Industry Analysis (Porter's 5 Forces).....        | 18 |
| 3.2   | Micro Environment Analysis.....                   | 24 |
| 3.2.1 | SWOT Analysis.....                                | 24 |
| 3.2.2 | Customer Survey Analysis.....                     | 28 |
| 4     | RECOMMENDATIONS.....                              | 30 |
| 4.1   | Design.....                                       | 31 |
| 4.2   | Services.....                                     | 31 |
| 4.2.1 | Cinema.....                                       | 31 |
| 4.2.2 | Edutainment.....                                  | 32 |
| 4.2.3 | Snack Bar.....                                    | 32 |
| 4.3   | Social Media.....                                 | 33 |
| 4.4   | Focus Group.....                                  | 34 |
| 4.5   | Benefits for the Customers.....                   | 34 |
| 5     | CONCLUSION.....                                   | 35 |
| 6     | ACKNOWLEDGEMENTS.....                             | 38 |
|       | SOURCES.....                                      | 39 |

Appendix 1 Survey Results



## 1 INTRODUCTION

### 1.1 Background Information

Nowadays a number of factors are forcing marketers to think about the rebranding of their companies. The business market is a rapidly changing competitive environment: new brands come out and old ones change. In addition, customers' needs are constantly changing as well, thus blurring the existing position of brands. At the same time, new innovative ideas, development of new distribution channels and new ways of promotion lead to increasing competition, forcing marketers to go back to the origins of their brand development and start over again. Starting from the beginning every time when there is a new trend on the market is absolutely inefficient, that is why it is better to make some changes to the brand when necessary. This problem has a strong influence on the entertainment market.

Any company is a "living organism": first it is born (founded), after that it is being developed, then reaches the peak of its maturity stage and dies. In other words, every company passes through the certain stages of a life cycle. But if it always works like this, we might wonder how then can world famous enterprises stay attractive after many years? The answer is simple, they do not "die" after their maturity stage, they move to the "rebirth" stage, which means they make some innovative changes to their product or service that keeps customers loyal.

The fundamentally important question is: How can a company resist the environmental changes which occur frequently, but unpredictably, and still keep its market position? The company always has to monitor changes in the main components of the environment, and draw conclusions regarding their need for changes.

Today the customer is a key factor in the development of a new strategy. An effective tool that may help to gain a competitive advantage is rebranding, which aims to improve the relationships with clients.

### 1.2 House of Fears

House of Fears is an entertainment center founded in 2013 in Saint-Petersburg, Russia by two Russian women. Everything began when one of the founders moved to Saint-Petersburg and was looking for employment. Some day, when discussing the current situation with her local friend, they realized that their life and professional experiences are enough to start their own business. Both of the women have children, and they knew on their own experience that there is a lack of activities on the entertainment market for children. Thus, they decided to create something new, something that would attract much people. At that moment they remembered

how they loved to gather with friends in a dark room and tell each other horror stories. This is how they came up with the first ideas about House of Fears. They created the first interactive theater in Saint-Petersburg.

House of Fears is “A horror story where you play the main role”. Basically this is a quest with some background story, where participants are supposed to find out the secret and try to find the way out of the room. However, what makes House of Fears special from other quest rooms is that here you are not alone in the room, there are professional actors who do not have to stick to a strict scenario, but instead they improvise depending on the actions of the participants of the game, which is what makes it unpredictable and incredibly interesting for every customer.

Every room has visual decorations and sound effects depending on the topic of the game. Since the amount of topics is limited, every month all topics and decorations are being changed in order to make it reasonable for customers to come back.

“House of Fears” used to have the second center in another location, but when the crises came to Russia it became too expensive to run both of the centers. Furthermore, the other location was not so popular among customers because it was too far from the city center. So, it was decided to keep only one “House of Fears”, which seemed to be much more successful.

Nowadays, the entertainment market of Saint-Petersburg is full of competitors. Furthermore, new players constantly join the market. And many of them have new creative ideas, which easily attract the attention of the existing customers to their offers. Soon, “House of Fears” started to lose its popularity due to the high market growth. New entrants with innovative and different ideas started to join the market, even though they managed to keep the same price level. Thus, customers started to switch to a better product for the same price, which is quite logical. This was the moment when the managers of “House of Fears” realized that this is the time for change and this is how this topic was created.

### 1.3 Research Question and Objectives

The main purpose of this project is to answer the research question. In order to create a good research question, the researcher should make sure that it is relevant to the topic, while at the same time it is interesting and clear. The research question for this study is:

- How can a successful rebranding strategy be developed and implemented in order to improve the company's image and attract new customers?

The key aspect of a successful marketing research is the correct picture of the problem. Thus the following objectives should be completed in order to answer the research question:

- to study and describe the theory of rebranding strategy;
- to describe current situation and reasons why the company should use rebranding strategy;
- to analyze new entertainment industry trends;
- to make recommendations, which will include potential solutions to the research question.

### 1.4 Research Methods

“Marketing research is the process of defining a marketing problem and opportunity, systematically collecting and analyzing information and recommending actions to improve an organization’s marketing activities.” (Berkowitz et al., 1992, p.168).

For this study primary and secondary data were collected. Almost every research includes secondary data, because this way of collecting information does not request high money and time investments. One question comes to mind: Why than every researcher does not use secondary data? Simply because this data was collected by another person, maybe even from another culture, which had a different perspective on the problem. Furthermore, information might be partly outdated and collected for a different purpose. Thus, even the use of secondary data needs a particular effort in order to analyze and select only the valid information.

For primary data collection different tools were used. First of all the entertainment industry was analyzed and evaluated by using Porter’s 5 Forces Model. This information drawn a picture of the intensity of industry competition, evaluated bargaining power of buyers and suppliers, as well as the threat of substitutes and new entrants. This made a good basis for the SWOT analysis. SWOT aimed to highlight the main strengths and weaknesses, as well as opportunities and threats. For this study SWOT analysis was one of the most important activities, as rebranding process aims to find all the weaknesses and threats which have to be transformed into strengths and opportunities. The results of this analysis were evaluated and, based on the conclusions, the appropriate recommendations were given.

Not a secret, that the main goal of every business is to satisfy the customers in order to achieve great profits. All the analysis and ways of collecting data listed above are important, but this is how the company sees itself. In order to create something that completely satisfies the needs of consumers, the researcher should find out their opinion about a particular problem or issue. For this was decided to make a survey, which contained ten questions. One hundred visitors filled the survey after participating to the games of “House of Fears”. This research method provided the clear picture of what the customers think about “House of Fears” and what they would like to see, as well as how much they are willing to pay for this survives.

## 2 THEORY - BRANDING

### 2.1 Branding

Originally, the term “branding” comes from the American Wild West and long time ago it used to mean “to burn”. In order to demonstrate ownership farmers used to mark their cattle, slaves, timber and crockery with marks by using hot iron stamp. At the beginning these marks were used to show that something belongs to a particular person and should not be taken by anyone else. With the time the meaning changed and people started to use it more as a signature in order to determine who produced one or another product and from whom you can buy it.

In order to get clear understanding of branding, it is necessary to know what brand is. Nowadays there are many different definitions of branding. Aaker defines brand as a “distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate these goods from those of competitors”. Others argue that brand is a combination of intangible product’s features, which include not only name and/or symbol, but also its packaging, price, history, reputation and the it’s advertised. Many more marketers gave various definitions of a brand, however all of them agree that it is all about differentiating. Thus, branding can be defined as a process of giving a company or product the unique image by creating tangible as well as intangible values in order to differentiate among competitors and to take a certain position in the minds of potential customers.

Branding process became an important process when competition on different business markets started to grow rapidly. Internet development made this situation even more tough, as it gave consumers an opportunity to purchase products and services globally. Consumers, nowadays, have a huge amount of choice of products and services and clearly they choose companies that can fulfill their needs. In order to attract customers and keep them loyal companies have to find ways to satisfy their needs in a better, more innovative and creative way than competitors.

Furthermore, today consumers have bigger influence on companies’ reputation and branding process than managers. Through social media channels consumers can actually influence the decisions of target market by leaving positive or negative feedbacks. Therefore, managers must take into account these opinions and use them to improve quality of their products or services, and thus increase attractiveness.

### 2.2 Brand Equity and Customer Based Brand Equity

There are several definitions of brand equity since it brings value not only to a company but also to a consumer. But back in 1990s, when the concept of brand equity only began to develop, it used to mean only financial value



of a brand on the market, which would include patents, trademarks, manufacturing know-how and technological advances. The stronger was the brand the higher was its financial value, and in order to strengthen it companies had to invest in product quality and advertising. In contrast, price promotions would produce short-term increases in sales but would do nothing to build long-term brand equity (Barwise 1993, 94–95).

Nowadays, brand equity does not represent only financial value of a company, but any added to a product or service value resulted from previous investments in the marketing of the brand. Today, in the literature we can find many definitions of brand equity, and here are some that describe it more precisely:

- a set of brand assets and liabilities linked to a brand, its name and symbol that to or subtract from the value provided by a product or service to a firm and/or to that firm's customer (Aaker 1991, 15);
- the incremental price that a customer will pay for a brand versus the price comparable product or service without a brand name on it (Keegan – Moriarty – Duncan 1995, 324);
- the value a brand name adds to a product (Broniarczyk – Alba 1994, 214).

As it is seen from definitions of brand equity, there were two main reason to study brand equity: the first is a financial reason, in order to estimate the value of a brand and its stock price; and the second reason is to increase efficiency and effectiveness of marketing campaigns. But financial value does not worth much if a company does not create right image in the minds of a target market. As a result, marketers must better understand the needs of their consumers to create appropriate strategies for satisfying their needs.

The key idea of consumer-based brand equity is that consumers determine how strong the brand is according to their previous experiences and knowledge about the brand. The benefit of consumer-based perspective is that it helps marketers to analyze the effectiveness of their marketing campaigns in development of brand image. And even though the main goal of almost all marketing campaigns is to increase sales, it is important first to create a favorable image of a brand in the minds of consumers, which, in turn, will make them respond more positively to various promotions. In other words, the knowledge about the brand established by the firm during previous marketing campaigns is crucial, as it will influence the success of future brand strategies.

Customer-based equity might be positive or negative, depending on how favorably consumers react to the products and the way they are promoted when the brand is known and when it is not. Therefore, positive consumer-based equity might influence consumers' behaviors in a way that they will be willing to purchase new product lines of the brand, be less sensitive to price increases, and look for the brand in different distribution channels.

Favorable consumer response, in turn, can lead to enhanced revenues, lower costs, and greater profits for the firm. (Keller 1993, 8).

Fundamental part in creating consumer based equity is brand knowledge. As it can be seen from the Figure 1, brand knowledge is a composition of brand awareness, which is consumers' capability of recognizing or recalling the brand under different circumstances; and brand image, which includes different types of brand associations. In order to build brand awareness, companies have to repeatedly introduce brand and its products to the consumers. While creating favorable brand image requires forming strong, positive and exceptional associations for the brand.

