The Impact of Advertising on Brand Momentum

by the author of
Leveraging the Corporate Brand
James R. Gregory, CEO
Corporate Branding, LLC.

Published for
BusinessWeek
Most Read. Best Read. Worldwide.
Contents

Spending Advertising Dollars: Why Should We? 2
Brand Power 3
Brand Momentum 3
Seeing is Believing 4
Minding Your Brand: Consistency 6
The Next Step 11
Leveraging Brand Power 12
Spending Advertising Dollars:

Why Should We?

Even savvy business people typically find advertising expenditure a difficult line item to justify. And they're absolutely correct to carefully consider costs in this area. You need to have a crystal ball in perfect working order, or be a little bit too ready to trust in those who have the most to gain, not to wonder: Exactly what do I get for spending those dollars? Is it really worth it?

The impact of advertising is measurable

To examine those questions literally, we need to be able to measure the real impact of advertising on brand building. For years, the inability to do that in any tangible way was a perpetual source of frustration—and fascination. But focused study has finally produced data confirming that the impact of advertising is measurable. A pivotal tool in this breakthrough is the Corporate Branding Index® (CBI), an annual measurement of the Brand Power of America's foremost companies. This measurement is based on opinions of business decision makers from the largest U.S. companies. From that data, combined with other financial and communications databases, we can demonstrate the kind of power advertising wields on corporate reputation and financial performance.

Brand Power

The term Brand Power reflects the relative strengths of a corporate brand, based on responses to the CBI, which measures brand familiarity and favorability among business decision makers. Familiarity defines respondents' levels of awareness and knowledge about a company. Favorability lets us know how business people feel about the company—how highly they judge its overall reputation, its management, and importantly, its potential as a good investment.

Brand Momentum

Momentum is defined classically as impetus gained by movement (Concise Oxford Dictionary). In the world of science and statistics, momentum is a physical property, measured by how long it takes a moving substance to come to rest. In the world of branding, momentum has its own unique significance.

Our intuition guides us to create brands with the potential for tremendous momentum... that gather speed as they operate... that never fully come to rest. This phenomenon resembles a long distance runner's high—that powerful sense of purpose and ease following an enormous initial effort and the eventual break through the wall. Until now, we only sensed how important this kind of energy could be to brand building. Finally, through careful study and analysis, we have found that the brands we define as “elite” brands really do have the greatest momentum.
Seeing is Believing

The Brand Power diagram on the opposite page illustrates how brands that have already achieved varying levels of success differ in terms of their natural tendencies to grow, maintain or decline. For this discussion, we have separated our universe of 174 brands, every one among the largest companies in the United States, into four equal groups, or tiers. Remember, every brand we considered is already a major contender.

The most elite brands, what we call Tier 1 brands, can best be described as flagship brands, even icons in the world of marketing—brands like Coca Cola, GE or AT&T. These brands appear stable over time, suggesting an efficiency gained through superiority. No one is outrunning them, and therefore pressuring them to work harder. They can coast with minimal effort, like a space shuttle that, having struggled against gravity to pierce the Earth’s atmosphere, now sails with apparent effortless through space.

Second tier brands, though not icons, are extremely powerful—brands like Raytheon, Amoco, SBC, General Dynamics, and International Paper. Nonetheless, these brands must work the hardest. They must contend with powerful competition from the brands in Tier 1 that exerts downward pressure. Tier 2 brands must struggle just to maintain their status, and without the resources enjoyed by the very top brands.

The trajectory appears stable for Tier 3 brands—strong, established, though not high profile, brands such as McKesson, Data General, and Con Edison. These relatively unremarkable brands are neither declining nor growing. Neither really powerful nor particularly weak, they are simply not very volatile.

Because they have little room to decline, and enormous room for improvement, Tier 4 brands—those at the bottom of our Corporate Brand Index sample group—have a natural tendency to rise. By managing just to maintain, these brands, including Western Digital, Northeast Utilities, and apparel company VF, Inc., should find it easiest to buoy their images.

Regression theory suggests that Tier 1 brands might be expected eventually to decline, as those in the other tiers ascend. But because Tier 1 is so far above the other tiers, and apparently stable, we can conclude that efficiency protects these brands from the downward pressure affecting Tier 2.

Nonetheless, Brand Power is absolutely vulnerable to fluctuation. Brand management can, and does, markedly affect the ability of brands to grow, sustain or decline. And particular tier positions should motivate management to be more vigilant than ever—to capitalize consistently on any and every brand building opportunity. For example, Tier 2 brands, operating in an intensely competitive environment, must be especially careful to avoid losing ground and backsliding into mediocre Tier 3 territory. Tier 4 companies also must assertively mind their brands. Those that fail to grow, even with the natural advantage to do so, will more likely face perpetual obscurity.

174 brands have been divided into four different groups, or Tiers. Tier 1, or elite brands, appear to have stable Brand Power over time, whereas Tier 4 brands are at the bottom of the sample in terms of Brand Power.
Minding Your Brand: Consistency

So how do brands build, and ensure, momentum? We have found that consistency is the most important factor in branding your company. As with all other aspects of branding, sticking to the program is the one thing you can always count on to achieve results. In other words, send a strong, viable, steady message repeatedly over time. The concept of brand momentum represents a wonderful efficiency of effort and goes hand in hand with the concept of consistency. The more consistent the action, the more efficient the action, and therefore the easier the action. The more often you do something right, the less effort it takes to do it right again, and again. Consistency is what builds momentum—consistent strategy, consistent message, consistent support—particularly advertising support. Consistency is key to achieving Tier 1 brand status.

