Put Your Brand to Work and Boost Revenues

Can you recognize yourself? Having since long established the desired core values for your brand, you are still not quite sure whether they differentiate you enough from your most daunting competitors, and whether they actually help boosting your revenue growth?

These days, no one is questioning scientific research or other claims that point to the fact that strong brands grow faster, are more profitable and enjoy better reputations than their weaker counterparts. These are some of the primary reasons as to why interest in brands has increased these past few years. Recent research also holds that strong brands boost stock prices, attract better employees and leaders alongside boosting superior financial stability over time than weaker brands. At the time of writing, Interbrand holds Coca-Cola, IBM, Microsoft, Google and GE as the world’s five strongest brands.

Despite this knowledge, far from all companies strategically and systematically work towards connecting the branding process to revenues. And even fewer have a deeper understanding as to how their brand in particular creates value, and exactly what made their brand strong in the first place. And ultimately: what can make it even more valuable tomorrow. They may see the revenues, profitability, job applications and the stock price, but not quite understand how these emerge. A major reason is that they lack the proper models of thought, systems and analytical tools to tie the branding process to the business itself. This leaves a great risk of getting lost and prioritizing the wrong things and building blocks in the branding process.

In this paper we put forth “the brand value chain”, a model and working method for identifying business strengths, weaknesses in one’s own brand as well as threats and opportunities presented by competitive brands. The new and unique aspect of this system is that it connects the soft parts of the branding process, such as image and emotions, with the harder aspects that matter at the end of the day: revenues and market share. Tied to this model we also present some key findings we believe to be intriguing to any company attempting to build a stronger brand, as well as a few mistakes and pitfalls we have noticed companies to struggle with in the process of analyzing and managing their brands. The paper is founded on international research and a number of scientific projects on brand equity that have been conducted at Lund University since 2004. Add into the mix consulting projects for companies such as Alfa Laval, Axfod, Fabege, East Capital, Procordia, FM Mattsson, NIBE and IKEA; companies that collectively exceed revenues of over 300 billion SEK. The paper also rests on interviews with over 100 brand managers, and surveys of more than 20,000 consumers and business-to-business customers spread out over 15 countries in 4 continents.

The Brand Value Chain

The brand value chain is a model that has been developed over the past 15-20 years, in research on the link between brand building and the bottom line. This particular version is one that we have found to work best. It is simplistic, understandable and makes communication specialists, marketers, sales people and strategic managers speak and think in the same way.
The point of the model is very simple: what the target group knows, feels and thinks about a brand (the sum of all associations make up the brand’s image) determine to which extent they want to buy and pay a premium price for the brand (the brand’s strength), which in turn determines the economic value of the brand to the company owning the brand (in terms of revenues, market share, cash flow etc.). That brands have a particular image and can be valuable is of course no news, but the unique aspect of this model is how it puts the spotlight on the two types of brand-related behaviors that create revenues: that the target group wants to purchase more (volume premium) and pay more (price premium). A brand is thus only strong when it helps a company to sell more units and/or command a higher price tag per unit. Being liked, famous or having a positive image can certainly contribute to this strength, but is in itself financially useless. In contrast to many other brand models, the brand value chain has a clear focus on how brands can contribute to companies making more money by creating higher revenues. Which, no doubt, is the reason why it has been met with curiosity from business leaders and other key positions within companies (for example controllers, business developers, CEOs, presidents of sales, and HR-executives if it regards personnel-based industries) that aren’t directly involved in marketing and communication.

Three Insights About the Brand Value Chain

1. Strong brands are founded upon both hard and soft building blocks

Simply put, brand image (i.e. associations to the brand in target customer memory) can be divided into hard and soft, respectively. The hard entail quality related aspects meeting the customer’s functional needs, and thereby often related to the core product or service. As an example, the performance of cars, the durability of a TV, the formal competence of an audit firm, or the breadth of a supplier’s product line. The soft side is not specifically related to what the product or the service is expected to do for the customer, but rather about how the brand – or the company behind it – is perceived and appreciated in abstract terms. Or the personality it is seen as having – for example prestigious, amusing, caring or inspiring.

In almost all studies we have conducted it has become evident that the soft aspects have as big, if not bigger, impact as the hard. In other words: to a higher extent they get consumers to purchase and pay more for products from one particular brand than others. Some find it strange that, as an example, the quality of the core product is of no essential importance. But in many markets, in fact, there is no big difference in the physical product quality among the major brands, especially in mature markets. And, any physical distinction would likely be difficult for consumers to make out. How many could actually determine whether the tech-
nology of an Electrolux dish-washer is superior to a Miele – especially while standing in the store trying to pick one out? When all brands are deemed to have equally good – or bad – quality, it is quite simply not crucial to the choice. Nevertheless, it is important to emphasize that brands in general, and image specifically, is about the subjective perceptions of the target group. Whether a product de facto possesses a superior physical quality or not is less important, which is why the brand perspective has such an inherently strong customer focus.

