

## Brandonomics: Why branding makes business sense

The world is changing and so, of course, is marketing. Amid all this change, branding still continues to be a powerful technique for making marketing memorable and effective. Why is that? Is it because consumers are more distracted and busier than ever thanks to technology and the global economy? Is it because there are now more than 2.5 million trademark applications submitted each year, offering consumers more branded choices than ever? Is it because every sector has now woken up to branding, with even “ordinary” people creating their own “personal” brands?

I say, “yes” to all of these and suggest there are even more factors.

As a practical matter, every organization is a brand or has branded something it considers important. Some just do it better than others. And while brands are perceived they are also real assets which should be leveraged, managed and protected. Of course your CFO will want to see returns on these assets, as well as feel confident about the business case for your branding efforts. So keep your eye on the big picture and use these business reasons below to help make that business case for branding in your organization.

### The Business Case

Primarily the reasons to invest in branding are long-term in nature, so the sooner you start, the sooner you will create some equity and enhance your existing marketing. Below are a few of the top reasons why branding just makes good business sense!

*“Today most products and services are bought, not sold. And branding greatly facilitates this process. Branding “pre-sells” the product or service to the user. Branding is simply a more efficient way to sell things.”*

*-- Al and Laura Reis*

#### **Brand (noun)**

*A name, term, design, symbol or any other feature that identifies one seller’s good or service as distinct from those of other sellers; A brand may identify one item, a family of items or all items of that seller.*

*-- American Marketing Association*

#### *1. Branding paves the way for everything else*

Build confidence and credibility among various audiences, like shareholders, employees, customers, prospects, analysts, journalists and bloggers. Brands help shape perceptions and expectations by conveying a simple promise, backed by a set of values and a brand personality. Brands act as the face of an organization in order to form a meaningful *relationship* with its stakeholders. It’s no coincidence that brands take on human characteristics; this is done to help stakeholders relate to the brand on a more personal level, like they would with a trusted friend, family member,

partner or peer. And ultimately well-executed brands can pave the way for sales, marketing and media relations efforts, making your stakeholders more receptive to them.

## *2. Branding is your not-so-secret weapon in differentiation*

Brand image is now more important than ever in your differentiation strategy. It's the natural result of competitors re-engineering competing products or copying best practices, making true product or service differences very hard to create and sustain. Your brand image, therefore, becomes one of the few variables that your organization can truly own and it's also very difficult to replicate authentically.

That's both good news and bad news. The good news is that there's plenty of brand work for marketers. The bad news is that brand positioning strategy has become even more complex to sort out given the level of competition and the limited number of relevant positions to claim. Creating competitive advantage with branding will be largely dependent on selecting the right brand positioning strategy and then consistently delivering on it.

To make things even more interesting, brands are no longer confined to positioning strictly on benefits derived from specific product features (like in the early packaged-goods days). Today marketers can position on many other fronts. We can position on what "tribes" or "sub-cultures" chose our brands. We can position as consumer advocates out to change our industries. We can position on our heritage and how that makes our product or service what it is today.

## *3. Brands help weather business storms*

Investing in your brand signals to the marketplace that you are serious about your business. Wall Street analysts today are looking even more closely at reports like Business Week and Interbrand's annual, "Best Global Brands" in order to track brand value changes year over year. They do this because they believe there is a relationship between brand value and financial performance. Multi-millionaire investor Warren Buffet, among others, acknowledges that brands are part of the important intangible assets that are highly valued when it comes to mergers and acquisitions. If brand value is important to those spending billions on acquiring brands, should it not be important to you too?

During economic slowdowns and times of crisis, brands can be leveraged in terms of the emotional "bank account" they have built up with stakeholders. Remember the Tylenol scare or the Firestone recall? These brands survived despite the public relations crisis thanks in large part to their highly credible brand images.

*"A successful branding program is based on the concept of singularity. It creates in the mind of the prospect the perception that there is no product on the market quite like your product."*

*-- Al and Laura Reis*

#### 4. Branding helps you recruit and retain the best human capital

Let's face it, we don't turn off our human sensibilities when we report to work or tell others about where we work. Being affiliated with a well respected brand can be a status symbol to current and prospective employees. And it need not be a global brand, it can be a local or regional brand with a positive reputation. Additionally employees who work for respected brands usually are very clear about their organization's mission and their contribution to that mission. This often translates into a better customer experience and less employee turnover.

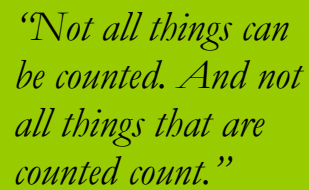
#### 5. Brands can be measured

Yes, brands themselves are hard to measure but it's not impossible, nor is it perfect. Brand score cards can and should reflect a variety of metrics and serve as barometer of brand health. There are three major categories of brand metrics: attitudinal-based metrics, behavior-based metrics and financial metrics.

Attitudinal-based metrics help us understand constituents' perceptions of the brand. These metrics include aided and unaided awareness levels for your brand and your competitors' brands. Additionally, perceptions about your brand's trustworthiness, relevance, perceived performance and likelihood to recommend are all attitudinal-based metrics that can be calculated and benchmarked over time.

Behavior-based metrics involve measuring the brand's impact on customer actions. These metrics include market share, buying frequency, usage levels, price sensitivity/buying at discounts and cross-purchase behavior.

Financial-based metrics help assess the relationship between the organization's financial performance and its brands. These metrics include revenue growth, profit margins, stock prices, cost savings and lifetime value of customers.



*“Not all things can be counted. And not all things that are counted count.”*

*-- Albert Einstein*

### Top 10 Global Brands of 2007

Each year Interbrand uses its proprietary valuation system to rank the 100 best global brands. The results have been published annually since 2001 in Business Week. According to PRWeek magazine the “Best Global Brands” study is ranked as the third most sought-after benchmark report by CEOs and CFOs.

To qualify for the list, each brand must deliver at least a third of its earnings outside its home country, be recognizable outside of its base customers, and have publicly available marketing and financial data. Interbrand's valuation methodology evaluates brand value in the same

way any other corporate asset is valued— on the basis of how much it is likely to earn for the company in the future.

Below are the top 10 global brands for 2007. To see the entire list and learn more about the valuation methodology, visit [www.interbrand.com](http://www.interbrand.com).

2007 Rank	Brand	Country of origin	Sector	2007 Brand Value (\$m)	Change in brand value
1	Coca-Cola 	US	Beverages	65,324	-3%
2	Microsoft 	US	Computer Software	58,709	3%
3	IBM 	US	Computer Services	57,091	2%
4	GE 	US	Diversified	51,569	5%
5	Nokia 	Finland	Consumer Electronics	33,696	12%
6	Toyota 	Japan	Automotive	32,070	15%
7	Intel 	US	Computer Hardware	30,954	-4%
8	McDonald's 	US	Restaurants	29,398	7%
9	Disney 	US	Media	29,210	5%
10	Mercedes 	Germany	Automotive	23,568	8%

Source: Interbrand's "Best Global Brands"

**For More Information**

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