On the Origin of . . . Sales

You know that, as a brand manager, you are responsible for the most important asset in your organization. But does your finance team see it that way? To them, this seemingly obvious assertion may seem as implausible as Darwin’s announcement that humans were descended from apes. “Where’s the proof?” they cry.

As the body of fossil evidence has grown over the years, even hardened skeptics have admitted the likelihood that Darwin was right. We marketers also have “fossil evidence” that documents the importance of brands in building corporate profits, but we are nowhere nearly as far along in proving our case.

Omar Saad, a director and analyst at Credit Suisse, was recently quoted as saying, “We believe a strong brand is one of the most powerful and sustainable advantages a company can have, but one that is often ignored by the financial markets.” We not only agree with Mr. Saad, but would go one step further: It isn’t just the financial markets that downplay the importance of brands. The financial people who work down the hall from the brand managers and marketers are also unclear on brands’ value. If the currently controversial assertion that “our brand is our most valuable asset” is to become a commonly accepted fact on which business planning is based, then marketers need to advance their cause by regularly presenting reliable and credible metrics to key stakeholders.

Natural Selection Favors Companies With Strong Brands

Many marketers may not even realize how much supporting evidence is available to them. Millward Brown has carried out extensive research (unfortunately not in the Galapagos Islands) that demonstrates just how important brands really are. The most compelling evidence comes from “BrandZ Top 100 Most Valuable Global Brands,” a ranking generated annually by Millward Brown Optimor and based on BrandZ, the world’s most comprehensive brand equity database. On average, brands in the BrandZ Top 100 represent around 40 percent of shareholder value, although for some companies such as Coca-Cola, brand represents as much as 60 percent of the total value of the business.

The work done by Optimor clearly proves the link between brand strength and financial success. The companies with the strongest brands outperform their peers on the stock market year after year, even since the recession, with strong brands showing their ability to withstand tough economic conditions. Millward Brown also has proof that investments in effective brand-building yield long-term benefits. A Millward Brown analysis of econometric...
models for 83 brands demonstrated that the long-term sales effects of advertising outweighed the short-term returns by a ratio of nearly three to one. And not only do we understand the long-term value of investment in brands, but new approaches to modeling even allow us to estimate the payback from that investment before it is made.

By connecting measures of brand strength from tracking studies with underlying base sales, these models allow us to estimate appropriate media investment levels and give advice on ideal communication strategies to build brands. In a recent example of this analysis conducted for a major financial services group, the ratio of long-term to short-term returns was 2.87:1. We were also able to establish how much this varied by media. Long-term returns were four times greater for TV activity, reflecting its key role in building long-term brand strength. The returns from digital activity were greater in the short term, reflecting the more important role digital media tends to play in activating sales.

Survival of the Fittest

Species evolved as random mutations proved advantageous to survival. The individuals that inherited the gene for a longer neck or sharper eyesight were better adapted to their environment and thus better able to reproduce. Eventually the members of the superior genetic groups prevailed over the individuals that didn’t share the advantageous trait. How can companies and their brands develop the advantages that will improve the likelihood of their future survival and ultimate success?

Brands and companies don’t have “random mutations.” Though random events may take place in a brand’s environment, all companies have access to the same information and resources. Market research is one of those resources, and most companies avail themselves of it. However, it isn’t enough to just “do” research; the companies that will gain an “evolutionary” advantage will be those that use research effectively. Research will help companies control the evolution of their brands. Research can provide information that can inform strategic decisions and aid in monitoring the degree to which execution against strategy is delivering competitive advantage.

Marketers: Share Research to Develop a Dominant Brand

By sharing the results of a well-planned and well-managed research program, marketers can help everyone within a business appreciate the relationship between their brand-building efforts and the ultimate financial performance of their organizations. When everyone is aware of this relationship, the organization can be more effectively aligned to fulfill its mission. In a recent Millward Brown Point of View titled “Brand: The New Business Leadership,” Mario Simon expanded on Jim Stengel’s concept of “brand ideals” by saying, “The ultimate test of … a brand ideal lies in the degree to which it permeates the business and provides a compass for everything the company does.” If the brand ideal is to be the compass that steers all efforts, everyone needs to read that compass. It’s not enough just for marketers to have the information; they need to share it.