Some examples of soft aspects that have proved vital in our studies are “energy and spirit”, shown to be the most revenue driving in a particular travel industry. Or “warm and caring” and “inspiring and positive”, that are among the handful of the most driving associations (out of 25) for a certain kinds of foods, trumping things like “quality”, “good value for money”, “tasty”, “healthy” and “fresh”. And, for one industrial B2B company, “fun to work with” was shown to have a larger impact on customers’ willingness to purchase, and willingness to pay, than perceived product and service quality.

Over and over again, when studying consumers as well as professional buyers we find that decisions are driven by emotions, but motivated and justified by rational reasoning. However, when it comes to our studies on how companies work with brand building, we can only conclude that the soft characteristics tend to fade into the background. When asked about which building blocks are used to construct a strong brand, 1 out of 3 brand managers say product quality, but only 1 in 20 mention some form of emotional or soft aspects. The same thing goes for measurement and progress follow-up, where 64% measure perceived quality, but merely 45% measure any emotional association to the brand, and only 22% some form of brand personality. One of the reasons as to why the softer characteristics are forgotten is that one has come to rely too much on asking direct types of questions, such as “what is important when you choose X” to the target group. The replies are seldom “social status” or “the brand’s personality”, since few are aware of, or even want to admit, that they are influenced by that. Instead, projective methods of asking questions and statistical analyses of deeper explanations should be used.

2. The social role of brands is underestimated

One particularly important, and often forgotten, soft building block in branding relates to the social role of brands, and it therefore deserves a thorough discussion. The social role, simply explained, can be expressed in two ways. For one, how we buy, use or want to be associated with specific brands to signal a certain identity or status, towards ourselves or those in our surroundings. Generally speaking, this is most commonly associated with luxurious lifestyle brands, like fashion, but our studies show that social status matters within all industries. Looking at, as an example, everyday purchases, there are a number of retail chains that are perceived to be, for all intents and purposes, exactly the same in most regards. The only factor separating them, explaining why a retail chain does not reach its supposed market share, is social status. Or rather the lack thereof, as shopping in one of the chains would be seen as a bit embarrassing. The same thing applies to the product level: there are few brands of rice that will give you a higher status among peers, but we know that some consumers avoid purchasing rice from, as an example, Euroshopper, as it does not resonate with the image they want to hold of themselves, or want to signal to others (which also explains why some people buy Euroshopper rice only to pour it over into a glass container). The point is that status matters not only in positive ways, but also in negative. It can be seen as a sort of “embarrassment factor”. And brands that have been pounded with such an embarrassment-stamp will have a very hard time in swaying new customers to their cause, no matter what changes they make to the physical offering. Even in B2B settings, status matters. A study of steel suppliers showed that it was more crucial for purchasers to be associated with the prestige of a supplier, than what actual product quality, and expertise in steel, the supplier could offer.

The other social role of the brand is to bring us together and create a sense of belonging. Apple, Jeep, WB-40 and Harley-Davidson are common examples of brands that have spawned an explicit brand community. Members of such a community can meet up and associate face-to-face in real life, but a brand community can also have a more psychological character, in form of “sense of belonging”. A study of mobile phone brands showed that sense of belonging was more important to the choices of the target group than an array of functions such as camera, flash, music player and touch screen. This psychological feeling of belonging has proved to be important within B2B as well, where on a tactical level it can be built upon everything from golf tournaments and other customer events, to newsletters, seminars and formal education that can be offered to customers. Caterpillar, as an example, has been successful in building a community that both customers and employees alike want to be a part of. When it comes to our studies, extensive research of suppliers of packaging material as well as office furniture have shown that this aspect has far greater importance as to why professional purchasers choose products from one particular brand, rather than things such as delivery capability and guarantees.

Altogether, the social role of brands is somewhat underestimated. It is not merely relevant for lifestyle products and brands with extreme loyalty, such as Apple and Harley-Davidson, but is often an unexploited opportunity for positioning. Nevertheless, our studies show that only about 3 out of 10 companies systematically measure and evaluate what social role their brand plays. In comparison with international firms, Swedish brands are even further behind the curve, boasting only 1 out of 10.

3. Volume and price premium have different driving forces — it is often diverse things that have customers purchase and pay more for a brand.

