RESEARCH+DATA INSIGHTS

# AN EXECUTIVE VIEW OF BRAND METRICS

***by***
***David May, Goldman Sachs***
***Peter Zandan, Ph.D. Chairman, Research + Data Insights and***
***Karlan Witt, Cambia Information Group LLC***

**Abstract:** This white paper explains the value of brand metrics to companies, allowing it to direct its efforts as efficiently as possible and provide executives with the appropriate guidance for strategic decision-making.

*"Determining the appropriate metrics to track is one of the most important steps in monitoring a company's brand health.  The ability to extend metrics across brand attributes and stakeholders and develop meaningful, significant results from these activities is the cornerstone of success for the entire endeavor."*

It would be a challenge to dispute the importance of brand to the modern company. Bank of America, AT&T, IBM, American Express, Boeing, Apple, Geico, Merck, Federal Express, Southwest Airlines, Tiffany, Google, GE – the list of companies for whom brand equity plays a significant role in financial success is both significant and growing. Company brand as key asset has become an accepted truth of the global economy, yet many top executives have a customer-centric, one-dimensional view regarding the impact of their brand, both on their own company and in the marketplace at large.

A singular focus on customer-centric metrics, including brand tracking and customer satisfaction and loyalty, has long been the measure of brand performance. Is my customer pleased with my product or service? Will he be a repeat customer? Did he pay more for my logo? With the advent of online shopping, companies can even track if a customer browsed around a bit, or was compelled by special promotions to make a purchase. However, this customer-centric view of the brand will not be enough to remain competitive in the future. Organizations will need to have a 360-degree view of their brand that takes into account all stakeholder groups to fully understand and quantify their brand impact. The metrics provided by this perspective provide insight into not only a company's brand but also a company's overall reputation.

In recent years, business news headlines have showcased companies that fail to take a 360-degree view of their brand. Wal-Mart, for example, has done a tremendous job of meeting customer needs, but is only just now recovering from long ignoring the needs of employees, local communities, and suppliers. This lack of a 360-degree perspective culminated in extremely negative media coverage, and ultimately impacted the company's shareholders. Similarly, Microsoft failed to fully comprehend its standing within the regulatory community, resulting in very costly legal proceedings and damaging press, again affecting shareholder value. It is imperative to have a full picture of the brand across all constituents in order to maintain the long-term health of a company.

## INCREASING IMPORTANCE OF BRAND HEALTH

It was not so long ago that the production of a great product resulted in sales of that great product. Customers looking to purchase anything from a tennis shoe to a television had limited choices, both in product offerings and retail outlets, and often had a clear picture of the best possible option available. Today, the noise affecting consumer purchase decisions is nearly deafening. The proliferation of retail touch points, the rise in global competitors, the growth in customer experience options, changes in regulatory environments, resulting media coverage and reactions, even the mere competition for people's time and attention – all these factors have created an environment in which brand matters tremendously.

While businesses have long recognized that brand is important to customers, the stakeholders affecting a brand have increased in breadth as well. A company that previously focused on selling tennis shoes to customers must now consider the full spectrum of interested parties, from the supply chain (do our overseas manufacturers violate child labor laws?) to investors (has our CFO accounted for pre-orders correctly?) to the media, potential employees and many others. All stakeholder groups impact the health of a company's brand, and the weakest link among those constituents can cause significant and costly problems for an organization. Measurement and ongoing monitoring of brand health via relevant and compelling metrics can provide management with the data needed to make sound strategic and tactical decisions for the future, as well as to prepare for the possibility of a business crisis.

## MEASURING BRAND HEALTH ACROSS ALL STAKEHOLDERS

At its most basic, the intangible value of a company (i.e. its brand) is its market value minus its tangible capital (property, plant, equipment, and net working capital). This number is often calculated as part of acquisitions or stock valuations to justify a purchase price or a market cap. However, such a number provides limited insight into what compels a customer to pay a premium for a company's goods and services. And it provides absolutely no insight into how vendors or regulators may regard the company, or whether employees value being part of the organization. Brand-specific metrics are required to get an accurate view of a company's brand health. Metrics allow an organization to focus its efforts as efficiently as possible. In a complex operating environment, metrics can highlight key areas of brand strength and risk. And the right metrics provide executives with the appropriate guidance for strategic decision-making.

Most firms that capture brand metrics do so primarily through customer satisfaction, brand tracking or customer relationship management systems. However, these systems focus on customers rather than monitoring brand health across all key stakeholders. They are entirely one-dimensional, frequently not real time, and often provide such an overabundance of information as to render the entire data capture relatively useless. Historically, these metrics do not provide prescriptive information and are typically captured for objectives other than monitoring brand health. The evolution of brand monitoring demonstrates that a company needs more than just customer metrics; it needs stakeholder metrics. It needs metrics that can provide a 360-degree view of the company's brand, similar to the 360-degree view of the company's solvency provided by financial statements.

