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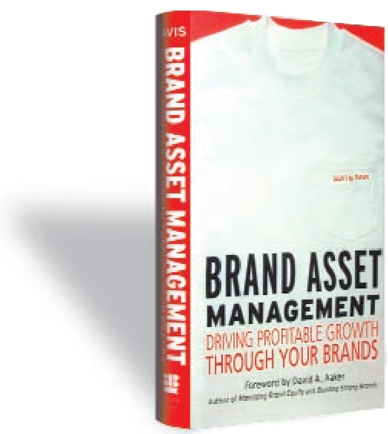

By Scott M. Davis

Driving Profitable Growth Through Your Brands

BRAND ASSET MANAGEMENT

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THE SUMMARY IN BRIEF

Brands are among a company's most valuable assets, and smart companies today realize that capitalizing on their brands is important. Doing so can help them achieve growth objectives more quickly and more profitably. In this summary you will use author Scott Davis' 11-step process to leverage your company's brands into a valuable asset that will let you charge a premium for your products and services and still retain market leadership. The 11 steps in the process are grouped into four phases:

- **Phase 1. Developing a Brand Vision.** The vision you develop for your brand must be linked to your corporate vision and must fill a financial growth gap. The vision you create must be shared by senior management.
- **Phase 2. Determining Your BrandPicture.** You will learn to view your brand as the consumer views it, and will discover what your brand stands for, why customers choose your brand over others, and what additional needs and wants your brand could fill. You will also see clearly what your brand promises customers and how to deliver on those promises.
- **Phase 3. Developing a Brand Asset Management Strategy.** Once you have developed your Brand Vision and BrandPicture, you will learn how to create a brand asset management strategy. You will learn how to position your brand, how to expand into new areas, when to charge a premium price, and how to keep your brand fresh and new.
- **Phase 4. Supporting a Brand Asset Management Culture.** The purpose of this phase is to determine how to get your company to rally around the brand as an asset and make sure the strategies you recommend are implemented and measured. Specifically you will learn how to measure your return on brand investment (ROBI) and establish a brand-based culture that affects the roles of every functional area; of top management, of internal communications and of the company's reward and measurement systems.

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— THE *COMPLETE* SUMMARY

Developing A Brand Vision

The first phase of brand asset management is to develop a Brand Vision. A Brand Vision is the most important statement your company can make about its future. A good Brand Vision gives clear direction about what role the brand should play in helping a company achieve its longer-term strategic and financial growth goals. A Brand Vision belongs alongside your company's mission, values and vision statements.

Many companies don't treat their brand as an asset that has the power to affect revenue and profit streams. They treat their brand as something left to the guys in marketing or farmed out to ad agencies. All too often, the first budget to get cut when it's time for cost-cutting is the brand budget. If your company has the foresight to draft a Brand Vision at the same time mission, values, and vision statements are being created, that won't happen.

There are three primary reasons for developing a Brand Vision. First, it forces management to reach consensus on longer-term growth objectives and stake out where that growth will come from. Second, a Brand Vision guides research. Third, it tells all stakeholders where the company is heading and what role the brand will play in getting there.

The brand vision phase consists of the first of the 11 steps in the brand asset management process. This first step is to define the strategic and financial goals and objectives that your brand should help achieve. Here's how:

Begin by conducting senior management interviews. Ideally, these should be one-on-one. The entire management team should be consulted, including the CEO or President, the CFO, all senior vice presidents and other key influencers. Probe for answers to these key questions:

- **"What markets, business lines and channels do we want to compete in?"**
- **"What are the strategic and financial objectives for our organization, and what role do brands play in achieving these objectives?"**
- **"What does our brand stand for today? Tomorrow?"**
- **"What level of resources are we willing to commit to our brand?"**
- **"Will our existing brands let us achieve our goals or do we need to redefine our business?"**

Next, determine your company's financial growth gap. To calculate your financial growth gap, first estimate what would happen if you invested nothing in growing your company's revenues over the next five years. How much of your revenue would be lost to competitive pressures and shifting marketplace needs? For example, if you calculate that your current revenues of $100 million would decrease by five percent per year, in five years you will have revenue of less than $80 million. Now compare that figure with your revenue goals — for example, $200 million in five years. Your company's growth revenue gap would be about $120 million ($200 million minus $80 million).

The gap must be filled, either with increased prices, increased distribution, new market penetration, new products or new strategic acquisitions. A viable option is to begin leveraging your company's brand more successfully. Management needs to set financial goals for brand management, treating brands as an asset. If brand management is left out of the planning, a company might never think to increase revenues through price

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What Makes A Brand Vision Statement?

