

# BRAND SCIENCE

WHAT IS BAV?

BRAND PATTERNS

THE POWER GRID

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IMPLICATIONS OF  
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BAV is one of the most extensive research programs on branding ever taken. To date over 100,000 consumers across 32 countries have been interviewed. Information on more than 13,000 brands has been collected providing up to 56 different scales and dimensions of consumer perception.

## THE STORY OF THE Y&R | BrandAsset<sup>+</sup> valuator<sup>®</sup> INVESTIGATION

A screen resolution of at least 800x600 is needed to properly view this section of the site. [Questions ?](#)

This proprietary data is the source of Y&R's brand-building models, providing the companies of Y&R insights into client and competitive brands for better management of communications and business optimization.

MORE 

### Brand Development Findings

Brands - independent of their product category - develop in a very specific progression of consumer perceptions.

When building a brand, Differentiation comes first. Then Relevance. Then Esteem and, ultimately, Knowledge. But the real action takes place in the relationships between these measures. Managing the relationships between the measures is the key to brand health. The relationships illustrate a brand's intrinsic value, its ability to generate margin, and its ability to insulate against competitive substitution.

**Differentiation** measures the strength of the brand's meaning. Consumer choice, brand essence and potential margin are all driven by Differentiation. **Relevance** measures the personal appropriateness of a brand to consumers and is strongly tied to household penetration. Relevance alone is not the key to brand success. Rather, Relevance together with Differentiation form **Brand Strength**, an important indicator of future performance and potential. Relevant Differentiation is the major challenge for all brands and a leading indicator of brand health. The combination of **Esteem** and **Knowledge** form **Brand Stature**, a more traditional measure that BrandAsset® Valuator has determined to be a lagging indicator of brand health. As part of the diagnostic process for managing brands, Y&R plots brands on a " **Power Grid** " reflecting each brand's Strength and Stature.

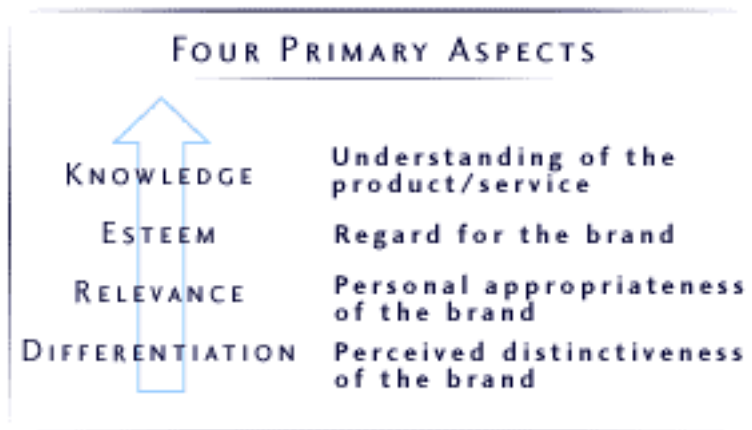
[Learn more about Interpreting Brand Patterns](#)

## HOW ARE BRANDS BUILT?

The process of building brands, BrandAsset® Valuator demonstrates, is reflected through a progression of four primary measures -

- Differentiation

- Relevance
- Esteem
- Knowledge



These measures are used in BrandAsset® Valuator to evaluate current brand performance, to identify core issues for the brands, as well as to evaluate brand potential. Brands can be evaluated by these individual measures. But more important, the relationships between these measures, or "pillars", show the true picture of a brand's health, its intrinsic value, its muscular capacity to carry a premium price and its ability to fend off competitors.

### **DIFFERENTIATION IS FIRST**

The starting point for all brands is differentiation. It defines the brand and distinguishes it from all others. Differentiation is how brands are born. As a brand matures, BrandAsset® Valuator finds that Differentiation often declines. It doesn't have to happen. Even after reaching maturity, with good management, a brand can perpetuate its Differentiation. A low level of Differentiation is a clear warning that a brand is fading.

### **RELEVANCE COMES NEXT**

Differentiation is only the first step in building a brand. The next step is Relevance. If a brand isn't relevant, or personally appropriate to consumers, it isn't going to attract and keep them - certainly not in any great numbers. BrandAsset® Valuator shows that there is a distinct correlation between Relevance and market penetration. Relevance drives franchise size.

### **BRAND STRENGTH**

The relationship between a brand's Relevance and Differentiation represents brand strength, which is a strong indicator of future performance.

Relevant Differentiation - remaining both relevant and differentiated - is the central challenge of every brand. It is critical for all brands and all over the world.

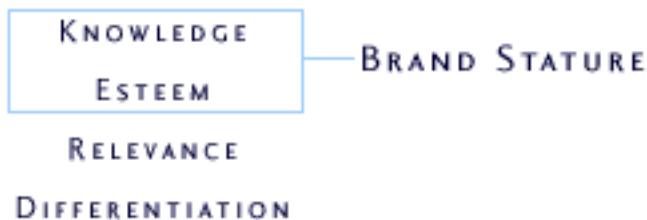


## THE BASIS OF ESTEEM

BrandAsset<sup>®</sup> Valuator's third primary measure (or pillar) is Esteem - the extent to which consumers like a brand and hold it in high regard. In the progression of building a brand, it follows Differentiation and Relevance. It's the consumer's response to a marketer's brand-building activity. Esteem is itself driven by two factors: perceptions of quality and popularity, and the proportions of these factors differ by country and culture. BrandAsset<sup>®</sup> Valuator tracks the ways in which brands gain Esteem, which helps us consider how to manage consumer perceptions. Through BrandAsset<sup>®</sup> Valuator, we can identify opportunities for leveraging a brand's Esteem.

## KNOWLEDGE IS THE SUCCESSFUL OUTCOME

If a brand has established its Relevant Differentiation and consumers come to hold it in high Esteem, brand Knowledge is the outcome and represents the successful culmination of building a brand. Knowledge means being aware of the brand and understanding what the brand or service stands for. Knowledge is not a consequence of media weight alone. Spending money against a weak idea will not buy Knowledge. It has to be achieved.



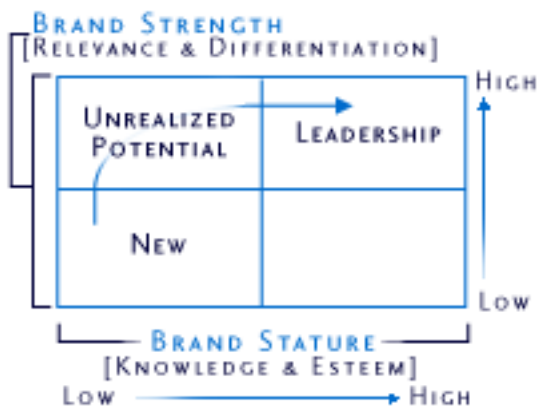
## BRAND STATURE

As Brand Strength was found in the relationship between Relevance and Differentiation, Brand Stature is discovered in the combination of Esteem and Knowledge. Brand Stature indicates brand status and scope - the consumers' response to a brand. As such, it reflects current brand performance and is a

strong strategic indicator. For example, Esteem rises before Knowledge for a growing brand. If rankings show the opposite relationship, a problem may have been identified.

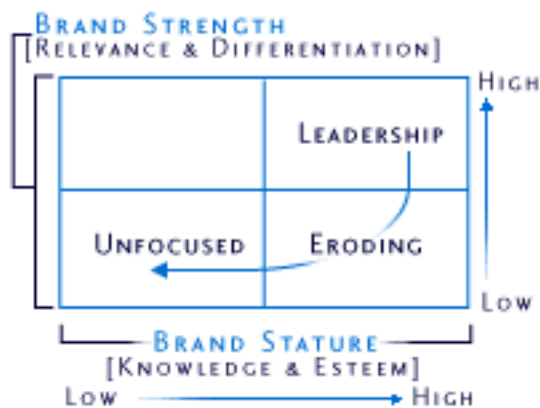
## RELATIONSHIPS TELL THE STORY

By plotting all four measures - Differentiation, Relevance, Esteem and Knowledge - BrandAsset® Valuator serves as an exceptional diagnostic tool for building and managing brands. BrandAsset® Valuator's Power Grid, a graphical depiction of the relationship between brand strength and brand stature widely associated with Young & Rubicam's BrandAsset® Valuator shows the strengths and weaknesses of a brand. It identifies the strategic direction to maximize brand strength and helps clarify the role of elements in the marketing mix.



## THE POWER GRID

On the vertical axis, we plot each brand's strength - its level of Relevant Differentiation. Along the horizontal axis, we plot each brand's current stature - its Esteem and Knowledge levels. Brands begin life in the lower left corner, where they first establish their Differentiation, their reason for being. Most of the movement here is upward. The process of growth starts with Differentiation, then Relevance, while the brand is not yet held in Esteem or widely known.



Enough Strength boosts the brand into the upper left quadrant. This quadrant represents the potential for a brand. Strength is still building and the challenge here is to translate this Strength into Stature for the brand. Brands can stay in the upper left quadrant, establishing themselves as successful niche players. Or, from this position, a brand can launch its attack. From a marketer's standpoint, it's also an area of yet unrealized potential. Current brand leaders need to recognize the brands in this quadrant as their emerging competition. The upper right area is populated by the brand leaders. The strongest brands are here, those with megabrand potential and, in many cases, the megabrands themselves. A key finding of BrandAsset<sup>®</sup> is revealed in the Power Grid. Both older and relatively younger brands are found in this upper right quadrant. The implication is tremendous - brands can hold a position of power, virtually forever, if managed properly.

Finally, the bottom right quadrant is the trouble spot for brands, an indicator of eroding potential. These brands have failed to maintain their Relevant Differentiation - their core Strength. If unattended long enough, their Stature will begin to fall and the franchise decline. Without proper management, brands in the bottom right quadrant could slide into the lower left quadrant signalling that these brands have become unfocused. Consumers hold few perceptions of them, finding them less Differentiated or Relevant. Esteem is falling and is frequently at a lower level than Knowledge. Unless steps are taken to stimulate and reinvigorate, these brands will lose Esteem

and could eventually fade from consumers' consciousness.

[Exploring The Power Grid](#)

[Interpreting Brand Patterns](#)



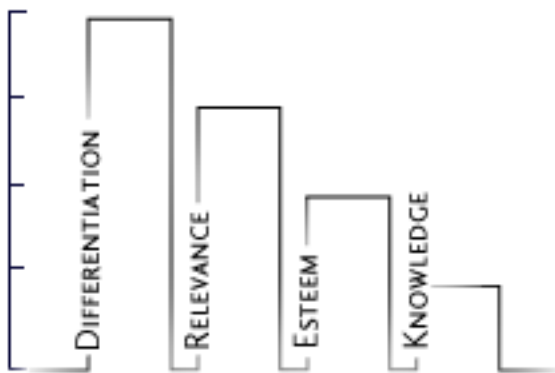
## Are your Pillars Aligned?

Pillar patterns reveal a great deal about the brand's current health and future strategic positioning.

The relationships among the pillars, often more than the individual scores, are extremely powerful brand diagnostic tools.

