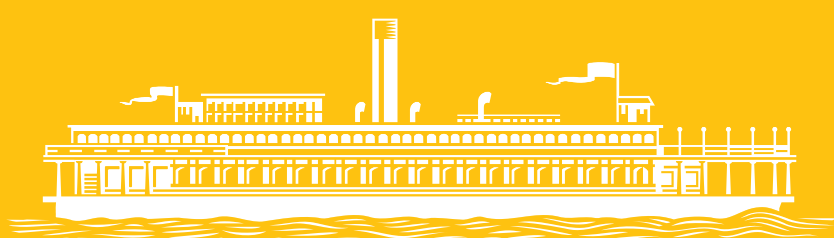
Using brands to drive business results

by Chelsea Greene



Landor

Using brands to drive business results

The third annual Breakaway Brands® valuation study

Chelsea Greene is Manager, Strategic Communications at Landor Associates

For the third year in a row, the Breakaway Brands® Valuation Study was featured in an article in the 12 November 2007 issue of FORTUNE magazine.

FORTUNE magazine, Landor Associates and Stern Stewart's BrandEconomics® recently published the third annual Top Ten Breakaway Brands list for 2007. Unlike other brand rankings, this study objectively measures return on sustained investment in brand in terms of both financial value and brand strength.

Quantitative consumer perception data, as measured by Young & Rubicam Brands' BrandAsset® Valuator, identifies the 10 brands in the U.S. that have achieved the greatest percentile increase in brand strength over a three-year period. We then calculate the financial value gained over the same period that can be directly attributed to brand. Finally, together with students from the Wake Forrest Babcock School of Business, we conduct in-depth qualitative analysis to identify which brand behaviors and smart marketing decisions can account for each brand's success.

The result is that rather than a static list, the Breakaway Brands Valuation Study is an annual treasure hunt to uncover the secrets behind 10 great marketing stories, and the lessons they can teach us about how to create and sustain brands that transform business.

As proves true each year, the 2007 Breakaway Brands list is dynamic and includes a number of pleasant surprises, spanning technology, retail, and food & beverage, and blurring the line between B2B and B2C.

Last year's study showed three trends driving the success of the top 10 brands: Trust, Community and Knowledge. In many cases this year's marketers are drawing on those same best practices in support of their brands and taking them to new levels of sophistication. They have also developed strategic tactics of their own. Unlike last year, however, the patterns observed among the brand behaviors seem to be two-tiered.

The 2007 Breakaway Brands®

BRAND	BRAND STRENGTH 2003	2006	GAIN	VALUE GAINED
T.J.maxx	38	94	56	$697 Million
iPod	50	91	41	$7.8 Billion
BlackBerry	22	56	34	$4.9 Billion
Stonyfield Farm	35	63	28	$61 Million
Samsung	42	64	22	$4.2 Billion
Costco Wholesale	60	80	20	$3.4 Billion
Propel	63	83	20	$249 Million
Barnes & Noble Booksellers	83	95	12	$283 Million
GE	82	94	12	$7.5 Billion
Microsoft	93	97	4	$5.4 Billion

On one level, the customer, no matter what the business, is undeniably in charge and in most cases, has been for a while. Gone are the days when targeting could revolve around demographics and household incomes, and the competition could be neatly defined by a single category. Today it is all about understanding what motivates the customer, what drives their behavior from both rational and emotional perspectives, and then building on those drivers to create meaningful connections.

Two consumer trends can be tied to the success of this year's breakaway brands:

- Fulfilling the Fantasy of Luxury for Less
- Greater (Social) Expectations of Business

Not every observable behavioral shift is relevant to every category or every business, but savvy marketers have learned to watch consumers closely so that when the right opportunity presents itself they are prepared to act.

All of this year's brands demonstrated a clear commitment to better understanding the consumer. They also showed more sophisticated approaches to holistic brand building, which suggests that branding and marketing are increasingly being recognized as powerful tools for driving business success. Three strategic communications trends driving growth among the Breakaways this year are:

- Engaging Through Experience
- Leveraging the Power of Partnerships
- Moving Brand to the Center of Business

These are, to be sure, the kinds of objectives marketers traditionally love to talk about, but these brands have taken the steps necessary to actually accomplish them. With these dynamics in mind, let's look at how each of 2007's Top Ten Breakaway Brands turned breakthrough ideas into action.

