Discovering Brand Magic: The Hardness of the Softer Side of Branding

by Alexander L. Biel*

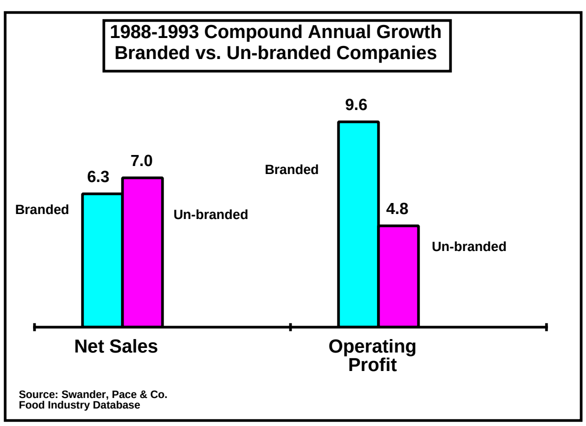
While there is clearly consensus that brands are valuable assets, there is less agreement as to the extent of that value.

It might appear that brands have not been flavor-of-the-month since Marlboro Friday, in 1993, when that brand announced a 20% price cut. This paper will examine the evidence of the value of brands from a financial point of view.

More importantly, however, we will explore a key driver of that financial value which we call, 'Brand Magic'. We argue that functional excellence is fast becoming a necessary but not sufficient attribute of strong brands. Instead, we suggest that brand strength depends far more upon developing a unique, vivid, and meaningful identity for a brand.

Financial Value of Brands

A study by the consulting firm of Swander & Pace showed that the profitability of companies selling branded products grew at *twice* the rate of those selling commodities during the five year period from 1988 to 1993, even though sales of the commodity-dominated firms slightly outpaced those of brand marketers.[1]



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* International Journal of Advertising, Vol. 16, No. 3 , August, 1997An earlier version of ideas in this paper was presented to the PMRS Annual Conference in Toronto, 1995. The former Executive Director of the Ogilvy Center for Research & Development, Alex Biel heads Alexander L. Biel & Associates, an international marketing consulting firm based in Mill Valley, California.

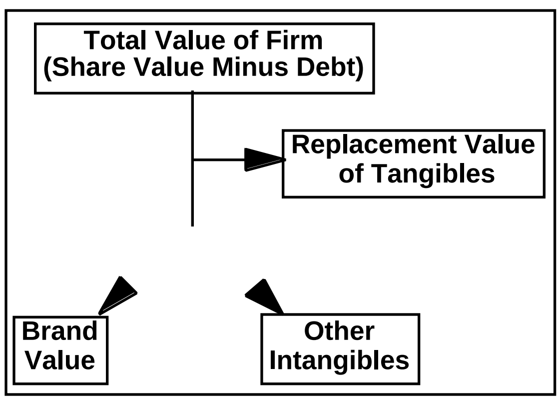
The financial strength of brands is not, of course, limited to growth but can be seen in terms of absolute return as well. For example, focusing just on 1993, and analyzing return on sales of branded products, the rate of return was almost three times the rate enjoyed by firms marketing unbranded commodities.

1993 Grocery Products
Firm Profitability

	Return on Net Sales
Branded	10.0%
Non-branded	3.7

Source: Swander, Pace & Co., Food Industry Database

Another way of demonstrating the value of brands is to examine brand value as a proportion of the firm's replacement value. Two economists, Simon and Sullivan, funded by the Marketing Science Institute, have developed a way of separating brand value from the other assets of a firm.[2]



They start by computing the value of the firm on the basis of its share value minus its debt. After deducting the replacement value of tangible assets, they have developed a way of separating brand value from other intangibles.

Using this unique approach, they've calculated the value of Seagram's brands at about 75% of the firm's replacement value, for example, Quaker's at 60%, and Campbell's at around 35%.

In effect, investors are saying that brands have a value above and beyond the capability of making or providing the underlying product or service.

Defining Brand Equity

Although definitions of brand equity abound, many of them fall into the trap of being rather more applicable to brand image.

We suggest that a meaningful definition of brand equity must relate financial value to consumer behavior. In our view, brand equity as consists of two linked elements: one element is expressed in financial terms, while the other is described in terms of consumer response.

Brand equity is the additional discounted future cash flow achieved by associating a brand with an underlying product or service.

That additional future cash flow is, at the end of the day, predicated on a buyer response to the branded offering that *exceeds* the response that would be achieved by that same offering without brand identity.