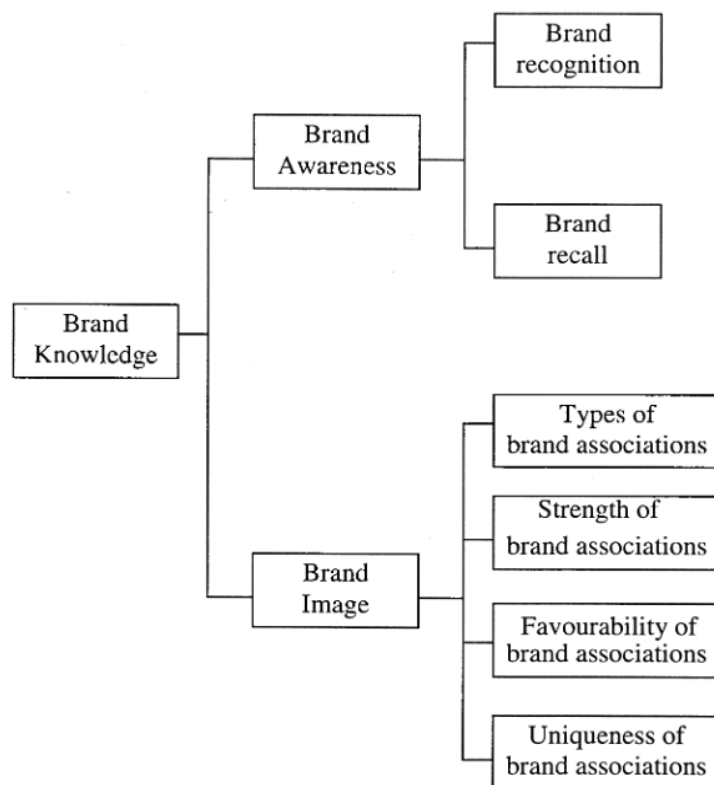


FIGURE 1. *The main elements of brand knowledge.*

Brand awareness includes 1) brand recognition, meaning that consumers are capable of recognizing and admitting previous exposure to the brand and 2) brand recall, meaning that consumers are capable of retrieving the brand, when given the product category, the needs fulfilled by the category, or some other type probe as a cue. Brand awareness can be assessed with two dimensions: depth and breadth. The depth of brand awareness estimates the probability of brand recognition or recall, while breadth evaluates the range of purchase and consumptions situations in which brand comes to mind. (Keller 1993, 3; Keller 1998, 120–123).

Brand image indicates the way consumers perceive the brand depending on the brand associations in the minds of consumers. There are different types of brand associations, which include, for example, product-related and non-product related attributes, functional, symbolic or experiential

benefits and attitudes. In order to create positive customer-based equity, brand associations must be strong, favorable and unique. The picture consumers will keep in their minds directly depends on ability of a brand to differentiate from its competitors, provide end-users with benefits and enrich their self-image. (Keller 1993, 3–8; Keller 1998, 124).

As a result of favorable customer-based equity companies can observe increase in profits and lower costs. Furthermore, this will help to gain new customers and keep them loyal, hold strong position among rivals, present new products and enter new markets. From positive customer-based brand equity companies also may get non-monetary benefits, such as for example recruiting better work force.

### 2.3 Asset Dimensions of Brand Equity

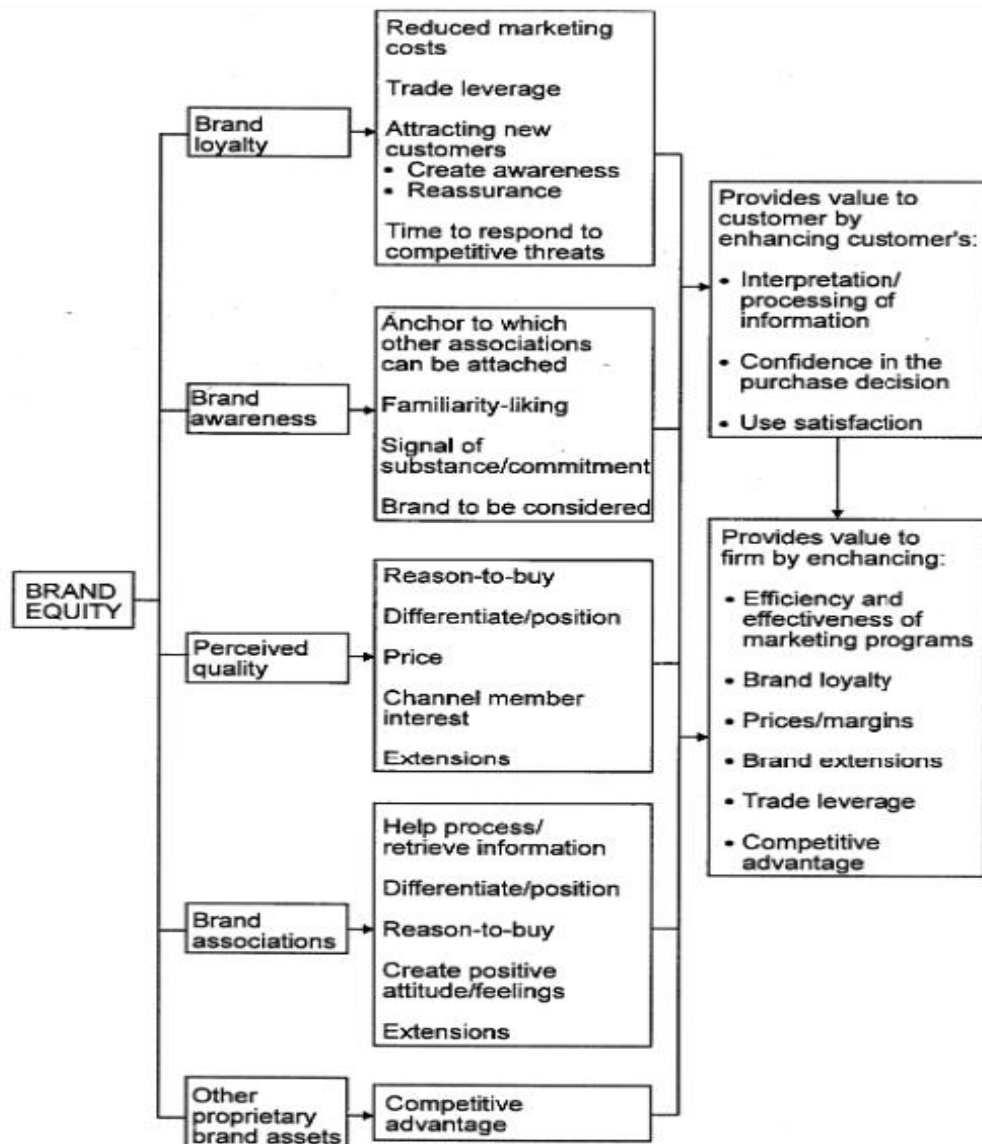


FIGURE 2. A five assets model of brand equity.

According to Aaker (1991, 19-21), brand equity is based on five nonmaterial asset dimensions, which include brand loyalty, brand awareness, per-

ceived quality, brand associations and other proprietary assets such as patents and trademarks (Figure 2). If company takes care of these assets and manages them in a right way, they can be mutually beneficial as they increase customer satisfaction and, therefore, bring benefits to the firm itself.

### 2.3.1 Brand Loyalty

Brand loyalty illustrates auspicious position toward a brand, which makes consumers purchase products or services of the brand over time. This phenomenon can be explained as an outcome of consumers' experience that this particular brand delivers desired benefits in a timely manner, in other words, satisfies their needs. The biggest advantage of brand loyalty for companies is that it helps to reduce costs: to maintain favorable relationships with existing customers is much more less than trying to attract new ones. Besides, it is quite challenging for competitors to entice loyal customers because they just do not have reasons to waste their time to get to know about alternatives. A typical mistake make companies do is trying to attract customers of other brands while disregarding already existing ones. The other thing is that loyal customers can attract new ones by utilizing the product or suggesting to use it. (Aaker 1992, 30).

The brand loyalty is usually a keystone of a brand's equity. It determines probability of customer switching to a competitor's brand, especially when a company decides to change prices or product characteristics. Aaker (1991, 39-41) describes five levels of brand loyalty:

1. non-loyal customers who are totally unconcerned about the brand and do not care much about the name of a brand when making purchase decision;
2. these customers often called habitual, they are more or less happy about the brand, or at least not unhappy;
3. this group of consumers is also satisfied with the brand and, furthermore, has switching cost, which means they might lose time or money if they switch to the other brand;
4. these customers absolutely love the brand, they are satisfied with their previous experiences and perceived quality;
5. and the highest level consists of customers who are truly proud to use the brand. The brand itself is very important to them as it helps them to express their personality and maintain self-confidence.

### 2.3.2 Brand Awareness

As it was described previously, brand awareness is consumers' capability of recognizing or recalling the brand under different circumstances. Brand awareness can range from unclear idea that the brand is recognized to an absolute confidence that this is the only brand within product category. (Aaker 1991, 61-62).

Brand awareness takes an important place in the decision making process, because when considering any kind of purchase, consumer will have to choose among some brands, and most likely he will prefer the one that he is familiar with, rather than the one he has never heard about.

### 2.3.3 Perceived Quality

According to Aaker (1991, 85-86), perceived quality describes customer's perception of the general quality and excellence of a product or service relative to alternatives. There are few reason why perceived quality plays an important role. Quite often, perceived quality provides the main reason to buy. It determines which brands will be included and excluded from the consideration set, and which brand is going to be chosen. Besides, perceived quality helps to achieve better distribution, since different channels, like for example retailers, prefer to work with brands that are highly respected. Furthermore, the perceived quality can be used when introducing brand extensions, because when customers are happy about the brand they are more likely willing to try its new lines.

### 2.3.4 Brand Associations

Brand associations represent any mental connection to the brand. Brand associations include, for example, product attributes, customer benefits, habits, ways of living and etc. Brand associations, as all other dimensions, also have strong influence on consumers' decision making process. They affect the way people recall information, determines consideration set and the preferred brand and provide with rational reason to make a purchase. There are three main types of brand associations, which can be seen on the Figure 3 (Dickson 1994, 310-311):

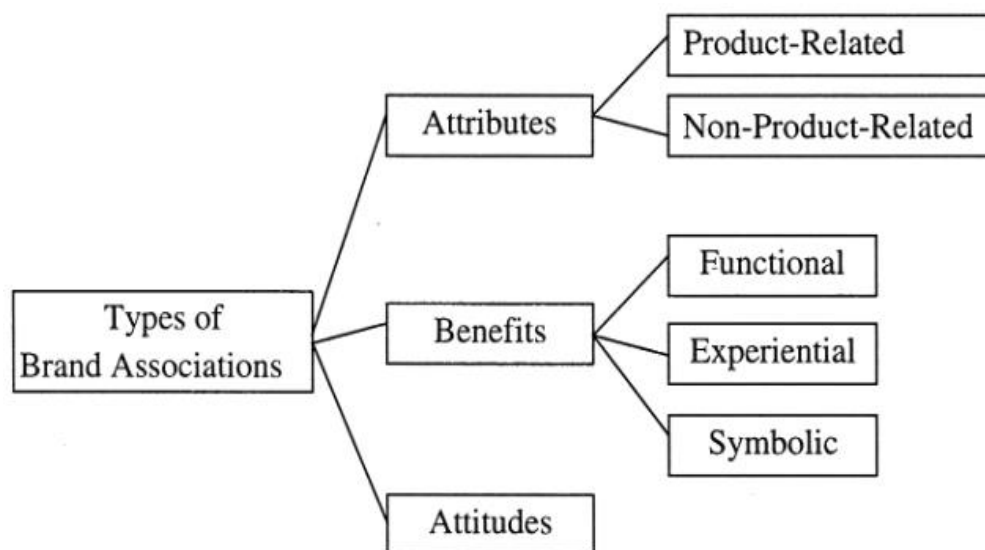


FIGURE 3. *The main types of brand associations.*

1. *Attributes*: characteristics of product or service. Attributes can be product-related and non-product-related, depending on how close they are related to the product or service itself. Product-related attributes are fundamental and influence the way product or service will function. These attributes can be divided into those that are necessary to make product work and the optional ones, which can be created in order to adjust to customers' desires. While non-product-related attributes are those that might influence purchasing or utilization process, but do not influence operability of product or service, such as price, packaging, personality type of user and circumstances when it is used.
2. *Benefits*: those values that consumers get out of the product or service, there are three types: functional (performance related benefits), experiential (positive feelings the use of product or service create) and symbolic (the way product or service influence customers' image in a good way).
3. *Attitudes*: consumers' feelings and opinions about the brand. They are often formed on the basis of attributes and benefits. Attitudes play a big role because they usually determine consumers' behaviors toward the brand.

