



JPL
471 JPL Wick Drive
Harrisburg, PA
17111

Telephone: 717.558.8048
www.JPLcreative.com

Does a Brand Deliver Business Value?

By Bill Kobel
Vice President
Strategy and Integrated
Communications

Does a Brand Deliver Business Value?

Bill Kobel,
Vice President
Strategy and Integrated
Communications

JPL

bkobel@JPLcreative.com

Successful decision makers in companies of all sizes know that the investment of time and money they spend on their brands will make their products and services worth more in the market place.

A successful brand projects and sells an image. It stokes aspirations. It moves people to identify, evangelize and consume.

Coca-Cola, Harley Davidson, Nike and BMW. Cisco, Accenture, SAP and Morgan Stanley. Whether they are business-to-consumer or business-to-business, all power brands exhibit the same fundamental tenets: They stay fresh and new, they are different from their competitors, they remain relevant to their target market's evolving expectations, and they have visual appeal; an attractiveness that "speaks" to the market place with unique impact.

Why are consumers and clients willing to spend more for products and services from certain companies?

The answer is the brand.

Successful decision makers in companies of all sizes know that the investment of time and money they spend on their brands will make their products and services worth more in the market place. And they are right.

The following pages provide perspective on what a brand is, the business value derived from a strong brand and how branding has become critical to business strategy.

"Brand" vs. "Branding"

They are different concepts

People use these terms interchangeably, but in fact, they have very different meanings. A brand is an image or feeling you get when you anticipate a unique experience, or a unique benefit, obtained solely through acquiring a specific product or service from a specific company.¹

A brand must be striking and have stopping power. A strong brand is built on a unique idea. It is a compelling promise you make to your clients and prospects; a promise that creates an impression that is notably different from your competitors.

A brand is only a brand when it evokes anticipation for something unique, or it prompts an emotional response from your target market.

Clients tell us they want to re-launch their brands. They ask JPL to design a new logo, a new typeface or a new look for their materials, website, etc. These are branding tactics, and you cannot do branding effectively until you have a different brand idea on which to base those tactics. Branding is how you go about establishing your brand's meaning in people's minds. A brand strategy is the platform you develop to define your brand idea, your brand promise.²

A brand is the idea. Branding is the transmission of the idea. Together, a strong brand and branding program form one of the key ingredients for sustainable business success.

Achieving Competitive Advantage

Competitors can copy products and services, they can lower prices to win business, they can enter markets and build channels at will; but competitors cannot quickly build the confidence and loyalty of consumers and clients.

The strongest brands have a powerful advantage in the market place. They force weaker brands into a reactive business model

Does a Brand Deliver Business Value?

Companies that increase their brand's differentiation over competing brands have about a 50 percent higher operating margin on average versus companies that allow their brand differentiation to decrease.

where pricing competition and cost cutting dominate management's thinking and actions.

Founded in 1971, Hard Rock Café launched an entire segment of the restaurant industry that combined food, service and merchandising. With its enduring success, unusual in an industry notorious for turnover, copycats such as Planet Hollywood sprung up with increasing speed in an attempt to cash in. And for a while they did – at the expense of Hard Rock. In fact, at one point industry analysts predicted Hard Rock was history, unlikely to weather an increasingly crowded market.

But that's not how it played out. Planet Hollywood faltered under a too-aggressive expansion plan, a copy-cat brand strategy and a weak relationship with its customers. Today, Hard Rock Café continues to grow globally, while continuing to enjoy 96 percent brand recognition in the United States.³

Reputation is paramount in business today. Companies that are known for the quality of their products and services, their integrity and transparency of their actions have built a brand for the long term.⁴ They have built a brand with sustainable competitive advantage. Therein lies the fundamental value of a brand.

Is Your Brand Differentiated? Is It Relevant?

A strong brand contributes to the financial health of an organization, and differentiation and relevance are the brand elements that drive tangible business value.