## THE FOUR BASIC PILLARS

### ① UNREALIZED POTENTIAL



- Leading with Differentiation, this brand is successfully entering the market place, is healthy, and has potential to grow.
- As it continues to build the relationship with the consumer, brand Relevance grows, and Esteem and Knowledge follow.
- Examples include:
  - Momentum brands
  - Successful emerging brands

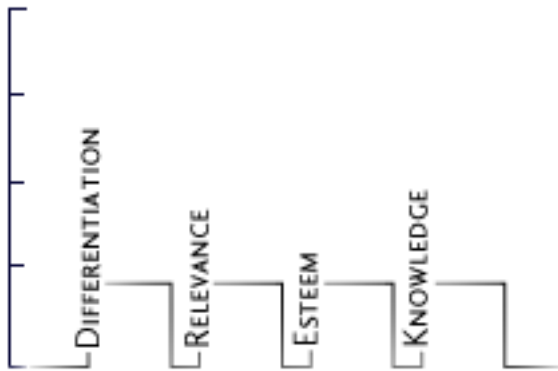
### ② LEADERSHIP BRAND



- Brand leadership has been achieved.
- The brand has successfully built Differentiation, Relevance, Esteem, and Knowledge.

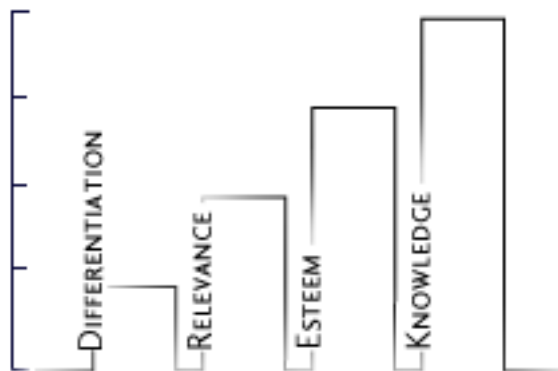


### ③ UNFOCUSED OR NEW



- The brand is emerging, or has the potential to be reborn. It is starting from virtually a clean slate.
- To build the brand, establishing Differentiation, the brand's uniqueness, meaning, and personality, is the first step.
- Examples include:
  - new brands
  - unknown brands
  - forgotten brands

### ④ ERODING BRAND



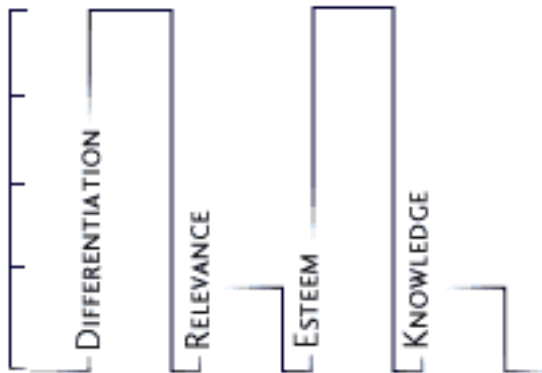
- The brand's highest pillar is Knowledge, indicating that the brand is well understood by consumers.
- However, lower Esteem, Relevance and Differentiation indicate that the basis for choice is fading.
- Examples include:
  - Commodity brands
  - Former leaders

[More patterns](#)



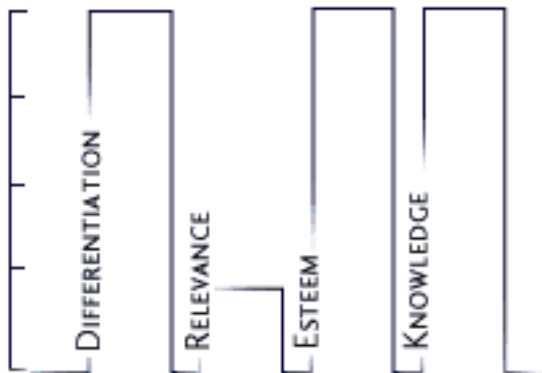
## ADDITIONAL PILLAR PATTERNS

### 5 EXOTIC/PRESTIGE



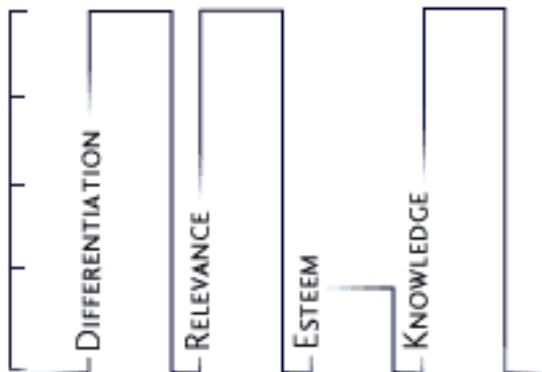
- Very strong Meaning.
- Relevant to few, perhaps due to limited distribution, price, or high specialization.
- Very highly regarded by all, but understood intimately by few.
- Examples include
  - Designers
  - Luxury automobiles
  - Rare foreign brands

### 6 BADGE



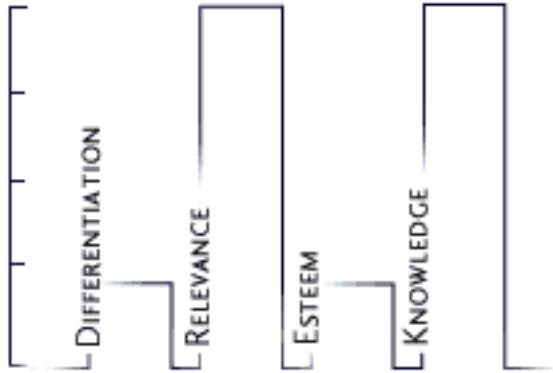
- The brand has a powerful meaning, is held in high regard, and is well understood by total population.
- It is Relevant only to a few, due often to price.
- Examples include
  - Specialty media and entertainment
  - Luxury items that are well understood by the total population.

### 7 EMBARRASSMENT



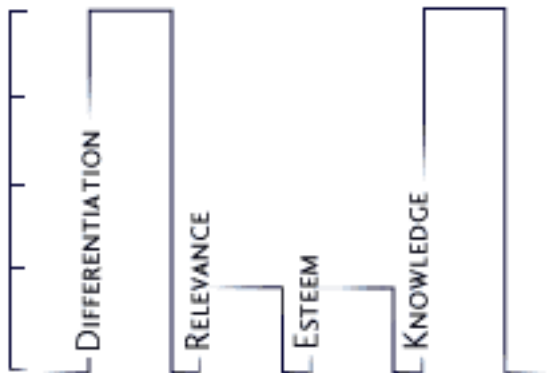
- The brand is not highly Esteemed, but it is Differentiated, Relevant, and well understood by all consumers.
- Examples include
  - Brands that promise cleanliness
  - Exciting, frivolous foods such as snacks
  - Sensationalistic brands
  - Poor Quality brands

## ⑧ COMMODITY



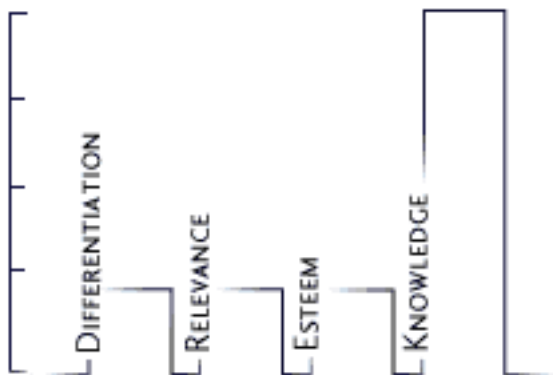
- Brands that are more Relevant than Different, and more Known than Esteemed.
- Mass market brands that are substitutable.
- Examples include
  - Low-end convenience foods
  - Mass market retailers
  - Unspecialized fast-food restaurants

## ⑨ SPECIALTY



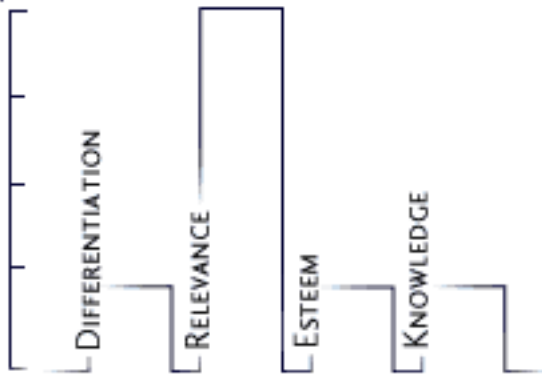
- The brand and its unique meaning are well Known by the total population, but few actually use it.
- A brand that is established, but niche.
- Examples include
  - highly specialized foods
  - specialized vehicles
  - some alcohol brands

## ⑩ BRAND OF THE PAST



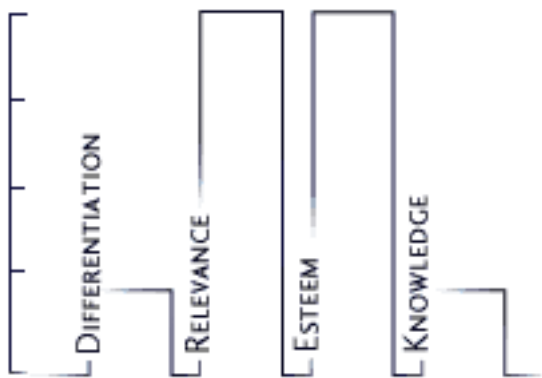
- A brand that is Known, but not Differentiated, Relevant, or Esteemed.
- Better remembered than cared about.
- Examples include
  - Old, old brands

## ① FUNCTIONAL



- A brand that lacks meaning, Esteem, and full understanding by the customer, but is still Relevant because of its functionality.
- Examples include
  - Cleaning products
  - Cooking Fats

## ② FOR THOSE IN-THE-KNOW

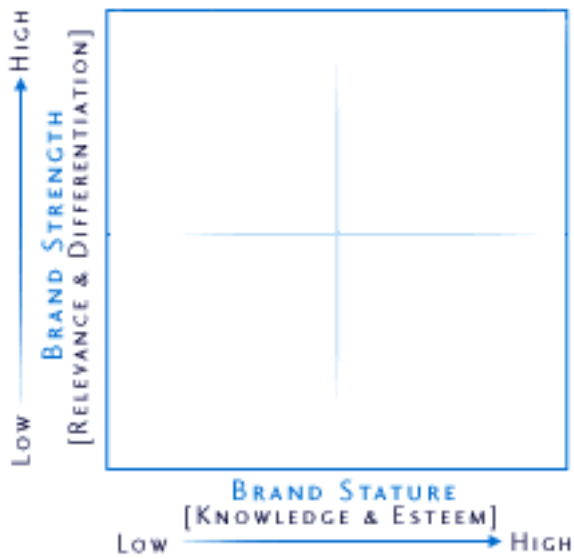


- Not everyone fully understands the meaning of this brand, but all find it Relevant and Esteemed.
- Examples include
  - pharmaceuticals
  - corporations
  - auto-care related brands

## The Power Grid



## EXPLORE THE POWER GRID



The PowerGrid sets the strategic process in motion by identifying the strength or weaknesses of a brand. The PowerGrid is defined by the Brand's Strength - its level of relevant differentiation - and its Stature - its Esteem and Knowledge levels.

## Brand Development Cycle

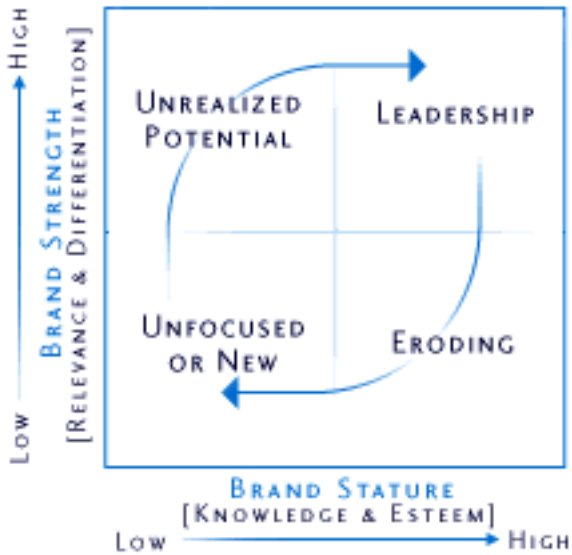


BRAND DEVELOPMENT CYCLE

TYPICAL PILLAR PATTERNS

SAMPLE BRANDS

## BRAND DEVELOPMENT CYCLE



The PowerGrid defines a cycle of brand development.