In fact, advertising is largely responsible for brand momentum, and therefore for Brand Power. Simply put, companies that spend more on advertising build greater momentum, and more powerful brands. That said, it should also be noted that carefully considered, consistent spending is the key. Throwing advertising money erratically or unpredictably at a brand is assuredly never the answer. Our data provide evidence that the brand images of consistent spenders move up faster than those of other brands, while the brand images of erratic spenders appear to be stagnant at best.

The charts on the following pages demonstrate the effect of well-spent advertising dollars on brand momentum. Each chart graphically represents the high degree of correlation that exists between consistent spending on advertising and the building of powerful brands.

There is a high correlation between advertising spending and Brand Power, with Tier 1 companies—those firms that invest in their brands most heavily—displaying the strongest Brand Power.

“Brand Power” is expressed as a calculation of familiarity multiplied by favorability ratings, and is based on a scale of 0 to 100.
Higher advertising spending relative to sales drives strong Brand Power.

“Brand Ad/Sales Ratio” is calculated by dividing advertising expenditures by sales revenue.

There is a link between consistent advertising-to-sales ratios and consistent growth of Brand Power—consistent advertising leads to consistent Brand Power growth over time.

“Brand Ad/Sales Ratio Consistency” is expressed on a scale of 0 to 1, where 1 represents stable ad/sales ratios over time, and 0 represents unstable ad/sales ratios over time. “Brand Power Consistency” is expressed in the same manner.
The Impact of Advertising on Brand Momentum

Consistency in Brand Power Change & Average Brand Power Change ‘90–’96

- Consistency in Brand Power Change
- Average Brand Power Change

When Brand Power grows at a constant rate, it tends to grow faster than when Brand Power growth is erratic. Consistent Brand Power growth leads to greater Brand Power growth over time.

“Consistency in Brand Power Change” is expressed on a scale of 0 to 1, where 1 represents a constant rate of change, and 0 represents a fluctuating rate of annual change. “Brand Power Change” is expressed as the annual rate of change for the tier companies.

The Next Step

The information in this publication explains the dramatic impact advertising can have on brand momentum. Momentum is critically important to a winning team—and it’s just as important in building your corporate brand. Justifying advertising expenditures should be an easier task if management is building corporate momentum. But this is only part of winning at the branding game. In addition to gaining support for the corporate brand, you must remember that consistency is the most important factor in branding your company.

To achieve brand momentum, you must strive to have:

- **Consistent strategy or brand positioning**
- **Consistent messages to support the brand positioning**
- **Consistent levels of advertising support**

If you insist on consistency in your communications efforts, a more powerful brand will result.
Leveraging Brand Power

Advertising placement is as important as advertising spending. To generate real momentum, ads must target potential consumers of your product, or those who might influence your corporate reputation. Who are those people, and where are they likely to see the ads that you carefully create and support with hard-earned, and sometimes scarce, marketing dollars?

Obviously, corporate advertisers want to communicate with corporate decision makers—those individuals in top management who make the buying decisions. These are the people who read Business Week. Simply put, Business Week is read by more business professionals than any other business publication in the world. That makes it the ideal place to start building brand momentum through corporate advertising.

Since 1985, Business Week has taken a leadership role in recognizing outstanding corporate campaigns with its Awards of Excellence in Corporate Advertising. These awards are given on the basis of independently gathered advertising readership scores, and create another tool with which companies can gauge the effectiveness of their branding efforts. The winners are companies that understand the value of investing in their corporate brands. For further information about the awards or advertising in Business Week, please call Mark Flinn, Vice President of Sales Development at (212) 512-4773.
Based in Stamford, Connecticut, Corporate Branding is a highly specialized global communications consultancy that works with advertisers and agencies to measure and leverage companies’ corporate brands with key audiences. Their breakthrough work in analyzing the return-on-investment (ROI) for corporate advertising is changing the perception of advertising by senior management of companies around the world. Once thought of as an expense, corporate advertising is now considered an investment that can have predictable returns.

Jim Gregory, founder and CEO of Corporate Branding, has authored two books on the subject of corporate advertising, *Marketing Corporate Image*, and *Leveraging the Corporate Brand*. He is currently working on a third book on the subject, *Communicating Leadership in Business*.

He has also authored numerous published studies on corporate branding, including *The Impact of Advertising on Stock Performance*, published by the Association of American Advertising Agencies (AAAA), *Trends in Corporate Advertising*, published by the Association of National Advertisers (ANA), and his company’s publication, *Q&A on Corporate Branding: Answers to the CEO’s Toughest Questions*.

*The Impact of Advertising on Brand Momentum* is the first in a series of brochures by Business Week and Jim Gregory on the return-on-investment of advertising dollars. If you need additional information on this series, or would like extra copies of this brochure, please contact Mark Flinn, Business Week’s Vice President of Sales Development at (212) 512-4773.