Women across a range of shopper segments and income levels enjoy the thrill of a "Maxx Moment."

Social trends leveraged by this year's breakaways

The course has been set, and it's the customer, not the corporation, in the driver's seat when it comes to brand choice. Thanks to technology, consumers today have the ability to tune out irrelevant messages, research corporate behavior, choose among a number of reputable brands in nearly every category, and even cut out the middlemen (brick-and-mortar retailers) when it helps them save on purchases. This poses a serious threat for marketers, especially considering how fragmented traditional media channels have become.

These days the challenge is to find ownable ways to use observable trends among particular customer groups to your brand's advantage. Smart marketers have learned that this enables meaningful connections with more of their customers, and often the added value of creating and shaping future conversations, too. Positive word of mouth is earned, not bought, but it can be more valuable than even the best ad.

Fulfilling the Fantasy of Luxury for Less

The early years of this millennium were marked by a shaky economy, which lead many customers to "tighten the purse strings" and bargain hunt. Even as the need became less dire, however, shoppers (particularly women) continued to revel in the thrill of the chase and the ultimate satisfaction achieved by finding high-end pieces at bargain prices.

TJ Maxx: Making Saving Chic

Discount stores certainly aren't a new concept: TJ Maxx has been around since 1976 and today is the largest off-price retailer of apparel and home goods in the country. However, in recent years the organization has stepped back and taken a closer look at exactly who among their shopper segments is most valuable as a target audience. What they have found is that saving is no longer a priority reserved for the lower- and middle-income groups, but has instead become an important part of the shopping experience for even the most affluent customer.

With this insight in mind, in 2004 TJ Maxx announced the expansion of 282 jewelry and accessory departments to appeal to the upscale consumer. Then it amped up its marketing spend for the 2005 holiday season with a campaign that emphasized how their inventory is replenished weekly (as opposed to the traditional quarterly retail cycle), giving shoppers more opportunities to find their own great bargain, and return to the store more frequently!

Costco: Cutting Costs and Clutter

Costco is another discount retailer that is doing a good job capitalizing on the consumer trend of "trading up": saving on everyday purchases to afford luxury on a limited budget.

They even take it a step further by limiting the privilege of shopping in their stores (and enjoying their savings) to members. This creates a sense of exclusivity and, by association, a feeling of community for their customers. In turn this results in positive word of mouth, a critical communications channel for the retailer because it does not engage in traditional advertising techniques.

Costco is also acutely focused on the quality of their merchandise over the quantity of products in their stores, effectively pre-selecting the best deals on the best high-end products (from engagement rings to exotic vacations) and streamlining the buying process. By pairing lifetime supplies of toilet paper with name-brand plasma screen TVs, Costco enables trading up all in one location. They have perfected the art of understanding not only what their customers need, but also what they fantasize about, and putting both at their fingertips.

iPod: Democratizing Technology

For obvious reasons, low-price retailers like TJ Maxx and Costco are leveraging the trading-up phenomenon most prominently. This does not mean that other brands can't take advantage too. When it was first introduced in October 2001, the original iPod was a gadget for early adopters with deep pockets, costing between $400-$500. As each year passes, however, iPod (as a device and as a brand) has become more and more accessible to the masses, through the introduction of less expensive models like the iPod Mini (later replaced by the Nano), and eventually the 1GB Shuffle, which is available today for around $75. Of course Apple would love if these initial entrées into iWorld eventually lead to more substantial sales down the road. For now though they're building loyalty among new customer groups by offering their own version of luxury for less. What's more, by relentlessly focusing on "approachable innovation," they have only strengthened the high-value perception of all things i-driven.