Brands begin life in the lower left corner, where they first establish their Differentiation, their reason for being.

As the brand develops Differentiation and starts to build Relevance, it rises into the Unrealized Potential area. Brands here can stay in this area, establishing themselves as successful niche players, or they can build on their Strength to develop into strong mass brands.

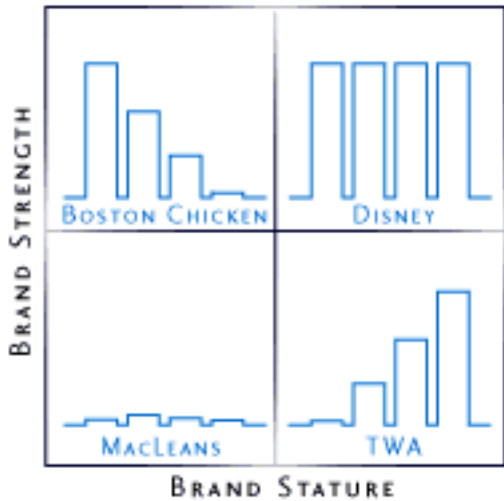
As brands develop Stature on their base of Strength, they move into the Leadership area of the PowerGrid. The strongest brands are here - those with megabrand potential and, in many cases, the megabrands themselves.

Successful brands that then fail to maintain their Relevant Differentiation- their core Strength, can decline into the Eroding Potential area. These are brands exhibiting warning signs. Brands can decline even further, eroding Stature as well as Strength, becoming Unfocused, and ultimately fading from consumer's consciousness.

# Typical Pillar Patterns



## TYPICAL PILLAR PATTERNS



These brands demonstrate the differences among brands in different areas of the PowerGrid in 1993.

MacLeans was an unfocused brand, having eroded to the point of fading from consumers' consciousness.

Boston Chicken was in the Unrealized Potential area, with a strong pillar pattern for a young brand. It had the ability to be a strong niche player, or to further develop into a mainstream brand.

Disney was in the Leadership area - a megabrand strong across all measures.

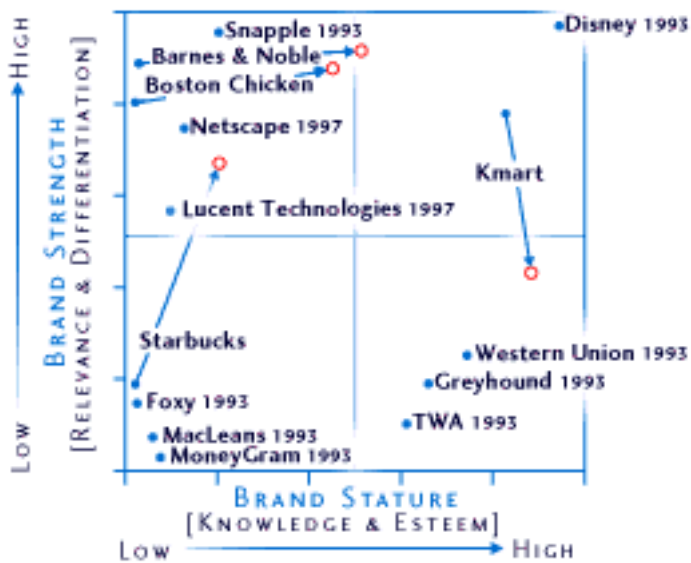
TWA, lacking in Relevant Differentiation, was in the Eroding Potential area. It was demonstrating a strong warning signal that it was losing reason for choice..

## Sample Brands





## SAMPLE BRANDS



Among our sample brands in 1993, Starbucks and Foxy were in the new brands area.

Boston Chicken, Snapple and Barnes & Nobles were brands with unrealized potential. Netscape and Lucent were in the same area four years later in 1997.

Disney was in the leadership area in 1993. Kmart was in the leadership area as well, but was already experiencing some erosion of Strength.

Western Union, Greyhound and TWA were all eroding brands, while MacLeands and MoneyGram had eroded into unfocused brands.

Between 1993 and 1997, Starbucks grew from a new brand into a brand with strong potential. Barnes & Nobles and Boston Chicken began to transform their unrealized potential into the early stages of brand leadership.

Kmart, in the meantime, eroded from their leadership position, by losing much of their Brand Strength.

[Learn more about sample brands](#)

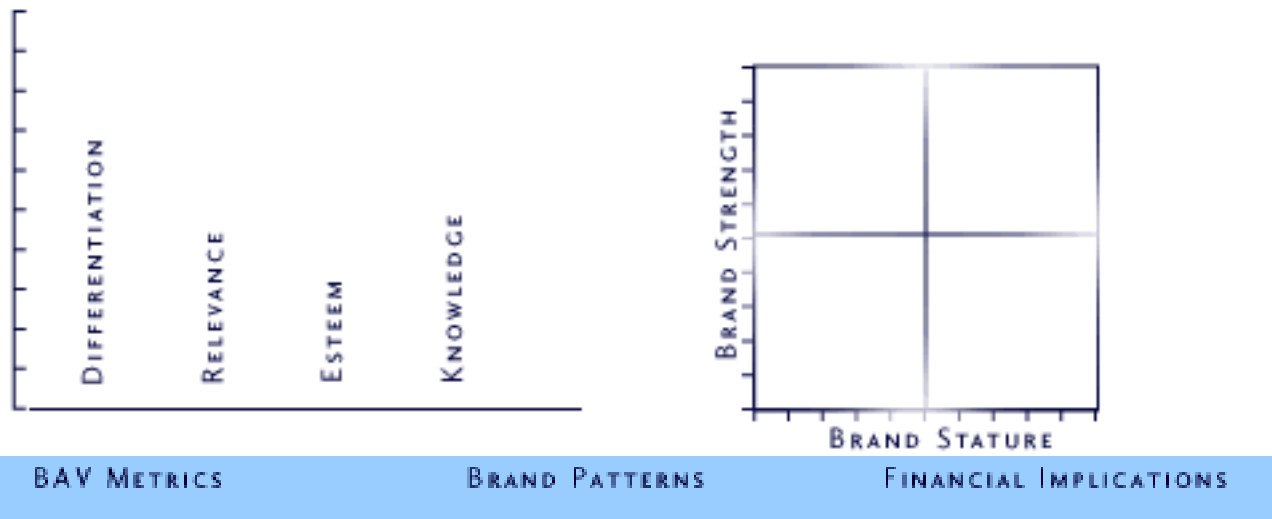


## SAMPLE BRANDS

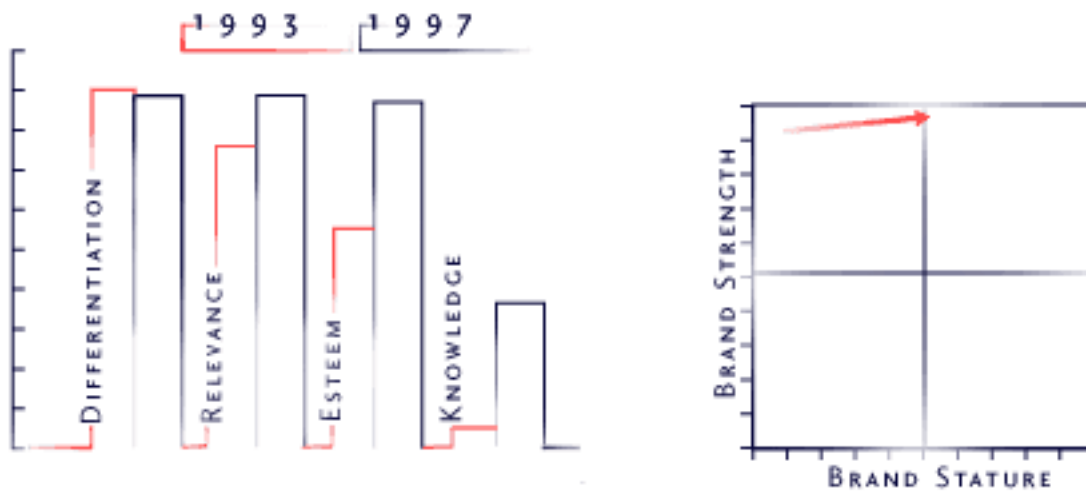
BAV provides a diagnostic framework to help our clients build, leverage, and maintain their brands.

Looking at examples of specific brands demonstrates how the BAV analytics operate and what they can tell us.

Select a brand from the list below to explore some of today's brands.



## SAMPLE BRANDS BARNES & NOBLE 1993 VS. 1997

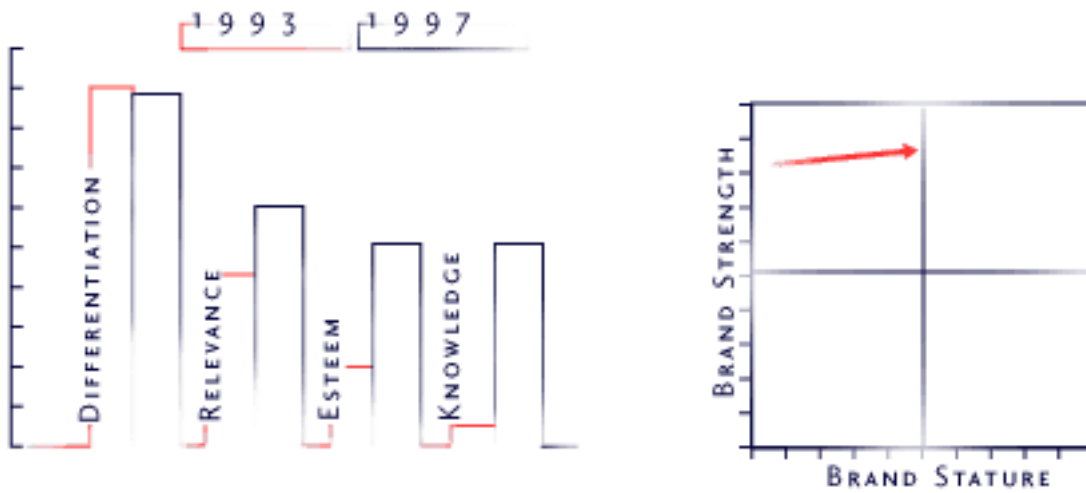


Our study suggests that Barnes and Nobles had strong brand potential in 1993 and had begun developing into a leadership brand in 1997.