### 2.3.5 Other Proprietary Brand Assets

Proprietary brand assets, such as trademarks and patents, add competitive advantage to a company, which helps to keep loyal customers.

## 2.4 Rebranding

Unlike branding, which, basically, is a process of creating a brand identity, rebranding aims to recreate this brand identity. Even though many companies experience rebranding process in one form or another, and even many world famous corporations have used this strategy, there is still not that much academic background on this topic. Due to the lack of theoretical knowledge about rebranding, most of definitions that can be found in the literature are quite unclear and broad. Nevertheless, the most common one states that rebranding is some kind of change in the existing brand, like new name, new design or promotional strategy, in order to improve consumers' perception of the the brand and generate positive market growth.

Daly & Moloney (2004, 30) argue that rebranding is a continuum from refreshing an existing brand to a complete change, that includes name change and new mission, vision and values. Muzallec & Lambkin (2005, 805) explain rebranding as "the creation of a new name, term, symbol, design or a combination of them for an established brand with the intention of developing a differentiated (new) position in the mind of stakeholders and competitors". Figure 4 presents rebranding continuum according to their definition and shows that there are two dimensions of change depending on the scope of transformation. This figure shows how rebranding moves ranges from evolutionary (minor modifications in brand positioning

and aesthetics) to revolutionary (major transformations in positioning and marketing aesthetics).

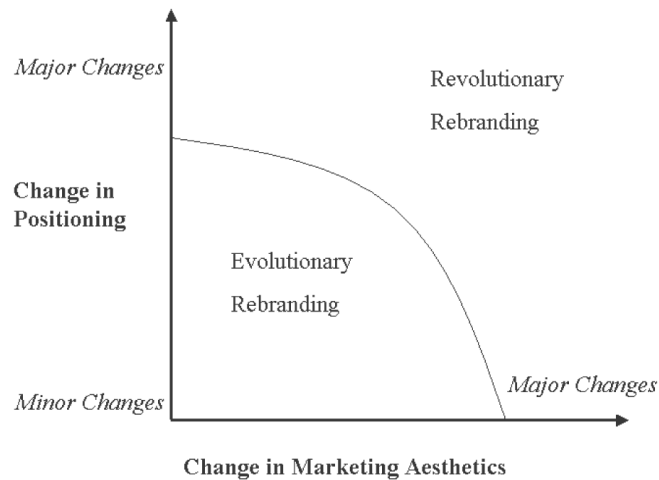


FIGURE 4. *Rebranding as a continuum.*

There are three levels of corporate rebranding discussed by many authors:

- *Corporate rebranding*: major change in the whole organization, by acquiring new name, changing ownership structure, often switching to a new strategy or repositioning. A good example of corporate rebranding is TeliaSonera (merger of Swedish Telia and Finish Sonera).
- *Business unit rebranding*: when one business unit within a larger organisation is being changed in order to create new identity. Often large corporations give different names to their business units depending on location.
- *Product rebranding*: changing only the name of a particular product, usually used when company wants to make a brand globally recognized. An example can be famous depilatory international brand Veet, which used to be called Neet in some countries, until the company decided to create one standard name for all countries.

### 2.5 Drivers of Rebranding

There are various reasons that motivate companies to use rebranding strategies. Nowadays, consumers' needs constantly change, thus pushing managers to make some changes within their organizations in order to maintain market share and be able to resist competition. Muzellec et al. (2003, pp. 33-34) have studied 166 companies that resorted rebranding campaigns and discovered the main reasons or drivers of rebranding, which then were divided into four major categories:

1. *Change in ownership structure*:
  - Mergers and acquisitions (33.1%);
  - Spin-offs (19.9%);
  - Private to public ownership (1.2%);

2. *Change in corporate strategy:*
  - Divestment (9.0%);
  - Diversification (4.8%);
  - Internationalization (7.2%);
  - Localization (1.2%);
3. *Change in competitive position:*
  - Brand image (17.5%);
  - Bankruptcy (1.2%);
4. *Change in the external environment:*
  - Legal regulation (2.4%);

The range of reason for rebranding which can be found in the existing literature is so diverse that in order to study them more detailed, it is rational to assort them into categories of the main rebranding motivations and describe them more in depth. There are going to be described seven major motivations:

- *Mergers and acquisitions:* when two different companies are combined because of some reason, not just the name has to change, but also strategies, goals and organizational culture. Leaders should first of all realize that they put together two different cultures and they have to build new ways of communication and ability to work as team in order to reach their main objectives. Management has to find a way to show to their customers that they brought to companies together in order to deliver higher quality products and/or services, and not because they wanted to increase their profits. Thus, the whole organization starting from the logo and name to the image that consumers have in their minds have to be changed.
- *Standardization:* many organizations decide to use rebranding strategy to standardise their brand in all the locations where they have business. This is usually made in order to reduce costs, which are higher due to this difference, plus the power of a brand and position in the minds of consumers gets higher after standardization.
- *Brand image:* some companies come to rebranding because of the desire to change their image, for example when the whole idea does not seem to be innovative anymore or the image of a brand has some bad history.
- *Simplification:* rebranding in order to simplify the image of a company happens, when the whole picture became too confusing for the consumers and they cannot have a clear idea of what this brand is about anymore.
- *Repositioning and Retargeting:* rebranding can be used when a company decides to change their target market or the way it positions itself on the market. In this case company gets new goals, values and image.
- *Diversification:* rebranding may happen when an organization came to a point where it has so many branches responsible for different



fields of operation, that the first picture of a brand does not describe it anymore and only confuses their customers. Or also it happens when a company knows from the beginning that the new activity they are going to launch is so much different from the image of the existing brand, that there is a new to rebrand.

- *Legal reasons*: it may happen, that an organization must use rebranding strategy because of the legal reasons. For example if some part of a company does not belong to a parental company anymore, they have to rebrand in order to exclude all the names that do not belong there anymore.

### 2.6 Rebranding Process

Muzellec et al. (2003, pp. 34-35) the rebranding process is a composition of four stages: repositioning, renaming, redesigning and launching. Repositioning is necessary when managers decide to develop a new position in minds of consumers. Renaming is used when there is a need to announce to stakeholders that the company is developing a new strategy, reforming its activity or changing ownership. Redesign deals with brand aesthetics and tangible components, like logo, offices, advertisements and so on. The stage of relaunch determines how the large audience, as staff members, customers, stakeholders and press, is going to see the new brand.

A corporate rebranding framework (Figure 5) was designed by Daly and Maloney (2004, p.35) and includes three main levels: analysis (based on the results of situational analysis, management of a company takes a decision to use rebranding strategy); planning (future rebranding strategy is completely planned and ready for implementation); evaluation (evaluating all the campaigns during their implementing in order to make some improvements on time, as well as, final evaluation of the whole process).

Situational analysis is a first step in rebranding process and it includes detailed market analysis (including market size, new trends within the industry, and competitors' strengths and weaknesses). During situational analysis management should identify which brand components are going to be maintained permanently and which only for a period of time, and also those that are going to be completely removed.

During the planning stage company decides who is going to be a target market of the rebranded product or service, which strategy is going to be used, and also employees are being informed and trained in order to be able to work according to new policies.

Evaluation is the third and final step in the rebranding process. Evaluation has to be implemented throughout the planning process, which means each stage and campaign have to be evaluated in order to find some mistakes or potential opportunities on time.

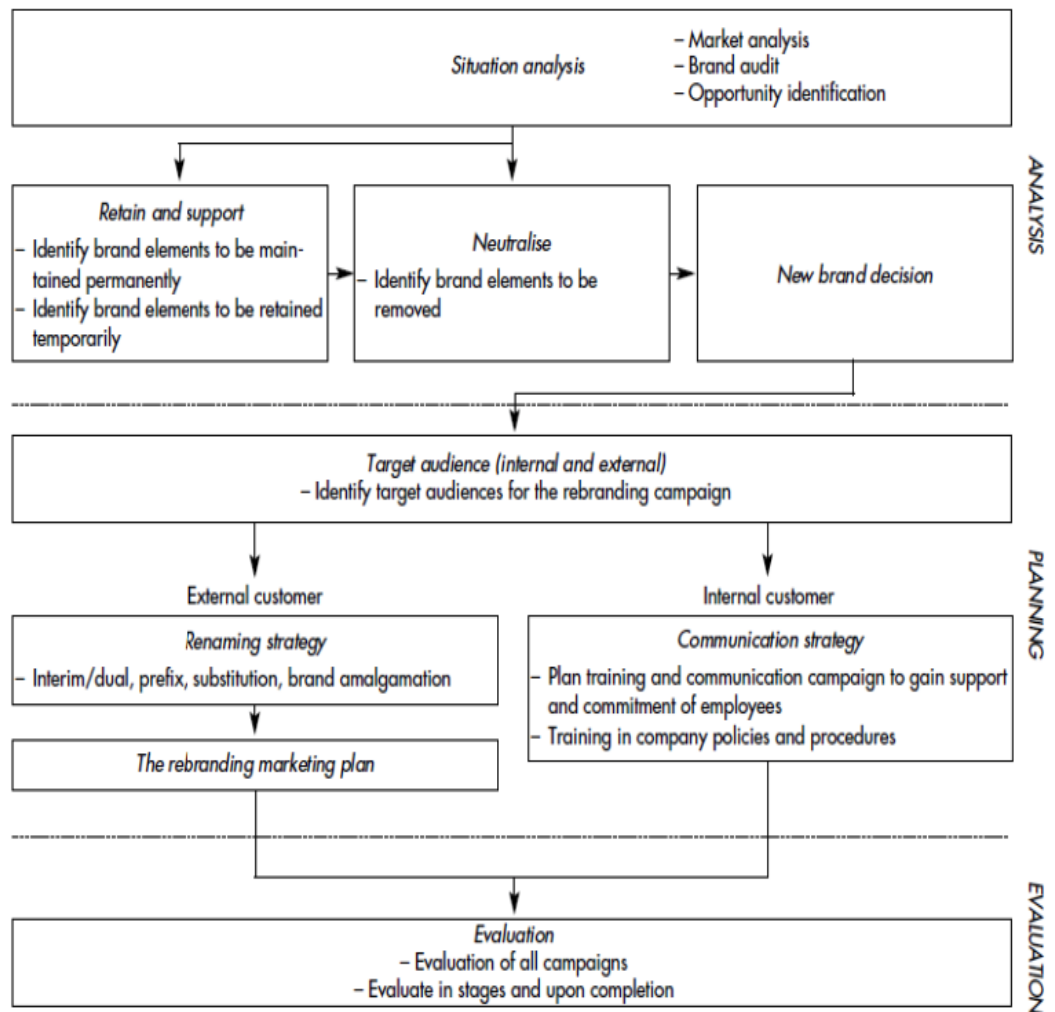


FIGURE 5. Corporate rebranding framework.

