

# Brand Building and Communication: Power Strategies for the 21<sup>st</sup> Century

CONSORTIUM BENCHMARKING STUDY

**BEST-PRACTICE REPORT**



AMERICAN PRODUCTIVITY & QUALITY CENTER

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## STATEMENT OF PURPOSE

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**AAA**

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**Bell Canada**

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**CASE Corporation**

**Chase Manhattan Bank**

**CIGNA**

**Compaq Computer Corporation**

**EDS**

**Ernst & Young**

**GTE Service Corporation**

**Hallmark Cards, Inc.**

**Houston Industries**

**LifeWay Christian Resources**

**Lindsay, Stone & Briggs**

**Marriott International**

**Mutual of Omaha**

**Nationwide Insurance**

**Pillsbury Company**

**Reynolds Metals**

**Rockwell Automation**

**State Street Bank**

**Texas Utilities**

**Thomas Cook Group, Ltd.**

**University HealthSystem Consortium**

**United Parcel Service**

**Western-Southern Life Insurance**

# Partner Organizations

**American Express**

**\*Bell Atlantic**

**Burger King**

**\*DuPont**

**Fisher-Price**

**General Electric**

**Harley-Davidson Motor  
Company**

**Hewlett-Packard**

**Intel Corporation**

**\*Levi Strauss & Co.**

**Lucent Technologies**

**Mercedes-Benz, N.A.**

**\*Merrill Lynch**

**\*Mobil Corporation**

**Sears, Roebuck and Co.**

**\*Southern Company**

*\* Represented in quantitative data and partner organization profiles only.*

# Executive Summary

**B**rands have been with us since ancient times. Perhaps the first unrecorded brand strategy was when a potter put an imprint of his thumb in the wet clay. Or perhaps it was a toolmaker who carved a distinguishing mark into the handle of a blade. Whatever the origin, the practice of identifying the goods (and later, services) with the craftsman who created them gave early consumers a means to distinguish the goods of one maker from those of another. This added another dimension on which buying decisions could be made. In addition to considering the price, availability, and functional attributes of the pot or the tool, buyers could take into consideration their knowledge of the maker; his reputation for quality, for consistency, for honesty; and his standing in the community. The craftsman soon came to realize his “maker’s mark” added value to his wares—that it gave him intangible competitive advantages that translated into a greater demand for his products, and that because of it, he could charge more for his “marked” product than for one of unknown origin.

Eventually, the rise of merchants, brokers, and other resellers added another dimension to the concept of the “brand,” making possible the divorce of the maker and the seller. The distribution channel created another level of marketplace sophistication and transformed the two-way relationship between maker and buyer into a three-way association of maker-seller-buyer. The development of brands and the separation of maker, seller, and buyer are what now distinguish the modern marketplace. One cannot exist without the other, and all are mutually dependent.

The emerging marketplace of the 21<sup>st</sup> century is infinitely more complex than that of the ancient potter or the toolmaker, or even the maker-seller-buyer structure that is in place today. However, the primary function of the brand—that of differentiating one seller or one vendor or one organization from another—remains largely unchanged. The ultimate goal of branding is still to establish a powerful, relevant identity in the minds of customers in order to encourage their initial purchases and nurture an ongoing relationship between the marketer and the end user.

While brands and branding have been with us, in one form or another, since the dawn of commercial enterprise, it is only within the past 20 years or so that manufacturing organizations in North America have shown so much interest and perceived value in their brands. While brands historically have been within the purview of manufacturers, today all levels of distributors, intellectual property holders, value-adding organizations, and the like are attempting to apply branding principles to distinguish

themselves from competitors. Thus, brands and branding have taken on broad new meanings in the emerging interactive information age that we are entering.

Never before has so much emphasis been placed on the contributions of the brand in establishing and maintaining a competitive advantage.

For the most part, the modern marketplace is characterized by intense price competition between products with few distinguishing features, attributes, or distribution advantages. Or if such competitive product or distribution advantages are developed, because of the transferability of technology, those advantages quickly disappear. Thus, many marketers have seemingly moved beyond tangible advantages to embrace the intangible but powerful advantages that can stem from brands and branding. Thus, the brand becomes the latest focal point of competition, and the one area where an organization can achieve meaningful and sustainable differentiation among target customers and prospects.