When measuring brand health for a company, all stakeholders play a critical role. For today's company, these stakeholders might include:

- Customer chain – includes previous, current and future customers, as well as the succession of people they come into contact with regarding a company.
- Talent chain – includes previous, current and future employees, as well as those with whom they interact.
- Public opinion – includes the thoughts of the general populace and subgroups regarding a company's goods, services, social actions, etc.
- Influencers – includes industry heads, local and national leaders, celebrities, etc.
- Investors – includes individual as well as institutional investors.
- Vendors – includes all those who affect the development, manufacturing, distribution, sales and service of a company's products or services.
- Regulators – includes those at the local, state, national and international levels who can affect changes in legislation that can alter the business environment for a company.
- Media – includes local, state, national and global participants involved in developing and distributing news and entertainment.

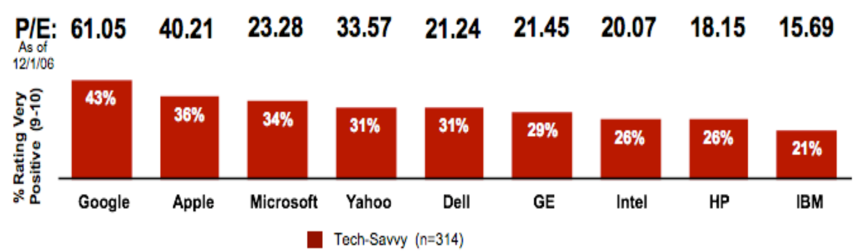
Each of these stakeholders can affect a company's brand health, either on their own or collectively, and no industry is immune. Public opinion can impact the regulatory environment for global financial service firms as well as software giants. The ability to attract talent is key for technology firms as well as advertising agencies. Public reputation and customer loyalty matter greatly to consumer goods companies as well as large retail outlets. Investors and the media can cause tremendous shifts in corporate valuations.

The chart below depicts the relationship between a company's price/earnings ratio and the intensity of its brand support among "tech savvy" respondents. (Tech savvy respondents are defined as those most comfortable sharing photos and music, and downloading and installing software.) The strong (.89) correlation between P/E and tech-savvy "very positive" ratings means that as the "very positive" rating of a company rises (or falls) among tech-savvy individuals, the P/E ratio also rises (falls). In essence, reputation matters.

**Relationship between Brand Support and Price/Earnings Ratio**

*Strong (.89) positive correlation between P/E and Tech-Savvy 'very positive' ratings*

*Survey Question: Rate your feelings toward these technology companies using a 0-to-10 scale (0 = very negative feelings, 10 = very positive feelings). National survey conducted by Research + Data Insights, November 2006.*



Monitoring key metrics across constituencies allows a company to compare and contrast degrees of brand health – and to identify where valuable resources should be directed.

## METRICS AND THE 360-DEGREE VIEW

The ability to measure marketing performance and marketing return on investment is a high priority, yet few companies have developed meaningful, comprehensive metrics for their marketing organization. In a recent survey, the CMO Council (a global association of senior marketing executives) noted that the top two challenges facing marketers this year are (1) Quantify and measure the value of marketing programs and investments, and (2) Improve the efficiency and effectiveness of the marketing organization. In fact, the top area of marketing spend projected by chief marketing officers surveyed is the development and implementation of a marketing performance measurement dashboard.

What is driving this high prioritization of metrics?   At many companies, CEOs are beginning to hold marketing executives to the same level of accountability demanded of other executives. For others, the driving force is a desire to have marketing programs that are clearly tied to strategic business objectives.  And for many, the push for metrics is driven by a need to allocate valuable human resources as efficiently and effectively as possible.  Metrics force a level of effectiveness and accountability that can help a company ensure they are meeting objectives on many fronts.  Regardless of the reason, the desire to embrace metrics and accountability in the marketing department can have tremendously positive results for a company's brand health.  The key to success is determining both which metrics to track and which stakeholders to address.

Conducting brand-monitoring efforts with a goal of having clear, board-level reporting capabilities will enable organizations to filter through the vast array of available metrics and choose the most relevant for their needs.  Brand metrics should be simple, able to be tracked continuously, reputational in orientation, and have the ability to increase in both depth and segmentation as needed.  The net result of all brand-monitoring efforts should be similar to a company's SEC-required financial information in that all pertinent facts are easily captured and summarized in a brief though meaningful manner.

## CHOOSING THE RIGHT METRICS AND SCALES FOR MONITORING BRAND HEALTH

Determining the appropriate metrics to track is one of the most important steps in monitoring a company's brand health.  The ability to extend metrics across brand attributes and stakeholders and develop meaningful, significant results from these activities is the cornerstone of success for the entire endeavor.

While specific metrics will be unique to each company, there are some basic metrics that will be applicable across most organizations:

- Metrics that currently have traction among a firm's management;
- Metrics that a firm uses to measure success, or are tied to strategic objectives;
- Metrics that are tied to a firm's core values or brand identity;
- Metrics that are required from a regulatory or licensing perspective;
- Metrics that a firm has identified through advanced analysis as being drivers of desired outcomes; and,
- Metrics that have been identified through external or industry sources as being drivers of desired outcomes.

