



Research Insights | The Meaningful Brand—How Strong Brands Make More Money

Why do consumers pay a premium price for a brand? Is it better quality or the look and feel? Is it the brand's social standing? Nigel Hollis, Executive Vice President and Chief Global Analyst at Millward Brown, believes the answer to all those questions is "yes." Yet the vast majority of brands today trade on past equity and transient buzz. And marketers focus on plan execution rather than creating meaningful differentiation rooted in the brand experience.

This lack of meaning is creating a market full of commodities rather than products that instill loyalty. But repeat business is the key to long-term success, and that requires focusing on meaningful differentiation: functional, emotional, or societal. Meaningfully different brands can command a higher price and help marketers avoid the downward spiral of discounting. Our latest Research Insights focuses on the four components of a meaningfully different brand experience: purpose, delivery, resonance, and difference. This unique model shows you how to amplify the value of your clients' brands.

The 4A's thanks Nigel Hollis for sharing these valuable insights. For a deeper dive on this topic try Nigel's newly released book, [The Meaningful Brand: How Strong Brands Make More Money](#).

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The Meaningful Brand: How Strong Brands Make More Money

By Nigel Hollis

In recent years, the landscape of marketing has become more complex, but the fundamental goal of good marketing remains unchanged: to create brands that people find valuable and, by doing so, to create value for the company that owns the brand.

Brand is everything its owner controls and everything it suggests in the minds of its customers. Good marketing helps ensure that those mental associations make the brand more salient, more interesting, or more compelling than the alternatives; good marketing makes the brand meaningfully different.

At a time when brands are more valuable than ever—bought and sold for many times their annual revenues—companies and marketers are losing sight of what makes brands enduring, valuable assets. However, the ways brands make money have not changed.

There are five basic ways to create more value from a brand:

1. Encourage more people to buy the brand
2. Encourage people to buy the brand at a price higher than that commanded by the alternatives
3. Encourage people to keep buying the brand
4. Encourage people to buy the same brand but for new occasions or in new categories
5. Do all of the above, but more efficiently

Unfortunately, many marketers and CEOs appear to be fixated on the first growth mechanism (and improving its efficiency) to the exclusion and detriment of the others. The ultimate role of a strong brand is to command a price premium over comparable products and to create a sustainable financial value over the long-term.

Brands Influence Purchase Decisions

Brands become most important when people must choose between alternatives; this is when the influence of marketing can have its strongest effect. Good marketing ensures that the most relevant, motivating, and differentiating impression comes readily to mind when consumers are faced with a decision. The quicker a positive mental representation of a brand forms (i.e., the more salient it is) in relation to a need, the more likely it is that consumers will consider the brand for purchase. Millward Brown's extensive research finds that meaningful, different, and salient brands command significantly more volume and an average price premium of 13 percent higher than the alternatives, and they are four times more likely to grow over time. The end result is that meaningfully different brands return an average of 31 percent more operating profit as a proportion of revenues than brands that lack meaningful differentiation.

What Makes a Brand Meaningfully Different?

Successful brands are both meaningful *and* different. A "meaningful" difference is rooted in the intended benefit of the brand and provides a brand with a meaning that is likely to have an influence on a person's brand choice. A meaningful difference may be either a tangible, functional benefit or a more emotive one. In the absence of a meaningful difference, the cheapest brand may be regarded as the best choice; lack of differentiation turns brands into commodities and marketing messages into white noise.