A fundamental assumption of this study is that a strong brand is far more than a recognizable name, a memorable mark or logo, or a catchy tag line. In fact, a brand is also more than a distinguishable product with practical physical advantages for the purchaser. While a brand is crafted in part from these basic building blocks, it is the customer who attaches meaning to these visible cues based on his or her own experience and perceptions. Ultimately, it is the customer who determines the true value of the brand. This value is derived from his or her knowledge of the brand's functional and emotional attributes; from the associations he or she makes about the product, its category, and its parent organization; and from the interactions that customers have with the brand's representatives, such as employees, franchisees, channel customers, and other brand owners and users.

The modern organization is faced with the challenge of finding ways to invest its brand with a rich and vibrant identity that resonates with customers and to align its internal operations, including employees and channels, with the core promises it makes to external customers. In addition, the modern organization must then support those identities and promises throughout the value chain.

To explore this complex yet vital concept, the International Benchmarking Clearinghouse, a service of the American Productivity & Quality Center (APQC), and the American Marketing Association (AMA) joined to conduct a first-of-its-kind study on brand building and communication.

The study was conducted in two phases:

1. **Preliminary Mail Survey:** A two-page questionnaire was sent to members of the American Marketing Association and other marketing executives in early 1998. The purpose of the preliminary study was to identify broad practices, policies, and processes deemed by these practitioners to be important in the development, communication, and evaluation of successful brands. The survey also sought to establish a general framework on how marketing organizations approach matters of brand development and management through communication. This formed the foundation for the benchmarking study that is the basis of this report.

2. **Consortium Benchmarking Study:** A 44-company consortium benchmarking study kicked off April 28, 1998, and its results are reported here. This study is an in-depth examination of the best-practice factors most associated with branding success in the initial, preliminary research phase. This study also investigates how leading practitioners develop organizational structures that help build branding success.

Companies participated in the benchmarking phase of the study by attending a series of planning sessions, completing data-gathering surveys, and attending or hosting on-site interviews. Of those 44 companies, 28 sponsored the study (“sponsor companies”) and 16 were identified as having strong brand building and communication programs in place. These 16 were invited to participate in the study as benchmarking partners (“partner companies”). The total number of respondents to the quantitative portion of this study is 26 sponsors and 16 partners. (Two sponsors did not participate in the quantitative portion.)

### STUDY FOCUS

Drawing input from Agora, Inc., leading brand practitioners, and secondary research literature, the APQC study team identified three key areas for research. These areas guided the design of the data collection instruments and were the base from which findings have been developed. A brief description of the three areas is provided below.

#### Brand Building

- Understanding customers’ perceptions and images of the brand
- Assessing core and extended brand identities
- Developing relevant brand value propositions

#### Brand Communication

- Creating a unique brand position and identity
- Communicating the brand’s identity and promise
- Aligning internal and external communication activities

#### Measuring Brand Results

- Monitoring changes in customers’ brand awareness, perceptions, associations, loyalty, and satisfaction
- Determining appropriate levels of brand support
- Creating approaches for financial measurement of brand equity

### STUDY KEY FINDINGS

The partner and sponsor organizations participating in this study exhibited many significant differences in the processes, policies, and approaches used in brand development, management, and evaluation.

The partners represented in this study are all major, global organizations, typically much larger than the sponsor firms in terms of annual revenues. Despite their larger size and scope, however, partners tend to have fewer separate and distinct brands. Additionally, the brands they have are usually closely aligned with and tied to the corporate umbrella brand, rather than being separate, independent identities.

Partner companies appear to be masters of both consumer and business-to-business marketing. While branding is often associated with consumer marketing, the partner companies in this study employ brands and branding practices in both markets and do not seem to distinguish between consumer and industrial brand strategies.