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## SAMPLE BRANDS

BOSTON CHICKEN/BOSTON MARKET 1993 VS. 1997

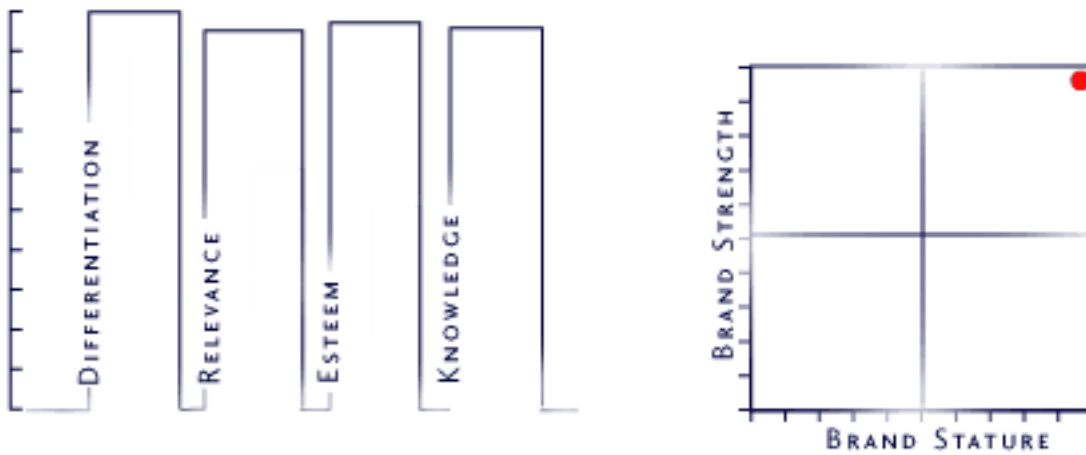


Our study suggests that Boston Chicken had strong brand potential in 1993 and had begun developing into a leadership brand in 1997.

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## SAMPLE BRANDS

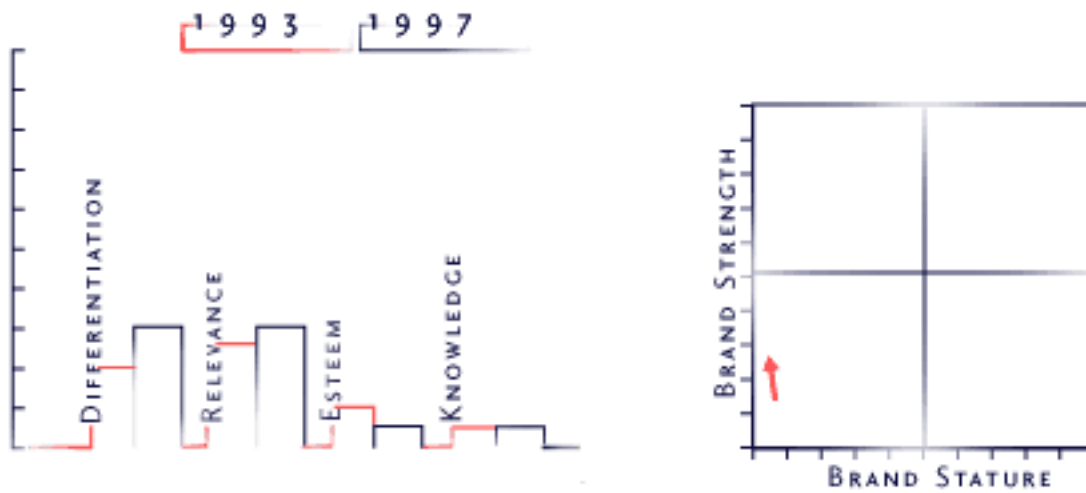
DISNEY



Our study suggests that Disney was a leadership brand in 1997.

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## SAMPLE BRANDS FOXY 1993 vs. 1997

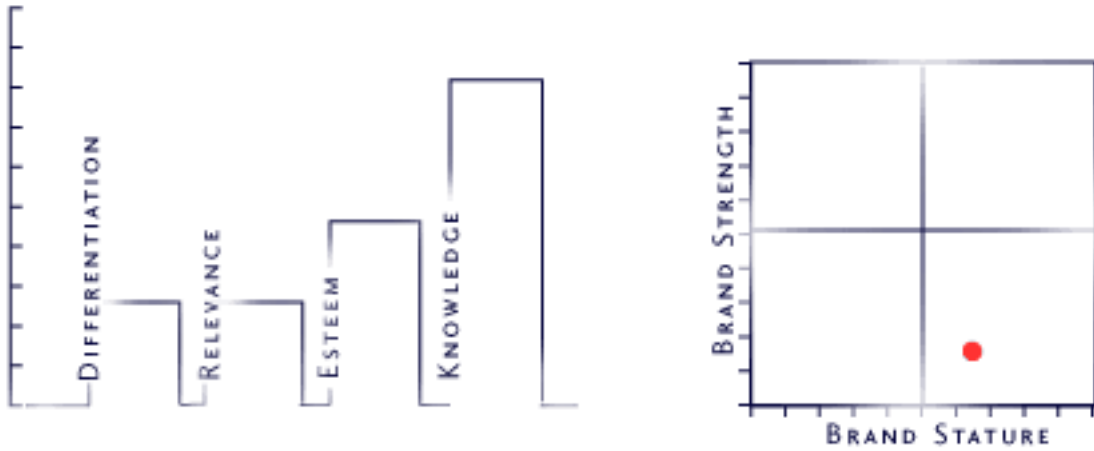


Our study suggests that in 1993, Foxy was a new underdeveloped brand.

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## SAMPLE BRANDS

GREYHOUND

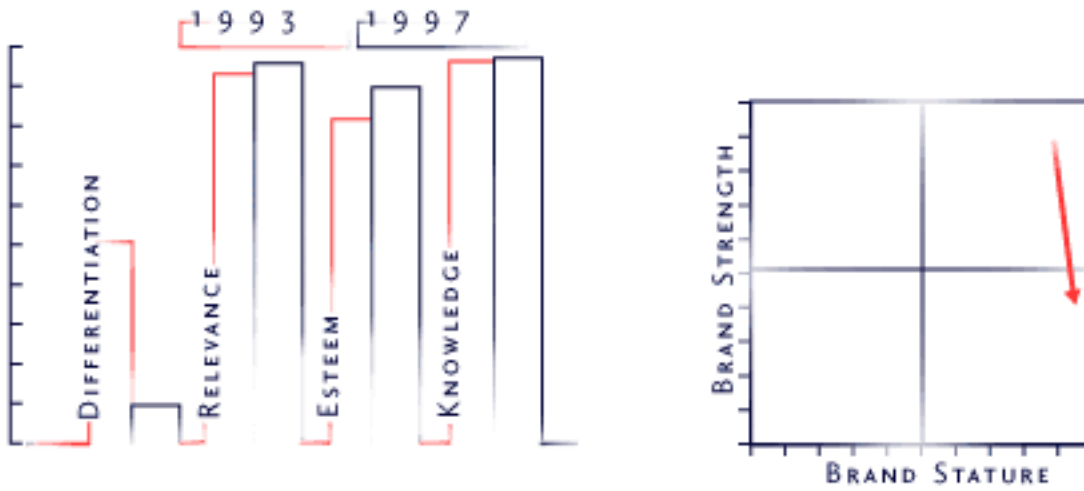


Our study suggests that Greyhound was an eroding brand in 1993.

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## SAMPLE BRANDS KMART 1993 VS. 1997

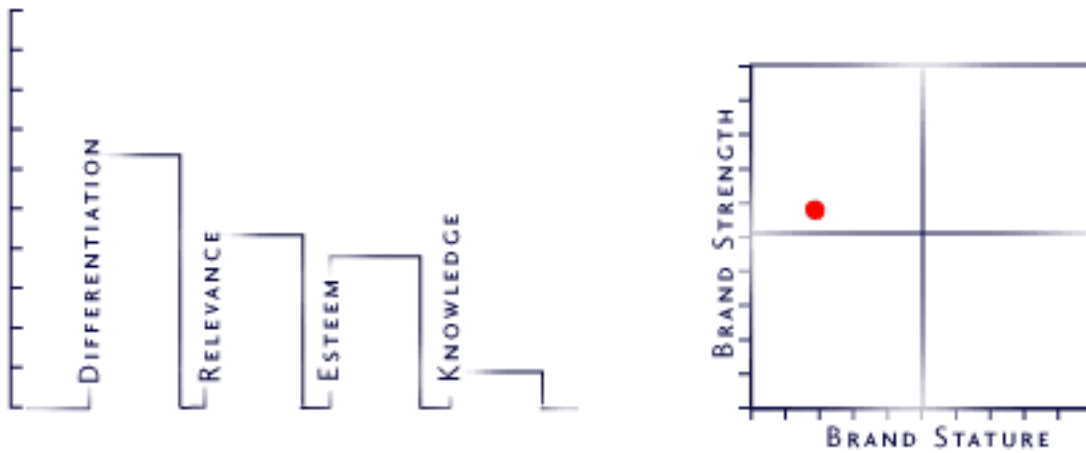


Our study suggests that Kmart had begun slipping as a leadership brand in 1993 and was eroding by 1997.

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## SAMPLE BRANDS

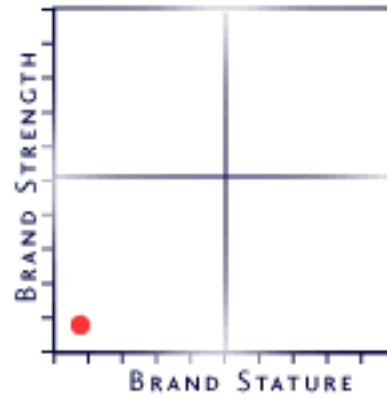
LUCENT TECHNOLOGIES



Our study suggests that Lucent had strong brand potential in 1997.

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## SAMPLE BRANDS MACLEANS

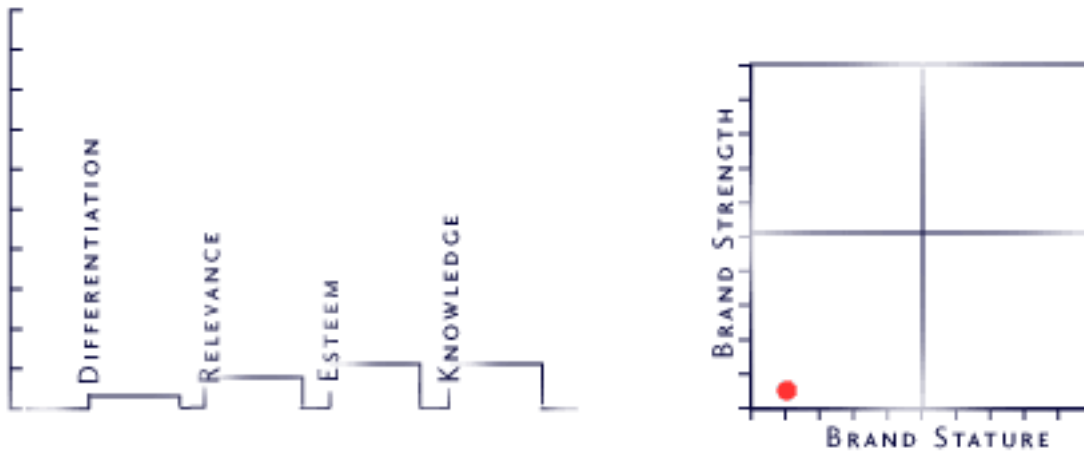


Our study suggests that Macleans had eroded into an unfocused brand by 1993.

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## SAMPLE BRANDS

MONEYGRAM

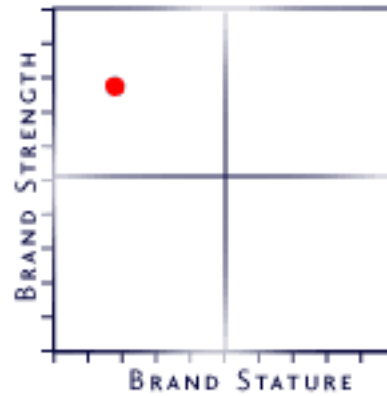
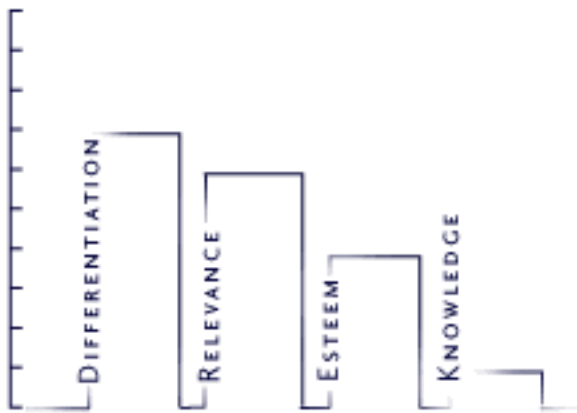


Our study suggests that Moneygram had eroded into an unfocused brand by 1993.

