The Brand and its Value

With the brand being valued as an asset, and for many companies, a part of the balance sheet, how badly will a company's gearing be affected by the persistent and increasing erosion we are now seeing to many of our favourite names?

An erosion which may be brought about by a lack of consistency in the expression of company values; perhaps the web-site providing a different message to the printed literature and adverts, or delivery of service below that promised - when the administration and control might be in a different country.

Steve Mullins argues that if companies do not invest more in their brand values now, they could have serious problems in the medium or long term.

> "A brand franchise ..... is the unique sum of its taste and texture, flavour and smell, appearance and associations. A strong brand franchise reassures, gives confidence and like an old friend promises the certainty of pleasure. From all this comes the probability of long term profits".
> *K Dixon, Chairman of Rowntree Mackintosh.*

The Brand is core to so much of today's thinking, and there has been lengthy debate about the value of a brand against the value of a product. A great deal of the information and debate has been generated by the advertising agencies and the like - those with a vested interest!

But, advertising professionals know that their best efforts can only reinforce or slightly modify attitudes that are built into people's psyches, comments John Philip Jones, Associate Professor at Syracuse University.

In reinforcing attitudes in the right way, advertising can have considerable power in building brands, but he stresses that in no way can it overcome inadequacies in the marketing mix. Most new branded product failures are an illustration of the latter.

The *goodness of fit* of all products to their ideal market niches must differ, and there is no known model of the perfect goodness of fit of the ideal brand to allow valid numerical comparison. Where these observations have been made however, the brand leader always does better than the rest !!!

Professor Jones uses Wegmans supermarket for collecting basic data. He notes that unbranded cornflakes sell at $0.79 per pound and take 4 shelf facings, while Kelloggs sell at $0.97 and take 18 facings.

Controlled tests of three breakfast cereals revealed the preference during a blind test was 47:27:26. When identically repeated, but with the packages identified, the ratio changed to 59:26:15, an increase of 12% in terms of preference (not purchase activity). Other products including Instant Coffee show similar relationships.

It is generally recognised (Winkler) that the brand leader usually commands about a 7% selling price premium above the average for a particular product sector, and that the brand second is often about 4% below the average selling price.

The evidence available would indicate that in an oligopoly the brand is relevant in terms of business benefits, although the exact extent of the relevance has not yet been quantified. There appear to be definite benefits in terms of pricing and volume sales, usually to the extent of about 10% additional revenue through volume ***or*** pricing.

Branding may be used to develop (or prevent) associations with other goods and services, for example to devise a product family. Dunlop adhesives is one such example where the company are associating their perceived quality with a different product line. Dunlop are not renowned for adhesives but for reliability and safety.

And once adhesive X is established and perceived as good, then adhesives Y and Z will be viewed favourably too.

Market positioning is also supported by strong branding; there has been significant study on the British machine tool industry, which paired comparisons between British and Japanese companies, all staffed by British workers. The attention the Japanese gave to positioning and image resulted in the UK product being seen as a basic commodity, however well engineered, and the Japanese product as the one to buy.

The UK firms folded whilst the Japanese firms grew and prospered - the rule seems to be *if you do not segment the market, the market will segment you* - often in the direction of lowest price.

Branding is also key to product longevity in the market place. It is important not to confuse product life cycle with brand life cycle. For example after the war the life cycle for gravy brownings was in decline as better meat became available; however, with good brand marketing the sales and share of OXO increased: the brand life cycle continued to grow in a declining product life cycle.

Examples of lasting and supported brands include: Mars, Nescafé and Tetley tea bags. But, where are: Watney's Red Barrel, Rinso and Idris soft drinks now? when there is still some life in each of their markets.

There is much talk about product life cycles and how they are continually shortening, usually due to the increasing pace of technology. Well supported brands with established values will weather the changes better - but for many the rate of change is such that brand development and communications support is being reduced as a short-term means to meet shareholder demands, or to reduce debt.

Longer term, many companies will face serious marketing difficulties as their good earners are overtaken by technology and not enough effort has been spent in maintaining a loyal following.

For many, the brand is progressively drifting towards the status of a product and allowed to become obsolete rather than being supported and adapted functionally within a common values set which will keep it competitive. Mars for example have generated continual interest by product innovations such as 12% more bar, 'Funsize', multi-packs or whatever is necessary to stay highly visible and competitive, always giving a consistency of product, value and message.

It appears that some of the brand decline is through lack of consistent promotional support, and some through lack of response to rapidly changing markets and technology.

It is generally agreed that during periods of vigorous corporate support there is a favourable, if unquantifiable, impact on brand performance. Corporate branding however, could lead to a weakening of the brand franchise for individual product sectors.

Hanson, IBM, Mitsubishi or Zanussi tend to advertise their companies rather than their products. The strength of this approach is to increase the intensity of awareness in the buying public, but the weakness is in not having the capacity to be selective with individual lines.

Mars, Proctor & Gamble and Unilever tend to brand the product rather than the company; this can be expensive when media costs rise ahead of inflation. There may also be brand proliferation with too few people trying to control too many market sectors. Where each sector has a target group with specific needs there is a very high risk of confusion.

Heinz and Boeing tend to mix product branding with corporate branding and get the best of both worlds by giving each product its own identity, but framed within a common personality and set of values.

Branding is probably the one mechanism which can give a product or commodity a trusted personality and an image which does not change with time or management.

This constancy of values builds resilience to competition and price change. Continual attention to the brand will keep it alive and buoyant; and whilst this seems to be a costly exercise it is usually more cost efficient than trying to resurrect or re-brand, witness the significant effect rebranding had on Coca-Cola, and the cost to recover from that exercise.

Reducing brand values support, which may be due to short-term pressure, risks the rapid erosion and devaluation of a very valuable asset built up over many years.

Steve Mullins