To effectively monitor brand health, metrics must be reputational. Companies are often focused on measuring share, reach or effectiveness, while overlooking metrics that track reputation across stakeholders. Asking a constituent "do you want this company to succeed" rather than "are you satisfied with this product" can help identify the emotional connection that frequently determines the long-term success of an organization.

Equally important in monitoring brand health is the development of relevant scales for tracking feedback across stakeholders. The ability to measure identical brand attributes across a spectrum of stakeholders can help a company identify exactly where its brand strengths and weaknesses exist. An appropriate scale for measurement will:

- Identify relative competitive brand positions (face validity);
- Capture strong differentiation between competitive firms (discriminant validity); and
- Maximize ability to predict and model business outcomes via drivers of brand choice (predictive validity).

A thorough analysis of brand performance will include both quantitative and qualitative aspects. Quantitative measures will highlight results clearly across a pre-defined scale, enabling executives to see immediate areas of promise or concern. Qualitative feedback will provide the "why" behind the numbers to identify details behind the ratings.

To be most effective, quantitative measures need to be cognitive, affective and behavioral.

- Cognitive
  - Organizational – e.g. *"Compared to competitors, this firm offers the best people at every level."*
  - Satisfaction – e.g. *"My problem was solved within the designated window."*
  - Policy – e.g. *"Ease of doing business with this firm has declined over the past year."*

- Affective
  - How do you feel about the organization? – e.g. *"Do you want to see the organization*

*succeed?"* or *"Do you enjoy doing business with this firm?"*
    - How does the organization feel about you? – e.g. *"Does this company appear to have your best interests in mind?"*

- Behavioral
    - Hiring – e.g. *"How likely are you to hire an alumnus of this organization?"*
    - Investing – e.g. *"What is the likelihood of your investing alongside this company?"*
    - Corporate Citizenship – e.g. *"Please rate the firm's demonstration of corporate citizenship."*

Qualitative measures should be as open-ended as possible, ensuring a constituent's feelings and emotions are captured thoroughly (e.g. *"Please describe the characteristics which you believe make this company different from its key competitors").* The open-ended questions of a 360-degree brand view allow companies to receive verbatim feedback from key constituents, helping understand how to have the highest brand impact. Qualitative responses also provide additional insight into *why* a stakeholder responded as he did, and can help executives best understand how to address key stakeholder issues.

## THE VALUE OF A 360-DEGREE BRAND VIEW

All organizations can benefit from a comprehensive and comparable 360-degree view of their brand to evaluate reputation across key stakeholder groups and produce meaningful analysis for executive decision-making. The implementation of an enterprise feedback system enables executives to understand their brand performance by stakeholder, by specific brand attribute, and as compared to industry competitors, and to identify any gaps in perception. Specifically, organizations benefit from:

- <u>Message and positioning optimization</u> - Clear areas of brand dominance can be identified, allowing executives to focus key competitive campaigns and messaging around their unique strengths and differentiating factors. Similarly, areas of brand weakness or challenge can be identified as well, allowing the firm to message against any possible brand risks and/or competitive threats likely to emerge
- <u>Issue identification and management</u> – In monitoring their reputation across all relevant stakeholders, organizations are able to identify and address the issues most likely to affect their standing among constituents. These issues cover a broad spectrum, from corporate citizenship to hiring practices, working environment to investment practices, and distinguishing the most important for each stakeholder is critical.

- Customer and Employee satisfaction – Companies can identify, by very specific stakeholder groups (e.g. former employees, current employees, potential recruits), exactly where elements of strong satisfaction and/or dissatisfaction arise, enabling them to address any issues as efficiently as possible.
- Budgeting and resource allocation - Clear, directed results allow for more effective budget allocation to address key issues
- Investor and Shareholder attitudes –Monitoring investor and shareholder attitudes, along with other key stakeholders, can help companies understand when an imminent shift in market outlook may adversely affect their standing in the investment community.
- Advertising and Communications effectiveness - The flexible nature of the metric-driven approach allows companies to probe exactly how successful a specific campaign or messaging strategy is at reaching the desired populations.
- Marketing accountability - Ongoing monitoring of brand attributes on a global basis allows executives to track progress against identified brand initiatives
- Pricing information – The ability to track very granular pricing data across a wide spectrum of relevant stakeholders helps to ensure a company is attaining the highest possible value for its products and services.

Research + Data Insights and Cambia Information Group, LLC have teamed up to apply their stakeholder management and technology expertise to develop a consistent approach for monitoring metrics.

Listening to and embracing stakeholder feedback to monitor ongoing brand health can provide significant advantage to an organization.  As global competition continues to increase complexity for all organizations, a company's reputation becomes increasingly valuable. Ensuring the continued health and viability of brand and reputation will be a key success factor for all businesses.