Greater (Social) Expectation of Business

If you look hard enough, you'll find a CSR (corporate social responsibility) section on

the company website of every brand on this year's list. In fact it isn't easy to find a visible brand that isn't at least talking about "doing their part" these days in response to consumer expectations about corporate responsibility. That said, green-washing and token efforts aren't likely to fool today's educated consumer. Society is becoming increasingly concerned about a variety of issues that are in turn consuming more of the media spotlight. According a recent McKinsey study, 95 percent of CEOs surveyed believe that society has a higher expectation than it did five years ago that companies will assume public responsibilities.[1] This means that organizational behavior is being watched more closely, and brands are being held to their promises.

Stonyfield Farms: An Ethic at the Heart of a Brand

Stonyfield Farms has one of the best social responsibility reputations in consumer marketing. The organization was built on a foundation of activism. Originally it was started as an environmental education project designed to prove how healthy and effective an organic farm could be. As their business has grown, however, their morals remain steadfast: 10 percent of profits continue to go to charities chosen by their customers each year; they sponsor vending machines in schools stocked with healthy alternatives; and the "Salute your Commute" campaign gives mass transit commuters free yogurt samples in thanks for helping to reduce pollution.

Stonyfield Farms isn't a small, local yogurt company anymore, either. Between 2001-2003

1 Debby Bielak, Sheila Bonini and Jeremy M. Oppenheim, "CEOs on Strategy and Social Issues." *The McKinsey Quarterly,* www.mckinseyquarterly.com/article_page.aspx?ar=2056 (accessed 25 October 2007).

Jet engines and desalinization plants are two of the many GE technologies informed by Ecomagination.

CPG giant Groupe Danone purchased 85 percent of the company. Despite what might be anticipated in a major corporate buyout, however, there were no changes imposed on Stonyfield's environmental or societal initiatives. If anything, the corporate backing has given them the power to do more. In 2003, for example, Stonyfield switched all of its yogurt lids to a biodegradable foil, effectively forcing every other player in the market to quickly do the same. Groupe Danone's CEO even went so far as to recognize the need for the parent to adopt Stonyfield's ethic in order to be successful in the future.[2]

GE: Use Your Ecomagination

As Jeffery Immelt surveyed the scene after he took the helm as CEO in 2001, he realized that GE had a severely tarnished environmental reputation that would have to be turned around. Building on the new corporate positioning and "Imagination at work" tagline introduced in 2003, "Ecomagination" was designed to be more than a marketing campaign. As an organization they have made four main commitments: double investment in R&D, increase revenue from Ecomagination products, reduce greenhouse gas emissions, and keep the public informed. In 2005 they published their first Ecomagination Report, independent of the annual report. By demonstrating actions behind their promises, GE has turned what once was a critical liability into a differentiating, and very relevant, brand positioning that lives at the core of their business.

Microsoft: Build a Foundation for the Greater Good

Bill and Melinda Gates are very public in their involvement with The Bill and Melinda Gates Foundation, one of the world's largest charitable foundations. They have been so successful in their philanthropic endeavors that Warren Buffet chose to pledge $37 billion to the organization. They were also named, along with Bono, TIME Magazine's "People of the Year" in 2005 for their charitable work. Considering how closely linked the Gates name has always been to the Microsoft brand, this publicity has likely had a positive halo effect, adding a very human face to one of the world's most pervasive brands.

2 Reveries.com, www.reveries.com/reverb/cause_marketing/hirshberg/index.html (accessed 5 November 2007).

Strategies employed by this year's breakaways

Marketing is becoming a more and more complex science. There are more channels and more technology, and there's an expectation of more sophisticated metrics to ensure effective ROI. The result is that marketing professionals are raising the bar to inspiring new levels. American Express CMO John Hayes recently said, "In the early days of my career… our challenge was getting consumers to adapt to the new way of doing something. That has flipped 180 degrees. The consumer is moving faster than most companies. That is either a threat ('Wow, can we keep up?') or it's an opportunity ('You know that thing we've been thinking about?')."[3]

This year's Breakaway Brands earned their place on the list by adapting to today's complex landscape and employing strategies that bring them closer to their customer.

