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Overcoming Roadblocks to Growth

Managing by equity can maximize opportunities for growth.

In today's tight marketplace, consumers are increasingly cautious with their purchases. Even companies with good products and strong competitive postures are finding it difficult to gain the traction needed to grow.

Tracking traditional metrics—sales, share, and distribution—just doesn't provide the answer. What's wrong? What's being overlooked?

The biggest anchor holding businesses back is often inconsistency between how the consumer and the company see the brand.

Beacon Associates, a marketing research and insights firm cofounded in 1981 by Johnson alumnus Scott Sainsbury '77, has had extensive success in helping companies develop concepts, products, promotions, packages, and advertising to generate growth. The firm has teamed up with Paul Robinson, former president of the Marketing Corporation of America's research division, to create a unique new resource for understanding how to manage brands for maximum growth opportunities. They call their technique "managing by equity."

Sainsbury says the biggest anchor holding businesses back is often inconsistency between how the consumer and the company see the brand. Companies that manage their brands according to perceptions different from or insensitive to the consumer's values often fail. The problem, he says, is that most organizations don't understand how to look at their business through their consumers' eyes.

According to Robinson, companies typically study their brands—which they refer to as their brand equity—in terms of generic attributes and characteristics like high quality, good value, ease, and convenience. However, those attributes can apply to all brands and by no means represent proprietary brand equities. For consumers there's much more to brand equity, and that's where the problem lies.

"Brands are valuable assets," says Robinson. "But getting the most value out of them means understanding them in a unique way. The trick is to understand not only how consumers see a brand but also the relationship they have with the brand. That's a hard concept to understand, because we're moving out of the realm of the tangible and into that of feelings. Yet without that perspective, it's impossible to define a brand's equity and know how to manage it for growth."

An example, Sainsbury says, was how they helped a major U.S. food manufacturer explore using its name on a new steak sauce. In the process they benchmarked existing sauces. Following the old paradigm for defining brand equities, they conducted blind tastings of the top steak sauces. They wanted to understand what characteristics were desirable and unique and use that information to help their client know how to compete.

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What surprised them was that in tasting after tasting, big consumers of the leading steak sauce consistently rated it the worst of the samples—by far.

To find out how a below-par product could be a market leader, they asked another set of consumers to rate the sauces based only on their brand names—without tasting them. The leading steak sauce was rated the highest. The consumers' relationship with that brand clearly superseded the actual product experience. That's brand equity in action, Sainsbury says.

"To understand how strong the brand equity was, we asked a third group to taste the sauces, this time with the brand names known. Once again, the leading steak sauce came out on top. This was a powerful brand equity—one we wanted to keep our client's new product away from. To do so, we needed to understand it, and the traditional definitions of brand equity were not going to help." That's where Robinson's equity dimensionalization process came in.

According to Robinson, a brand needs to be viewed as having multiple dimensions, including physical traits and characteristics, personality traits, imagery, end benefits that are both physical and emotional, and a sense of experience. "Delving into how consumers view a brand," he adds, "you learn how those dimensions define their relationship with it."

The stronger the relationship, the more the equity. "To manage a brand for maximum value," Robinson says, "you need to understand the emotional connection. That's what drives purchases, loyalty, and receptiveness to other products the company introduces. We accomplish that through 'deep-dive' sessions with consumers to dimensionalize the brand's equity. This penetrating process delivers thoughtful insight into the consumers' relationship with the brand and the value they place on it."

"In the steak sauce example," says Sainsbury, "we found that it wasn't about the taste of the product. It was about showing discrimination." The consumers saw the leading brand as an icon of good taste. By using it, you were elevating the experience. It wasn't about making the meat taste good;

it was about being a connoisseur of distinction in the enjoyment of meat. The leading sauce was a badge of credibility to that claim.

"If the leading steak sauce company had been my client," Sainsbury went on, "I would have discussed managing the equity by verifying culinary discrimination with meats, exploring additional ways—other sauces, seasonings, and grilling products—that the product's name could be used to give consumers that same feeling.

Managing by equity almost always leads to a fundamental change in how a business is looked at, opening the door to substantial growth. Sainsbury and Robinson have used managing by equity to bring significant change to companies in the food, hospitality, quick-service-dining, apparel and accessory, fitness, education, and large-format retail industries.

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They've learned that whenever consumers have an opportunity to form a relationship with a business or service, they will—as long as the relationship is a two-way street. If consumers sense you're not fully participating in the relationship and keeping their best interests at heart, the next competitor in line starts to look a whole lot better to them. Sainsbury points out that companies need to understand their brand relationships through their consumers' eyes and manage accordingly.

Robinson adds: "Executives clearly understand that stock prices are the

A Background in Brands

Beacon Associates and the Robinson Research Group bring extensive experience in market research and development to the effort.

Before cofounding Beacon Associates in 1981, Scott Sainsbury worked in Frito-Lay's marketing department, developing and managing new and existing brands. At Beacon he and his team have provided research and development support to many Fortune 500 companies, as well as medium- and small-sized companies in over thirty industries.

COURTESY OF SCOTT SAINSBURY

Scott Sainsbury '77, Beacon Associates

Paul Robinson, who worked in marketing research at Ralston Purina, was president of Marketing Corporation of America's research department. When MCA was sold, he launched the Robinson Research Group, where he pioneered and developed the equity discovery process that has been implemented for over two hundred major trademarks in the United States and overseas.

Recently Robinson and Sainsbury have been working with Cornell and the Johnson School on branding concepts and techniques.

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Paul Robinson, Robinson Research Group

financial market's reflection of the value of the resources a company has and what it does with them. Similarly, brand equity is a reflection of the meaningfulness that consumers place on everything the company has and does that 'touches' them.

"Stock prices can grant a company—or deprive it of—financial capital to become more successful. Brand equity provides 'consumer capital' that can be equally valuable. With increased brand equity a company will experience higher sales and market share while spending less than the competition. It can expand its offerings and enter new markets with greater success. And it can take some risks without getting penalized."

It clearly behooves companies to understand, develop, and leverage their brand equities. Beacon's breakthrough is the development of a system to define brand equity, help clients develop programs to build and leverage it, and track the impact of those programs on the brand's equity. It represents a new archetype for achieving success: managing by equity.