Indeed, it was Phillip Morris's exploitation of just such a response that lead the firm to demand double digit price increases for more than a decade. Their price retreat was based on the realization that while the brand was, and remains today, one of the world's strongest, it was none-the-less possible to raise the price *beyond* the point sustainable by the brand's perceived value.

But the more critical question is, 'where will brand value go tomorrow?'

The evidence suggests that brands will become more - rather than less - important, for one very good reason: brands are important to the *consumer*. Indeed, if brands were not important to consumers, few marketers would find them of interest.

Consider the observation of Donald Keough, former chairman of Coca Cola, after the unsuccessful introduction of New Coke:

> "The most important source of Coca Cola's continuing success is not the bottlers, the Coca Cola system, the corporation itself, its executive committees, employees, boards of directors, company presidents, or chief executives.
>
> It derives from the consumer."[3]

Mr. Keough should know; one of the great near-miss-steps of marketing took place during his watch, in 1985, when Coca Cola introduced New Coke.

Coke's mistake was an honest one; in taste tests with no brand identification, consumers preferred New Coke. But people don't buy *blind* products.

Half a million letters and phone calls later, Coke bowed to consumer demand; under the circumstances, pretty quick timing for a gigantic organization previously convinced that *it* controlled the brand. Coke Classic was back just 60 days after New Coke was introduced.

And of course the Coke story since then has been an amazing success, with an average annual 7% increase in sales, and 26% increase in share value.

The cover of a recent Coca Cola annual report showed the silhouette of the firm’s famous bottle, with the words, “ Quick. Name a soft drink.” The name of the company was absent. As the New York times put it, it was “a brilliant way of reminding investors of the brand equity enjoyed by Coke”.

But Coke is merely a high profile, extreme example of the relationship people have with many of the brands in what anthropologist John Sherry has referred to as their ‘personal brandscapes’.[4]

Consumers Value Brands

As we have demonstrated elsewhere, brands are important to consumers because they make choice easier.[5] Brands serve as shorthand for a bundle of both functional and emotional attributes. In effect, brands are problem solvers.

On a personal level, brands reduce performance risk.

On a social level, the brands one chooses, and the brands one rejects are self-expressive. Driving a Jeep Grand Cherokee defines me differently than were I to drive a Buick Riviera.

Owning a Mac distinguishes me from those who own PCs.

The strongest brands are those brands that have developed unique, meaningful differences that set them apart in the mind of the consumer.

These discriminators can be functional, or emotional, or a combination of both.

In the past, functional differences often distinguished strong brands. However, in today’s world of exploding technology functional/physical differences between competing brands have diminished, and the time advantage that a functional innovator used to enjoy has virtually disappeared.

When the cold medicine Contac was introduced, it was the first cold remedy with sustained release medication. This advantage was sustained for well over a decade and was used as its unique selling proposition. Today, there are at least a dozen competitors who offer this feature.

When Macintosh introduced the Graphical User Interface in the 1980’s, it was a unique, relevant functional difference. But that distinction diminished when Microsoft brought out Windows.

In the U.S., Unilever's Chesebrough Pond's unit recently launched its very successful Mentadent toothpaste containing baking soda and peroxide, two ingredients long associated with good dental hygiene that had never before been commercially combined. A competitor, Dwight and Church, has since introduced Peroxicare with the same ingredients less than two years after Mentadent’s launch.

American Airlines introduced the first frequent flier program, to be followed in literally days by United with a virtually identical knock-off.

Beyond this, functional distinctions have become progressively more marginal. Blind product tests indicate that consumers cannot perceive a distinction between leading brands in the majority of product categories. Note that this is on a blind basis.

When the brand is introduced, however, perceived differences emerge.

The ‘Softer’ Side of Branding?

The so-called ‘softer’ side of branding -- identity of the brand -- is increasingly being recognized as in reality the *harder*, cutting edge of brand differentiation.

Brand identity is reflected in the image and personality of the brand, and the quality of the relationship between the brand and the consumer. More often than not, a brand's identity is deeply rooted in the marketer's corporate culture.

We describe these unique values as Brand Magic.

Functional benefits invite imitation, but Brand Magic sharply etched, while difficult to build, is easier to own.

Examples of this phenomena are not hard to find.

Many insurance companies promise to indemnify their policy holders when things go wrong; but only with Allstate is the buyer promised the protection of the ‘good hands’.

