
Brand Value Creation: Three Pillars of Success

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Introduction

With the world still recovering from what some are calling an economic disaster, a handful of brands are emerging from the chaos relatively unscathed. This is evidenced by the fact that a portfolio of the top 100 global brands, as established by Millward Brown, grew by 18.5% while that of the S&P 500 declined by 11.5% over the five-year period to April 2010.

Julian Daily of Interbrand believes this value comes from a brand's ability to influence businesses in three ways. Firstly, relevant and differentiated brands are more likely to be considered by consumers, allowing companies to charge premium prices for them (even though the only difference may be a logo their unbranded brethren don't have). Secondly, strong brands bring a level of stability to business operations, which is increasingly important in these fast-changing times. Finally, strong brands are able to travel globally and thrive in markets others can only dream of, much like Virgin's operations in fields as diverse as banking and space travel, not to mention the ability to imbue any offering with luxury and prestige simply by using a French name.

Broadly speaking, a brand is a set of hooks the mind uses to organise its experience of a commercial offering, while brand equity is the net present value of the profit stream a brand will generate over time (if it were isolated from everything else). Brand value is created in three ways, none of which exist in isolation from the other two. And while individual brands can be built using one of these pillars, all must be developed for sustainable progress in the long-term. In other words, brand value creation must be considered in relation to all aspects of the internal business and external world.

1. Business Equity ('Power in the Factory')

This aspect of brand value creation involves driving business process innovation in order to deliver enhanced experiences competitors can't match. A brand must have an advantage in a property relevant to consumers. In other words, it must deliver real benefits that meet needs and improve lives better than any others on dimensions that matter. As Landor Associates, the consultancy, has argued: "If there is nothing different about your brand, there is no reason to purchase it; if you are different but that difference is not important or meaningful to consumers, it is equally unlikely your brand will be purchased."

Nowadays, rapid progress in technology means many new innovations are unable to maintain exclusivity for long. As James Gilmore and Joseph Pine of Strategic Horizons state: "Whether the challenge is to craft new and improved products and services, or to imagine whole new business opportunities, the sometimes formulaic manner of management thinking is being questioned in these globally competitive, fast-moving and often disruptive times."

One way to achieve the innovation they require is to rely on crowdsourcing. Some extracts from articles in the May issue of Admap include the following:

"... even the best companies are no longer capable of creating value on their own at the required rate or standard; they need to seek help from the outside." - Mark Earls, Herd Consulting

"... under the right circumstances, groups are remarkably intelligent, and are often smarter than the smartest people in them." - John Keaton, BrainJuicer

"[Consumers] are no longer passive recipients of goods delivered to them; they want to be participants in creating services they want." - Charlie Leadbeater, Participle

The results speak for themselves. In a 2009 report on Customer-Centric Innovation, Marketing Profs found that companies organised around customer groups and markets are more likely to experience higher sales growth than those organised around products. The study also found that including "radical innovation" and other new to the industry breakthroughs as part of the product development strategy was aligned with success as measured by sales growth. This held true even if the radical innovations failed, which seems to indicate that simply making the effort is enough.

While initiatives like MyStarbucksIdea and Dell's IdeaStorm offer definite benefits to consumer collaboration and shareable experiences (particularly in having the flexibility to successfully adapt offerings as tastes change), there is the risk that outsourcing the very essence of a brand could do harm. Identities could become lost in democracy and mash-ups while too much change and chasing fads could do the same. Either that or consumers might not take the process seriously, as was the case when 'Mr Splashy Pants' was voted the winner in a contest to name a Greenpeace whale.

2. Market Equity ('Power in the Market')

In an ideal world, we as consumers would be able to buy and use all the brands we want. Such a world would require massive channel capacity to ensure all brands were available where they were wanted and massive information to eliminate time to search. But as adults, we've come to realise that we can't always get what we want. The same is true when external circumstances amplify or dampen our natural propensity to buy or use our desired brands in the desired amounts.

All markets are characterised by channel constraints. Think of retailers with limited shelf-space. Because the cost of getting all people all brands all the time is prohibitive, suppliers steer their resources towards the brands for which there is the greatest demand and away from those less wanted. In other words, they effectively 'push' big brands onto us. The result is that brands with high market equity become default choices and pick up sales from consumers with no strong relationship with any brand in the category.

It is important to understand that the barriers constantly preventing us from buying or using what we want are not absolute and can be found in varying degrees. They can also depend on perception (problem of marketing), delivery (problem of infrastructure), context (other brands in the set) and time (barriers can change).

