VIRTUAL STRATEGIST
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The Brand: Your Ultimate Competitive Advantage

Les Stern

Les Stern in President of L. Stern & Associates, Inc., a marketing consultancy that offers a full range of strategic and tactical marketing services. Core services include marketing strategy, branding, Customer Relationship Management, product development, market research, credibility marketing and communications. Mr. Stern has more than 20 years of marketing experience. He started L. Stern & Associates in 1999. Prior to that, he held positions of increasing responsibility at Kemper Financial Services, Dean Witter Discover and The Sachs Group. He has written extensively and has been a frequent speaker on branding and other marketing issues. Mr. Stern holds a BJ in journalism from the University of Missouri, and an MBA from the University of Chicago. He may be contacted at 847-205-1936, or via e-mail at les@lsternmktg.com.

Developing, Implementing and Measuring a Branding Strategy

Introduction

Why do people sign their names with a $120 Montblanc pen when they can do the same with a Bic for about a buck? Why do they buy Coke or Pepsi, when lower-priced alternatives are a mere arm's reach away? Why will people refuse to buy a personal computer unless it has an Intel chip in it, a chip they probably will never even see?

The reason is that all of these companies have taken what is more or less a commodity product and made it a product of choice by successfully establishing and maintaining a brand.

The development and implementation of a successful branding strategy is a must for organizations to successfully enter and compete in their marketplace for several reasons.

- Strong branding breaks through the clutter and confusion. For example, the repeal of the Glass-Steagall Act a few years ago allowed banks, brokers, insurance companies, mutual fund companies and others to freely enter each other's market and offer a full array of financial services products. Companies from American Express to Citicorp to Merrill Lynch now bombard consumers with marketing messages. Northwestern Mutual Life Insurance and Allstate Life Insurance have rebranded themselves as Northwestern Financial and Allstate Financial to begin repositioning themselves to serve abroad array of consumer financial services needs.

- Strong branding differentiates brands in a commodity market. In many markets, the delivery of health care products is a commodity. There is little differentiation in pricing, most provider systems have a broad network of providers, and people perceive that they will get better no matter which hospital they go into. Providers have found one way they can differentiate themselves is by successfully establishing their brand. For example, Advocate Health System in the Chicago area was able to differentiate itself in the marketplace through implementation of a comprehensive branding program

- Strong branding forces you to clearly identify your target customer base and your core competencies. This even works for small and midsize companies. For example, M-D Wholesale Hardware, a distributor of replacement door hardware to hospitals and schools, started a major marketing campaign by first identifying and ranking its core competencies. This exercise was instrumental in creating the right offers and messages to its target market.

To use marketing to successfully attract and retain consumers, organizations must engage consumers in four different ways. It all starts with branding. A successful branding strategy will allow an organization to generate more revenues and to spend marketing dollars more efficiently by:

- Building awareness (so customers know who they are)
- Develop the right image (so customers know what they are)
- Generating leads (to create opportunities for customer trial)
- Employing ongoing direct sales techniques (to build, maintain and enhance relationships with customers to increase market share, retention and loyalty)

Additionally, a successful branding strategy will allow an organization to:

- Develop and increase customer loyalty
- Protect the organization from future competition
- Leverage specific products and services
- Maintain prices and product differentiation as products and services become commodities
- Allow organizations to enter new markets and cross-sell other products and services. The strength of a brand is why entertainment entities such as professional sports leagues and movie and television studios can create and sell products such as clothing, games and collectibles around teams, movies and television shows.

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The value of a brand can be quantified. Indeed, it is estimated that the value of the brand was worth $69 billion to Coca-Cola, the world's most valuable brand according to Interbrand. But you don't have to be an old-line consumer products company to benefit from a strong brand.

It is important to recognize that organizations do not own their brand. Customers and potential customers own the brand; that is, these groups and what they associate the brand with determine the value of the name. To be of value, the brand must be:

- relevant - something the customer cares about
- unique - different from the competition in the minds of customers and prospective customers; something that cannot be copied by the competition
- trustworthy - the customer must trust the organization to deliver on the brand promise (and, in turn, the organization must be able to deliver on it).

This article provides a framework for developing, executing and measuring a successful branding strategy. The benefits of applying this framework are:

- Developing a systematic branding methodology
- Identifying competitive strengths, weaknesses, opportunities and threats as perceived by all relevant parties
- Incorporating findings into the development of the appropriate branding strategy, including positioning and online and offline media placement
- Ensuring that your branding efforts will be monitored appropriately

Development of this program will require input from key internal and external resources. These opinions are important frames of reference, and making the effort to obtain these opinions will help ensure organizational buy in. Additionally, external sources such as the ad agency, research partner and others will play important roles.