With every pair of Nike shoes, the purchaser also gains a share in a passion for excellence, encouragement to 'do your own thing', and bragging rights to a brand with ‘an attitude’. The cutting edge of competitiveness is inextricable from the brand.

In the U.K., Andrex clearly promised a special kind of softness, as well as playfulness that no other band could easily pre-empt.

While virtually all marketers can wax eloquent on the functional properties of their brands, very few are able to articulate their brand’s ‘Magic’ with confidence.

Elizabeth Nelson, the distinguished researcher, and founder of Taylor-Nelson has noted that, “It is almost as if a brand is like a glass door through which the consumer can perceive the true values of (the corporation)".

To *build* strong brands, and to *keep* them strong, its important to understand the way in which consumers gain brand insight and form brand relationships. It is these insights that permit us to guide the actions through which consumers interpret the character of the brand.

One way to do this is by starting with a Brand Input Assessment (BIA).

The Brand Input Assessment

This involves inventorying and analyzing the objects, policies, and interactions that the brand has with its consumers. While the specifics of this process will differ by product category, it typically consists of reviewing the advertising the brand and its direct competitors are running currently, as well as the advertising that they ran in the recent past. It involves examining the brand's packaging and promotions compared to competition and includes a review of PR activity.

A thorough BIA also reviews policies and behavior at the consumer/brand interface. Depending on the nature of the business, this might include sales calls protocols, company help lines, reservation systems, service contacts, and telemarketing programs.

In effect, a BIA is an analysis of the elements that lead to the image and personality of the brand and the relationships the brand has with its consumers.

Clearly, advertising is one important source of image and personality. Michelin's long running campaign featuring babies, with the theme, 'because so much is riding on your tires' is one example of this.

But advertising is almost *never* the sole source.

Consumers interpret the actions, language, location and dress of a brand and thereby interpret the brand's intentions.

In the U.S., a brand like Celestial Seasonings that gives the purchaser a toll free phone number and invites a call with questions or comments may seem more open and approachable than one that does not.

The tongue-in-cheek manner of advertising for Apple's Macintosh, evokes the impression that the brand is warm and friendly, and not stuck-up. Their breezily-written manual enhances this perception. When the buyer of an Apple product, opens its plain-Jane, recycled packaging it signals that this is a brand that cares about the environment.

However, when travelers call the 'Friendly' skies of United Airlines for a reservation and are immediately placed on interminable hold after receiving a recorded message that 'your call is very important to us', it is not surprising that they perceive a certain amount of insincerity. When a departing flight is late, and the traveler cannot get a straight answer as to when the airplane will depart, mistrust deepens.

Recently, United has compounded the problem by running advertising stressing that employees care more because they are the new owners of the airline. But as Bob Garfield, the advertising critic, has noted, "...Just saying so and making it part of the corporate culture are not the same thing...this claim cuts both ways. Customers who chance upon *unfriendly* skies may now take it as a personal affront from the proprietor".[6]

Financial analyst Steve Lewins of Gruntal and company puts it more directly: “United is a 900 pound gorilla that needs a shave. There’s a lot they can do to improve their image”

L.L.Bean’s folksy manner, its rural Maine location, its offer to re-sole the boots it sells, and its straightforward, no-caveats guarantee tells the consumer that is a brand with which they can have a long-term, mutually satisfactory relationship.

Contributers to the Humane Society, arguably a ‘brand’ in the non-profit sector occasionally include the name of their dogs as donors. But when a pre-approved credit card arrives in the pet's name, indicating the Humane Society sold the doner's name to other institutions in the for-profit sector, that donor may well feel less kindly toward the charity.

Many executives admire the Wall Street Journal. They appreciate its news coverage. They make it easy for the subscriber to suspend service when out of town. But when they engage a telemarketer to call the subscriber at dinner time -- generally the time with the highest probability of finding the subscriber at home -- to solicit a subscription renewal, they chip away at the good will they've nurtured. Instead, the subscriber sees a pushy, intrusive side of the Journal.

Indeed, it is arguable that most outbound telemarketing -- and for that matter, direct mail -- is more destructive than marketers realize. The accounting procedures that demonstrate financial success at single digit response rates may well be misleading in that they don’t reflect the reactions of the over nine in ten who, having been interrupted, must go to the trouble of ridding themselves of the unwanted caller or piece of mail.

The Brand Input Inventory is an interesting exercise and almost invariably leads to some useful insights. While it sounds extremely pedestrian, and some managers initially question the BIA's utility, we have found that this very elementary activity almost *never* occurs as a standard, periodic review activity of the firm.