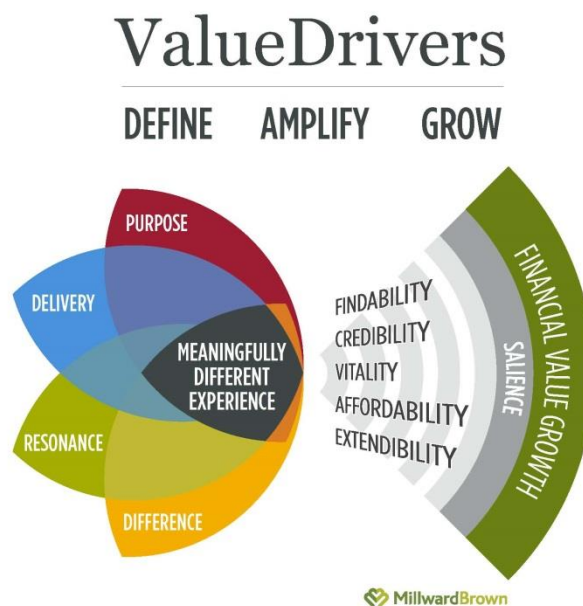
Justifying a Price Premium

The classic definition of brand value is the difference that a brand can command against a generic product equivalent. As noted above, Millward Brown's research finds that meaningfully different brands command an average price premium of 13 percent higher than the alternatives. If anything, this is likely an underestimate of the premium that could be commanded if brands were actively managed to maintain margin, not volume. All too often, however, marketers are lured into using price promotion and discounts to drive volume, training consumers to expect to find the brand sold on deal. The end result is that margins are squeezed, investment in innovation and marketing declines, and the brand enters a downward spiral as further price discounts are used to try to maintain volume sales.

To avoid this death spiral, marketers need to focus on justifying their brand's price premium. The fundamental driver of premium is that the brand be considered different from the alternatives. This can either be because the brand is perceived to be setting the trends for its product category, usually based on a functional advantage, or because the brand has set itself apart by creating perceptions of difference based on its values, personality, tone of voice, or the causes it espouses. Apple would be the archetypal example of a brand that has justified a price premium by redefining what was expected of first personal music players, then mobile phones and tablet computers. Johnnie Walker, on the other hand, is a good example of a brand that has created intangible differentiation based on its "Keep Walking" campaign. Any brand could have claimed the idea of progress for its own, but Johnnie Walker did so first and has maintained the feeling of difference through its highly visible advertising.

Linking Meaning, Difference and Salience to Financial Outcomes

Research from Millward Brown finds that people are predisposed to buy brands that they believe are meaningful, different, and salient. These three qualities determine how likely people are to choose the brand, pay a premium for it, and stick with it in future. However, these three properties differ in how they relate to behavioral outcomes. A brand that is meaningful and salient is likely to command volume sales but will not be able to command a price premium unless it is also perceived as different. If a brand is more meaningful, different, and salient than its competition, then it will likely command the highest value market share among its target audience.



Creating a Meaningfully Different Brand

Clarity of Purpose

Purpose is the foundation on which strong brands are built. A brand must have some basic functional purpose; it must provide something consumers want or need. For a brand to be perceived as meaningfully different, it must offer something its competitors do not, and that offer must resonate with customers. This is most likely to happen when a business is clear about the purpose of the brand, and the brand delivers the differentiated experience it promised.

An Environmentally Conscious Purpose

Patagonia Inc. is a great example of a company whose purpose has informed its strategic decision making, from production to marketing. Founded in 1973, Patagonia produces high-end outdoor clothing using recyclable fibers and organic cotton, and donates one percent of sales to environmental causes. Through their commitment to the environment (and the bottom line), Patagonia has attracted a loyal following of active outdoors enthusiasts and environmentally conscious consumers.

In 2011, Patagonia implemented a risky “buy less” campaign that asked consumers to help the environment by purchasing fewer goods, including Patagonia products. Ironically, and strategically, this campaign increased sales by building brand trust and aligning the brand’s purpose with customers’ interests. As a result, Patagonia has grown to 88 stores across the United States, Europe, and Asia, and revenues have doubled from 2007 (\$270 million) to 2012 (\$543 million) and are expected to continue growing at 15 percent per year.

Effective Delivery

If purpose is the difference that a brand promises to make in people’s lives, then delivery is how well the brand fulfills that promise. Good delivery is critical to a brand’s long-term success, and the meaningful difference should be inherent in a consumer’s experience with the brand. Delivery is simply how well the company walks its talk.