Obviously, a multibillion-dollar corporation such as Coca-Cola has resources not available to most other companies. Spending the dollars on research as outlined in this paper simply may not be realistic, for example. But organizations can creatively still follow the outline. Instead of doing formal research, for example, companies can rely on some of their best customers for input on positioning, creative, etc.

In conclusion, when considering the importance of the brand, think about this statement. "(Company) is a family thing, a set on constant expectations in the public's mind…a certain quality; a certain type of entertainment."

Sound like…Disney? If you think this statement could be talking about today's Disney, you're right. It could be. But it's not.

But talk about the power of a brand. That statement is talking about Disney. But it was made in 1938, by Walt Disney himself.

Process Overview and Ownership

Like most other initiatives, a successful branding program consists of three parts: development, execution, and measurement. Also like most other initiatives, the most critical part is development. The best way one can be certain that the branding strategy will be successful is to make sure the strategy is developed properly.

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The following table shows the individual phases in the branding process. While each phase has multiple elements to it, this provides a high-level roadmap of the process.

The Branding Process

Development

☐	Phase I ☐☐	Understand the behavior of current customers and prospects
☐	Phase II ☐☐	Understand the perceptions of current customers, prospects and
☐	☐ ☐	stakeholders and establish benchmarks
☐	Phase III ◫	Develop strategy, positioning, messages and media plan
☐	Phase IV ◫	Conduct research to validate strategy and tactics

Execution

☐	Phase V ☐☐	Execute all aspects of the program

Measurement

☐	Phase VI ◫	Conduct research to measure changes in target market awareness/image,
☐	☐ ☐	and monitor changes in indirect measures
☐	Phase VII ☐	Justify the branding investment

Looking back at the three critical factors that determine the success of the brand, it is the development phase that will ensure the brand is relevant. Solid research and analysis will ensure that what the organization is communicating as its brand promise will be important to customers and prospects.

The execution phase will help create a unique brand. By developing strong, memorable messages, and communicating them appropriately, the organization can create a unique brand. It can also succeed in creating a unique brand by developing innovative products and packaging.

It is important to note that this process focuses on creating and communicating the brand promise. Equally as important - if not more so - is the ability to deliver on the brand promise. That is what will make the brand trustworthy. Here are just a few anonymous examples of how an organization can fail to deliver on its brand promise, despite great advertising:

- A retailer with great ads, but whose sales are falling because they are not stocking what customers want
- An auto manufacturer that advertises safety, but has a poor safety record
- A healthcare provider that promotes a quality medical staff, but has poor patient satisfaction scores
- A dot.com advertises on the Super Bowl, but doesn't have the infrastructure to support demand

Because of these factors, it is easy to see that ownership of the branding initiative is organization-wide. True, the marketing department can conduct the research and execute the marketing plan, but it cannot deliver on the brand promise. That is the responsibility of the entire organization.

Therefore, it is crucial that the marketing department keep all other areas of the organization in the loop as the branding strategy is being developed. If, for example, the strategy calls for a high level of service, the operations department needs to be aware of this.

If the campaign will be heavy on direct response marketing techniques, there must be call projections, so the call center can be staffed to handle the calls. After all, not being able to respond to calls is not "a high-class problem;" it's just a problem.

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Development

Phase I - Understand the Behavior of Current Customers and Prospects

Big companies may invest hundreds of millions of dollars on advertising, promotion and other brand-building initiatives. Even for the vast majority of companies that won't spend that much, they don't want their investment to be wasted. Therefore, it is important that they commit resources to research and analysis so they know exactly what they are doing before executing the branding strategy. The money they spend on research and analysis can be looked at as an insurance policy to make sure the execution money is spent wisely.

The first step is understanding the behavior and attributes of current customers and prospects. This can best be accomplished by building and then analyzing a Master Customer Information File (MCIF).

Note that this is a "build or buy" decision. An unsophisticated database in Microsoft Excel might work very well for some smaller companies. Remember, before computers, many companies tracked their customers' behavior with handwritten index cards.

On the other hand, the more sophisticated the database, the more value can be derived from it. There are companies that specialize in building databases such as this, and these companies have powerful, sophisticated modeling capabilities that can predict behavior and calculate important measures such as lifetime value. Either way, building this MCIF will take several months.