For most brands, these input acts are uncoordinated events that simply grew based on immediate needs. Often, they are executed by different organizational units of the firm. Seeing them as elements of a branding task casts them in a whole new perspective.

However, as its name implies, the Brand Input Inventory is ‘input’, rather than consumer reaction. And consumer *response* to the brand’s input is key to the process of understanding brand magic.

‘Brand Magic’

Many brands go slogging through life with very little magic, of course.

Often profitable, but frequently undistinguished, they are typically the third or fourth ranked brands in a category. While in some cases their magic really is absent, in many others it is simply undernourished.

The strongest brands discover, nurture and enhance their magic, developing it as a critical brand asset.

A brand's magic is composed of the brand's image, and its relationships.

Brand image, of course, is hardly a new idea; David Ogilvy championed it in the 1950's. At that time, it was a radical thought, suspect because it seemed so hard to get one's arms around.

The term was used then in a very particular way. Some advertisements were regarded as 'image' ads, like those that Ogilvy created for Hathaway and Schweppes, and others, like the analgesic advertisements of the day, were 'hard sell'.

Many supposedly tough-minded businessmen were cynical about the selling effectiveness of image advertising. Whenever a brand, or even an industry ran into slowing sales, image advertising was often shelved as an unaffordable luxury.

Today, however, we know much more about the nature of brand image and why it affects the way in which consumers value brands. It is now clear that those hard selling ads of yesteryear were *also* creating an image, although perhaps one of authoritarian efficacy or pushiness rather than of friendliness, or of caring.

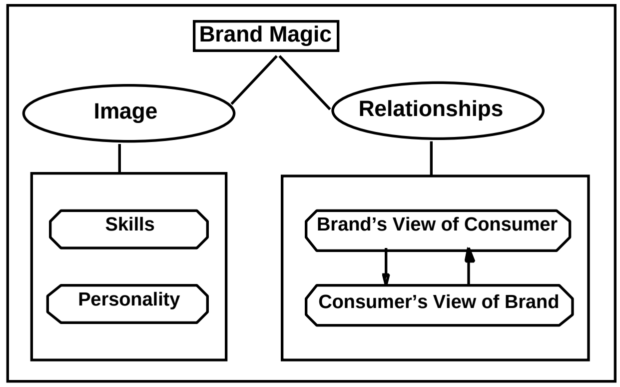
There have of course also been other significant changes in addition to the inability of most marketers today to sustain a functional difference.

As television has introduced a previously absent passivity into peoples lives, it is arguable that the acts of consuming -- shopping, buying, using -- have become more important activities in their own rights.

And the image of a brand has become an ever more important criterion for choice.

The construct of brand image, in turn , consists of what one might think of as the brand's perceived skills, its personality, and the perceived personality of its users.

Brand skills are those characteristics that consumers associate with the *functional* aspects of brands. Examples are attributes like being ahead of the pack in innovation, being durable, standing behind their products, or providing products that are high in quality. Contac's ability to relieve cold symptoms for 12 hours is a brand skill. So is Macintosh's ease of use, and Alka Seltzer's speed.



Most managers have a reasonable understanding of how their brands are perceived in terms of these skill-based attributes.

The second element of brand image is personality.

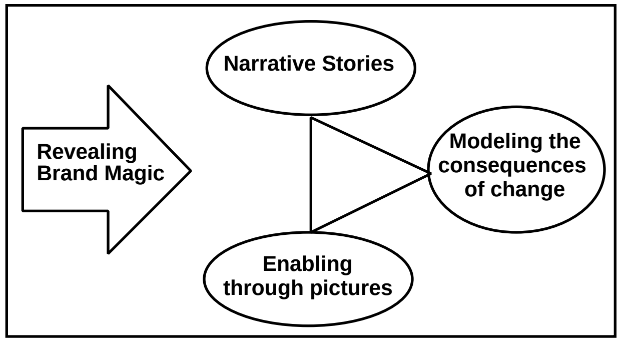
We define personality broadly to include traits defined by classical psychology such as dominance, or nurturance, but also to encompassas lifestyle characteristics like fun-loving, or adventurous. There is ample evidence that consumers characterize the personality of brands as if those brands were people.

This is the area that many managers have difficulty thinking about. It is not the stuff that is talked about much in business schools. But in fact understanding the personification of brands by consumers is very important as a step on the road to grasping a brand's magic. Brand magic, in turn, is vital to the development of a strong brand identity.