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## SAMPLE BRANDS

NETSCAPE

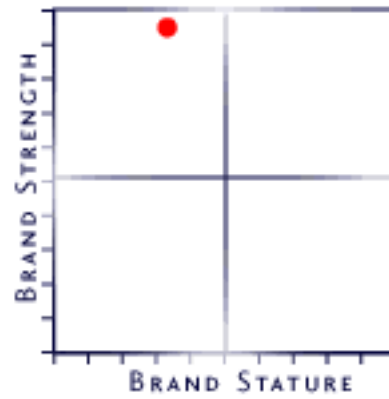
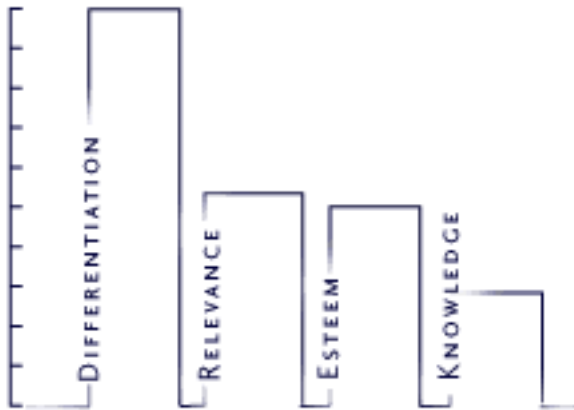


Our study suggests that Netscape had strong brand potential in 1997.

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# SAMPLE BRANDS

SNAPPLE

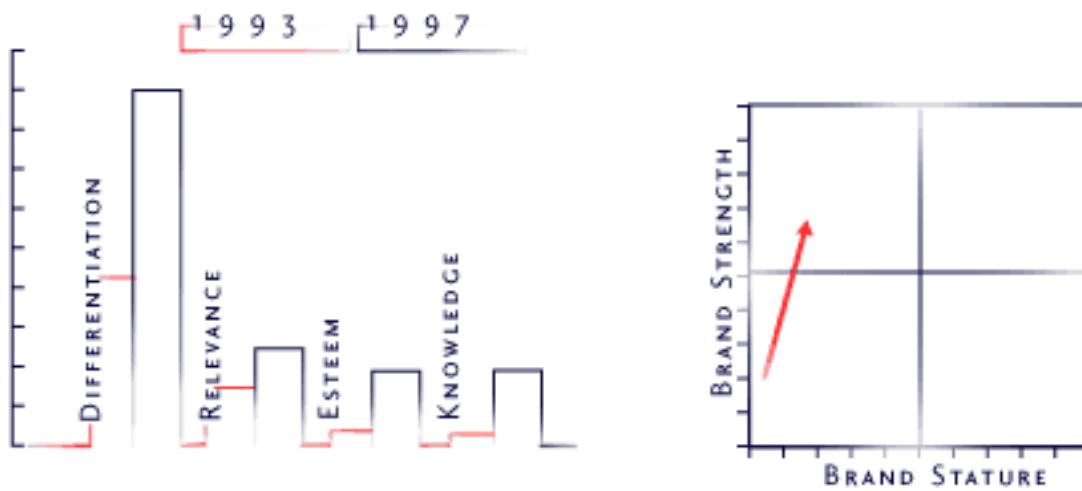


Our study suggests that Snapple had strong brand potential in 1993.

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## SAMPLE BRANDS

STARBUCKS 1993 VS. 1997

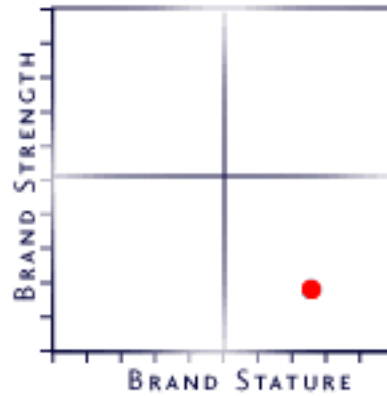
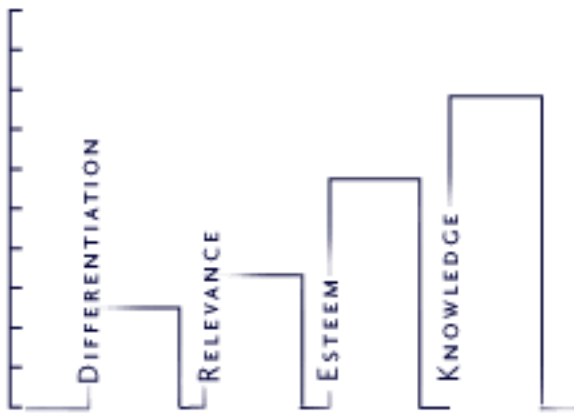


Our study suggests that Starbucks was a new underdeveloped brand in 1993 and grew into a brand with strong potential in 1997.

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## SAMPLE BRANDS

WESTERN UNION

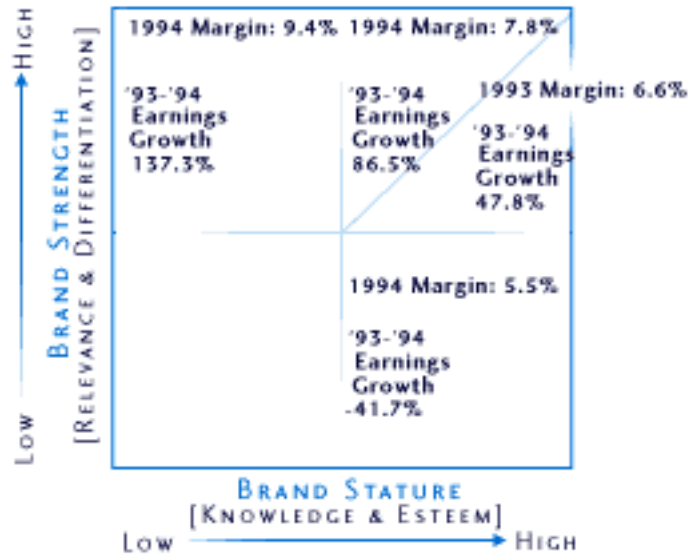


Our study suggests that Western Union was an eroding brand in 1993.

Financial Implications of Brand Management MORE 



# FINANCIAL IMPLICATIONS OF BRAND MANAGEMENT



BrandAsset® Valuator is unique in that Y&R's findings have been substantiated by tracking the real-world financial performance of companies. This performance illustrates the implications of how companies manage their brands. Brands managed properly, in accordance with BrandAsset® Valuator theory, have systematically demonstrated that they yield, on average, higher margins, profit, growth and lower risk. Y&R's clients benefit from Y&R's proprietary knowledge of how to manage brands for financial advantage.

## Landscape



## BRAND LANDSCAPE

## AND PERCENTILE RANK METRIC

BrandAsset® Valuator assesses brands with a comparative metric so Y&R clients can obtain the standing of their brands on key dimensions of brand health across all categories and countries. Our 90,000 consumers reminded us that they consider all brands across the entire brand landscape. Most traditionally-designed brand studies are category studies (even if the notion of category is expanded somewhat.) While marketers have always asked consumers to respond to brands within categories, when left to their own devices, they hold opinions about brands that leap across the boundaries imposed. Looking at brands across this important consumer brand landscape offers some interesting - often enormously revealing - insights about how to manage brands.

To benefit from this perspective, Y&R's BrandAsset® Valuator data are reported as percentile ranks among all other brands measured. This comparative metric allows for the diagnostic assessments necessary to truly benefit from the cross-category, global perspective.

[Brand Globalization](#)



BrandAsset® Valuator is a truly global study: over 90,000 consumers across 30 countries have been interviewed. From this wealth of data, and building on BrandAsset theory, Y&R has developed unique insights into the process of brand globalization.

BrandAsset® Valuator teaches that as a brand globalizes, there is a very real difference between achieving similar development accross markets and developing with a common brand meaning accross markets. In fact, there are financial implications to how brands globalize. Developed brands that have been managed for consistent meaning, compared with those that have inconsistent meaning, tend to have better financial performance: higher margins, better return on assets, and stronger growth.

Furthermore, contrary to conventional wisdom, a brand's best opportunities for expansion are often not the markets one would expect, based on either geographic contiguity or even shared language. BrandAsset® Valuator analysis can determine for Y&R clients looking to expand, in which markets consumer satisfaction is driven by the same perceived benefit structures that they have been leveraging for brand success.

Y&R's wealth of data and theoretical insights provides the power to learn, diagnose, and navigate through the process of globalization for clients.

[Targeting & BrandAsset® Valuator](#)



Brands can be examined in BrandAsset® Valuator by target segment. The size and representative nature of the sample allow for the diagnosis of a brand's health among core, opportunity and/or problem segments. In fact, BrandAsset® can be used to illustrate target issues or even identify some that may not be easily observed in more traditional research. Additional insight about a brand's competitive situation is often gained by exploring this cross-consumer, cross-category, cross-cultural data source.

For example, it is not always useful to look at brands in a category through the eyes of the entire population when it is likely that many of these consumers are somewhat irrelevant to the marketers of these brands. A manufacturer of women's hair care products may not be interested in the males in the BAV study, but even this may not be a close enough look. While appearing more complicated, the picture of hair care brands changes in important and meaningful ways when the brands are assessed by females in several age groups, and actually becomes clearer. Understanding client and competitor brand health among the younger females in the study can suggest opportunities and liabilities for each brand. And BrandAsset® Valuator data can be grouped to track the most relevant demographic or psychographic constituencies for any country in the study.

[Technical Analytical Details](#)



### **BAV Data:**

The study is based on interviews with over 90,000 consumers across 30 countries. Information on more than 13,000 brands has been collected providing up to 50 different scales and dimensions of consumer perception. Y&R's BrandAsset® Valuator data are reported as percentile rank among all other brands measured. This comparative metric allows for the diagnostic assessments necessary to truly benefit from the cross-category, global perspective.

### **Financial Data:**

Financial analysis is based on financial performance data collected for 62 solvent public brand-companies that met specific criteria. The brand had to represent the majority of the company's revenue, the majority of the brand's revenue had to come from consumer sales and the United States had to account for a major portion of the brand's revenue since consumer observations were taken from the United States study. 1993 BAV data was related to 1994 financial performance, 1993-1994 improvements in earnings and 1994-1995 stock growth.

[Publications](#)



**"How Great Brands Got To Be That Way"**

Adapted from a speech to the Advertising Research Foundation Annual Conference, 4/7/97

### **"How Great Brands Got To Be That Way"**

by Stuart Agres

Adapted from a speech to the Advertising Research Foundation Annual Conference, 4/7/97

Many of the theories of "How Great Brands Got To Be That Way" reflect old paradigms that, while many of us still use them, no longer work. The following case studies will examine many well-known brands; some are old and some are new, but all have compelling stories to tell about success and, in some cases, about failure.