A good Brand Vision has four components:

✓ A statement of the overall goal for the brand
✓ The target market the brand will pursue
✓ The point of differentiation the brand will strive for
✓ The overall financial goals for which the brand will be accountable.

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Developing A Brand Vision

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premiums, sales to loyal customers or word-of-mouth.

During the Brand Vision process, don't just rely on internal goals. Conduct external research to support your decisions about Brand Vision. For example, take an in-depth look at your company's top two competitors and one up-and-comer. Once you've considered internal goals and external data, prepare a high-level report of what the Brand Vision could be.

You are now ready to meet with senior management to create a Brand Vision. Report on your interview findings, facts and conclusions, and strive for consensus. ■

Determining Your BrandPicture

Phase 2 of the process is to determine your BrandPicture. Your company's BrandPicture is a snapshot of your brand today, as seen by the customer.

Determining your BrandPicture involves the next three steps of the 11-step process: determining your brand's image; creating your brand's contract; and crafting a brand-based customer model.

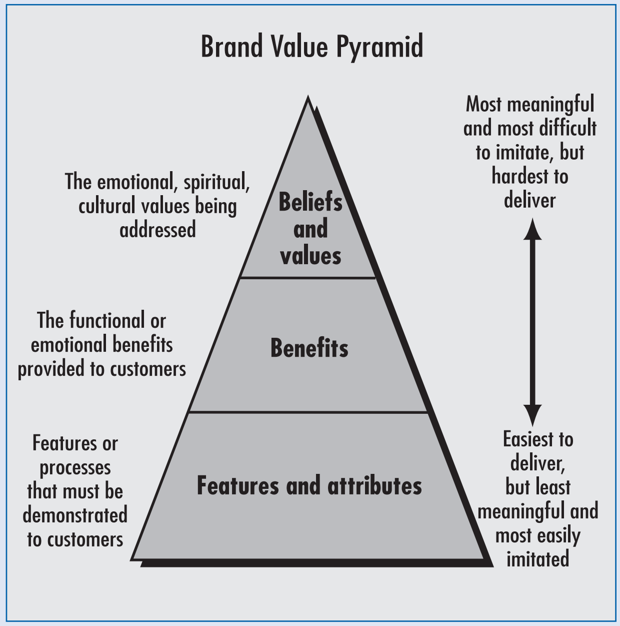
Determining Your Brand's Image

Your brand's image includes the associations customers ascribe to the brand and the brand's persona. Brand associations show you what benefits your brand delivers to customers and the role it plays in their lives. Brand persona is a description of the brand in human characteristics.

Brand Associations. Product and service features and attributes don't do much good unless they translate into higher brand value in consumers' minds. Take, for example, Ralph Lauren designer clothing and accessories. While many designers offer high-quality, durable, classic clothing, Ralph Lauren clothing makes a statement, at least in the customer's mind. Lauren apparel becomes part of who the customer is by striking an emotional chord with that customer. Ralph Lauren customers feel good about themselves. That emotional value helps the brand transcend other brands. Others can copy the clothes, but not the feeling. That's why the Lauren brand is so powerful that it is at the *brand pinnacle*, the place every brand should strive for.

To build brand associations, you will need to conduct research on competitive brands at the same time you conduct research on your own. Start by talking to customers, including current buyers, customers of your competition, prospects and even disgruntled customers. You must also include industry experts, channel members such as distributors and retailers, and competitors.

Brand Value Pyramid



The Brand Value Pyramid best illustrates the power of brand associations. The further up the pyramid you go, the more powerful your brand, and the harder it is for the competition to usurp your position. Some brands at or near their pinnacle are Saturn, Nordstrom's, American Express, Disney, Hallmark, Ben & Jerry's, Federal Express, Intel, G.E., John Deere and Caterpillar. These brands enjoy incredible customer loyalty, the ability to charge premium prices and the ability to sell new products and services through the brand's endorsement power.

Ask them questions designed to get at the associations they have with your brand (see box on next page).

The idea is to figure out where your brand fits on the Brand Value Pyramid. If you're at the top, you have to figure out how to stay there. If you're not, figure out how to get there.