Promising New Approaches

Researchers have been capturing this through scaling brands in terms of traits, such as gentle, caring, mean-spirited, tough-minded and the like. But while the results of scaling are quantitatively attractive, the trade-off is that much of the texture and color of brand personality gets lost.

More recently, Olsen and Allen have suggested the use of narrative stories elicited from consumers as a powerful way of gaining insights about brand personality.[7] For example, they might ask a respondent to imagine the brand as a person and to play the role of a private investigator who follows the brand around for a day.



They have found that this sort of personification task poses no great difficulty to consumers, and that there is a good deal of consensus that emerges across respondents. Both of these findings suggest that personification tasks are *meaningful* to consumers rather than mere artifacts imposed by researchers.

Zaltman's Metaphor Elicitation Technique is another new and very exciting approach to understanding brand magic.[8] Arguing that most human communication is non-verbal, Zaltman starts with pictures: he arms consumers with scissors and cameras, and asks them to bring back pictures of the brand experience. Based on these *consumer-generated* intermediate stimuli, he then conducts an intensive interview that includes Kelly grid and laddering tasks, in which he elicits the consumer's own interpretation of *her* pictures.

There have been important breakthroughs in research in the quantitative measurement of brand image as well. Researchers have been describing these images for over 30 years. But while the descriptions were either comforting or disturbing, they didn't lead to any action. Today it's possible through research techniques based on micro models, to actually *design* a brand's image to give it optimum market-place positioning.

An example of this kind of model is Locator[sm], developed by Morgan of Research International.[9] Ordinary Likert scales are used to enable consumers to describe the major brands competing in a market on the basis of their personalities and skills. A constant sum preference task contributes the dependent measure.

Locator models the responses of each consumer on an individual basis. It is therefore possible to predict the impact of changes in perception upon brand choice.

If the brand were to be positioned, for example, as more frugal, will this increase or decrease brand preference?

This exercise doesn't tell the marketer *how* to make a brand more frugal. That is properly a creative task. But the micro-model addresses what would happen to preference *if* the brand were to be successful in moving in a specific direction.

Important approaches have emerged in the quantitative measurement of brand personality as well. An excellent example is Aaker's development of the brand personality scale.

Taken together, these tools offer the enlightened marketer important new resources for discovery and development of brand magic.

Relationships

The third element in understanding brand magic involves the insight that consumers *interact* with brands, just as they interact with the people in their lives.

This is new paradigm stands in contrast to unidirectional communication models that specify marketers sending messages to consumers, who then respond by either buying or not.

Blackston, who originally developed the idea, has demonstrated that consumers have relationships with brands.[10] These relationships are based upon the consumer's image of the brand, and also the consumer's perception of the image the brand has of him or her.

More recently, Fournier has identified the nature of those two-way interactions.[11] She has found that the quality of brand relationships can be explained in terms of the dimensions of intimacy, commitment, partner quality, attachment, inter-dependence, and love.

Fournier suggests that these relationships are formed based on brand actions that can build or dilute the *quality* of the relationship, and thus impact brand equity.

Brand personality, brand skills, and brand relationships, taken together, constitute brand magic.

Brand magic is a very real source of added value. It is why Coke scores much higher on identified product tests compared to its performance blind.

Consumers *like* brands because they add value to products. Which, of course, is exactly why marketers like brands.

If you accept this idea of brands adding value, then clearly marketing's role is to facilitate that process. And key to doing this is understanding and augmenting the magic of the brand.

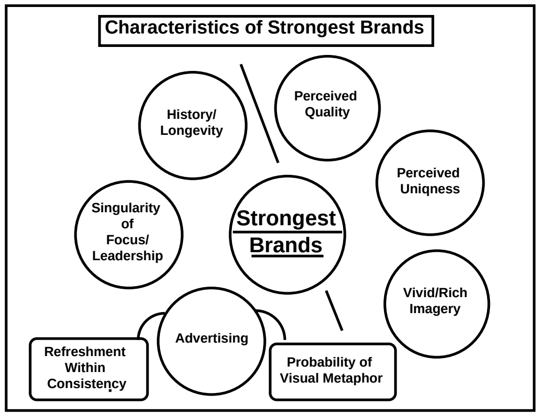
Characteristics of Strong Brands

Recently we had the opportunity to examine the characteristics that distinguished strong brands from their weaker sisters.

The data set consisted of 137 brands across 42 product categories.