Engaging Through Experience

In light of all the challenges facing marketers today, making meaningful connections between your brand and your consumer is critical for business success. This means that marketers must make their brands come to life. For this to happen, it must stop being a vehicle for delivering messages and become a means for dialogue, creating an authentic relationship between business and consumers.

Samsung: Eliminating Commitment Phobia

The consumer electronics playing field is more than competitive; thanks to the speed of technological advancements and consumers' insatiable appetite for the newest, sexiest gadget, everyone's at risk of becoming irrelevant. Samsung faced the additional challenge of entering the booming plasma TV market after major players like Panasonic and Sony.

In 2004 Samsung opened their debut concept store in New York, with floor layouts intended to replicate consumer's living spaces and absolutely no price tags, because there's nothing for sale. This eliminates any sales pressure and allows consumers to interact with the products and the brand before making the emotional and financial investment of purchase. According to Paul Kim, senior manager of North American Marketing, 31 percent of visitors purchased a Samsung HDTV within a year.[4]

They also developed an online community, the Samsung Fun Club, with engaging features like free premium ring tone and wallpaper content for cell phones, while helping to build an entry-level brand community.

Barnes & Noble: Creating Customized Community Centers

The retail book business has been growing at a slow rate in the United States. One of the largest threats facing the industry is holding onto the attention of consumers who are increasingly moving to more dynamic entertainment and content. Barnes & Noble, the world's largest retailer of books with nearly 800 stores in the United States, has positioned itself as a community store with activities for the entire family. In 2006, they held over 100,000 community events across the country, and like their selection of books (only one-third of which

3 Geoffrey Precourt, "Kings of Marketing," *The Advertiser* October 2007.

4 Michael Barbaro, "At the 'Experience Store,' Look But Don't Buy," *International Herald Tribune* 19 March 2007.

are common across all stores), events are customized to local market needs.

Serving Starbucks coffee and café products, Barnes & Noble is one of the largest coffee houses in the United States, and RedDotNet listening technology allows their customers to sample up to 200,000 titles from the store's electronic catalogue. At every touch point the Barnes & Noble brand experience adapts to local customer needs and gives families a break from their world of entertainment screens.

TJ Maxx: Creating Excitement Around Experience

Beyond just selling fashionable items for less, TJ Maxx offers shoppers the "thrill of the save." In 2007 they launched the "Maxx Moment" campaign, which highlights the euphoria experienced when shoppers get a really great bargain. The ads reinforce the TJ Maxx brand experience and help remind customers of the rush they got the last time they had a Maxx Moment.

Leveraging the Power of Partnerships

A key challenge facing brands today is overall clutter — there's just only so much space in a single consumer's mind. Because of this, marketers are discovering that smart brand partnerships can add value for both brands when the partnership makes sense, and actually provides real benefits to the consumer too.

BlackBerry: Making Friends With Consumer Carriers

When BlackBerry perfected the technology to launch a product with full email capability on wireless phone networks, they offered busy professionals a truly unique tool: a user-friendly device that allowed execs to stay seamlessly connected to their jobs. BlackBerry quickly became the ultimate businessperson's status symbol. Sporting one meant that your employer saw you as important enough to keep you tuned in 24/7. Jokes about "crackberry addictions" and its appearance in hands of celebrities from Oprah to Madonna help to illustrate the brand's rapid rise to ubiquity. Today, virtually the world over, it is becoming increasingly difficult among the business community to imagine life "BB" (Before BlackBerry).

After saturating the business market BlackBerry, realized the best way to grow their business was to attract consumers. They formed partnerships with Cingular, Verizon, Sprint and other cellular carriers, which not only offered access to customers, but also implied trust through association with the carrier brands. Further partnerships were forged with Yahoo! and AOL bringing instant messaging and other lifestyle features to the device. Then in 2006 the ultimate consumer model, the BlackBerry Pearl, was released to great success.