The most common kinds of market barriers are:

i. Accessibility - Anything to do with availability, from difficulties finding a brand in store to inconvenient locations in the case of retailers, restaurants, and banks. A typical example is Coca-Cola. Sometimes people find themselves forced to drink it because their favourite brands (the less popular ones) aren't available. Closely related to this is the idea of Product Range, when a specific variant is unavailable.

ii. Price - An obvious example is the situation of premium brands in poor countries. Because people are unable to afford the brands they aspire to own or use, they are forced to choose ones they are not strongly attached to, resulting in these getting more than their fair market share. Closely related to this is the idea of Promotion, when a brand does not offer special discounted deals.

iii. Experts - It's clear we're more likely to act on the advice of experts, which explains why we opt for the skincare range recommended by dermatologists or the car Jeremy Clarkson raved about on Top Gear. And let's not forget about the infamous Stanley Milgram experiment in which subjects inadvertently "tortured" other participants just because someone in a white lab coat instructed them to do so. Closely related to this is the idea of Purchaser, when someone else makes the decision, be it mom buying the cereal or the company choosing the car.

iv. Contracts - Any situation that involves contractual constraints on what can be used, such as insurance or telecommunications. Closely related to this is the idea of Regulations, when choice is restricted in some official way (which didn't stop Nike's "Write the Future" campaign from stealing the show despite Adidas being one of FIFA's main partners at the World Cup).

The most important thing to remember here is that this relates to behaviour and not necessarily desire. While some might feel it doesn't matter that consumers hate your offering if they have no other choice, it does. The fact that the global economic adjustment has seen many established businesses crumble doesn't mean the incumbents won't be tossed aside as soon as things get better and new options come along. There are probably thousands of consumers held hostage by hundreds of brands suffering the same quiet revolt and on the verge of suddenly breaking free.

Brands need to understand that just because we use them does not necessarily mean we want to. They also need to understand that just because we aren't using them does not necessarily mean we don't want to. Some banks are very good at this. They're prepared to offer generous options to students and graduates in the hopes that attracting new customers and building relationships early on will prove worthwhile in the future. And even once they've established that connection, they continue to reward it. They understand that loyalty (which is mostly about behaviour) isn't the same as commitment (which is about deep connections in the mind). That's where the gold lies.

3. Attitudinal Equity ('Power in the Mind')

Attitudinal equity, winner of the 2008 David Winton Award for Research Methodology, is the strongest predictor of market share available. It is three times more effective than behavioural intention, which could be based on wishful thinking from consumers who are desperate to give the "right answer" a survey but do something else entirely when the time comes.

This value comes from creating psychological connections from experiences that make consumers want to buy a brand. By using an initial desire, which is necessary to consider a category or brand in the first place, attitudes and perceptions can be embedded over a long-term period in order to elicit universal emotions consumers want to feel.

Highly attached consumers are willing to:

i. Actively search for a brand (overcome accessibility barriers) - We've all been through the shopping experience of finding our desired brand out of stock. If shoppers aren't too fussed about the category and don't have strong feelings either way, they simply go with whatever else is there. In this case, the brand loses out and may not win again depending on how the new choice performs. However, if shoppers are strongly attached, they might try another store. In that case, the retailer loses out (especially if shoppers find a better deal and never come back).

ii. Regularly buy a brand without much thought - Most of our decisions are made using shortcuts because trying to pay attention to absolutely everything that happens to us all the time would be too much. So we go with Japan for electronics or Germany for cars. Rather than spend hours analysing each decision we have to make, we only focus on what matters most to us at any point in time and don't bother about the rest. It's the same with brands. If the last experience was good, we'll be a lot more consistent and predictable next time around.

iii. Pay a premium: (overcome price barriers) - Apple is a great example. So many people were sucked into the iPhone frenzy a few years ago that the thought of waiting a few months for the price to come down didn't cross their minds. They lined the streets and camped outside for days on end just to get in on the action. Things were even more pronounced with the iPhone 4, which sold 1.7 million units in the first three days. It seems that given the right resources (or the magic of Steve Jobs) and all the good intentions to spend wisely are thrown aside.

iv. Forgive the occasional gaffe - Even as Toyota models were being recalled worldwide, the underlying feelings didn't change. Many highly attached 'brandvocates' chose to stay put and work things out, which is why Toyota reported net income of \$1.2 billion for the first three months of 2010 and expects profits to increase 48% in the fiscal year ending March 2011. Contrast this to the Gulf of Mexico incident some say will

be the end of BP (since the public is fresh out of forgiveness after previous accidents at the Texas City Refinery and Alaskan Prudhoe Bay). That's the power of branding.

Conclusion

All the talk about new consumers emerging after the recession and new media changing the marketing world forever seems overblown. Fundamentally, we haven't changed that much. We're still the same basic people with the same basic needs.

The first of these is a degree of certainty (think functional benefits). We need brands that are able to clearly define who they are and consistently maintain this stance across all interactions in order to build trust. We need brands that can be stable without becoming staid. Contrast the case of musicians who constantly reinvent themselves without alienating core fans to that of sports teams changing coaches every other week. It's not good when nobody knows what to expect.

The second is a degree of connection (think emotional benefits). As James Gilmore and Joseph Pine write: "Goods and services are no longer enough; what consumers want today are experiences - memorable events that engage them in an inherently personal way." Strong brands create deep and meaningful relationships with their consumers. They become such integral parts of our lives that we can't imagine surviving without them. And provided they continue to deliver great benefits (since no amount of emotional blindness is enough to make up for poor quality, the success of the Twilight series notwithstanding), they are the ones that win our hearts and wallets time and again.

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