Current Customers

The key to having an effective MCIF is not the software it runs in, but the data in it. For some industries, such as banking or catalogs, household-level information may be enough. For other industries, such as health care providers or airlines, information at the individual level as well as the household level is important. Customer information that should be in the MCIF includes:

- Basic information, such as name and address. Business to business marketers will also want contact title information.
- Purchase information, such as type of purchase, date of purchase, amount of purchase, place of purchase, costs associated with the purchase, source of purchase (direct mail, Internet, current customer referral, direct sale, etc.), and any demographic information available from the data source. Descriptive information is also important. For example, long distance carriers will want to know specific markets customers call; airlines will want to know travel destinations. Interestingly, many nonprofits do an outstanding job of this by capturing this type of information for donations.
- Contact information, usually from a telemarketing center or Website. This includes date of contact, reason for contact, source of contact, and all demographic information associated with the contact.
- Survey information, especially factors that predict loyalty, such as likelihood to defect, and likelihood to recommend products or services. Also critical for former customers are reasons they defected, and what it would take to get them back.
- Demographic information, such as age, household income, etc. Company demographic information might include SIC code and number of employees.
- Psychographic information, such as importance of quality, price, etc.
- Lifestyle information, such as computer ownership, hobbies, etc.
- Geodemographic segment (PRIZM, MicroVision, or other industry-specific systems)

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Prospects

While your MCIF will analyze customers, this data needs to be augmented with market information. Market information includes:

- General market information, such as census-based demographics, which can be used to calculate market share.
- Industry-specific information. For example:
  - In health care, number of procedures
  - In financial services, ownership of mutual funds
  - In consumer products, how much households typically spend on a product type

Analyzing the Data

There are numerous ways to analyze the data. Perhaps the most critical is to determine market share, market size and profitability by market segment. This enables an organization to prioritize appropriate market segments for retention, upsell and cross-sell, and acquisition.

Another type of analysis will identify purchase and revenue patterns by customer segment, geographic market, product line and distribution channel to assess utilization and customer value and begin to understand which consumers are most attractive to you.

Finally, other modeling techniques will allow an organization to predict the next purchase of a customer, given past purchases.

Phase II - Understand the Perceptions of Current Customers, Prospects and Stakeholders and Establish Benchmarks

Phase I is designed to understand behavior. Phase II is designed to understand perceptions of customers, prospects and stakeholders.

Customers and Prospects

The way to understand the perceptions of customers and prospects, and to create a baseline of their awareness and perception of the organization, is by conducting solid, quantitative primary research, and then analyzing that research.

Designing this type of research requires a high level of expertise. For example, close-ended questions should be used exclusively. Therefore, it is very important that the survey is developed and the research conducted and analyzed by market research professionals.

This will also take several months, but can be done concurrently with Phase I.

To be successful, those surveyed must include a representative sample of the population. Additionally, a great deal of thought will be needed upfront to determine the market segments to be analyzed. For example, an investment firm might want to do a market survey, but might be specifically interested in people who own mutual funds. Therefore, the survey design must ensure that enough people who own mutual funds are contacted to create statistically significant results.

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The type of information that must be captured to make a survey effective includes:

- Demographic information such as age, income, marital status, etc.
- Psychographic information such as cost consciousness, quality consciousness, willingness to experiment, etc.
- Purchase behavior such as recency, frequency, type and monetary value of purchases
- Purchase criteria, such as importance of price, quality, service, convenience, etc. (essential for positioning)
- Satisfaction with current brand on the attributes mentioned above, as well as likelihood to switch and recommend.
- Mass and direct media viewing and response habits, including the Internet (essential in creating the media plan)
- Other miscellaneous behavior, such as events, activities, retail outlets used, etc. (essential for developing partnerships and sponsorships)
- Aided and unaided awareness of the sponsor brand and competitor brands
- Perception of the sponsor brand and competitor brands

Once this information is gathered, one can then analyze what is important to these respondents and segments. Results can be analyzed by market segment (i.e., for a healthcare provider, for respondents in a particular payer class). One can also profile people by how they responded. For example, if a software company believes it can differentiate itself on its product's speed, one can analyze customers and prospects for whom speed is important.

Finally this research will enable the organization to establish awareness and perception benchmarks. Research to be done after execution of the branding strategy will measure changes in awareness and perception.