Differentiation allows you to stand apart from your competitors. Relevance is about delivering products and services that are important to

your target market; products and services that address the market's business needs.

Together, brand differentiation and brand relevance are valuable tools for increasing an organization's operating margin. According to the Young & Rubicam Brand Asset Valuator®, companies that increase their brand's differentiation over competing brands have about a 50 percent higher operating margin on average versus companies that allow their brand differentiation to decrease.⁵

Impact on Financial Performance

Research presented in the book Building Strong Brands⁶, and further developed by the AVS Group of LaCrosse, Wisconsin, details six brand benefits that have a direct and measurable impact on an organization's financial performance.

Achieving the financial benefits of a strong brand is a linear process. The AVS research showed that achieving the first benefit assists the organization in reaching the second benefit, and so forth. Additionally, when an organization has achieved all six financial benefits, it loops back to the first and repeats the process like a continuum. This is a powerful process because as an organization repeats its journey through the continuum, the brand gets stronger and stronger. Each pass through the continuum produces more financial benefit to the organization. This brand identity building process is known as the Brand Continuum.⁷

Does a Brand Deliver Business Value?

When the brand delivers quality, and the market perceives and equates quality with your brand, it contributes to your profitability by enhancing prices and growing market share.

The six financial benefits of a strong brand, identified by AVS, are:

1. A strong brand commands a price premium. Why is someone willing to pay thousands of dollars more for a Lexus than for a Toyota? They are essentially the same product with the exception of some additional options and accessories.

The value proposition is embedded in the brand. The Lexus brand is worth more in the minds of consumers regardless of whether the product actually functions better.

2. A premium price creates the perception of quality. This follows the age-old saying, “you get what you pay for.” If a Lexus costs more than a comparable product, it must be because the Lexus provides better quality, right? Not necessarily. There are plenty of lower-cost, high-quality vehicles available, yet consumers still pay more for what they perceive to be a better or higher-quality brand.

3. Perceived quality = customer loyalty. Consumers and clients select brands they perceive as quality brands. This connects directly to repeat buying or brand loyalty. Consumers and clients buy brands that reward them with a good experience versus repeating the evaluation and selection process time after time.

Brands that keep their promise attract loyal buyers who will return to them regularly. The benefit to the brand owner is that forecasting cash flows becomes easier, and it becomes possible to plan and manage business development with greater confidence. Customer loyalty is a powerful business asset. Loyal

customers become vocal advocates. They evangelize your brand, provide powerful testimonials and generate valuable referrals.⁸

4. Perceived quality drives return on investment (ROI). When the brand delivers quality, and the market perceives and equates quality with your brand, it contributes to your profitability by enhancing prices and growing market share. It is a business fundamental that is directly associated with your brand: Improve perceived quality and your organization’s ROI will improve.

5. Customers relate value with quality. If your brand is perceived to be of higher quality than a competitor brand, consumers and clients tend to perceive that the higher-quality brand provides better value for their investment in your product or service.

6. Perceived quality can be a point of differentiation. Smart companies are continually looking for ways to differentiate their brands from competitors. Perceived quality can be used to differentiate, and in doing so, enable the company to loop back to Benefit #1 and charge a price premium for their strong brand. The continuum continues to work, and your brand strength continues to build.

An Employee Performance Driver

In addition to the tangible business value derived from a strong brand, it is important to also recognize the substantial impact your brand has inside your organization.

A strong brand leads employees to do the right things. When employees are excited by your company’s brand, and proud to represent it, they

Does a Brand Deliver Business Value?

will help sustain that identity and communicate it to customers, suppliers and others through their enthusiasm and commitment. Your brand can act as an organizing principle for your company, encoding values, behaviors and performance expectations so all parts of the company mesh to create brand experiences that make customers come back, employees proud, and owners happy.