## 2.7 Rebranding Strategies

Kaikati & Kaikati (2003, pp. 17-23) describe six possible strategies for performing strong rebranding campaign:

- *Phase-in/Phase out:* linking a new brand to an existing one for a particular period of time (phase-in), and when new brand is getting strong enough, the old one is phased out;
- *Combined branding:* already existing brands are combines in some way;
- *Translucent warning:* customers are notified about a name change before and after the strategy is implemented;
- *Sudden eradication:* during this strategy the old name is suddenly changed to a new one;
- *Counter-takeover:* normally happens after mergers and acquisitions, when one brand is obliged to drop its own name and take the name of the second brand;
- *Retrobranding:* used when companies have already implemented some rebranding strategy, but it did not bring a desired success, and they decided to switch back to the original name.

Besides, some authors suggest some fundamental actions, that should be implemented in order to perform a successful rebranding campaign. According to their proposal, companies must:

- Properly determine and evaluate consumers' perceptions;
- Make sure that they maintain a reputable brand consultancy;
- Increase and compensate employees' involvement;
- Create an exclusive logo;
- Study meaning of different colors;
- Be extremely enthusiastic and proactive in new name promotion;
- Monitor and evaluate consumers' response to changes;
- Always have a back-up plan for unpredictable situations.

### 2.8 The Risks of Rebranding

Even though many companies see rebranding campaigns as a good opportunity to solve some problems, these campaigns still have their risks. Rebranding may cause alienation of employees and customers, lead to loss of favorable relationships, and confuse consumers' understanding of the brand. Decision to implement rebranding campaign should be very well-thought, as it is a costly, time-consuming and risky strategy, which should only be used when there is a clearly defined marketing plan and good financial resources.

Management of companies should be aware that if they consider name change as one of their rebranding campaigns, it might be quite a dangerous activity as it brings serious changes to brand knowledge. Before resorting to renaming, companies should make a research to see how the existing names affects the brand, and if the name with positive effect is removed, company might go face negative consequences. Rebranding campaigns may significantly damage the brand and negatively affect financial resources. No matter what level of change company wants to implement, managers must carefully consider their decision and possible alternatives.

The reasons why rebranding campaigns are usually very costly, besides costs for research, is that only name change leads companies to a need to change their web-pages, uniforms, printed information, legal documentation, emails, interiors in their offices, signs, and many more depending on the type of a company. Furthermore, companies spend money not only on implementation of a new strategy, they also spend money on burying the old one.

Kaikati and Kaikati (2003, pp. 17-23) describes four main pitfalls of rebranding exercises:

- *Heritage rebranding trap*: tendency to change companies name which has direct relation with a particular nationality to a more independent one in order to be less associated only with one country and be able to go global.

- *Following the crowd*: many companies just hastily make a decision to implement a rebranding campaign, just because many other companies did this. Such a thoughtless step most probably will lead company to big financial losses and damaged image.
- *Merger branding*: mergers most probably lead companies to a need to change the name, but many companies do not pay enough attention to the importance of this activity and eventually lose their brand equity after merger.
- *Celebrity rebranding snits*: many companies, when facing some problems with image, immediately try to use celebrities in order to solve the problem, which not necessarily leads to real improvements, but costs a lot.

### 3 CURRENT SITUATION

#### 3.1 Macro Environment Analysis

##### 3.1.1 Market Analysis

Variety of leisure and entertainment activities play an important role in social life of a modern city. During recent years this kind of organizations more often get located in areas with high amounts of people (such as shopping malls and areas nearby) in order to ensure higher quality products and/or services.

Currently, in Saint-Petersburg most of the shopping centers are represented in a so called “shopping-entertainment” format. According to different researches, the amount of visitors in a shopping mall increases by 20-30% after opening an entertainment organization there. At the same time, an entertainment center benefits a lot from being located in a shopping mall, while location outside the shopping area may result low economic efficiency and high pay-back period.

According to Russian Federal State Statistics Service ([www.gks.ru](http://www.gks.ru)), an average citizen of Saint-Petersburg spends 5% of his monthly income on entertainment. Today, local market is quite saturated with different offers in entertainment industry due to qualitative and quantitative changes in this area during last two years. These changes, in turn, changed the minds of consumers and now they would rather prefer new innovative form of entertainment rather than some regular one.

Over the past year, entertainment business started to focus on family and children activities. During that time, interest for activities in “education + entertainment” format (education + entertainment) greatly increased, as this form of leisure activity provides children with valuable knowledge during game process. Multifunctional centers with wide variety of entertainment options more and more expand their presence on the market.

In 2015, the industry of entertainment qualitatively replenished with new projects, such as quests, anti-café (you pay only for the time you spend there, not for the drinks or snacks), Activity parks, interactive museums and theaters, contact zoos and many more. The diagram below (Figure 5) shows the structure of entertainment market in shopping malls of Saint-Petersburg:

- The undoubted favorites in entertainment area for the last two years were *cinemas* (30%). This form of leisure activity is suitable and interesting all segments of population. According to Maris ([www.maris-spb.ru](http://www.maris-spb.ru)), at the beginning of 2016 there were already 63 cinemas.
- *Bowling centers* already lose their relevance, but still make up a significant part of the market (10%). Almost every shopping mall has a bowling center. Some centers have been already closed due to the lack of demand and high costs. The problem of bowling clubs is that they very much depend on time – the main stream of customers plays bowling on weekends or late at the evening, which essentially affects the revenues.
- Recently, the market started to get more and more of *children entertainment centers* (13%). This type of leisure activity includes playgrounds, mini workshops, theaters, attractions and so on. As it was mentioned before, “edutainment” format activities become more popular, which is a combination of education and entertainment.
- *Game centers* also started to develop rapidly and now take 10% of the market. In 2013 the first multifunctional game center “Maza-Park” was opened and now takes high positions in the minds of consumers. This type of leisure activities centers takes large areas (around 15.000 m<sup>2</sup>) in shopping malls and includes different kinds of entertainment options ranging from modern attractions to gyms. The owners of MazaPark already plan to open another entertainment center in a separated building, which will include bowling, more than 100 tables for billiard, pool and Russian pyramid, table tennis, race track 430 m<sup>2</sup>), roller-skating area, laser tag, Q-zar, food courts, coffee shops, bars and so on. Also, one of the shopping malls has multifunctional entertainment area (10.000 m<sup>2</sup>) which includes games area, largest in Russia skate-park, Segway area and much more.
- There are also *not standard types* of entertainment. In order to attract more people with different interests, shopping malls open new formats of entertainment facilities. The most popular are aqua parks within shopping malls. The first aqua park inside a shopping mall was opened in 2006 with total area of 4.000 m<sup>2</sup>. Later, in 2012, an aqua park of 25.000 m<sup>2</sup> was opened in another shopping mall. Another popular not standard entertainment activities are artificial skating-rinks, downhill skiing clubs, curling halls, oceanariums.

Rapidly growing interest for quest rooms in the city can be considered the most popular activity of the last season. This type of entertainment just came to Russian market, but already gained big success. These are interac-

tive games, where group of people get locked in a room with certain decorations and has to find different clues, and go through some challenges in order to escape the room before time limit is over.

Instead of traditional museums and theaters come innovative interactive theaters and museums. The ability to touch the exhibits, take picture with them, take part in shows and performances makes it highly attractive not only for children, but also for adults.

As it was mentioned before, the most popular place for entertainment activities is shopping malls and areas around. But Saint-Petersburg is a very big city divided into small districts. Central areas do not have that many shopping malls as there are mostly cultural and historical sights, while most of the shopping areas are located outside the central part, where at the same time the largest part of population lives.

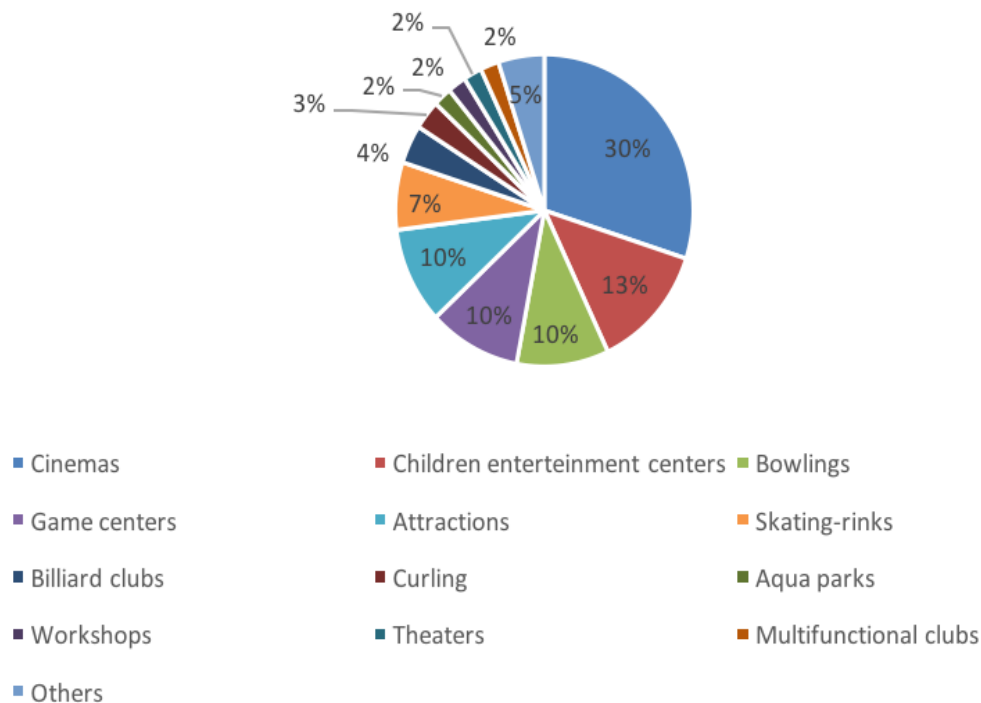


FIGURE 5. Entertainment market structure in Saint-Petersburg.