Ever since we started discussing brands some 30 years ago, it has been established that a sign of a strong brand lies in its ability to allow for premium pricing over competitors. Nonetheless, and even though issues of price tend to be part of everyday life in most companies, they are often left outside the strategic analysis and decision making of the brand. Talks of “if we increase prices, we will lose customers”, or “we can’t raise prices since it is the trade or our suppliers who ultimately decide upon final prices and price premiums”, are prominent. This is of course, in many
cases to a certain extent true, but this does not take away from the significance of creating an understanding of what customers are willing to pay for the brand, and most importantly, what can influence them to be willing to pay more – never mind if you can or have the intention of commanding a higher price tag or not. If you can influence customers to be willing to pay more, and refrain from increasing prices, you have charged your brand with more value for money.

As our studies show, completely distinct associations cause customers to choose and pay more for a brand, respectively. Also, aspects driving price premium in most industries are of softer character. What typically influences customers to be willing to pay more is that brands are cool (mobile phones), sophisticated (travels), inspiring, fun (foods), creative and exciting (steel suppliers) or make advertising that resonates with the target group. The willingness to buy (volume premium) on the other hand, is more often driven by factors closer to the core product or service function, and has to do with reliability and risk reduction. Or being perceived as good value for money (mobile phones), genuine (foods), down-to-earth, having a good market reputation (steel suppliers) or radiate “you-know-what-you-get” (travels). Being perceived as too unique, on the other hand, can be negative from a volume perspective, which is interesting considering how valued the term differentiation is.

Depending on the business and branding strategy the company has adopted, different aspects may need to be brought to the surface - which is a unique and vital point in the brand value chain, where brand strength is defined as the ability to sell volume (volume premium) and command price (price premium). And, those who want to both sell more and charge higher prices need to charge their brand not only with an aura of reliability and risk-reduction, but also with excitement and inspiration. One brand that succeeds with this is Nike. The problem, however, is that most brand managers tend to ignore price premium, or view it as inferior to volume premium. Looking at branding or customer surveys, they regularly contain what influences customers
to prefer a specific brand (measures such as consideration set, purchase intention and preference) but rarely touch upon the willingness to pay of target customers.

In one of our studies of brand managers, only 4 out of 10 stated that they measure and evaluate the willingness to pay of their particular offerings. Our experiences as consultants tell us that even fewer Swedish companies really do this, as none of the companies we have been in contact with are working with a strategic and systematic analysis of the brand price premium. Not only do they risk ending up with an incomplete understanding of what drives revenues in the market, but also risk losing out on attractive opportunities for revenue growth. One of the benefits of price premium, in particular, is that it principally comes “free”, meaning that it does not cost more to command a higher price tag in the same sense that it is more expensive to produce or distribute larger volumes.

How You Can Use the Brand Value Chain – 4 Steps to a Revenue Focused Branding Process.

1. Understand the revenue driving associations of your market

The first step your company has to take is to create an understanding of all customer perceptions that drive revenues, in the form of volume and price premium, in your market. The goal is to identify all individual associations that influence the target group to choose to buy and pay more, respectively, for a particular brand in the market (Fig. 1), and which of these are owned by different brands in the market. This can be done through various market research methods and analyses, such as interviews, focus groups and surveys. When consumer-based data of this kind is combined with sales or market share data, it is called econometrics, a method that is fairly unusual among Swedish companies.

![Fig1. Brand image drivers of volume and price premium on a given market.](image)

Indeed, most companies carry out market research, but what distinguishes a sound and relevant analysis is that it (1) creates a complete understanding, and (2) has a clear connection to real-life revenues. This can be done only by identifying both hard and soft image building blocks, alongside insight into what drives choice (volume premium) and willingness to pay (price premium) for brands in the market. It is not enough to include the kind of hard aspects that often tend to be the focus of customer satisfaction and quality surveys – it leaves us in possession of only half the map. Even softer characteristics such as brand personality, social status, a sense of community or emotional associations have to be brought along for the ride in order to make the map complete. Neither is it sufficient to rely on general rules-of-thumb or general models that claim to have all the right answers for all markets, you must recognize exactly what matters to your unique market and brand. After all, one does not buy rice in the same way as one purchases a TV, or chooses a hotel for the vacation. Fortunately, there are statistic tools to determine precisely the extent of your understanding, on a scale from 0-100 % (Fig 2.). If you do not know today how many percent of your revenues you fully understand, it is about time you found out. The danger may be that you have completely missed the point of which perceptions truly are driving your revenues.