Brand Persona. Brand associations and the Brand Value Pyramid are half of your brand image. Brand persona is the other half. Independently, the two halves provide little value. But together, they provide you with a deep understanding of your brand's image, its strengths and weaknesses, and its points of differentiation. Brand persona is the set of human characteristics that consumers associate with the brand, such as personality, appearance, values, gender, size, shape, ethnicity, intelligence, socioeconomic class and education. These bring the brand to life and let consumers describe it to others as they would a friend. Similarly, consumers

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Determining Your BrandPicture

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decide whether they want to be associates with a brand in the same way they decide what people they want to be associated with. Personas can be translated into selling propositions when they are attractive. When they are not, it's necessary to fix the brand so that customers want to be associated with it.

Ask customers about your brand's persona to see if it is attractive or not. Some questions to ask include:

- **If you saw a customer using our brand, what would you know about him or her? Age? Sex? Education? Income?**
- **If our brand were a car, what kind of car would it be?**
- **If our brand were a place, where would it be?**
- **If our brand were an animal, what would it be?**

There are five human characteristics that make up the persona of most brands. These are sincerity (think Campbell's and Hallmark), excitement (think Porsche and Absolut), competence (think AMEX and IBM), sophistication (think Lexus and Mercedes) and ruggedness (think Levis).

If you don't like what you see as your brand's persona, you can change it over time. Take the case of the old K-Mart persona. Say "K-Mart", and customers saw an older, dilapidated store chain with poor service whose customers were lower to middle class. The new Big K is younger, more hip, with well-designed, clean stores, great brands and values, high levels of customer service and serves all classes of customers. Martha Stewart sells her designs through Big K and Rosie O'Donnell is a spokeswoman. K-Mart has a new persona.

Brand Association Questions

These are the types of questions you should be asking about your brand:

- ✓ **When you hear the name of our brand, what is the first thing that comes to mind? Why?**
- ✓ **What are the strengths and weaknesses of our brand?**
- ✓ **What factors contribute to those strengths and weaknesses?**
- ✓ **What other brands did you consider buying?**
- ✓ **What do you think of those other brands?**
- ✓ **Why did you choose our brand?**
- ✓ **Does our brand meet your needs and expectations?**
- ✓ **Describe your experience with our brand before you bought it, while you were using it and after you used it.**
- ✓ **Describe exactly what you bought.**
- ✓ **How would you describe our brand to a friend?**
- ✓ **Does our brand make you feel differently about yourself than another brand?**
- ✓ **How did our staff make you feel?**

Saturn Ascends to the Top of the Pyramid

Saturn has risen to the highest level of the Brand Value Pyramid because it has touched a customer value that no other car manufacturer has. It has created an automobile that is as much about service as about the car itself. At the bottom of the pyramid, Saturn promises high-quality cars, fair prices, and noncommissioned salespersons. At the next level, Saturn provides customers with a friendly, no-hassle buying experience. This translates into the values associated with Saturn as a respectful friend.

Creating Your Brand's Contract

A Brand Contract is a list of all the promises the brand makes to customers. It is executed internally, but is defined and validated by the marketplace. Brand Contracts can and do change over time. New promises can be added, while other promises are updated and irrelevant promises deleted. A Brand Contract is a critical piece of the BrandPicture because it helps to define marketplace perceptions and expectations and forces managers to be honest with themselves.

Some Brand Contracts are implicit. Look at your company's current performance and you will see the contract that it implicitly offers its customers. Consider what Starbucks' implicit Brand Contract probably looks like. Starbucks promises its customers the following:

- **Highest quality coffee on the market today,**
- **Wide variety of coffee options and complementary food,**
- **Warm, friendly, homelike atmosphere appropriate for conversation or reading,**
- **That visiting is about the experience of drinking coffee rather than the coffee itself,**
- **Friendly, outgoing employees who fill orders fast.**

To meet the terms of the implicit contract, Starbucks hires outgoing people, adds new products, educates customers about coffee and provides consistency between locations.

To develop a good Brand Contract, start by asking customers how they perceive your brand's image. Ask

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what promises your brand has made, and how the customer arrived at that promise. Ask how the company could make the experience better and how well the promises made were delivered. Ask what other promises the customer would like to see the company make. The key to the process is that it must be driven by customers, not by internal managers.

Next, you must translate the Brand Contract into standards that will make the promises come true. Take an example from the fast food world of McDonald's. The implicit Brand Contract is that customers will get the same experience in each and every McDonald's, whether it is across town or across the world. That promise has been translated into common guidelines for all restaurants, assuring quality control and consistency. You must be able to translate promises into action.