### 3.1.2 Industry Analysis (Porter's 5 Forces)

Strategic model of analysis of five competitive forces (Figure 6) was described by Michael Porter in 1979. He described methods of creating competitive advantage and long-term profitability, as well as ways to keep this profitability in a long-term and remain competitive. The competition theory of Michael Porter says there are five driving forces on the market, which determine possible profitability level. Each force represents different level of competitiveness of a good and/or service:

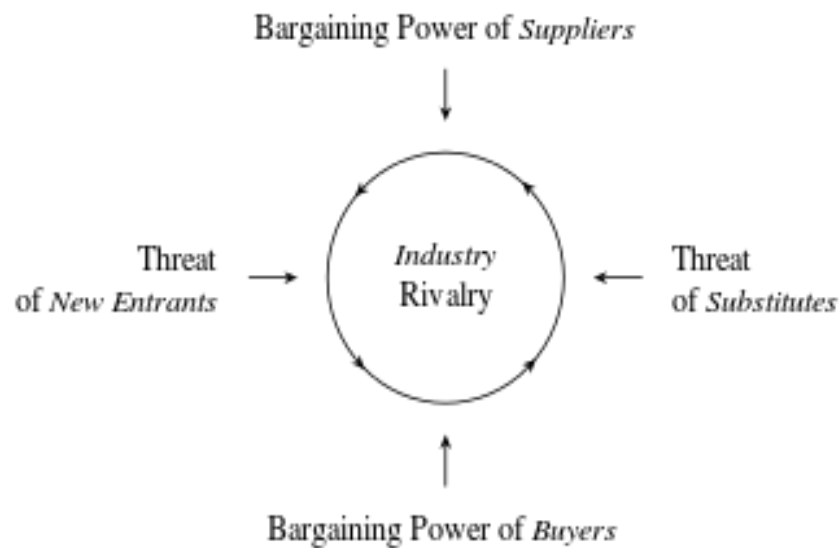


FIGURE 6. *Porter's Five Forces model of Competition.*

- Bargaining power of buyers;
- Bargaining power of suppliers;
- Threat of new entrants;
- Threat of substitute products or services;
- Rivalry among existing competitors.

Competitive analysis by Michael Porter helps to determine the intensity of competition within a particular business market and to find the position, where a company will be most protected from the impact of competitive forces, and, in turn, will be able to have an impact on them.

The golden rule of this theory is: the weaker the influence of competitive forces, the more opportunities to reach high profits a company has. And vice versa, the bigger the influence of competitors, the higher chances that none of the companies will be able to obtain high profits.

Mostly this model is used in strategic management, but in marketing it is also used in order to perform SWOT-analysis and competitors' analysis correctly. Below will be presented detailed analysis of Porter's Five Forces for the case company, House of Fears. The best way to perform this analysis is by using tables, where each factor will get a degree of threat for the company: low, middle or high. To measure the level of threat there will be five tables, and each table will provide different parameters for evaluating the competition. Parameters estimation is carried out on a 3-point scale.

The first step is to evaluate the competitiveness of the company's product and the degree of competition on the market. Michael Porter describes three parameters that have to be taken into account when analyzing the competition:

- *Threat of substitute products* (Table 1) is strong. The market is full of potential substitutes with the same price-quality level. And if a customer is not satisfied with something or wants something new, he can easily choose another entertainment activity without any significant losses. This fact makes it impossible to raise the prices, as it may lead to losses of customers. In case of costs increase, the company will not be able to compensate this by setting a higher price and thus profits will decrease. As long as the company does not differentiate its product from substitutes and does not improve the quality, it will have to deal with low profits and hold small market share.

TABLE 1. *Threat of substitute products.*

**Step 1: Evaluate the competitiveness of the company's product and the degree of competition on the market**  
**1.1 Substitute products**

| Evaluation parameters               | Comments  | Parameter's evaluation                        |   |              |
|-------------------------------------|---|---|---|--------------|
|                                     |   | 3   | 2   | 1            |
| Substitute products "price-quality" | <i>Provide same quality products for lower prices</i> | Occupy large market share                     | Just entered the market and occupy small market share | Do not exist |
|                                     |   | 3   |   |              |
| <b>TOTAL POINTS</b>                 |   | <b>3</b>                                      |   |              |
| <b>1 point</b>                      |   | <b>Weak threat of substitute products</b>     |   |              |
| <b>2 points</b>                     |   | <b>Moderate threat of substitute products</b> |   |              |
| <b>3 points</b>                     |   | <b>Strong threat of substitute products</b>   |   |              |

- *Intensity of industry rivalry* (Table 2) is high.

TABLE 2. *Industry competition.*

**1.2 Evaluation of industry competition**

| Evaluation parameters                                 | Comments  | Parameter's evaluation  |  |  |
|---|---|---|--|--|
|   |   | 3   | 2  | 1  |
| Amount of market players                              | <i>The more players are there on the market, the higher is the level of competition and risk to lose market share</i>                               | High level of market saturation                               | Middle level of market saturation (3-10)   | Small amount of players (1-3)  |
|   |   | 3   |  |  |
| Market growth rate                                    | <i>The lower the market growth rate is, the higher is the risk of constant market redistribution</i>  | Stagnation or market volume decrease                          | Slow growth  | Fast growth  |
|   |   |   |  | 1  |
| Level of differentiation of the product on the market | <i>The lower product differentiation is, the higher product standardization - thus the higher risk that customers will switch between companies</i> | Companies sell standardized products                          | Products on the market are standardized in key features, but differ in additional benefits | Products significantly differ from each other  |
|   |   |   | 2  |  |
| Limitations for price increase                        | <i>The less there are opportunities for price increase, the higher is the risk of losing profits during costs increase</i>                          | Tough price competition, no opportunities for price increases | There is an opportunity to raise prices only within the coverage of costs increase         | There is always an opportunity to raise prices to cover costs increases, or in order |
|   |   | 3   |  |  |
| <b>TOTAL POINTS</b>                                   |   | <b>9</b>  |  |  |
| <b>4 points</b>                                       |   | <b>Weak industry competition</b>                              |  |  |
| <b>5-8 points</b>                                     |   | <b>Moderate industry competition</b>                          |  |  |
| <b>9-12 points</b>                                    |   | <b>Strong industry competition</b>                            |  |  |



The market is highly saturated, which makes the competition is more tough and thus raises the risk to lose market share. Strong competition leads to price competition, higher marketing costs, sometimes to higher product quality and to higher investments in innovations. Nevertheless, new players still continue to enter the market as there is high demand on innovative entertainment activities, while most of the companies have more or less standardized products with some difference in additional benefits. Thus, customers are willing to try something new, or switch to a competitor that will offer more for the same price.

- *Threat of new entrants* (Table 3) is strong which can be seen from the table below.

TABLE 3. *Threat of new entrants.*

| 1.3 Evaluation of threat of new entrants                    |   |  |   |  |
|---|---|--|---|--|
| Evaluation parameters                                       | Comments  | Parameter's evaluation                             |   |  |
|   |   | 3  | 2   | 1  |
| Economies of scale  | <i>The higher the level of production, the lower the supply costs, thus there is a lower impact of fixed costs on product unit</i>  | Does not exist                                     | Exists only within few players                            | Significant  |
| Strong brands with high level of awareness and loyalty      | <i>The more confident the existing brands are, the more difficult for new ones to enter the industry</i>  | There are no major players                         | 2-3 major players hold around 50% of the market           | 2-3 major players hold around 80% of the market  |
| Product differentiation                                     | <i>The greater variety of products within the industry, the more difficult for new players to enter the industry and take a free niche</i>                                | Low level of differentiation                       | There are free niches available                           | All the possible niches are taken  |
| Level of investments and costs needed to enter the industry | <i>The higher the level of initial investments to enter the industry, the more difficult for new players to enter</i>   | Low (pay off during 1-3 months)                    | Middle (pay off during 6-12 months)                       | High (pay off after a year or longer)  |
| Availability of distribution channels                       | <i>The more difficult to reach the target audience, the lower the attractiveness of the industry</i>  | Access to distribution channels is completely open | Access to distribution channels requires some investments | Access to distribution is limited  |
| Government policy   | <i>The government can limit an opportunity to enter the industry by setting new licensing policies, restricting an access to raw materials and other resources, or by</i> | No restrictive regulations                         | Government has some minor regulations                     | Government fully regulates the industry and sets limits  |
| Willingness of existing players to lower prices             | <i>If the existing players can reduce their prices in order to maintain their market share, this is a big barrier for new entries</i>                                     | Players will not reduce prices                     | Major players will not reduce prices                      | If there is an attempt to place a cheaper offer, existing players immediately lower their prices |
| Industry growth rate  | <i>The higher the industry growth rate, the more new players want to enter this industry</i>  | High and growing                                   | Decelerating  | Stagnation and decline   |
| <b>TOTAL POINTS</b>   |   | <b>19</b>  |   |  |
| 8 points  |   | Weak threat of new entrants                        |   |  |
| 9-16 points   |   | Moderate threat of new entrants                    |   |  |
| 17-24 points  |   | Strong threat of new entrants                      |   |  |

Power of new players depends on the entrance barriers and how fast the existing players can react to new entrants. In our case there are few brands on the market that are the most popular and hold almost half of the market, their level of product awareness and loyalty is very high, so it may be a barrier for new entrants. Plus there are many other ones that are located within big entertainment areas,

thus they have stable stream of customers all the time. Even though, there is a big variety of leisure activities on the market, there are still free niches, which can be taken by new entrants, and if they choose a right strategy, they might also become one of the major brands. One more factor that can prevent new players from entering this market is high level of investments and costs needed to start the business. Usually it takes more than a year to get pay off, in case if the business runs successfully, otherwise the company loses big money and priceless time. The price situation is quite stable and major players definitely will not reduce their prices, while smaller organizations may reduce their prices for a while in order to maintain their market share, and taking into account their level of awareness, this is one more challenge for new entrants. At the same time there are positive sides. For example, there is high availability of distribution channels, thus it is easier to reach target audience. The main distribution channels for entertainment activities are shopping malls and areas nearby. Almost every year there is a new shopping mall or an entertainment centre that attracts big audience. Another positive factor is lack of strict government policies towards entertainment industry. This makes it much easier to enter the industry and develop within it.

All in all, the industry growth rate is high, and even if there are serious barriers many organizations are willing to give it try, and some of them manage to reach high results in short time, which means that every existing company has to monitor the situation on the market all the time and be able to react to unexpected threats.

The second step is to evaluate the bargaining power of buyers on the market (Table 4). This assessment shows how much the particular product means for a customer and how high is the risk that he may switch to a competitor.

TABLE 4. *Bargaining power of buyers.*

| <b>2.1 Bargaining power of buyers</b>                             |  |   |  |  |
|---|--|---|--|--|
| Evaluation parameters   | Comments   | Parameter's evaluation  |  |  |
|   |  | 3   | 2  | 1  |
| Number of customers with large amount of purchases                | <i>If customers constantly buy a lot, than the company has to make concessions</i>   | Over 80% of sales come from a few customers                       | A small part of customers holds about 50% of sales   | Sales volume is evenly distributed among all customers |
| Tendency to switch to substitutes products                        | <i>The less unique the product of a company, the more likely customers will switch to an alternative product without any risks</i> | The product of a company is not unique, there are exact analogues | The product is partly unique, it has distinctive characteristics that are important to customers | The product is totally unique and has no substitutes   |
| Price sensitivity   | <i>The higher price sensitivity, the more likely customers will buy products at a lower price from a competitor</i>                | Customers will always switch to a product with a lower price      | Customers will switch to a cheaper product only if there is a significant difference in price    | Customers are not price sensitive                      |
| Customers are not satisfied with the quality of existing products | <i>Quality dissatisfaction creates latent demand that can be satisfied by new market player or by competitor</i>                   | Product key characteristics dissatisfaction                       | Product minor characteristics dissatisfaction  | Total quality satisfaction                             |
| <b>TOTAL POINTS</b>   |  | <b>6</b>  |  |  |
| <b>4 points</b>   |  | <b>Weak bargaining power of buyers</b>                            |  |  |
| <b>5-8 points</b>   |  | <b>Moderate bargaining power of buyers</b>                        |  |  |
| <b>9-12 points</b>  |  | <b>Strong bargaining power of buyers</b>                          |  |  |

House of Fears does not have customers that would hold big percentage of sales, mostly their sales are equally distributed among all their customers. There are special offers for school groups, but mostly at this point customers have low bargaining power.