Thirteen “key findings” emerged from this study. They have been grouped into four sections and are listed below:

### **Section 1: Overall Brand Structure, Policies, Practices**

1. There is no one best brand structure. Best-practice companies create a structure that is most appropriate for their business, circumstances, and culture. They then sustain that structure with a well-articulated brand strategy policy and organizational support systems that guide communication program development.
2. Achieving brand consistency, coordination, and compliance is a critical but elusive goal.
3. Leadership and support of senior management is essential to developing and sustaining successful brands.

### **Section 2: Building the Brand**

4. The purpose of branding is to establish a meaningful, differentiated presence that will increase the organization’s ability to attract and retain loyal customers and improve their marketplace maneuverability.
5. Brand marketers see the biggest barriers to branding success as the growth of undifferentiated products, the commoditization of their categories, and the increasing price consciousness of their customers.
6. The strategy development process begins with achieving a 360-degree view of the brand.
7. Leading brands are defined in concise, compelling statements of core values, promise, and personality that provide guidance, meaning, and focus for all brand-related activities.

### **Section 3: Communicating the Brand**

8. Power brands communicate their identity in ways that are relevant, memorable, and differentiating. They are able to establish clear ownership of key benefits and attributes that customers value, even when the same qualities may be associated with other organizations.
9. Leading practitioners tend to have a formalized, centralized approach to brand communication, even though their basic organizational structure may be dispersed and decentralized.

10. Leading brand practitioners view communication holistically as an opportunity to project a single, unified image of the organization, its values, and its core purpose to a range of audiences. However, few organizations feel they have been successful in fully bringing employees, channel and trade partners, or suppliers into their brand strategy.

#### **Section 4: Measuring Results of Brand Activities**

11. Most organizations have difficulty determining the appropriate level of investment for the brand and relating the results of those investments to compensation and reward systems.
12. Leading brand marketers establish systematic methods to monitor and measure the results of their branding investment. However, the methods most commonly used focus on communication effects rather than the financial impact on the organization.
13. There is strong interest in developing the financial tools and systems to measure brand equity.

#### **METHODOLOGY**

APQC's consortium benchmarking methodology was developed in 1993 and serves as one of the premier methods for successful benchmarking in the world. It is a powerful tool for identifying best and innovative practices and for facilitating the actual transfer of these practices.

The data collection tools used to gather information include:

- **Preliminary Questionnaire:** quantitative questions, designed to collect objective and quantitative data;
- **Detailed Questionnaire:** quantitative questions, designed to collect objective and quantitative data; and
- **Site Visit Discussion Guide:** qualitative questions, designed to collect qualitative information about targeted aspects of brand building, communication, and measurement processes.

Five of the 16 partners hosted half-day site visits, allowing sponsors to meet with key personnel and share their brand building and communication strategies and practices. A group of consortium members attended each site visit to participate in the discussion and to experience different programs firsthand. Both partner companies and sponsors responded to the Preliminary and Detailed Questionnaires. Only five partner companies were asked to respond to the Site Visit Discussion Guide in its entirety. Four additional partner companies agreed to participate in telephone conference calls to provide insight on innovative practices specific to their organizations and to address targeted questions taken from the Site Visit Discussion Guide.

Recommendations from Agora, Inc., and from leading branding practitioners, as well as primary and secondary research conducted by APQC, were used to help select innovative companies for the study's research. In addition to this research,

consortium members, the APQC staff, and the subject matter experts identified potential participants based on their firsthand experiences and research.

### **SUBJECT MATTER EXPERTISE**

Don E. Schultz, Ph.D., is a professor of integrated marketing communications at Northwestern University and a well-known author, consultant, and speaker on integrated marketing communications, marketing, advertising, sales promotion, and communication management in Europe, South America, Asia-Pacific, the Middle East, Australia, and North America. His articles have appeared in *Advertising Age*, *Journal of Advertising Research*, *Journal of Advertising*, *Marketing Communications*, *Business Marketing*, *Journal of Direct Marketing*, *Journal of Business Strategy*, *Journal of Database Marketing*, and *Marketing News*. He is author/co-author of eight books, including *Integrated Marketing Communications*, the first text in this emerging field, and his most recent book, *Measuring Brand Communication ROI*. Schultz was the first editor of the *Journal of Direct Marketing*, was associate editor of the *Journal of Marketing Communications*, and serves on the editorial review board for a number of trade and scholarly publications. His column on integrated marketing is a regular feature in *AMA's Marketing News*. Schultz also sits on the boards of directors for a number of media- and communication-related organizations.