![Fig2. Ensuring full coverage of the revenue drivers in your market.](image)

2. Identify the revenue driving assets of your brand

Once having created an understanding of the type of image that normally drives the revenues in your market, for all brands, you
must distinguish the strengths and weaknesses of your specific brand. This may also sound like something that most companies already do, but the point is to identify the strengths and weaknesses that drive and restrict your real revenues, respectively – not just how you are perceived in general. Hopefully your brand enjoys some form of unique asset that drives revenues today – and by that we mean that your brand has a unique position in the marketplace that drives the willingness to purchase and willingness to pay in the right direction (Fig 1.). That some brands “own” certain positions is something that is widely discussed, but in fact, few companies really do (that is, retain a statistically assured higher grade than all other competitors in the market). You also have to create an understanding of how your brand in particular may reach its full potential. Some brands sell less than they could, due to, for instance, poor communication or tactical selling. Others sell more than they deserve, thanks to insufficient competition. These two situations naturally demand completely different remedies.

3. Choose core values/position – and let it permeate all activity

Once you have understood what type of image is driving revenues in your market, and what specifically drives, or restricts, revenues of your brand, it is time to make a strategic decision as to what position you want to achieve in the market. There is much to be said about how one should think of this, but we would like to promote a few insights.

As a starting point, the greatest chances of success lie, of course, with further strengthening possible brand assets already possessed (and identified in step 2). If your brand is seen as the best in one type of image (for example highest product quality or greatest social status), that to a high extent is driving revenues in the market, you should do everything you can to defend and fortify that position. Looking beyond, it is of vital importance to make decisions about ambitions: whether the brand should be of a niche character, endowed with a higher price tag and margins, or whether it should be a broader volume brand with its aims set on market leadership. Since they tend to be driven by different kinds of image, the decision will have a great impact on what measures need to be taken when it comes to promotion, as well as price, place and product. After all, a volume brand cannot be too unique or have a too narrow set of offerings, but must be able to meet most needs in the market. A niche brand, on the other hand, must be as focused and specific as possible with its unique benefits, and preferably charge the brand with a strong personality or powerful emotional associations.

Apart from deciding upon the specific type of image you would like to own, you of course also have to remedy any revenue restricting flaws in the brand. It is hard to become the best at something you are poor at, but much stands to be won with at least reaching an acceptable level of performance. The critical aspects that need to be elevated from a poor to an acceptable level can be called points-of-parity, and the aspects you want to own and stand unique with, points-of-difference.

Finally, the internal side of the brand must be taken into account. That is, the internal resources and competencies that determine what you actually are capable of and can deliver to customers, and the internal culture and identity that influence what employees want to do and stand for. If attempting to promise something to the market that the organization cannot, or even want to, deliver on, chances are you will not remain successful in the long run. Especially not in industries where employees have day-to-day interactions with customers, and thereby play a crucial role in the way the brand is delivered and represented externally – as in most service and B2B industries.

The ideal position you should take is thus to focus on a type of image that drives revenues (price or volume, or both) in the market, and that you want to, and actually can, deliver to your customers.
4. Retain long-term focus – with the aid of follow-ups and rewards

The most difficult step in a revenue-driving branding process is to retain long-term and complete focus, in the long run and over all the activities that influence the company. Here we can see that many companies fall short. Many times the branding process is put on the shelf without being integrated into the day-to-day activities. And then it does not matter how good the strategy is, it cannot possibly be converted into reality when people are pulling in separate directions. The result becomes a diffuse brand that neither employees nor customers know what has to offer, and eventually will lose revenues.

So, how should one proceed then? Let us demonstrate one of our assignments as an example, a company in the entertainment industry. They launched their branding strategy two years ago and have since then witnessed substantial improvements in brand clarity and positioning, as well as in customer satisfaction and customer retention. And most importantly: significant revenue growth. We are not surprised - not only have they conducted a comprehensive and complete analysis and developed a good strategy, but have also made sure to keep a sharp focus on the branding objectives. To begin with, focus was placed on a handful of concrete associations (image attributes) they wanted to own in the market, in other words, being perceived as superior to all competitors. But establishing that goal was not enough. A person was internally appointed to be accountable for each separate association. Responsible for being perceived as “the best at customer service” was, quite logically, the head of customer services. Connected to this was a reward system, where each person received a bonus based on his or her efforts in improving the customer perceptions in each area. Twice yearly, the entire board convenes, alongside the people responsible for each area, for an often dramatic account of how the target group’s perceptions have changed – for better or for worse. In addition, all kinds of pre-testing and effect measurements of individual advertising campaigns are permeated by the same focus. They are assessed on whether and how the communications are contributing to reinforcing the desirable associations of the brand, not just what the target group thinks of the advertisement in itself, or if they have seen it. In these ways, it is assured that the branding strategy is pursued in practice.

The questions are hence whether you have identified all customer perceptions that drive revenues, in the form of volume and price premium, in your market, whether you know which positions that you or your competitors own, and whether your brand possesses any revenue driving assets today? If the answers are not yes on all these questions, the risk is that you are trying to navigate your brand with a faulty map.