Delivering the Authentic and Affordable

In 2005, Hamdi Ulukaya bought an abandoned Kraft yogurt plant to mass-produce Chobani, a Greek-style yogurt. At that time, the thick style of yogurt could only be purchased in health food stores or made at home. Ulukaya felt that Americans would appreciate the taste and texture of “real” yogurt and enjoy the health benefits of a high-protein and low-fat product. The brand strategy focused on the authenticity of the yogurt at an affordable price (it retailed for about one dollar per cup), and consumers responded enthusiastically. As a result, the brand attained mass distribution in two years. In just five years, the company held over half of the U.S. Greek yogurt market, and nearly 20 percent of the total yogurt market. By 2011, Chobani was the number one yogurt brand in America.

A significant part of Chobani’s appeal is that the product delivered a noticeably different, and more enjoyable, experience than the existing products in the marketplace. Years of focus on low-fat and functional messaging had left the U.S. yogurt market wide open to a brand that delivered a better product. As a result of its superiority Chobani relied on brand evangelists and word of mouth until its first campaign in 2011.

Resonance

A clearly defined purpose – and a company organized to deliver that purpose – will do little to build brand value if the brand's offerings are not useful and relevant to consumers. Strong brands do more than create satisfied customers; strong brands strike an emotional chord with consumers – they resonate. The most powerful type of resonance occurs when strong emotional bonds connect consumers with brands.

Created for Women Athletes

Founded in 1998, Lululemon has cultivated an ardent consumer following through its focus on fashionable, environmentally friendly yoga apparel for women that offers the same technical performance aspects as men's sports apparel. Unlike key competitors Nike and Adidas, female athletes were the company's initial focus – not an afterthought.

Lululemon spends virtually nothing on advertising. Instead, the company focuses on creating a unique guest experience. Instructors wear the clothing at in-store events like self-defense and goal-setting workshops, simultaneously building awareness of the product line and building strong ties with local communities. Through the community portal on the website, Lululemon invites customers to share their Lululemon experiences via Instagram and Twitter photos with the hashtag #thesweatlife.

The company now has over 200 stores, and sales soared from \$40 million to \$1.37 billion in eight years. In the U.S. alone, sales grew 40 percent in 2012. Millward Brown BrandZ data show that once Lululemon overcame the hurdle of creating awareness for the brand, those who have experienced it see its advantage and become bonded to it, particularly those among their key target group of women 35 and over.

Differentiation

If a brand is intended to create a sustainable competitive advantage, then that brand must be well differentiated, and marketing must reflect and enhance that differentiation. Brands that are well differentiated set the trend for their category or transcend it; they act differently and stand out from their competition. Brands that are typically cited by marketers as the ones they admire – Apple, Virgin, Facebook, Disney, Coke, Audi, Jack Daniels – are all well differentiated. Whether the differentiation is functional, physical, or visual or based in persona, tonality, or viewpoint, these brands are not going to be mistaken for another. In relatively undifferentiated categories, marketing – how the brand communicates – becomes the primary source of differentiation.

Dedicated to Frugality

IKEA is an excellent example of how the power of difference to help justify a price premium does not preclude a value brand benefiting from being seen as different. In the U.K., for instance, the brand is seen as different, trend setting, and a better value than other furniture stores. IKEA does not seek to appeal to everyone, but it does aim to satisfy those who need to furnish an apartment or house as quickly and as cheaply as possible.

Frugality is central to IKEA's success and reflects the philosophy of its founder Ingvar Kamrad. Furniture sold in the store is designed to meet target price points and serve its function well. Moreover, if the IKEA brand were defined by "furniture," then its growth curve would be confined by how many people are willing to buy flat-pack furniture from big box stores. But the brand's position as "smartly frugal" means that the addition of flat-pack houses, budget hotels, and student accommodations to the company line-up makes perfect sense.