Propel: Positioning and Partnering to Remain Relevant

Part of Propel's success can be attributed to positioning the brand distinctly apart from

the original Gatorade brand — which appears on the sidelines of professional sporting events — as a drink for the everyday athlete, particularly women. They were also able to leverage healthy eating trends and a sharp rise in the fortified water segment of the bottled water market. Another key strategic decision that benefited the Propel brand was partnering with McDonalds, who are aggressively marketing a healthy-living campaign of their own. By giving consumers more opportunities to sample the product, and creating a more regular occasion for customers to experience the brand, Propel used partnerships like the one with McDonalds to securely implant their brand into the lives of their customers.

iPod: Establishing Integration to Enable Consumers

Now in its third year on the Breakaway Brands list, iPod continues to innovate at every level. More Americans own iPods than any other MP3 device, and iPods have become a part of people's everyday lives in a way that other brands would rightly envy.[5] This created a number of opportunities for iPod to partner with other brands to help both sets of consumers integrate iPod technology in new and exciting ways. Athletes can now program their Nike sneakers to keep track of workout stats and play them back through their iPods. And, following an initial partnership with BMW, integrated iPod stereo systems were added in Mercedes, Volvo, Nissan, Ferrari, Acura, Audi, Honda and Volkswagen models along with others.

Moving Brand to the Center of Business

Seasoned brand professionals have been urging senior marketers for years to push for their rightful seats at the boardroom table. This is easier said than done, though, in organizations where marketing had always been treated like an afterthought. Yet, all of the challenges outlined earlier, and countless others, are finally forcing executives from around their organizations to sit up and pay attention to their colleagues with marketing and branding know-how. A majority of this year's breakaway brands are demonstrating how putting brand at the forefront of business decisions is driving business results.

GE: CEO as Chief Brand Steward

With the legendary Jack Welsh at the helm of General Electric, a storied internal culture driven by Six Sigma, and disciplined cost-cutting strategies, the GE brand and its "We bring good things to life" tagline went largely unchanged for years. The tides turned, however, when Jeff Immelt was appointed to succeed Welsh as chairman and CEO of the diverse industrial behemoth in 2001.

Now six years later, it is not uncommon to hear GE executives speak of the positive influence Immelt, and his sales and marketing background, have had on the organization. Despite initial resistance to change, the positioning line was updated to "Imagination at work" to bring GE into the future by connecting with customers and growing topline revenue. An award-winning online interactive campaign

5 Knowledgejump.com, www.knowledgejump.com/technology/ipod/ipod.html (accessed 5 November 2007).

The Microsoft campus in Redmond, WA

brought the imagination positioning to life, and GE continues to strive toward new levels of excellence. According to Immelt, "The most important thing I've learned since becoming CEO is context. It's how your company fits in with the world, and how you respond to it."[6]

Microsoft: Making the Metrics Work Harder

Good works alone do not assure good business results. Microsoft has also been busy re-energizing their approach to other areas of their communications strategy, applying sophisticated customer acquisition and retention tools to their marketing efforts. This approach has helped them better understand their customer needs while delivering a more disciplined, measurable brand experience across their expanding range of touch points. This is particularly important for the B2C lines of Microsoft's business, which can no longer count on the ubiquity of their operating systems to communicate brand messages to consumers. Where once it was hard to find a personal computer without a version of Windows and a Microsoft Office suite of programs, today open-source operating systems and the growing popularity of all things Apple, has pushed Microsoft toward a more consumer-centric model than they ever engaged before.

Summary

In today's uncertain world it is no wonder that organizations have to work harder and harder to gain the trust of their audiences — internal and external alike — in order to be successful. What's more, in business, as in life, trust must be earned, not bought, and it must be constantly validated. The senior marketers at the helm of this year's Top Ten Breakaway Brands understand not only the need to connect with their customers and instill trust, they also understand that brand is one of the most powerful tools available for making those coveted relationships a reality.

6 GE.com, http://www.ge.com/company/leadership/ceo.html (accessed 28 October 2007).

Frequently Asked Questions

What is Landor's Breakaway Brands® Study about?