Even though the idea of this entertainment center is not completely unique, it still has some unique features, such as an opportunity to lead the whole show the way their customers want, not the way it planned, so every group of participants has their own customized show or what is also important, every month there is a new story line, so satisfied customers has a reason and interest to come back and participate in a new show. This unique feature does not make it boring to come to this center again, thus prevents customers from switching to competitors' projects.

When talking about price sensitivity, it is average. Due to hard economic situation in Russia, people take care of their money, but this does not mean that they do not have any leisure activities. When customers like an entertainment center and they already got used to visit it from time to time, than they will not feel dissatisfied from a small price increase. But the price is changed significantly, than there is a big change that they will choose an organization with the same quality level, but more affordable prices.

The third step is to evaluate the bargaining power of suppliers (Table 5). In case with House of Fears suppliers have moderate bargaining power due to wide selection of suppliers on the market. The main supplier for an entertainment center is an organization that provides with the area. The most popular area providers are shopping malls, and there are plenty of them in Saint-Petersburg. Thus the recourses are also not limited, even if it is expensive for some organizations to rent spaces within shopping malls, there are many independent areas for rent.

Nevertheless, not everything is so good, in case if the company cannot afford the current rent anymore, it has to find another place and move all the facilities or even recreate them on a new place. When opening, House of Fears ordered an interior project exactly for the place they rent and the most important decorations are impossible to move, so in case the space provider will change the agreement and the rent will become unaffordable, the company will have to pay for all their decorations all over again. Thus, the switching cost are quite high.

One more positive factor is that the whole entertainment industry has high priority for the suppliers. For shopping malls this is a great source of additional visitors. When people come to spend their free time on some funny leisure activity, they usually spend money somewhere else within a shopping mall as well, for example in a restaurant or a shop, thus increasing profits of other companies. Due to this high priority, suppliers are more interested in keeping favorable relationships with entertainment organizations.

TABLE 5. *Bargaining power of suppliers.*

| <b>Step 3: Evaluation of bargaining power of suppliers</b> |   |   |                             |
|--|---|---|-----------------------------|
| Evaluation parameters                                      | Comments  | Parameter's evaluation                  |                             |
|  |   | 2                                       | 1                           |
| Number of suppliers  | <i>The fewer suppliers are on the market, the higher probability of unreasonable price increases</i>  | Small number of suppliers of a monopoly | Wide selection of suppliers |
|  |   |   | 1                           |
| Limited resources of suppliers                             | <i>The less resources are available for suppliers, the more likely they will increase prices</i>  | Limited resources                       | Unlimited resources         |
|  |   |   | 1                           |
| Switching costs  | <i>The higher the switching costs, the greater the threat of price increase</i>   | High switching costs                    | Low switching costs         |
|  |   | 2                                       |                             |
| Priority of the industry for suppliers                     | <i>The lower the priority of the industry for a supplier, the less attention and effort he will put into it, thus there is a high risk of poor-quality supplies</i> | Low industry priority                   | High industry priority      |
|  |   |   | 1                           |
| <b>TOTAL POINTS</b>  |   | <b>5</b>                                |                             |
| 4 points   |   | Weak bargaining power of suppliers      |                             |
| 5-6 points   |   | Moderate bargaining power of suppliers  |                             |
| 7-8 points   |   | Strong bargaining power of suppliers    |                             |

And the last step in this analysis is to put all the results together and draw the conclusion. The entertainment market of Saint-Petersburg is full of different offers. Customers understand that they have a huge choice, so a little disappointment in price or quality will make them switch to another market player without any losses. The demand on various types of leisure activities and it continues to grow. Thus, the risk of new entrants is high as well, mostly because there are still untaken niches to be developed. Also there are no any serious restrictive policies and easy access to distribution channels, which makes this market even more attractive for potential players. Bargaining power of buyers is moderate (equal distribution of sales among all the customers), so if few of them will switch to a competitor, it will not lead to big losses in profits. Bargaining power of suppliers is also moderate. Yes, some change in renting price may lead to big costs increase, but at the same time the main supplier is interested in having business with House of Fears.

### 3.2 Micro Environment Analysis

#### 3.2.1 SWOT Analysis

SWOT analyses aims to analyze the strengths, weaknesses, opportunities and threats of an organization. Based on the results of this analysis, researcher is able to understand which strengths he has to maintain and which opportunities to develop, as well as which weak spots he has to work on in order to transform them into strengths and what are the possible threats, and how to transform some of them into opportunities or minimize their effect on the success of the company.

Since House of Fears plans to perform a rebranding strategy, SWOT analyses will help to see which features have to be kept after strategy implementation and what should be changed. Based on the results of this research, the preliminary rebranding strategies can be developed for further analyses and evaluation. Below will be listed factors that affect organizational performance, which are also shown in a Table 6:

TABLE 6. *SWOT analysis for House of Fears.*

| STRENGTHS  | WEAKNESSES  |
|--|---|
| Unique idea (relatively new on the market)         | Low level of awareness due to poor promotion strategy       |
| Location in a popular shopping mall                | Customers are sensitive to price increases                  |
| High quality product                               | Lack of mobility  |
| Professional actors participate in the performance | Low quality social media channels                           |
| Three difficulty levels                            |   |
| New decorations every month                        |   |
| OPPORTUNITIES                                      | THREATS   |
| Better promotion strategy                          | Market is full of substitutes                               |
| Creating new service                               | Unstable economy may lower purchasing power of buyers       |
| Opening new branch                                 | Rent costs may significantly increase                       |
| New offer that would make customers to buy more    | Weak entry barriers for new players                         |
| New market entry                                   | New players with the same quality product, but lower prices |

*Strengths:* The idea of this entertainment center is the main strengths. This is a combination of a so call escape room and a theatre. Normally, there are either just escape room or just theaters with an opportunity to participate in a play. House of Fears puts these two activities together with the help of professional actors. Participants do not have to follow some step by step scenario in order to escape the room, they create their own unique show every time, and depending on their actions, actors choose the roles they take. Besides, not only actors change their behaviors, but the decorations as well: doors and corridors appear or disappear in different locations during the show, what confuses and challenges the participants even more. Thus, every single group entering the room has its own play, which will never be repeated again. Also, House of Fears does not wait till their customers are all bored from a current room, they systematically change all the decorations and the story line every month based on the preferences of their customers, thus, those who really enjoy taking this quest have a reason to come again and complete totally new tasks. Not only the service quality is high, but also the quality of decorations and sound effects, which are constructed by professional designers.

Another important strength is the location. House of Fear is located in a popular shopping mall within a big entertainment area, where many people of different ages come to spend their leisure time. But there are some entertainment organizations within the same area that have higher brand awareness and loyalty. At first this factor would seem to be negative, but it is the other way around, because this is some kind of “hidden promotion”.

When people come to visit those popular places they always have to go through other organizations and House of Fears as well. The decorations attract potential customers to come and check it out, thus there is a big chance to get new clients.

And the last but not least, House of Fears has three difficulty levels for different age groups. The first level is for children starting from 9 years old, where the group of children is led by an actor who helps them to find all the clues and escape the room. On this stage there is not too much horror, but enough to let children enjoy the scary moments created by sounds, actors and decorations, and leave the room with positive emotions and desire to come back. The second level is for those from 12 to 14 years old, where children already have a story line with some task, but before children will be able to complete the task and escape the room, they will face different scary situations. And the third level is for those older than 14 and this is the hardest one. Besides all the moving decorations, sounds and actors, participants may get caught by ghosts or get tricked, so before they reach the exit, they can feel many different emotions.

*Weaknesses:* The biggest weakness for House of Fears, and for most of other companies within different business markets, is that there is a low level of awareness due to poor promotional strategy. The competition is really tough and promotional strategies of few major players make it really hard for a small organization like House of Fears to compete. But the problem can be solved by recreating the image of the company, and what is very important, developing or redesigning social media channels, because nowadays this is the fastest way to reach young people and also their parents. To increase interest for social media channels and attract new publics it would be good to create some kinds of online competitions, where people would have to share the information about House of Fears on their pages, and in exchange some of them would get a free visit. That would be a great way to increase awareness and attract new customers.

Another weak spot is lack of mobility. When some clothes store would be easy to move to another place, with entertainment center as House of Fears this is not so easy. Basic decorations are permanent and request high investments. So, if changing the location, than all the basic decorations have to be done all over again, plus the old ones have to be transported too. Thus, the whole procedure becomes very expensive.

And one more weakness is price sensitivity of customers. Due to hard economic situation in Russia, people may be quite sensitive to price increases, and they will either stop spending money on leisure activities or switch to a competitor who offers the same quality product for a lower price. So in case if the costs unpredictably increase, the company will lose some money in order to keep their clients.

*Opportunities:* In order to raise competitive advantage and raise the position of the company on the market, opportunities have to be turned into strengths. First of all, House of Fears has an opportunity to perform better



promotion campaign and thus get rid of one weakness. There are different ways to reach the audience nowadays, and one possible option was described above.

Also, during market analysis was found a new growing trend on the market – edutainment, they way of combining education and entertainment. House of fears can create some kind of program, where during the game children learn new famous book. This would be interesting for the parents first of all, as they are the ones who pay for this service, and if there if a chance to get more benefits out of this, and especially such important ones, they may even accept a higher price. Here comes one more opportunity that would help to raise profits is to create an offer that would motivate customers to buy more. Since now it is a season of schools, House of Fears can make a deal with some schools' management that they can promote their educational services in schools and if parents find it interesting, they may organize a class based on the interesting for them topic in a format of a game. If parents find this way of education effective, they will definitely bring the group of children for an edutainment class again.

At the moment House of Fears has only one horror center in the city. So, there is a good opportunity to open a new one in another area of the city and increase market share. With a right promotional strategy and positioning, this project will be successful due to its uniqueness. As a long-term opportunity, new market entry can be also considered. During an interview managers of the company mentioned that in the future they may consider entering Finnish market, which is also a good way to grow.

*Threats:* Some threats are uncontrollable and unpredictable, while some of them can be predicted and appropriate actions can be taken beforehand in order to avoid harmful consequences. Unfortunately, entertainment market of Saint-Petersburg is full of different offers and it requests big efforts to maintain market share.

As it was mentioned before, the economy in Russia is very unstable now, and some major shifts may reduce purchasing power of buyers. At the moment population of Saint-Petersburg spends in average 5% of their monthly incomes on leisure activities. The organization cannot raise its prices, at least not to much, so if the rent costs will suddenly increase (it may also happen because of a shift in economy), company may lose pig part of its profits.