Great brands, with their distinctive and much-admired advertising campaigns, are favorites on both Main Street and Wall Street. In today's market, however, there are also many brands that are losing ground - and are doing so even as their campaigns win much-deserved creative acclaim. The bad news is that in using the old theories and paradigms, we can't tell (let alone foretell) the difference between the declining brands and the successful brands. The good news is that there is a new paradigm for today's world that allows us to build, nurture, and manage our most valuable assets - our brands.

In order to understand how obsolete current marketing theories are, it's useful to understand the world in which those theories were born and how dramatically our world has changed. So, before exploring today's new paradigms, let us look back at a simpler time.

#### **A Simpler Time**

Emerging from the shadow of World War II, the public was hungry to consume. Faced with newfound prosperity and security, an entire generation was scrambling to acquire stable lives. Their vision included having children, homes with white picket fences, cars, and refrigerators. Their pent-up desires collided with product scarcity and, in truth, little choice.

This time period was a manufacturer's paradise: a great desire to consume was widespread, yet it was unsatisfied by an economy that couldn't meet that desire. Forget about selling refrigerators to Eskimos. We were selling cold drinks, after soccer-practice, in the Sahara. Consumers were searching for products to buy. "Desire" preexisted; a marketer's job was to get

the word out. Much of what a marketer had to do was stand up and yell, "I have one!" and the echo of consumers was: "Where do I get one?"

## **The "Book" of Marketing**

It was in this environment that many "great" brands got to be great. They got there "by the book." There were formulae for success, and marketing people followed them. But, was it brand-building by the book? Or was it book-building by the brand? After all, marketing theory, as written in the books, developed around the successful brands of that time. In fact, marketing theory, as we know it today, is really about brand-building and marketing from the post-war 1940's through the early 1980's.

The "book" of marketing theory was based on the assumption of a ravenous public eager to consume, but constrained by a relative scarcity of supply. This assumption actually held true for an entire generation of consumers. As recently as the 1970's, getting the word out about your offering was truly the way to success.

Just 20 years ago, at this very hotel (the New York Hilton), at a meeting of The Conference Board, Paul Harper delivered a presentation on "What Advertising Can and Cannot Do." What makes the presentation so interesting for us, 20 years later, is how naturally it grew out of the environment of the mid 1970's. As a marketing community, we believed the following seven preconditions of marketing success as listed by Harper.

For the advertising to work best:

- the product had to be needed...
- the product had to deliver...
- the product had to be superior to competition...
- the price had to be competitive...
- the product had to be in viable packaging...
- the sales force had to be up and ready...
- and, the trade had to be favorable.

All, for the advertising to work best!

This was marketing. And it worked. And because it worked, we didn't stop to think about the assumptions we were making. The first assumption was that brand-building was about product. It was as if the purpose of the product was to make the advertising work. The second assumption, and the most important, was that of continuing, unfulfilled, prior consumer desire. Offerings made available were assumed to be wanted.



We were living in a Field of Dreams, believing that "if we offered it, they would come."

## **Models for Success**

This was the foundation upon which our models for success were built. The first, and most fundamental, of these models is A.I.D.A.: Awareness, Interest, Desire, and Action.

According to this model, the first - and pretty much the last - thing you have to do is make yourself known. It all begins with building awareness. From there marketers allow the funnel to operate; many consumers already have interest, some of them possess the desire and the economic wherewithal, and ultimately, there are those who act.

It is the marketing equivalent of Woody Allen's line that "80% of success in life is just showing up." Or, as Marshall McLuhan observed, "noise equals persuasion."

Awareness didn't just lead to one action. It also led to something marketers called "Loyalty": first Awareness, then Trial, then Repeat. Some work was required to earn loyalty; the product, as Paul Harper suggested, did have to deliver. But awareness was the first and most important step. The second step was to satisfy the consumer.

The Brand Manager's toolbox for securing that initial trial and keeping the consumer coming back for more was the Four Ps: Product, Price, Promotion and Place. If the brand manager could combine these elements into the right marketing "mix", she or he would succeed in maximizing sales.

Finding the right marketing mix paid off. And, it did so in real money. This was demonstrated to us by the PIMS (Profit Impact of Marketing Strategies) model which shows us that share-of-market has a high correlation with profit.

This is the truth as it was, and is, being taught in marketing courses today. This is the truth as it developed 50 years ago and was presented 20 years ago by Paul Harper to our colleagues at a conference similar to this one.

Today, the old "truths" - the old paradigms - no longer operate as we have grown to expect. Not in the United States, not in Western Europe, not in developed consumer societies around the globe. Here are some things to consider:

1. Products failing at an alarming rate. Twenty five years ago,

the new product failure rate for packaged goods was 65%. Today we are faced with a 95% rate despite all our models and our marketing expertise; we seem to be going backwards.

2. The success of generics and store brands. In the last decade, consumers have become less troubled about abandoning branded goods in favor of generic, private label, and store brands. Whatever happened to Brand Loyalty?

3. Shrinking margins for once great brands. Why won't consumers pay a premium for well-established, high quality, reliable brands?

We are marketing the way we always have. Why is it no longer working? What happened?

The world has changed. The world of insatiable consumer desires, unsatisfied by an economy that couldn't meet the demand, simply no longer exists. Both sides of that relationship no longer hold.

1. The demand for goods has changed: The consumer is becoming more savvy. Consumers, particularly women, are working more hours and have less time to seek out products. At the same time, they are faced with more choices than ever before.

2. Likewise, supply conditions have changed: Technological innovation has enabled overcapacitization throughout industry, leading to a larger array of choices for all consumers. Competition is fierce and catch-up is almost instantaneous. The growing clout of retailers has altered the conventional rules of pricing and distribution. Competition from Japan, China, Germany, Korea, Taiwan and Thailand is becoming tougher and more aggressive.

For these reasons, and for many others, the old rules no longer apply. The tried and tested formulas for marketing success no longer deliver. We can no longer market the same way.

But, that's OK. Because for this new world, there are new ways to market. There are new rules, and new formulae for success. And, we should move this discussion from "How Great Brands Got to be That Way" (past tense) to "How Brands are Becoming Great Today" (present tense).

## **A New Paradigm**

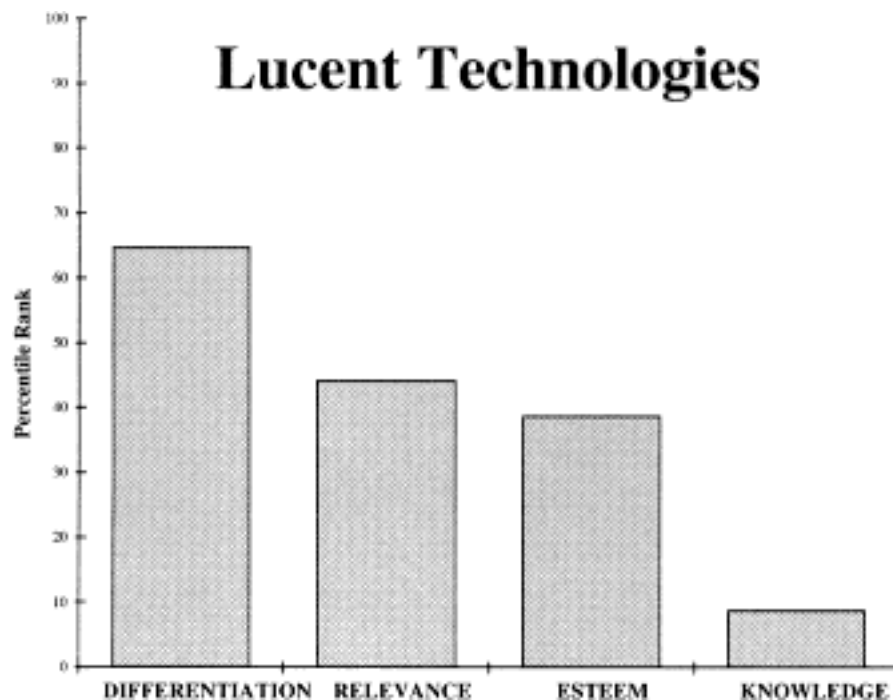
How do brands become great today? They're not following the

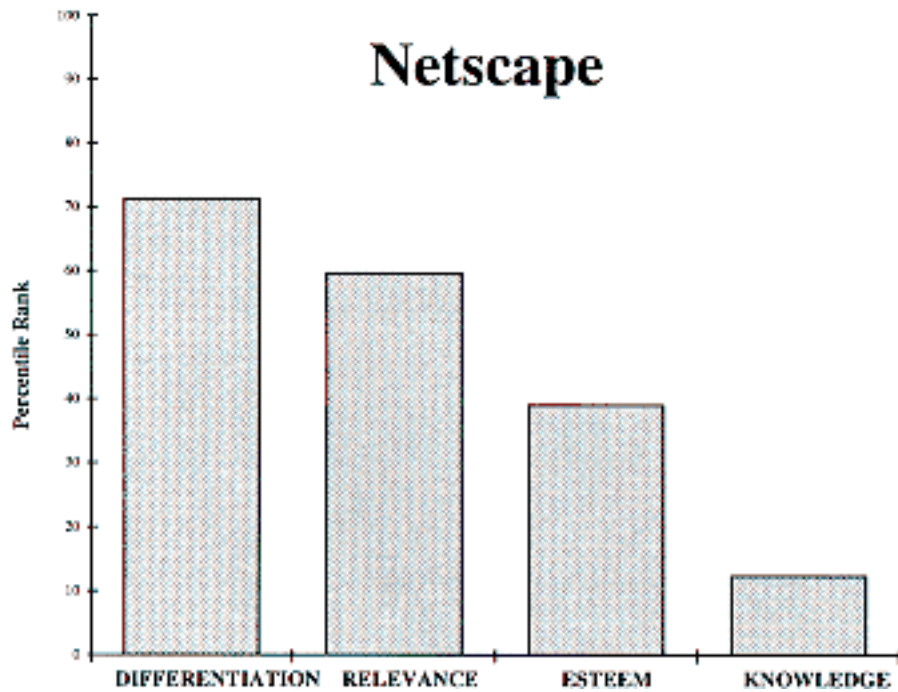
old paradigm. The New Great Brands are following a new paradigm, a profoundly different path that Young & Rubicam has been investigating for several years.

Y&R has spent over twenty million dollars to understand the way Great Brands become great today. And that's not with "Other People's Money." But perhaps it's not an unreasonable amount considering that why brands succeed or fail is a multi-trillion-dollar question. And the old rules, no matter how passionately embraced, will not give birth to the blue chips of tomorrow.

Just as marketing texts of old essentially described the then present path to success, we can learn about the new rules from the emerging great brands. There are, among others, two technology companies that have made a lot of headlines.

Focus on the pattern of the four pillars and notice that the pillars slope from left to right. The values are percentile scores benchmarked against the 1600 brands studied in the US earlier this year. However, for the moment, do not worry about either the values or the words below each pillar. Most importantly, what you are seeing is a positive pattern for a new brand.