Third, fulfill the "good" promises of your Brand Contract or risk damaging the brand. Remember that whatever implicit promises you have created may be harmed if you do not follow true. Starbucks, for example, risks harming its brand if it does not maintain the highest quality standards as it expands into other segment of the market. If the Starbucks coffee served on United Airlines is better than the usual airline coffee but not as good as travelers would get at a Starbucks store, the company risks harming its brand.

Finally, uncover and address the "bad" promises of your brand. Take TCI, which until its recent acquisition by AT&T, was one of the largest cable companies in the country. There were at least three "bad" promises associated with the brand: customers knew they would wait forever in the company's voice mail system before speaking with a human being; that they would have to take a whole day off to wait for a service technician; and that someone would always have to come out to fix any problem with the cable. These three promises were each addressed by the company. Now TCI answers each call on the first ring, technicians can solve many problems over the phone, and service calls take place within a window of a few hours rather than the whole day.

Crafting a Brand-Based Customer Model

Developing a customer model is the third and final part of the BrandPicture. The customer model represents a comprehensive understanding of customer beliefs and behaviors, the product or service, the category and the competitors. It considers former, present and potential customers and all the beliefs and behaviors they hold.

A customer model answers three questions. Finding the answers lets a company better position and extend its brand and to exert greater influence on the purchase decision. The questions are:

- **How do customers choose one brand over another?**
- **How does your brand stack up against others?**
- **What opportunities exist for brand growth and expansion?**

Begin by exploring what makes customers choose a product or service. Nine criteria are most often cited. These are: high quality and reliability; consistent performance; familiarity; availability and convenience; price and value; fit with customer personality; ability to solve customer's problem; customer service; and advertising. Implicit in this list is a high level of trust in the brand name. The essence of a good brand is that people trust it.

Once you know which of these criteria are important to your customers, begin finding out how your brand compares with others. Ask customers to rate your product and the alternatives available on a 1-to-5 point scale. This method lets you compare your product performance to the competition.

You should also find out who makes the purchase decision and who else may be influencing that decision. Smart brand managers think about everyone involved in the decision-making decision, and figure how to sell their brand to everyone involved. Examples abound. Hallmark markets to recipients as well as card purchasers by running ads showing recipients turning cards over to make sure they are Hallmark. Beltone hearing aids markets to the significant other in the hearing-impaired customer's life, knowing that it is loved ones

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Schwinn Reestablishes Its Contract With Its Customers

Schwinn was an American icon, producer of bicycles customers loved. Its brand stood for the finest transportation money could buy. In fact, in the early days of the automobile, a Schwinn could cost as much as a new car. In the 1950s, the company repositioned itself as a "dream machine" for boys and their fathers. In the 1960s, girls and women were added to the mix. Schwinn was better known than Coca-Cola and owned the all-American image.

Then things changed. In the 1980s, dirt and mountain bikes were starting to take off, but company managers thought they were just a passing fad. Before long, Schwinn bicycles were "uncool." The company had lost touch with its customer base, and no longer knew who they were. Fortunately, the company was able to see its mistake, and took on the competition. Today it is again an American icon. Its contract promises the highest quality, most durable bicycles around.

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who persuade those who need hearing aids to get them. IBM markets its computers to day-to-day PC users as well as to their CEOs. ■

Developing A Brand Asset Management Strategy

Phase 3 of brand asset management consists of five steps: positioning your brand for success; extending your brand; communicating your brand's position; leveraging your brand to maximize channel influence; and pricing your brand at a premium.

Positioning Your Brand For Success

Once you have determined who your customers are and what they want, you are ready to position your brand for success. As you position your brand, you develop a brand asset management strategy. Your brand's positioning is the place in the consumer's minds that you want your brand to own — the benefit you want them to think of when they think of your brand.

Start developing your brand's position by defining the target market you are pursuing, the business your company is in or the industry it competes in, and by stating the key point of difference and key benefits of your brand in the market. The resulting statement will be something like, "To homemakers, Tide is the detergent that gets clothes the whitest and brightest."

The statement should be updated every three to five years, or as often as needed to update the company's overall growth strategy. The brand's positioning should drive revenue and profit streams. Senior management has to lead the charge in implementing the brand's positioning. They must be behind the drive to have homemakers recognize Tide as the detergent to get clothes the cleanest and whitest, for example. Don't rely on advertising agencies to position your brand, let employees bring the brand to life instead. And remember that a strong position is customer-driven. What matters is that homemakers believe Tide is the leader, not that management believes it.