There is also a big risk of new entrants, the market is quite attractive because its popularity is growing, and there are no strong barriers for the entry, such as government restrictions or lack of distribution channels. Furthermore, most of entertainment activities are relatively new for Russian market and many of them are still not taken. So, new player with an innovative idea may take a part of a market share. Or, there can be a new player with the same quality products and lower prices, that will also reduce the success of House of Fears.

### 3.2.2 Customer Survey Analysis

The most important part of marketing research is analysis of consumer behavior. The purpose of this study comes from the main principle of marketing – to produce what is purchased. Consumer is the main focus of marketing. Every market player should analyze and identify consumer needs as well as opportunities and motivations for purchasing decisions. The study of consumer behavior is the most important task in marketing, because this knowledge provides the seller (producer) with an opportunity to best allocate his resources in order to reach higher profits from sales.

Marketing research was conducted in order to understand the needs of consumers and their motivations to visit entertainment centers. For this one hundred visitors of House of Fears were offered to fill the survey, which consisted of ten questions (Appendix 1). Every visitor of House of Fears was offered to fill the questioner after completing the game. This survey aimed to help to understand how often our target market visits entertainment centers and what are their favorite types of leisure activities, as well as how much money one person spends on one ticket approximately. Moreover, a number of questions showed how the customers see House of Fears, compare to how the management sees it and how it wants to see it in the future. Below the results of will be analyzed in order to give appropriate recommendations in the next chapter.

According to the first question, 77% of our customers are people below 18 years old. All the activities within the center are oriented exactly on this age group. In average, people visit some kinds of entertainment centers every month, although almost 40% do it every week. The other 17% spend their free time in entertainment areas approximately once or twice in six months, and only 3% do it less than once a year. Thus, the popularity of different entertainment activities in Saint-Petersburg is quite high.

Due to high demand on entertainment activities and at the same time tough economic situation in Russia, the next question comes up: How much people are willing to pay for one ticket in average? According to the survey, almost half of respondents usually pay 300-500 rubles per ticket (approximately 4-7 euro). Even though House of Fears has more expenses than many other entertainment centers, because actors have to be paid, it still has three different price levels which range exactly from 300 to 500 rubles. Nevertheless, almost 40% of responders are willing to pay more than 500 rubles, thus in case if the rebranding process will request price increase, there will not be any income decrease if the new strategy will be successful.

In order to improve the range of activities provided by House of Fears, respondents had to answer what kind of activity they prefer the most. The most popular way to spend free time is to go to a cinema. This is probably because at the moment cinemas are located in every shopping mall and near every subway station, thus no matter in what part of the city people leave, this is the most convenient way to spend free time. Right after cinemas go children entertainment centers and quest rooms. These are basi-



cally two activities that House of Fears combines in one. One more interesting activity that should be definitely taken into account during the rebranding process is so called “edutainment”, which was described more in details in the previous chapters. More than a half of customers of House of Fears go to school. To help children to learn boring topics in a funny manner is a perfect source of income is to create a good program with collaboration of professional teachers. And the least popular activities among the respondents are theaters and sport + entertainment centers, probably because this is mostly for older public.

The next question aimed to evaluate different features of House of Fears on a scale from 1 to 4, where 1 was poor, 2 was fair, 3 was good and 4 was excellent. Three features that can be fairly called excellent are price, professional level of actors and quality of the audio and video effects. The location and general impression after participating to a game also take high grades from the visitors. And two features that need the most attention during the rebranding are the interior design and selection of activities. When creating the new strategy, three features which were considered to be excellent have to be maintained. The second group which the visitors found very good includes location and general impression after the visit, when the location is a bit complicated and costly to improve, the general feedback can get better but working on the other features of the center. Finally, the interior design and selection of activities are two very important parts. The future strategy should include such activities which will help to improve both features and maintain the better results.

To understand which features need the most attention, the respondents had to choose three the most important ones in their opinion. According to the results the most attention customers pay to the location, price and professional level of the personnel. Luckily, these are three features which were previously rated very high. After this go educational programs, snack bar and quality of social media channels. At the moment there are no educational programs and snack bar in the House of Fears, and social media is not at the good level, so these are the parts which will be improved during rebranding process as well. The least important feature is the interior design, but this does not mean that it can be left as it is. The new image requests the new better design.

Since the management of the company are aware of the poor situation with social media channels and they complained about lack of awareness, the next question aimed to understand if the potential social media activity will be successful and interesting for the customers. The question was about online competitions where people have to make a repost of some post and later, depending on the rules, the company can choose the winner. The results show that our customers do participate in such competitions quite often if there is a good and interesting prize. Another 35% do reposts every time they find one, and only 7% do not participate to this activity at all.

Almost every rebranding strategy includes logo change. To create the one customers will definitely like, the respondents had to choose one out of three pictures. The first picture (A) is the logo the House of Fears has at the moment, and the other two were the potential logos. The respondents had to choose the most attractive and stylish one. Eventually, 83% of the respondents preferred the third logo (C), which is completely different from the other two. This question helped to choose the best option before the rebranding process began. As it was mentioned before, many companies fail already at this stage, because they do not take the opinion of the customers into account.



To conclude the questioner, the visitors were asked to answer where they got to know about the House of Fears. Most of the respondents said that they just randomly found this place when waking around the shopping mall and looking for some fun. The one thing they highlighted is that there is lack of advertising in the shopping mall itself, so there is nothing that would attract them exactly to the House of Fears for a reason. Another 37% got a suggestion and a positive feedback from their friends. And 18% found information in the Internet. Even though there is advertising campaign on one TV channel, 0% of the respondents marked this section, which only proves that this is not how the House of Fears can reach its target market.

## 4 RECOMMENDATIONS

The final objective of this study is to give recommendations for potential actions to be taken in order to provide the potential solution of the existing problem to the commissioning company. In case with The House of Fears, the results of the research gave an opportunity to highlight the weak spots of the organization, which should be taken into account when creating the rebranding strategy in order to differentiate from the competitors and increase sales. It was decided to divide the recommendations into four smaller parts to make it more logical to discuss the potential changes.

### 4.1 Design

The most common part of the rebranding strategy is changing the name, logo and design. For The House of Fears this is the basic stage of change. The reason for this is that the image of the center is outdated and it does not create any emotions in the minds of the target market. The same problem is there with the name. Before taking any decision, the visitors were asked to choose the most attractive logo for them. They had three options: the old logo and name, a new logo and the old name, and a new logo together with a new name. Based on the results of the survey, most of the respondents preferred the completely new option. The picture of the new logo was shown in the previous chapter when analyzing the results of the survey. This change will help to build new image in the minds of consumers from the beginning without connecting it to the old organization. As well as this change, it is also suggested to change the interior design. According to the results of the customer survey, the current interior is not bad, but compare to some other features of the center, it can still get better. Furthermore, that would also help to increase the overall feedback about the House of Fears.

### 4.2 Services

The market analysis has shown that there is a high interest for cinemas, children entertainment centers and for the new wave – edutainment. These three leisure activities are considered to be the most popular in Saint-Petersburg. The rebranding strategy should include the activities which would help to get larger market share. This can be achieved by adding these entertainment activities to the list of services provided by The House of Fears.

#### 4.2.1 Cinema

To attract more people that would be great to find a way to add cinema in The House of Fears. Luckily, there is a big spare room within The House of Fears, which could be transformed into a small cinema, where all the movies and animations will be related to the horror. In order to open a cinema, even a small one within another entertainment center, some rules should be followed. To understand how to create a cinema in a legal and at the same time effective way, the owner of a small cinema in Saint-Petersburg, Mr. Pokrovsky, was interviewed. According to his suggestions, the room should be long and dark, and this is exactly the room which is free at the moment in The House of Fears. The investments are average, the sound and video facilities are the most important here, because it should be located in the particular places in the room in order to provide high quality effects. When it comes to the question of legislation, there is no need to spend crazy amounts of money in order to buy the right to show the movie. If it is an old movie, than there is no need to buy any special rights, because the movie is already in free access for the public.

With new movies it is harder, but still there are small agencies that sell you the right to show the movie for cheaper price.

This room can be used also as a part of a game. The group of participants should watch some video, which will include the task or some clues to the solution of the task.

### 4.2.2 Edutainment

This format of entertainment is quite new on the Russian market but already has a good interest. As it was mentioned before, this is an activity where education and entertainment come together. Many researches show that such format helps to understand and remember information much easier. Before many companies took this idea and opened such format of entertainment, The House of Fears should use this opportunity and built a base of loyal customers interested in this field. A good way to attract big groups for such game-classes is to promote this activity in schools. The management of The House of Fears can make a win-win offer to the management of a school, or get in contact with the main person among parents (this is how it normally works in Russian schools). The games can include tasks related to different classes: math, language, literature and etc. For example, during the first part of the class pupils get to know about the topic, after this they play a game in a quest room where in order to get a clue to the final solution you should solve a problem related to one or another topic. The cinema described before could also be very helpful in this case. Pupils could watch some informational movie or video and the knowledge they get from there, they can use later to find the solution of a task in a horror room.

### 4.2.3 Snack Bar



Lately, it becomes popular to create own snack-bars within an entertainment center due to the fact that people start to spend more time there. Since The House of Fears may start providing more services, people might need a place to have a drink or snack. The customer survey had a question about a snack bar and respondents found this additional service important for them. The snack-bar should be also decorated and all the food and drinks be served together with some horror attributes.

### 4.3 Social Media

Nowadays social media is a strong communication channel and it is a big mistake of The House of Fears that they do not pay needed attention to it. The most popular social media channels in Russia are Vkontakte and Instagram. Both of the channels should be very well designed as well as the web site. At the moment these channels are not so good developed. Since the name and logo are going to be changed, all the social media channels should be designed according to the new style.

To attract more attention to the social media page and thus to The House of Fears, the company should motivate its customers to share information about the entertainment center. Currently, many businesses perform different competitions. The most popular one is where people have to follow the page and make the repost of some post. When the deadline comes, one or few of the participants win the prize. In the survey respondents had to answer the question about their interest for such competitions. More than 50% said that they do like to participate but most of them only when the prize is really good. As an option the House of Fears could draw the tickets for one visit of the entertainment center.

Another good way of promotion is to motivate people to share pictures after their visit of The House of Fears. More and more popular becomes to order big paper frames which are created in a style of an Instagram post. Normally people post such pictures more often than just a simple picture. Such a frame contains all the main information: the place and the main idea of this place. The picture below is an example of such a frame.



One more popular strategy in social media, which is also used by many companies going through rebranding is using celebrities as a way of promotion. It is obvious, that such a small entertainment center cannot afford the celebrities which are famous all around the country, and this is not necessarily at all. It is enough to select those who are famous in Saint-Petersburg among the target audience. The cheapest and the most effective option would be to involve in the promotion famous bloggers on Instagram, VKontakte or YouTube. Usually, bloggers tend to be very creative and promoting something in an interesting and fresh way is their way to earn money for living. So, in order to attract more investors, they really do their best to achieve good results in every project.

#### 4.4 Focus Group

When going through the rebranding process it is always important to ask your customers about their opinion about the changes. The best way for this is to organize a focus group discussion with loyal customers of different age groups and get to know about their opinion. Focus group is a group of people (usually 10 to 15) who are brought together in one place to discuss some issue or share their opinions with the representative of the company. Usually focus groups help to forecast the reaction of a larger population on a particular strategy or change.