Defining a Meaningfully Different Experience

Purpose, delivery, resonance, and differentiation create a brand's meaningfully different experience. A brand's purpose will inform whom the brand appeals to, what is most important in terms of delivery, and what will differentiate the brand from the alternatives. The fusion of these four key factors is what determines whether or not a brand is meaningfully different.

Driving Sales through Purpose, Delivery, Resonance, and Differentiation

The Mini Cooper is a prime example of a meaningfully different experience employed to good advantage. Though the car enjoyed an iconic status in Europe for decades, the Mini Cooper never gained popularity in the United States. However, when the brand reentered the U.S. market in 2002 after an absence of 30 years, the company targeted younger, more non-traditional car buyers who were attracted to the unique brand appeal of the Mini's compact size, fuel efficiency, and fun, sporty performance.

Mini's target consumers do not typically respond to traditional advertising, so the company relies on clever stunts (challenging a Porsche to a race), event marketing (annual road trips for owners), and offbeat outdoor advertising to stand out in a crowded marketplace. Mini also gives brand owners special treatment, as they often serve as the best leads to new sales.

As a result of marketing efforts, Mini achieved its first year sales targets in nine months and won the 2003 North American Car of the Year Award. Mini has grown from one to seven available models at 119 dealers in 38 U.S. states. Sales in the United States have eclipsed those in the U.K., and the company posted a 26 percent increase in 2011, and 15 percent increase in 2012.

Amplifying a Meaningfully Different Brand

A brand's meaningful difference should be amplified through all aspects of the consumer experience. The meaningfully different experience becomes a reference point for all decisions made about when, where, and how to market the brand. Good marketing ensures that the brand's meaningful difference remains apparent and salient across all touchpoints to increase the financial value of the brand.

There are five primary methods for amplifying a brand's presence and increasing its value.

1. **Findability:** Unless the brand is easily found when and where people want it, it will never recognize its full potential. Physical distribution is the most important factor in determining the success of a new consumer packaged good; the second is brand awareness. If marketing has been done well, then seeing the brand will evoke a strong positive impression and encourage purchase.

A Brand Goes Big Time

Burt's Bees makes over 150 personal care products using primarily natural ingredients, most notably its famous beeswax. Initially, the brand relied on a niche group of consumers who were willing to seek out the more expensive brand since it offered high-quality, natural ingredients and environmentally friendly practices.

When Clorox purchased the company in 2007 for \$925 million, distribution was drastically improved and Burt's Bees became a mass-market brand. The company's products are now available at over 30,000 health food and grocery stores in North America, Europe, and Asia. North American sales grew from \$71 million in 2003 to over \$200 million in 2012, averaging 25 percent compounded growth nearly every year.

2. **Credibility:** A brand's meaningful differentiation should be enhanced through innovation and association with brands, people, and events. Once the brand's meaningfully different experience has been identified, then all the brand's actions should be aligned to build and enhance that experience to develop the brand's credibility.

Celebrating Fashion

The fashion brand Burberry has long been associated with celebrities like Kate Moss, Emma Watson, and Rosie Huntington-Whitely. True to this strategy, the new Burberry Spring/Summer 2013 campaign features several British models including Edie Campbell and Charlie France. But the campaign also features Romeo Beckham. The ten-year-old son of Posh and Becks is an integral part of the campaign, lending it a youthful enthusiasm that counterpoints the more poised and posed models. The young Beckham not only serves to bring important energy to the campaign it also draws on the allure of his parents and indirectly highlights the brand's children's wear line.

3. **Vitality:** A successful brand must have vitality; it must seem active and alive, part of the contemporary scene. A brand's communication must keep the brand salient and current if the brand is to remain top-of-mind for consumers. Strong brands must be seen as contemporary and thriving, since consumers are drawn to brands that are popular and talked about.