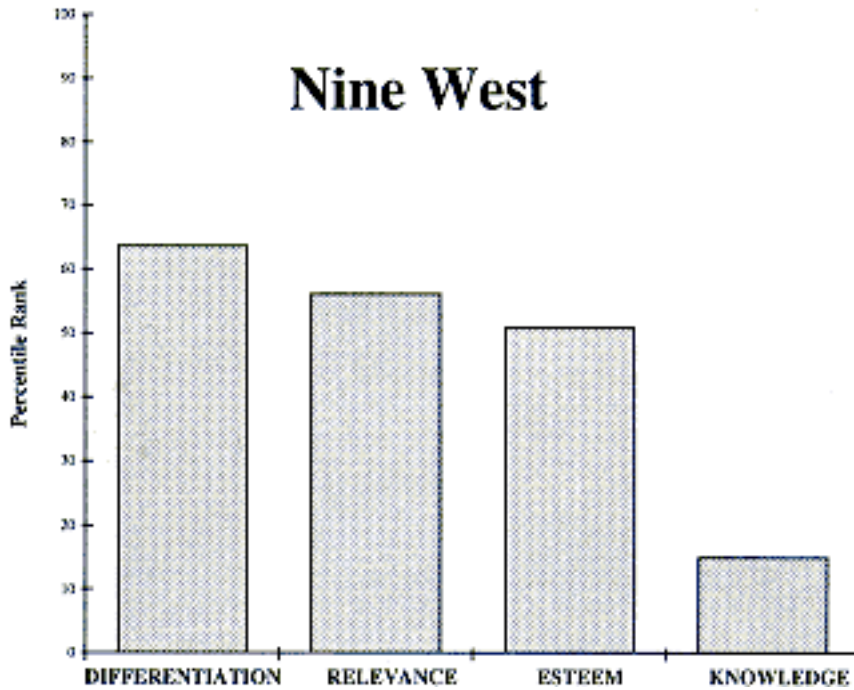
This positive pattern of brand-building pays off with strong investment potential. A piece from the Market Place column of The New York Times recently read: "Twelve months after shares of Lucent Technologies started trading in the largest initial public offering in Wall Street history, Lucent's stock is showing notable resilience in the midst of a broad technology sell-off...and the share price remains more than 8 percent higher than at the beginning of the year. This outstrips the performance so far this year of virtually every other high technology company." (April 3, 1997)

The following two retailing examples show the same impressive pattern for a new company.

## The Limited



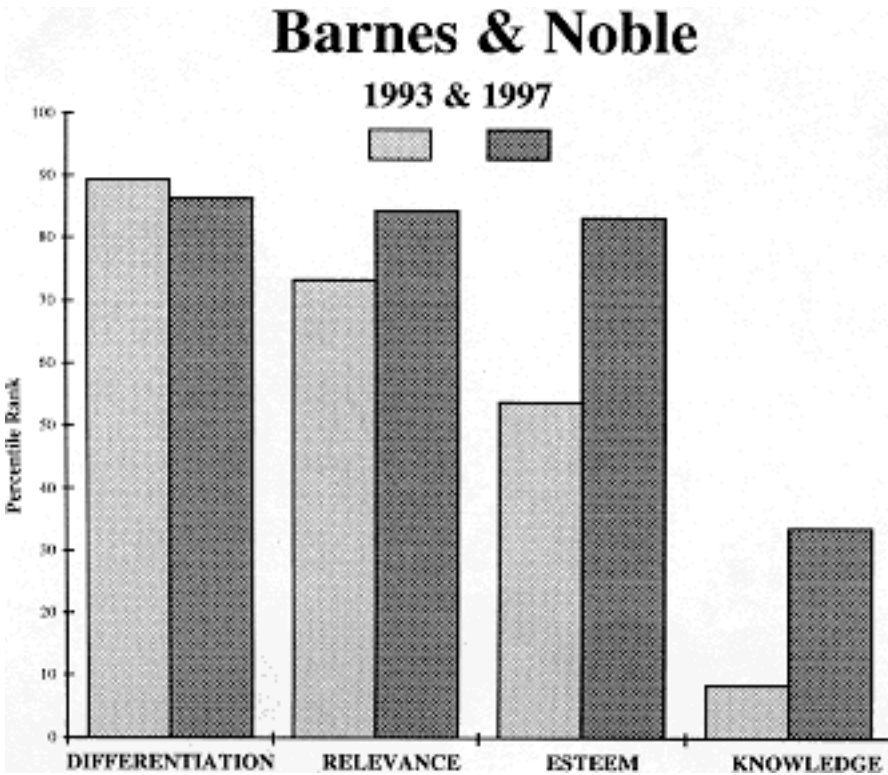
## Nine West



Young, successful IPO's have tended to show this as their pattern. Our data from 1993 show the following examples.

Boston Chicken, now Boston Market, had this pattern in 1993, when it had its successful IPO. When looked at again in 1997 and comparing our data from 1993 and 1997, we see that Boston Market exemplifies the way that brands grow today. In the four years since our earlier measurements, the first pillar has maintained its high level and the other three pillars have increased substantially, and in order.

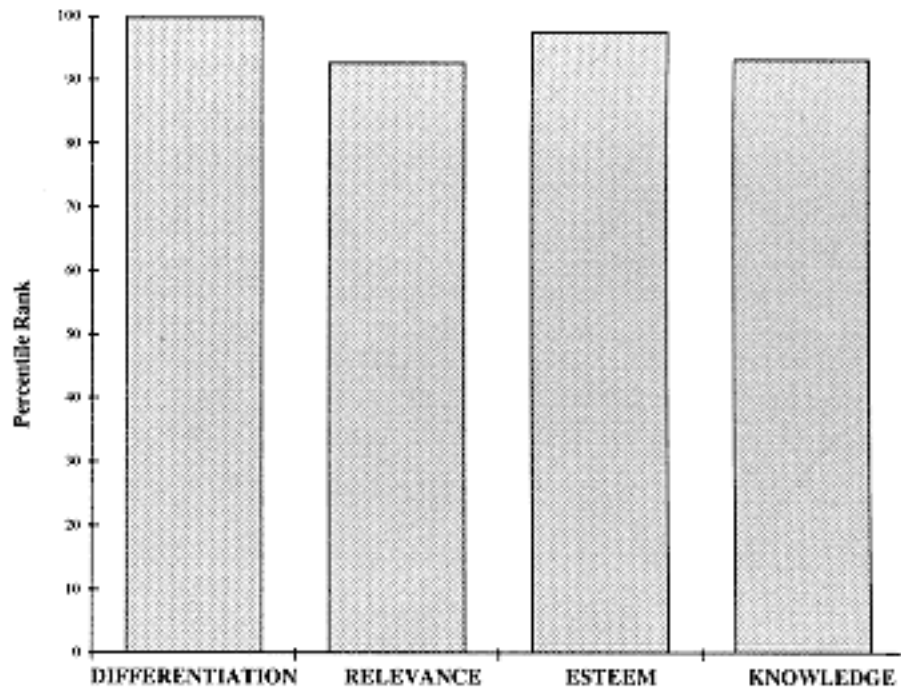
A second example shows Barnes & Noble in 1993, the time of its IPO, and again in 1997.



In the four years, growth occurred as it did in the case of Boston Chicken: each began with a strong first Pillar and over time strengthened the other measurements.

Eventually, brands can get, and stay, truly GREAT.

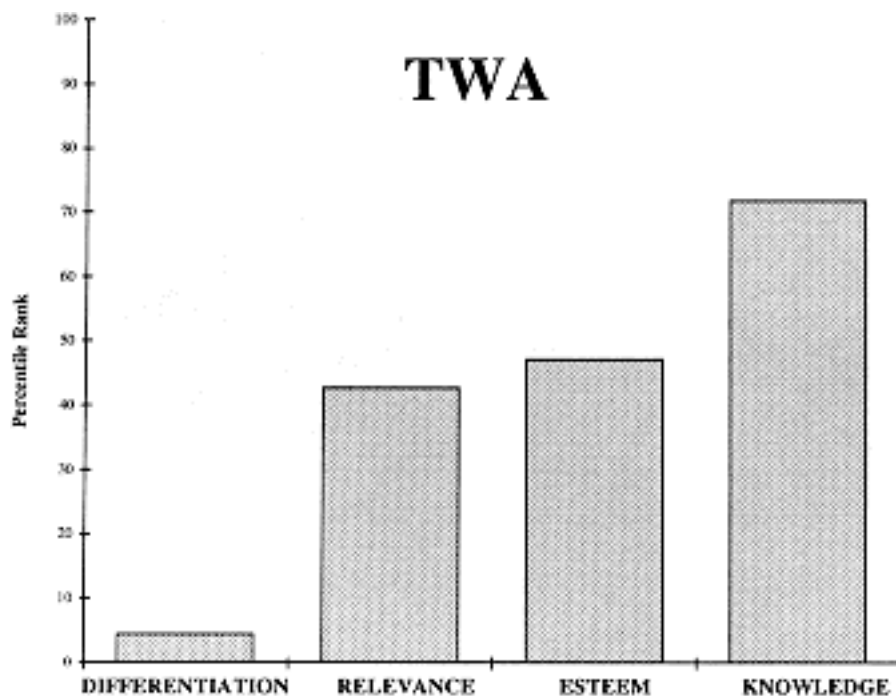
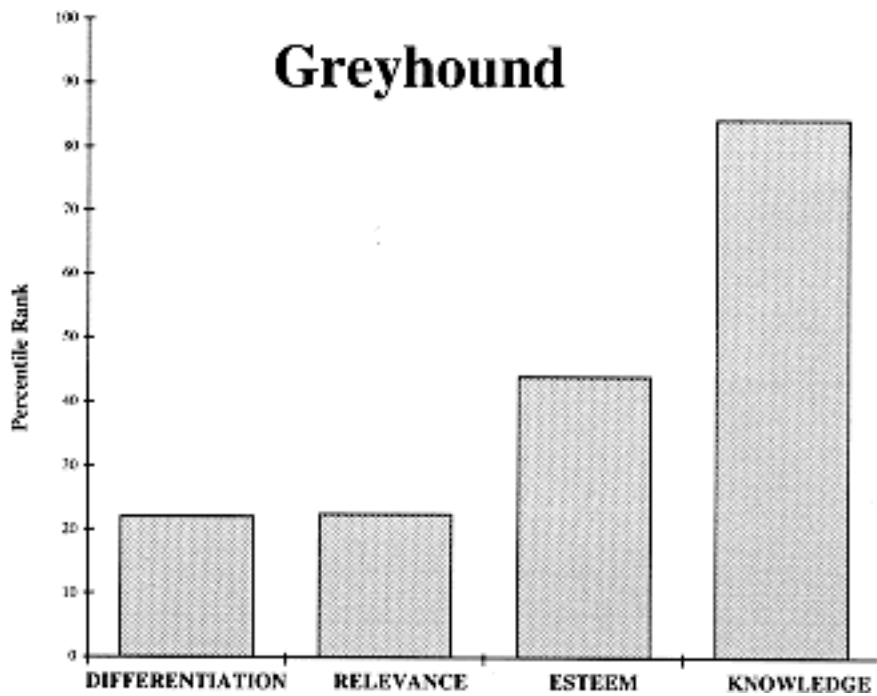
# Disney



Here's Disney - strong across the board. Our studies show that given time and hard work, great brands continue to develop and redevelop.

But, as we know, brands can also fade, even the famous, top-of-mind names that seem to be woven into the very fabric of the country. Following are a couple of "great brands gone wrong" and their consumer perceptions in 1993, when they declared Chapter Eleven - "reorganizational" bankruptcy.

Notice the Pillars form a reverse pattern compared to successful start-ups. The first Pillar is severely depressed, the second and third Pillars are following downward, while the last Pillar is still holding up.



The first pillar was Differentiation - the perceived distinctiveness of the brand.

The second pillar was Relevance - personal appropriateness of the brand.

The third pillar was Esteem - personal regard for the brand.

The final pillar was Knowledge - understanding of the product and service.



The critical pillar is the first one, Differentiation, which represents the distinctiveness of the brand. To have a chance in today's marketing world, a brand must be perceived as different and unique. It must be seen as possessing a distinctive persona with a meaning all its own. While Differentiation, in general, is very strong among the successful brands, it is usually the first pillar to dissipate for those going bankrupt.