There are some big reasons why The House of Fears should use this method of collecting feedback. First of all, the possibility to participate in the conversation, ability to get to know the most interesting opinions in depth. If The House of Fears will add recommended services than the participants of a focus group can help to evaluate the quality of a new service and motivate to correct some mistakes before it ruined the new image in the minds of a larger auditorium. Nevertheless, there is one big disadvantage: the participants may feel shy or ashamed to express their real opinions on some issue in front of the company's representative. This would very negative affect the results of this discussion and needed changes will not be performed. In order to avoid this problem, the representative of the company must be able to create a good impression and show the audience that they can easily trust him when sharing their opinions about the company.

#### 4.5 Benefits for the Customers

The successful rebranding strategy usually aims to bring benefits for the company. But there will not be any real benefits for the company if the changes applied during the rebranding process do not bring benefits for the customers. All the changes listed above together bring the main benefit – the create satisfaction from using the service. The better image “House of Fears” will create in the minds of consumers, the more chances it has to increase its market share. New services will make it more convenient for the customers to visit the entertainment center, because all the main needs

will be possible to satisfy in one place. Thus, instead of twenty or thirty minutes, visitors will be able to stay up to few hours. And this is mostly what people look for when they have some spare time. Not many people would get up, spend some time on the way to the entertainment center just for spending there half an hour. The price for the tickets is about the same with the other entertainment centers of Saint-Petersburg, but most of the places already found the ways to offer their customers more for the same money. Now this is the time for “House of Fears”.

## 5 CONCLUSION

The conclusion aims to sum up all the parts of the thesis, to describe the problem which was the motivation for the research, to highlight what knowledge has been gained, what findings were made during the research project and what are the potential solution proposed by the researcher in order to help the case company “House of Fears” to reach the desired results. The company was founded in 2013 and it positions itself as “A horror story where you play the main role”. This project at first reminds a simple quest room, but in real it is not that simple. This is an interactive theater, where every visitor affects the scenario. The real professional actors play their roles according to the behavior of the participants, thus every game is special and individual. Few years ago, when this project was just launched, it was really successful, but the time flies and “House of Fears” starts to loose its positions.

Nowadays, the entertainment market in Saint-Petersburg is rapidly growing. This makes all the businesses within this market to seek for new innovative ideas and the way to offer more without increasing the costs, thus keep the same price for their products and services. Furthermore, customers’ needs change as well. People see that they have a big choice of leisure activities and they continue to switch from one to another until they find the most suitable for them, the place which they want to visit again. All these circumstances force companies to go back to the origins and build their brand from the very beginning. This way would be long, costly and most probably inefficient. This is why in case with “House of Fears” was taken the decision to create the rebranding strategy, which would change only those features which were outdated or not well developed. Besides, some new trendy ideas were going to be developed.

The main purpose of this project was to answer the research question, which was:

- How can a successful rebranding strategy be developed and implemented in order to improve the company's image and attract new customers?

In order to answer the research question the following objectives were followed:

- to study and describe the theory of rebranding strategy;
- to describe current situation and reasons why the company should use rebranding strategy;
- to analyze new entertainment industry trends;
- to make recommendations, which will include potential solutions to the research question.

During the research primary and secondary data were collected. First of all the secondary data was collected and analyzed. Due to the fact that all the secondary data is always collected by another person and for another reasons, the researcher should be careful with selecting only the valid information. Unfortunately, the rebranding theory is not really broad, so most of the information was taken from the articles or small chapters within the books. Nevertheless, the theoretical background is not small, because rebranding is a part of branding, so part of the theory described this topic in details as well. Theory described the origins of branding, the concept of brand equity and the five asset dimensions of brand equity. The next part described the theory of rebranding, its drivers, risks, strategies and the process itself with some world famous examples. Russian Federal State Statistics Service ([www.gks.ru](http://www.gks.ru)) was also used to collect some secondary data for the market analysis, it provided the researcher with statistics about the most popular and developed leisure activities in Saint-Petersburg for today.

The most important part of this project was to make a research in to order to apply into practice the knowledge gained during the university years and when studying the theoretical background of a particular topic. Few important tools were used:

- Porter's 5 Forces Model: this helped to analyze the entertainment industry in depth. According to the results, it was found out that the entertainment market of Saint-Petersburg is full of different offers. Customers understand that they have a huge choice, so a little disappointment in price or quality will make them switch to another market player without any losses. The demand on various types of leisure activities and it continues to grow. Thus, the risk of new entrants is high as well, mostly because there are still untaken niches to be developed. Also there are no any serious restrictive policies and easy access to distribution channels, which makes this market even more attractive for potential players. Bargaining power of buyers is moderate (equal distribution of sales among all the customers), so if few of them will switch to a competitor, it will not lead to big losses in profits. Bargaining power of suppliers is also moderate. Yes, some change in renting price may lead to big costs increase, but at the same time the main supplier is interested in having business with House of Fears.
- SWOT analysis: this tool helps to draw a big picture of a current situation and see what are strengths and weaknesses as well as opportunities and threats. According to the results the strongest features of "House of Fears" are the unique idea (but already starts to



lose its uniqueness, so needs to be supported), location in a popular shopping mall, professional actors who deliver high quality services, different levels for different age groups and new topic every month. Besides, there are quite good opportunities, such as creating a better promotion strategy, adding new services which would increase uniqueness and deliver more benefits to the customers, providing a special offer that would motivate customers buy more per time. In a long term perspective there is also an option to enter a new market. On a negative side there are some weaknesses, including low level of awareness because of the poor promotional strategy, at the moment target market is quite sensitive to price increases, the entertainment center is very costly to move to another place and finally the quality of social media is really low. Besides there are some threats which can be hardly changed, such as the fact that the market is full of substitutes and there is more and more all the time; the economic situation may significantly lower the purchasing power of buyers; rent costs may suddenly increase; and the lower entry barrier for the new players which can offer the better product for the same price.

- Customer survey: it was contacted in order to understand the needs of consumers and their motivations to visit entertainment centers. For this, one hundred visitors of House of Fears were offered to fill the survey, which consisted of ten questions (Appendix 1). Every visitor of House of Fears was offered to fill the questioner after completing the game. This survey aimed to help to understand how often our target market visits entertainment centers and what are their favorite types of leisure activities, as well as how much money one person spends on one ticket approximately. Moreover, a number of questions showed how the customers see House of Fears, compare to how the management sees it and how it wants to see it in the future.

The last step was to give appropriate recommendation based on the findings during the marketing research. First of all was suggested to change the design, because the old logo and name would make customers connect the new brand with the old one. The new brands allow to bring the new clear picture of a rebranded company in the minds of consumers. The next recommendation was to add new services based on the needs of the consumers together with the latest trends on the market, such as: adding a small cinema where visitors can watch different horror related movies and animations; opening new format of service – edutainment, which is basically education during entertainment, which could become very popular among school groups; and the snack bar, which would provide customer with an opportunity to satisfy one of the most important human needs – need for food. The next part to be covered by the new strategy is social media communication, which is very poor at the moment, different ways of promotion and online competition were suggested. Finally, the last recommendation, in order to evaluate the potential success of this rebranding strategy is to gather a focus group which would share the opinions about all the changes, or another preferences.

All in all, the main goal of the thesis was achieved. All the recommendation given are supposed to attract more customers and thus increase the profits. After launching the new format of “House of Fears”, people will perceive this entertainment center as a place with a big range of activities and services, where they can spend much of their free time without a need to look for a place to eat or a place where they would be able to have more fun. There will be everything for them. All the needs will be satisfied, and what is more important, for the same price.

## 6 ACKNOWLEDGEMENTS

To conclude this thesis, I would like to express my appreciation to my supervisor, Antti Isoviita, for his guidance and ability to give clear explanation to any question regarding thesis process. Furthermore, I would like to thank HAMK Library for making it possible to access all the available literature even for those who study abroad. Besides, I am truly grateful to all the lecturers of International Business program for their encouragement and support during the last three years.

At first, this project seemed to be difficult, and sure it was. But when I look back, I understand that now I know this all in practice and the next time when I will have to do something like this again, I will already know step by step actions. This topic was extremely relative to my major subject at HAMK – Marketing. And I am glad that all the knowledge my teachers were giving me during last three years was applied into practice. This is the first step on the way to my self-development in the sphere of marketing as a professional. Even if I decide to start my own business, all the knowledge my case company shared with me and the knowledge I got on my own when collecting, analyzing and evaluating so much data, will help me to avoid the most basic mistakes and run a successful business.

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## APPENDICES:

## APPENDIX 1

| №  | Question   | Answers  | Results   |
|----|--|--|---|
| 1  | Your age:  | a. <18<br>b. 18-25<br>c. 25-30<br>d. >30   | a. 77%<br>b. 13%<br>c. 6%<br>d. 4%  |
| 2  | Your gender:   | a. Female<br>b. Male   | a. 57%<br>b. 43%  |
| 3  | How often do you visit entertainment centers?  | a. Every week<br>b. 1-2 times a month<br>c. 1-2 times in 6 months<br>d. less than once a year  | a. 38%<br>b. 42%<br>c. 17%<br>d. 3%                                       |
| 4  | What is the average price you pay for one ticket?  | a. Less than 300 rub<br>b. 300-500 rub<br>c. 500-1000 rub<br>d. More than 1000 rub   | a. 20%<br>b. 42%<br>c. 27%<br>d. 11%                                      |
| 5  | What kind of leisure activity is your favorite?  | a. Cinema<br>b. Children entertainment center<br>c. Quest rooms<br>d. Theaters<br>e. Sport + entertainment center<br>f. "Edutainment"  | a. 25%<br>b. 23%<br>c. 21%<br>d. 6%<br>e. 9%<br>f. 16%                    |
| 6  | Evaluate each feature of "House of Fears" from 1 to 4, where:<br>"1" = "Poor"<br>"2" = "Fair"<br>"3" = "Good"<br>"4" = "Excellent" | a. Location<br>b. Price<br>c. Interior design<br>d. Professional level of the actors<br>e. Selection of activities<br>f. Quality of audio and video effects<br>g. General impression | a. 3,23<br>b. 3,65<br>c. 3,09<br>d. 3,76<br>e. 2,92<br>f. 3,63<br>g. 3,37 |
| 7  | Which features are the most important for you? (Choose 3)  | a. Location<br>b. Price<br>c. Professional level of personnel<br>d. Educational programs<br>e. Interior design<br>f. Snack-bar<br>g. Quality of social media channels                | a. 22%<br>b. 21%<br>c. 16%<br>d. 12%<br>e. 7%<br>f. 12%<br>g. 10%         |
| 8  | How often do you participate in online competitions with "reposts"?  | a. Every time I find one<br>b. Sometimes, only when the prize is really good<br>c. Never   | a. 35%<br>b. 58%<br>c. 7%   |
| 9  | Which logo do you find the best?   | a. Logo A<br>b. Logo B<br>c. Logo C  | a. 10%<br>b. 7%<br>c. 83%   |
| 10 | How did you get to know about "House of Fears"?  | a. From the Internet<br>b. From friends  | a. 18%<br>b. 37%  |

Rebranding as a way to boost sales.

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|  |  |  |        |
|--|--|--|--------|
|  |  | c. Saw your advertising on the TV            | c. 0%  |
|  |  | d. Randomly, when visiting the shopping mall | d. 45% |

SURVEY RESULTS