In addition to these benchmarks, the organization should also create a baseline for indirect measures such as current telemarketing center volume, Website hits, and current market share. Changes in these measures can also be used to quantify the impact of the branding program.

Stakeholders

While the most critical input is from customers and prospects, the opinions of internal and external stakeholders cannot be ignored. The mere act of obtaining this feedback will help ensure buy-in. And the opinions obtained will discern whether these stakeholders' perceptions are aligned with those of customers and prospects, or whether there is a disconnect.

Stakeholder interviews should be obtained through one on one interviews. Also, it is important that somebody not employed by the organization conduct these interviews. That will ensure objectivity, and will also make the interviewees more comfortable to speak freely.

Both internal and external stakeholders should be interviewed. Internal stakeholders should include all executives and all department heads. External stakeholders should include community and civic leaders, senior managers and primary contacts at key customers, key suppliers, and the ad agency.

These stakeholders should be asked their perception on the organization's mission, strengths and weaknesses, and opportunities to improve. Where possible, the same close-ended questions used in the customer/prospect research should be used here. Upon completion of these interviews, the stakeholder responses can be compared to those of customers and prospects.

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Phase III - Develop the Strategy, Positioning, Messages and Media Plan

Marketing can be defined as making sure you have what your customers want, and then making sure your customers want what you have. The first two phases of the branding process constituted the "initial information gathering" component to ensure the organization knows what its customers want. With this information, the organization can now begin to develop its branding strategy, which will lead to the tactics to make sure the customers want what the organization has.

Strategy, Target Market and Positioning

This process begins by analyzing all the information to determine "who you want to be." It might include, at the very top end, developing a mission statement. One thought on the mission statement - it should not be about making money. It is a given that everybody wants to make money, even not for profits. Instead, the mission statement should focus on the value the organization will bring to its customers. If the market truly wants what the organization is selling, and if the organization can deliver as promised, the organization will fulfill its mission, and the profits will come.

As part of the analysis, organizations should match their self-perceived strengths and weaknesses to the strengths and weaknesses as perceived by customers (whose perceptions are, in fact, reality). This can be done by creating a simple matrix comparing the internal perception of strengths and weaknesses to customers' perceptions.

Combining this analysis with what it already knows about the profitability of customer segments, the organization can define its target market. This definition may include a combination of demographic, psychographic and geographic factors. Then, the organization can determine what attributes (price, quality, convenience, etc.) will attract those customers.

Following this, the organization can develop its positioning, based upon how the target market perceives the organization. It can then also develop product development initiatives (not discussed in this framework) to leverage these strengths and address any important weaknesses.

This part of the process concludes with development of the positioning statement. A positioning statement should be simple - no more than a sentence. It should focus on who the target market is, and what the customer benefits are.

Message and Media Plan

With the positioning statement completed, creative concepts can be developed for advertising, marketing collateral, the Website, etc. Attention must be paid to tone, product emphasis, graphics and copy. All must be consistent with the positioning, and designed to attract the target market.

The media plan, then, will maximize both reach and your cost per impression to the target market. The media plan should include a combination of the following:

- Mass media, such as newspapers, magazines, radio, television and the Internet
- Targeted (direct response) media such as newsletters, direct mail, outbound telemarketing and e-mail
- Other integrated marketing components, such as partnerships, sponsorships and credibility marketing activities (media relations, speaking engagements, etc.)

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Phase IV - Conduct Research to Validate Strategy and Tactics

There is one more step before it is time to execute. Focus groups or other interviews should be conducted with customers and prospects, as well as with stakeholders. Note: because focus groups are qualitative, the results may be biased (especially if you have some very strong personalities participating).

This research should test everything done so far to validate the branding strategy in terms of relevance, uniqueness and trustworthiness. It should test the mission statement, overall positioning, copy/tone elements of the media, offers and graphics.

If the organization has done its homework right, this research should validate that it is on track, perhaps with some minor tweaks. If not, it is back to the drawing board.

Execution

Phase V - Execute All Aspects of the Program

This is the fun part, where the organizations see the fruits of its efforts. It's a great feeling to see the first commercial on TV, the first Website hit, the first lead and the first sale.

The first tactic to be executed, however, should be internal. An internal branding kickoff is critical to inform and excite the organization about the program. This should be a big deal, with refreshments, prizes, etc. All advertising and promotional materials should be displayed. And, critically, employees must be told why the branding initiative is occurring, and how important they are in delivering on the brand promise. Since delivering on the brand promise is an enterprise-wide responsibility, all areas of the company participated in, and deserve credit for, the launch.