Heidi Schultz joined Agora, Inc., in June 1995 after almost 10 years at *Chicago*, the nation's largest monthly city magazine. Schultz was the first woman publisher of *Chicago* and was responsible for all publishing activities. Since joining Agora, she has become a frequent speaker on marketing, branding, and integrated marketing communications. She provides consulting services for a wide variety of clients in such diverse areas as travel, insurance, pharmaceuticals, publishing, banking, tourism, and business-to-business marketing. Schultz began her professional career as a promotion copywriter for CNA Insurance before moving to McGraw-Hill as a research and promotion manager for the company's institutional publications group. In 1975 she joined Crain Communications, where she held positions in promotion, market research, and circulation management on such publications as *Advertising Age*, *Business Marketing*, and *Modern Healthcare*.

The Schultzes also served as subject matter experts for APQC's Integrated Marketing Communication consortium benchmarking study, which was completed in October 1997. The couple is currently collaborating on the book *Building Customer Equity: A Five-Step Approach to Managing Integrated Brand Communication*.

### **COMPANY AND INDUSTRY REPRESENTATION**

Of the 44 companies participating in the Brand Building and Communication consortium benchmarking study, two are based in Canada. The remaining 42 companies are based in the United States<sup>1</sup>.

Participating companies represent many industries: retail, chemical, healthcare, food and beverage, petroleum, automotive, insurance, utilities, financial services,

<sup>1</sup> *Mercedes-Benz, N.A.* is the North American division of Daimler-Benz of Germany

express transportation services, professional support services, telecommunications, technology, and consulting.

### CONCLUSION

The topic of brands and branding has generated enormous interest in the business community in recent years. While brands have been with us since the dawn of commercial history, and are believed to have been the engine driving the marketing train throughout much of this century, little formal attention has been paid to the question of how organizations build, maintain, and evaluate strong brands. Much of our current knowledge is based on individual case studies, practitioner recollections, and anecdotal evidence.

Importantly, there has been a dramatic shift in focus regarding brands and branding. Previously, brands were considered to be topics of concern primarily for marketing and communication professionals. In recent years, however, because of the growing interest in intangible assets, senior management has increasingly become involved in matters of brands and branding. There appears to be a growing recognition that an organization's brand or brands have a value that can far exceed that of the firm's more tangible assets such as manufacturing plants, equipment, real estate, and investment holdings. Indeed, as we learned throughout this study, senior management's involvement with and commitment to the brand is a key enabling difference between partner and sponsor companies.

Central to this study is the belief that a strong brand is far more than the components used to identify it to customers and prospects, such as logos, jingles, tag lines, icons, and other communication cues. In the past, the study of branding focused primarily on how organizations create and communicate these distinguishing identity elements effectively in the marketplace. While this is still an important aspect of branding, there is an increasing understanding of the larger strategic context of the brand's role, value, and organizational purpose. In many cases, organizations have begun to consider the brand as the embodiment of the relationship among the organization, its employees, and its customers. As such, the brand is being used by leading practitioners to drive the organization in all aspects of its interaction with customers, including product development, pricing, customer service, distribution, and operations. As organizations have sought to become more customer-focused, the brand has become the means by which many weld meaningful, sustainable relationships with their constituents.

Throughout this study we uncovered key differences between our best-practice partners' and sponsors' brand building and communication philosophies and activities. Although both groups have similar goals for their branding initiatives—that is, to create a differentiating presence in the eyes of their customers and prospects that will increase customer loyalty and repurchase rates, maintain price premiums, and leverage the brand into new arenas—they commit different amounts of resources, use different tools, and experience varying levels of success. This report will explore these and other issues.

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