The Landor Breakaway Brands Study identifies ten brands every year that have grown and been transformed through excellence in brand building. These are brands that have achieved the most meaningful improvements in brand health and subsequently in business value. Because investments in brand building take time to be realized, the study looks at the growth of brands over a three-year period.

The list is constructed using BrandAsset® Valuator research, a global study that has continuously tracked brand health for more than a decade. To demonstrate the importance of brand as a determinant of financial performance, we then apply the BrandEconomics® Economic Value Added (EVA) methodology to each brand on the list and calculate the change in business value that can be traced to the change in brand health.

What is the criteria for screening the Breakaway Brands?

We looked at all 2,500 brands in BrandAsset Valuator's U.S. database to determine the ten brands that had the most significant gains in Brand Strength over a three-year time period (2003 to 2006). Some caveats:

- Brands had to have a research sample base size of at least 500.
- Brands had to have a minimum threshold for percentile scores in the Esteem and Knowledge categories to ensure the exclusion of regional and niche brands.
- Non-profit brands were excluded because we are looking at the impact of brand on business value.
- Media brands were eliminated from the set because they have exceptionally high brand strength levels, making it difficult to compare them objectively with other brands.
- Brands that exhibited "pogo stick" patterns in brand strength (up 2003-04, down 2004-05, up 2005-06) were eliminated as we are looking for sustained brand strength performance over time.

How is this study different from others?

The Breakaway Brands Study's greatest strengths:

- Focuses on the overall change in business value, not on a single brand number.
- It's not about the biggest brands, but about the brands that drive business performance.
- Our methodology is grounded in a globally respected and referenced consumer survey (BrandAsset Valuator) and economic framework (EVA).
- Because we identify the actions taken that built brand health, our cases studies are instructive.

Can you really tie brand health with financial performance?

Yes. BrandEconomics research demonstrates that a large part of the intangible value of companies in certain sectors can be explained by the health of their brands as measured by BrandAsset Valuator. For a detailed explanation of the econometric analysis findings, please see their white paper entitled "Bringing New Clarity to Brand Management and Strategy."

What is brand value?

In purely theoretical terms, it is the present value of all future profits that the brand owner will realize because of the brand's contribution to sales and margins. Simply put, it is the financial benefit from investment in brand, or "Brand ROI."

What is the point of brand valuation?

From the Landor/BrandEconomics perspective, the purpose of brand valuation is not to generate a "box number." Rather, it is far more useful to show why a brand may have fallen in value, lag behind its competitors or not realize its potential. This provides pragmatic insight and direction (through BrandAsset Valuator) on how to remedy such situations.

Equally important, the BrandEconomics data shows the payoff in shareholder value from improvement in brand health. This can be extremely useful in setting brand portfolio strategy (which brands to invest in, which to manage for cash) and in persuading finance departments that a proposed investment in brand building will have positive, measurable returns for shareholders.

Correlating Brand Strength to Value

Business value is made up of current operating value and future growth potential. Brand strength—a function of Differentiation and Relevance—impacts both of these dimensions. Differentiated brands command greater premiums and thus improve current profitability. Relevant brands have broader sales footprints. Improvements in current sales and profitability directly impact current operations value. Brand strength also allows a brand greater leverage in expanding into new categories, new geographies and new businesses, thus having an effect on future growth potential.

www.landor.com

Beijing
Chicago
Cincinnati
Dubai
Geneva
Hamburg
Hong Kong
Istanbul
Jakarta
London
Madrid
Melbourne
Mexico City
Milan
Mumbai
New York
Oslo
Paris
San Francisco
Seoul
Shanghai
Singapore
Sydney
Tokyo

The professionals at Landor Associates approach branding from a unique point of view. We take inspiration from our company's founder, Walter Landor, who in 1964 purchased a retired ferryboat called the Klamath and repurposed it as Landor's headquarters.

Today, the Klamath remains a symbol of transformative thinking. It represents Landor's determination to look at the world, our clients and their particular branding challenges with fresh eyes.

We bring this same philosophy to understanding the branding industry and the market in general. It is what sets Landor apart and makes us the most sought-after authority on branding.

Creating Brands that Transform Business

Landor