Leading the Charge

Recently, the gin market was in decline; it was seen as old fashioned and with fading relevance. Gordon's was the market leader but was not acting like one, getting caught up in tactical battles with competitors about superiority and taste. As a result, Gordon's was suffering from loss of affection – consumers who had a high opinion of the brand fell by a third from 2008 to 2010, and Bombay Sapphire was seen as the more modern, popular brand.

Gordon's created their new leadership strategy around the following principles:

- Leadership brands don't get dragged into low-level tactical squabbles
- Leaders elevate upwards and talk about category benefits
- Leaders position themselves as the definitive category brand.

Gordon's wanted to convey the appropriateness and specialness of a gin and tonic (G&T) to start an evening and came up with the following slogan: "Shall we G&T started?" In-market, Millward Brown tracking data showed that consumers found the brand more "modern and up to date" and associated the brand 40 percent more strongly with "first drink of the evening."

4. **Affordability:** Apart from the quality of the product or service, affordability is the most important variable in the marketing mix. Finding ways to make it easier for people to buy your brand will help entice new buyers, but if the balance between price and value perception is off, then the brand will end up losing margin and enter a death spiral. Manipulating a brand's price is the easiest way to generate additional volume sales and, at the same time, it is the biggest threat to sustainable, long-term profitability.

A Cheaper Luxury?

Apple is addressing affordability with the introduction of two new iPhones, the high-end 5S and the 5C, a new entry-level model aimed at the Chinese market. Particularly in China, the challenge is to retain the status indicated by the ownership of a full-fledged iPhone while still making a cheaper alternative desirable to a broader audience. The crux of the dilemma facing Apple is to "brand down" so that the people buying the expensive model believe they are getting something visibly superior, while the people who are only able to afford the cheaper model are still happy to own a product from the coveted brand.

Though the existence of a cheaper version of the iPhone could signal that the brand is no longer elite – and thereby expose Apple to competition from cheaper brands – the absolute price of the 5C is still high and it seems unlikely that the brand's appeal will be diminished.

5. **Extendibility:** Once a brand is salient, meaningful, and different, extension into new categories and countries offers a way to maximize the brand's value. A meaningfully different brand can extend to new usage occasions, product categories, and geographies – without every step of the process needing to be worked through from first principles. Adaptation will no doubt be necessary, but knowing that what the brand stands for already resonates in one category will make that adaptation easier.

Ice Cream Goes Global

Häagen-Dazs may have been born in the USA, but today it faces strong competition in its homeland. If you want to find Häagen-Dazs at the height of its power today, you need to go to China.

In China, Häagen-Dazs presents a unique, indulgent, and adult ice cream experience, primarily through its retail stores. Located in the ritziest parts of town (a strategy that harkens back to the very earliest days of the brand in Manhattan), the retail cafés offer a luxurious dining environment. Customers select from an extensive menu of desserts that are designed to be shared with loved ones and friends.

Fortune magazine estimated that in 2010 Häagen-Dazs brought in revenues of over \$100 million in China and grew at an annualized rate of 21 percent over the three previous years. Currently, the majority of that revenue comes from ice cream parlor shops as opposed to supermarket sales. The company expects even higher year on year growth in 2012 from the stores, gifts, and food services and plans to introduce 20,000 more supermarket freezers over the next three years.

Make the Most of a Brand

A consumer's impression of a brand is gained through a series of disconnected encounters with it: observing it in use, seeing an ad for it, or glancing at an online review. If a brand is to be meaningful, then it needs to ensure that every encounter delivers a consistent impression.

Grow Brand Meaning to Grow Financial Value

Although times have changed, the foundational principles of good marketing have not. People still value things that they find meaningful and are predisposed to choose things that stand out from the crowd. Strong, profitable brands are meaningful to their consumers, perceived as different from the competition, and are more salient. The thoughtful application of the framework in *The Meaningful Brand* will create the opportunity for marketing to increase a brand's sales and profits over the long-term.