This sort of analysis highlights the importance of a brand's magic in setting it apart.

Two sets of attributes distinguished the strong from the weak. Some characteristics were 'output' or response items. They reflected consumer *reaction* to strong versus weak brands, and included things like relative perceived quality. Another set consisted of what we might call 'input' items. These are characteristics like length of time in business.



Among the output items, stronger brands were more likely to be seen as unique. They enjoyed higher relative perceived quality relative to their competitors. And they were more likely to evoke vivid, rich imagery among consumers.

Input factors that differentiated strong brands included a sense of history; that is, stronger brands had a higher likelihood of having withstood the 'test of time'. Strong brands also were more likely to exhibit a singularity of focus, a factor we called 'category leadership'.

Advertising spending played a dominant role in the brand's marketing mix. We identified an dimension we called refreshment within consistency in the advertising themes of stronger brands. These brands were likely to run the same campaign for an extended period of time, changing the executions frequently but not the campaign theme.

We also found a higher probability of the presence of a visual metaphor for the brand. As we have noted elsewhere, visual metaphors are an important source of brand magic.[12]

Summary and Conclusions

This paper has argued that brands will increase in importance to consumers, and therefore to marketers. That is good news for manufacturers committed to brand-building. The bad news, for manufacturers, is that retailers recognize this, and the best of them are learning how to build strong brands of their own.

We have also suggested that what many view as the softer side of branding has a very *hard* edge indeed. In fact, the emotional, personal, relational aspects of branding are more likely to provide marketers with a lasting economic advantage.

Finally, we have noted that strong brands often employ a visual metaphor that contributes to their strength, and have suggested some of the attributes of this branding strategy.

Marketers who do not take the trouble to uncover their brand’s magic from the consumers point of view will stumble in the dark. Some, of course, will enjoy blind success; but more will fail.

Today we have the tools to really understand the so-called softer side of branding; tomorrow’s winning brands will use these insights as the basis on which to develop and grow.

Endnotes

1. Swander & Pace Newsletter, Winter 1995

2. Simon, Carol J. and Mary Sullivan, “A Financial Approach to Estimating Firm-Level Brand Equity and Measuring the Impact of Marketing Events”, Working Paper, Report 92-116, Marketing Science Institute, 1992.

3 Keogh, Donald, “The Importance of Brand Power” in Brand Power, P. Stobart, ed., New York; Macmillan, 1994.

4 Sherry, John, Paper presented at the XIV annual conference, Association for Consumer Research. Toronto; Association for Consumer Research.

5. Biel, Alexander L., “Converting Image into Equity”, in Brand Equity & Advertising, D. Aaker and A. Biel, eds., Hillsdale, New Jersey; Lawrence Erlbaum Associates, 1993.

6 Garfield, Robert, ”United Spot Flys Despite Some Potential for Disaster” Advertising Age, April 10, 1990.

7. Olsen, Jerry and Doug Allen, “Building Bonds Between the Brand and the Customer by Creating and Managing Brand Personality”, Presentation to Marketing Science Institute Conference on Brand Equity and the Marketing Mix, Tucson, Arizona, March 2-3, 1995.

8. Zaltman, Gerald and Robin Higie, “Seeing the Voice of the Customer: The Zaltman Metaphor Elicitation Technique,” Working Paper, Report 93-114, Marketing Science Institute, September, 1993.

9. Biel, Alexander L., “Converting Image into Equity”, in Brand Equity & Advertising, D. Aaker and A. Biel, eds., Hillsdale, New Jersey; Lawrence Erlbaum Associates, 1993.

10. Blackston, Max, “Beyond Brand Personality: Building Brand Relationships”, in Brand Equity & Advertising, D. Aaker and A. Biel, eds.,. Hillsdale, New Jersey; Lawrence Erlbaum Associates, 1993.

11. Fournier, Susan, “A Consumer-Brand Relationship Perspective on Brand Equity”, Presentation to Marketing Science Institute Conference on Brand Equity and the Marketing Mix, Tucson, Arizona, March 2-3, 1995

12. Biel, Alexander L. and Judie Lannon, “Steel Bullet in a Velvet Glove?”, Admap, April, 1993.

13. Note that not all brand symbols are metaphors. For example, the Metropolitan Life logo is a symbol, but has no meaning other than its association with Met life. Similarly, the Michelin Man of tires has no metaphorical content. Contrast this with the Umbrella (of protection) of Travelers, and the distinction becomes unmistakable.