The Holistic Approach to Brand Building

The business of brand building is changing. The old vision of branding being strictly a function of the marketing department doesn't work anymore. If you want to build a sustainable brand worth premium pricing and the value benefits outlined in the previous section, it is time to take a different approach.

Delivering a compelling message to consumers and clients is still important. Today's approach adds to this a consistent customer experience. The end goal is for every customer's engagement with the company to be pleasant, convenient and satisfying at every contact, and consistent with your brand strategy.

Consider all of the touch points where a customer or client interacts with your organization. Take into account the customers' wants, needs and expectations. Do members of the sales force describe and sell the company and its products and services in the same way? Do products perform, as promised? Is service provided in a timely manner? Is the help desk helpful? Is the billing department responsive and are invoices accurate? Does your website provide time-saving online services to customers? Does it provide a great customer or client experience?

The answers to these questions should all point back to the promise, the differentiation, of your brand strategy. The experience must be focused on meeting or exceeding customer expectations and differentiating that experience from your competitors. Bringing it full circle, the performance at each of these customer touch points must "pay off" the brand communications being deployed by your marketing department.

This is holistic brand building. It achieves tangible business value.

Treat Your Brand as an Investment

Most business leaders would likely agree that developing a brand and sustaining a branding program for their organizations are important and should be part of their long-range planning. However, organizations operating in today's economy are under tremendous pressure to focus on current financial results.

When times are tight, business belt-tightening starts with discretionary spending. This often includes deep cuts in brand-building initiatives. As tempting as this may be, a tight economic climate is the wrong time to ignore the brand. Rather, it is time to invest in your brand so that it remains strong throughout difficult times, enabling your organization to emerge as a leader when bull markets return.

Additionally, the cold, hard truth is, building a strong brand doesn't happen overnight, and it will not create a spike in cash flow or market share. Investing in building a strong brand is a continuous process. It is a marathon event. Success is not a one-time thing. Make

The end goal is for every customer's engagement with the company to be pleasant, convenient and satisfying at every contact, and consistent with your brand strategy.

Does a Brand Deliver Business Value?

As tempting as this may be, a tight economic climate is the wrong time to ignore the brand. Rather, it is time to invest in your brand so that it remains strong throughout difficult times, enabling your organization to emerge as a leader when bull markets return.

sure you commit for the long haul. Good brands last, and there's a reason they do.

Finally, developing a successful brand strategy and deploying a results-oriented branding program are specialized, labor-intensive, time-consuming initiatives. Consider engaging an outside firm with brand development expertise. Choose a partner who will collaborate closely with you and your team; bring objective, external perspective to the process; and focus the formation of the brand on your business goals and long-term vision.

Sources:

¹*The Strategy IS the Brand*, Dan Herman, PhD, 2004; ²*BrandSimple*, Allen P. Adamson, 2006; ³*Branding Overview*, American Marketing Association–MarketingPower, Inc., 2001; ^{4,8}*What is a Brand?*, InterBrand/Brands and Branding, 2004; ⁵Brand Asset Valuator®, Young & Rubicam, Brandassetvaluator.com; ⁶*Building Strong Brands*, Dr. David Aaker, 1996; ⁷*The Six Financial Benefits to Brand Identity*, AVS Group, Avsgroup.com

Does a Brand Deliver Business Value?

A JPL White Paper Published by:



JPL
471 JPL Wick Drive
Harrisburg, PA 17111

To learn more, contact:

Bill Kobel,
Vice President
Strategy and Integrated Communications
bkobel@JPLcreative.com

About JPL

Founded in 1989, JPL serves a diverse range of local, regional, national and global organizations. Working collaboratively with our clients, we combine the strategy and analysis of brand consulting and communications planning with powerful design, creativity and new technology. JPL offers comprehensive communications services, including research, strategy, web, video, e-learning, and meetings and events. We build brands that engage your target audience. We embrace change in your business with the power of strategic, creative, integrated communications.

Copyright © 2008 by JPL Integrated Communications. All rights reserved.