Pillar number two is about the brand's relevance to consumers. Is it personally relevant? Is it priced right? Is it distributed where consumers can find it? Does it come in the right forms and flavors? Is it packaged well? All of these issues may seem familiar to you. In fact, they are those early Marketing Ps, and they constitute the brand's relevance. Notice that the Four Ps are no longer first or foremost, as they were in the past.

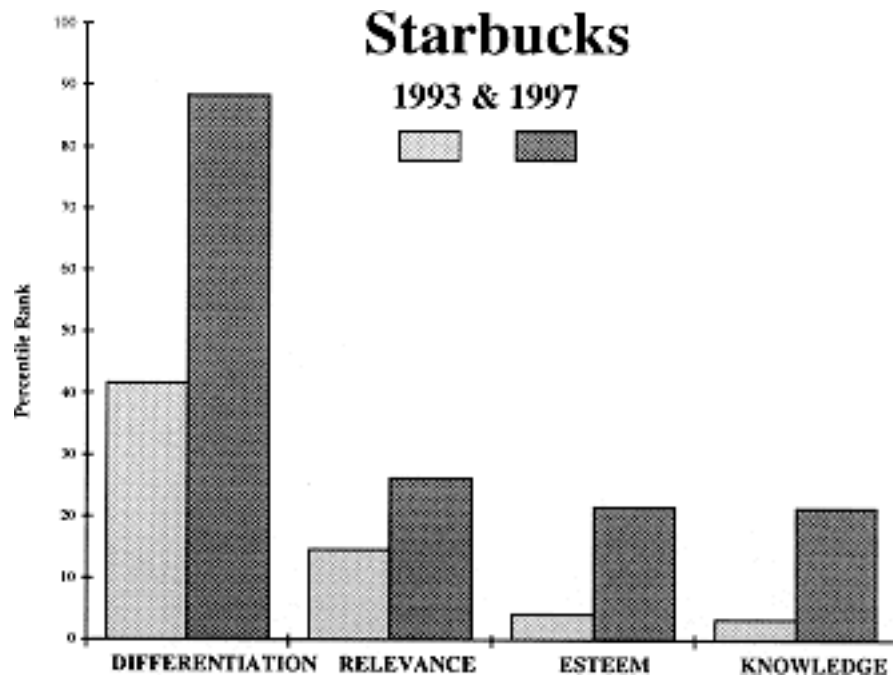
Pillar number three is Esteem, the level of regard consumers have for the brand. Does it live up to expectations? Is it consistent in its benefit delivery? How well does it do what it's intended to do?

The final pillar is both the last to develop and the last to disappear. It measures consumer Knowledge and understanding of the brand.

We have now reached the heart of the difference between the old and the new paradigms. Awareness, the very thing that in the past was the primary driver of brand success, is today the lagging indicator of its performance. If once "noise was persuasion," then today noise is just noise.

An economy in which consumers desired any product made available has been replaced by an economy in which consumers require the brand to be distinctive, even before they consider its relevance. The old paradigms measured what was important then - awareness - and not what is important now - differentiation. Today, brands must stand out when they start out.

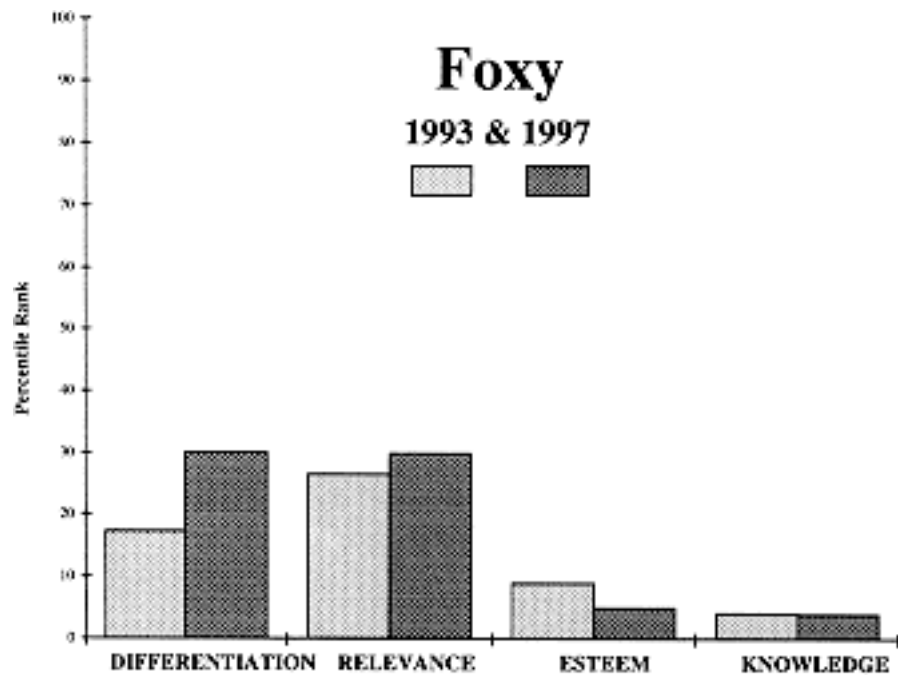
To help make this point, let us examine a brand that could be credited with the "rebirth" of an entire category.



In 1993, when Starbucks was just getting started, it displayed a healthy start-up pillar pattern, although at lower levels than the other IPO brands discussed above. That first Pillar provided an early indicator of Starbucks' potential. Note that the Awareness-related pillar - Knowledge - was close to zero in 1993. What conclusion might we have made about this brand had we been working under the Old Paradigm? Probably not a very positive one.

Notice, however, that in 1997, while that first Pillar is still growing fast, the other dimensions are now also moving up. Starbucks is now developing the potential that we first measured back in 1993. Today, this type of pattern is the one to look for when measuring the potential of emerging brands, with differentiation building first and the other measures following.

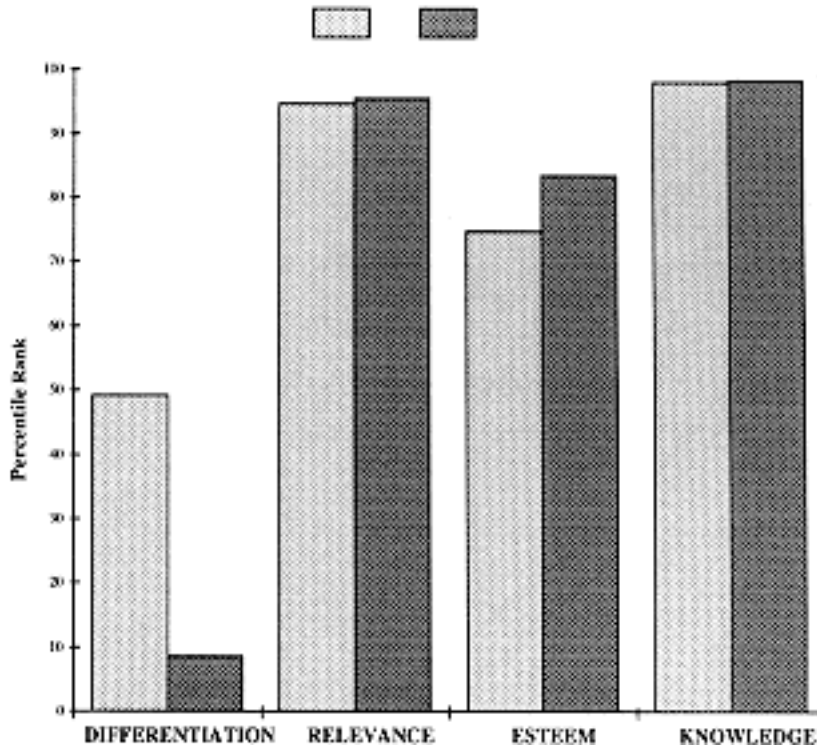
Certainly, not all new brands do as well.



Foxy is attempting to establish a brand name in lettuce. After four years of trying, they've made little progress in differentiating their lettuce from competing brands. We know it can be done - similar problems have been overcome in marketing bananas, pineapples, oranges, and chickens. Foxy's extremely low level of Differentiation, the first Pillar, suggests the enormous amount of work yet to be done in order to establish Foxy as a successful brand.

# Kmart

1993 & 1997



Kmart reveals another aspect of these measurements, particularly in the relationship between Differentiation and Relevance. Kmart in 1993 looks similar to the Chapter Eleven brands (even though Kmart had not declared bankruptcy) - high on Knowledge, the last Pillar, and low on Differentiation, the first Pillar. However, unlike the Chapter Eleven brands, Kmart is still seen as relevant, even if not differentiated. Pricing, distribution, and packaging can truly drive relevance. What these "P"s are unable to drive is Differentiation and profit margin.

No matter how relevant the brand, Differentiation is what gives a brand the foundation it needs, building customer loyalty as well as margin opportunity. Therefore, Relevance without Differentiation means you have a commodity rather than a true brand. This leads to commodity pricing, commodity margins, and declining earnings. Note Kmart's drop in Differentiation in 1997 and recall that Kmart lost money last year.

Kmart isn't the only older brand that has Relevance with little Differentiation. Hundreds of brands show similar profiles. Does this profile really hurt a brand over the long haul? Unequivocally and statistically, "yes." We've studied over 60 single-brand public companies.

Here is what we found: When a brand enjoys high

Differentiation compared to Relevance, performance of the company one and two years after the study is remarkably better. Furthermore, companies that grew their Differentiation during the years we studied, 1993 to 1995, improved their financial performance all the more in subsequent years.

## **Evaluating Success**

We continue to see the wrong measures being used to evaluate brands and the effectiveness of their communications. A sample of award-winning creative campaigns illustrates the point. Energizer, Little Caesar's, MasterCard, Nike, Adidas, Coke, and Pepsi are all running advertising that is highly acclaimed for creative quality.

But there are differences. Energizer, despite its famously clever campaign, is less differentiated today than it was four years ago - it is down 20 percentile points. Little Caesar's is also losing differentiation compared to four years ago. Finally, MasterCard, has undergone a 30 percentile point drop in differentiation over the past four years.

Is it the fault of the advertising campaigns? Or have we been using the wrong constructs to determine what's needed for brands? By the older paradigms, the old truths, all of these brands would appear to be strong and prosperous and the advertising would appear to be doing a terrific job. But our measurements indicate that long term successful brand-building is in jeopardy.

On the other hand, in our studies, Coke, Pepsi, Nike and Adidas demonstrate continued strength. How is it possible for both Coke and Pepsi and for both Nike and Adidas to be highly differentiated?

## **Successful Brand-Building Today**

The fact is that the world of brands today is just that: "A World of Brands" even more than it is a competition within categories. Consumers find it not only possible, but desirable, to select among all meaningful options. Consumers' real choices are among Coke and Nike and Doritos and Disney and Netscape and Levi's, because these brands each have meaning. Brands without "meaning" will behave like commodities and be limited to commodity-like pricing, where price is determined not by the owner of the brand, but by every other producer in the category.

This discussion not only reveals what's happening in the US, but also hints at what's happening around the world. Our data

base includes information from over 25 countries on nearly 10,000 brands. It continues to grow as does our knowledge. And just in time. Because brands are growing everywhere in the world and World Brands are growing at an increasing pace.

Throughout this discussion, we have seen that the world has changed. While in many ways it would be great to go back to those wonderful years that Paul Harper spoke to us about, it simply is not possible. We have to go forward. We need to look at the things we are seeing taking place around us. And we need to ask whether they are mere anomalies or do these market place events tell us that something else, something new, is taking place?"

Understanding How Great Brands Got to Be That Way is a story worth telling. Understanding How Brands WILL BECOME GREAT - that's a story worth living.