Making the simple complicated is commonplace. Making the complicated simple, that’s creativity.

– Charles Mingus, Jazz Musician

One way to share information effectively within an organization is through the use of simple, accessible management dashboards that contain brand measures.
which are predictive of increasing brand strength and financial growth. But this is easier said than done. Many marketers are already struggling to find these kinds of insights in the mass of information that is available to them. Complicating the matter further, technology offers an overwhelming number of options for creating and delivering dashboards online. People need clear guidance on what metrics should actually be included, yet too often this advice is not available.

In the wise words of jazz musician Charles Mingus, “Making the simple complicated is commonplace. Making the complicated simple, that’s creativity.” How can we get the measures a business needs for strategic decision-making into a clear and simple but comprehensive summary? Here are a few pieces of advice.

*Don’t be overambitious.* If you design a dashboard that is too complex, the development and implementation process will be difficult and unwieldy. Dashboards should provide top-level information that will allow business leaders to make important strategic decisions. They should not contain every single piece of information that could possibly have a bearing on a course of action. The ideal solution is a simple brand-focused dashboard that has a proven link to financial performance. This will give everyone in the organization a clear focus on the brand and its role in driving the business forward.

**Look ahead.** Many dashboards just reflect the brand’s current financial performance, while they should ideally include forward-looking metrics that indicate the likelihood of future financial gains. They should display measures that are predictive of brand performance over the long term. When brand owners use a forward-looking dashboard, they will be less likely to remediate a short-term problem without understanding the long-term implications of their action.
Using a well-designed dashboard to communicate a brand's performance against its strategy can enable all the different parts of an organization to unite in an effort to build a strong and successful brand.

**Measure progress.** Dashboards should allow for continuous monitoring and reporting of brand progress against targets that have been set on the basis of the ultimate objectives for the brand. These targets can be identified by using the kinds of modeling tools mentioned earlier. The use of brand-based targets will make the dashboard a critical tool for increasing marketing ROI.

A focused and action-oriented brand dashboard for a consumer packaged goods brand might contain the following measures:

**Lead indicators of short-term sales performance:**
- Unaided brand awareness
- Total communications awareness
- Tactical message registration

**Forward-looking indicators of future sales and profitability:**
- A measure of brand strength (e.g., Voltage)
- Key components of brand strength measurement such as emotion, performance, dynamism, popularity, differentiation, value

**Target levels set on the basis of desired financial performance**
Brand performance reported using “traffic lights” to clearly indicate where risks and opportunities lie

Dashboards like the one just described and depicted in Figure 1 can be used to guide brand strategy at an overall level and draw attention to areas where a course correction may be needed. The dashboard, however, should not be expected to call for the specific action required; the brand managers themselves need to use additional information to identify those tasks. For example, when a brand is performing poorly on the performance measure, the brand stewards need to determine whether the issue is one of perception (to be addressed through communications) or a functional product issue (to be addressed through product development work).

However, thanks to the dashboard, everyone in the organization would be following the same strategic vision. Everyone would know what the big challenges and issues are for their brands as they head towards their shared goal of achieving the company's financial targets.

**The Evolution of Brand-led Organizations**

Using a well-designed dashboard to communicate a brand's performance against its strategy can enable all the different parts of an organization to unite in an effort to build a strong and successful brand. When properly planned and widely utilized, a good dashboard will contribute to a culture of transparency within an organization and will highlight the value of the work done by brand teams. Well-promoted evidence of the long-term financial value of brand-building is also an essential part of the argument for marketers as they secure brand-building budgets.

Research and debate on the origin of sales will no doubt continue, but it can now be carried on within a new frame of reference. Just as Darwinism has now become commonly accepted among most in the scientific community, so one day will the assertion that “brands build sales.”

To read more about the evolution of brands, visit our blog at www.mb-blog.com.

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