Beware of All Competitors

You need to be aware of all competitors. Your competition broadens considerably when you look at all the competition, not just the top two. For Schwinn, for example, the competition includes all forms of transportation, children's recreation, adult exercise and outdoor sports. Competition can come from non-traditional sources. For Coca Cola, the number one competitor is tap water, not Pepsi. Study the benefits, strengths and weaknesses of all the competition.

Brands Positioned for Success

Disney	=	Family Fun Entertainment
Nordstrom's	=	Highest Level of Retail Service
Saturn	=	Your Car Company
FedEx	=	Guaranteed Overnight Delivery
Wal-Mart	=	Low Prices and Good Values
Hallmark	=	Caring Shared
McDonald's	=	Food and Fun
Nike	=	Performance

Extending Your Brand

There is no better way to fuel growth, close out the competition and grow your brand than by extending your brand's equity. Brand extensions leverage and integrate the strengths inherent within a brand to an identified but unmet market need. The new product or service comes with instant credibility and a built-in endorsement, since the brand has already been accepted in the marketplace.

Examples abound of successful product introductions into related markets. Take Gillette's leveraging of its brand benefit — "clean shave" — from the male market to the female market. *Sports Illustrated* did the same when it launched *Sports Illustrated for Kids* and *Cosmopolitan* did it when it launched *CosmoGirl!* Extension is possible by either extending the definition of your business, extending the point of difference between your product and a competitor's or by extending your entire position in the market.

Extending your brand will reap rich benefits in customer loyalty and increase the profit each customer can create over a lifetime. Successful extension is tied to keeping current customers happy, bringing new customers into the family and keeping the brand fresh. Just be sure that the products and services you introduce add to your brand's reputation rather than weaken it. You can be sure the new introduction is an asset if you can answer the following questions positively:

- **Is the extension consistent with your Brand Vision?**
- **Does the extension support and strengthen your BrandPicture?**
- **Is the extension consistent with your overall positioning?**
- **If the extension fails, will it be a minor setback for your brand rather than a major one?**

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Developing A Brand Asset Management Strategy

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The key is to think before you leap and use the knowledge you have already gained about consumer needs. Explore both problem and opportunity areas. Organize market intelligence. Come up with three to five focused, brand-based opportunity areas to explore. For example, Burger King realized that its competitor McDonald's effectively served little kids with its Happy Meals, and adults and teens with its regular menu. But there were no offerings for the in-between group (11 to 14). From there, Burger King repackaged menu items into a Big Kids Meal.

Once you have a few ideas ready to explore, filter them through an idea screen. Make sure the ideas fit the BrandPicture you have already developed. Top ideas are then added to the product lineup.

Communicating Your Brand's Positioning

Brand-based communications are aimed at developing and implementing the communications strategies that will help bring your brand's positioning to life. You must communicate the value of your brand to your target market. But good branding is about more than just communicating with consumers. Don't make the same mistake many companies make. They relegate branding to an advertising agency when they should be branding the product themselves or with the assistance of an agency.

There are concrete steps you can take that will help you implement a long-term communications strategy. First, build a brand communications time-line for maximum impact. Plan to spend the first 18 months building consumer awareness, recall and understanding; to look for results of your efforts during the next 18 months; and to expect loyalty to continue to build in the ensuing months.

Mercedes Takes a Chance

Mercedes has for years been known as the maker of luxury automobiles. Recently, it decided to extend its brand to younger consumers who could not afford a $60,000 auto and created the C230 sedan, listed at just over $30,000. The idea was that they would become lifelong customers, trading up to a more expensive model later. Suddenly, discount automakers were comparing their $15,000 autos to the Mercedes, while consumers who can afford the $60,000 version now share the road with the cheaper car. It remains to be seen if this is a brand extension or a major setback for Mercedes.

Bookstores Position Their Brands

Brands in the same industry position themselves for appeals to different consumers by differentiating themselves and their brands from each other. Borders targets those looking for a community meeting place; Crown Books appeals to price-sensitive shoppers who want discounts and shop in strip malls; Barnes & Noble targets those looking for a quiet gathering place and provides a library-like setting; and Amazon targets Internet shoppers who want personalized online service. Currently, Amazon will remain the online favorite; Crown Books is having trouble with its brand positioning since everyone discounts these days; and Barnes & Noble and Borders might co-exist much as Coke and Pepsi do.