There is a logical order in which the branding tactics should be executed. The first tactics are the awareness building tactics. These include activities such as media advertising (print, electronic and Web), development of a Website, participation in trade shows, distribution of press releases, etc. These activities get the organization's name and message out there, and are the critical first step.

Concurrently, or shortly thereafter, the organization can launch credibility-building tactics. These include speaking at conferences, White Papers, customer testimonials, etc. These "third-party endorsements" will create credibility, and will make it easier to generate leads and sales.

At this point, the organization is ready to embark on direct response marketing activities to generate leads and/or sales. These activities can include direct mail, telemarketing and, more and more, e-mail marketing. If the awareness and credibility tactics were successful, it should make the lead generation and sales activities that much more effective.

For example, when Discover Card was launched several years ago, it spent millions of dollars on advertising and public relations before it began its direct mail efforts. As a result, when people received their offers in the mail, they already were familiar with the brand. The result was one of the most successful product launches of the '80s.

Of course, you need to monitor activities closely as you execute, and you need to be prepared to change. But, generally, if you developed your strategy properly, you need to stay the course.

For example, a home equity lender once executed a rather controversial direct mail program in implementing a strategy to offer low rates via a personalized postcard. The lender received numerous irate phone calls. One angry respondent even returned a business reply card with a brick attached, making the lender pay the postage for the brick. But instead of giving in, the lender stayed the course, and the program ended up being one of the most successful it had ever done.

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Phase VI - Conduct Research to Measure Changes in Target Market Awareness/Image, and Monitor Changes in Indirect Measures

To see if the efforts made a difference, at some interval after execution began (and at regular intervals thereafter), the organization should repeat the quantitative benchmarking research done right before the campaign was launched. Changes should be noted for the following:

- Aided and unaided awareness of the organization and competitors
- Image of the organization and competitors
- Media usage of people being surveyed to determine most effective media in terms of communicating the brand
- Cost per increased percentage point of awareness/image both overall and by specific medium

This not only will measure changes, it will also indicate how to refine the strategy to make it more effective.

Additionally, at this point the organization also should measure changes in indirect activities such as call center contacts, Website hits and market share.

Phase VII -Justify the Branding Investment

Over time, the organization can plot the correlation between increases in brand awareness and image to profitability. That way the organization can tie its branding investment to the bottom line. For example, consider the following example:

	Period 0	**Period 1**	**Period 2**	**Period 3**
Brand Awareness	50%	65%	75%	80%
Increase in Brand Awareness	NA	15%	10%	5%
Increase in Gross Revenues	NA	$1 million	$1 million	$750,000
Branding Expenditure	$700,000	$550,000	$500,000	$500,000
Increase in Net Revenues	NA	$450,000	$500,000	$250,000
Increase in Revenues Per 1% Increase in Brand Awareness	NA	$30,000	$50,000	$50,000

Of course, the branding campaign is not the only factor that will impact revenues and profitability. The economy, the competition, and the ability to fulfill on the brand promise all will also have an impact. The "art" of marketing will help determine the precise impact branding efforts have on profitability.

Conclusion

A branding strategy, when properly developed, executed and monitored, can provide major benefits. It will force an organization to carefully consider its target market and how it communicates with it. It will also ensure that it has the right processes set up to monitor the effectiveness of its efforts. Most importantly, a successful branding strategy can significantly add to the bottom line, and increase the value of the organization.

But branding is more than just developing some ads or creating a direct marketing program. It takes a disciplined approach, and time. It will take at least six months from the time the project begins until the first communications hit. And then the organization has to continually monitor results to ensure success.

Finally, while the marketing department can take ownership of brand development and execution, it is up to the entire organization to deliver on the brand promise. Great advertising might allow organizations to acquire customers, but only delivery of the brand promise will allow them to retain them.

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Additional Resources

Articles

"Are the Strategic Stars Aligned for Your Corporate Brand?", Mary Jo Hatch and Majken Schultz, Harvard Business Review, February, 2001

"Big Brands (Small Companies)," Business Week, August 13, 2001

"The Best Global Brands," Business Week, August 6, 2001

Books

"Brand Leadership," David Aaker and Erich Joachimsthaler, 2000

"Real Time: Preparing for the Age of the Never Satisfied Customer," Regis McKenna, 1999

"The 11 Immutable Laws of Internet Branding," Laura Ries and Al Ries, 2000

Additional branding references are available online at www.stamats.com/branding.