Next, make sure that all communications coming from your company deliver a consistent message to consumers. Your advertising, public relations efforts, event marketing and corporate sponsorships, trade and sales promotions, consumer promotion, direct marketing, and internal employee communications all must reflect the brand value, persona and vision you have agreed on.

Advertising needs to be controlled by insiders, not the ad agency you happen to be using. Remember that the feeling created in a customer's mind must be reflected in advertising. Don't let the ad agency take over control and create a different vision of what the brand is. The agency should execute the company's Brand Vision, not create it.

Be sure that all public relations efforts, event marketing and corporate sponsorships are consistent with the Brand Vision also. Good examples include the impact of sponsoring a program on Public Television, assuming your target audience watches PBS. Not all public relations is positive, of course. How much damage negative PR does depends a great deal on how your company responds in a crisis. Companies that acknowledge problems and take immediate action to correct them are likely to suffer the least long-term harm to their brands.

How you deal with consumers will also have an impact on your brand. Don't rely too much on consumer promotions, since these may drive traffic temporarily but not long term. Customers get used to coupons and sales, and may well wait for the next promotion rather than buy at full price. A better strategy is to focus on direct marketing. Using a catalog or the Internet to sell directly to consumers can reap benefits not just in total sales but in building relationships with customers. In addition, your company will be able to gather valuable demographic data by marketing directly.

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Developing A Brand Asset Management Strategy

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Leveraging Your Brand to Maximize Channel Influence

Who controls the channel that delivers your product to the ultimate consumer? The more control you have, the better you are able to control your brand's destiny. Generally, the more direct your selling efforts, the more control you have over the final outcome. The more indirect your selling efforts, the less control you have.

Distribution channels are undergoing change. Mass retailers are increasingly making the rules for manufacturers; the Internet as a channel is maturing; and direct-mail catalog sales are at an all-time high. Even traditional retailers rely on catalogs for sales. To gain leverage with these new channels, you need to get consumers to ask for your brand by name.

Strong brand names help manufacturers get retail space. Pepsi can say, "Take Mountain Dew or you won't get Pepsi." These mega-brands hold power because of the strength and diversity of their brand portfolios. But even without owning a mega-brand, you can induce channels to carry your products by providing high-quality products, education and training, a brand that is a drawing card, funding to promote the brand and a reasonable pricing strategy.

Pricing Your Brand at a Premium

If you have leveraged your brand as an asset, you have put yourself in a position to charge a premium price, enjoy higher margins and reap the incredible benefits that this asset value provides. These benefits include the following:

- **You can price your brand at a premium price relative to the competition.**
- **You can launch new products more cheaply than the competition.**
- **You can recoup development and launch costs sooner.**
- **You can lower the acquisition costs for new customers.**
- **Loyal customers will continue to pay premium prices for your brand, increasing profitability per customer.**
- **Premium prices let you exert more control over distribution channels.**
- **You can seek out co-branding and licensing opportunities.**
- **You can leverage your brand across other target segments without diluting it.** ■

Supporting a Brand Asset Management Culture

Phase 4 of brand asset management consists of the final two steps of the 11-step process: measuring your return on brand investment and establishing a brand-based culture.

What is not measured is not managed applies to brand asset management. You need to measure how your brand is performing so that you can see what the return is on your brand management investment, sustain organization focus, allocate resources effectively and provide information to use to reward employees who have built your brand.

Measuring Return on Brand Investment

The following metrics can be used to measure return on brand investment, or ROBI.

- Brand awareness measures how many consumers are aware of your brand and its value.
- Brand-positioning understanding measures how well consumers know your brand's positioning. For example, Nordstrom's could measure how consumers feel about Nordstrom's service, the feature the retailer has chosen to highlight.
- Brand image recognition measures your brand's persona perception.
- Brand contract fulfillment measures how well the product lives up to its promise.
- Brand-driven customer acquisitions measures how well the brand attracts new customers.
- Brand-driven customer retention and loyalty measures whether customers considered another brand but opted for yours.
- Brand-driven penetration measures repeat business.
- Financial brand value measures how much of a premium you can charge for your brand.

Establishing a Brand-Based Culture

Brand-based organizations are the next logical advance in the evolution of business organizations. We have moved through many organizational forms, increasingly focusing on customer-driven structures. Now it is time to put brand asset management at the top of your company's strategic plan.

This new organizational structure puts those in charge of brands at the very top of the company's hierarchy. The organization should include a Chief Branding Officer, a Brand Asset Management Steering Committee and an outside advisory council. Employee rewards should also be realigned to emphasize the importance of brand-building. ■