

## **What's the Benefit of Branding Anyway?** **by Kristine Kirby Webster**

October 15, 2002

I was asked an interesting question this week.

"Interesting" because it came from someone who works in the marketing field, and I was surprised by the lack of understanding it suggested. The question was, "What is the benefit of branding anyway?"

Well, wasn't she in luck! Right there, a nice big juicy softball of a question that would allow me to prattle on about one of my favorite topics--branding--possibly for quite a long time. But in the end, her question was mostly rhetorical. So I've saved most of my wisdom for this article.

So here goes. The main benefit of a properly devised and implemented branding effort is that it creates and cements customer loyalty and retention.

These days, customer satisfaction is simply not enough. To quote W. Edwards Deming, "...it will not suffice to have customers that are merely satisfied. Satisfied customers switch, for no good reason, just to try something else. Profit and growth come from customers that can boast about your product or service--the loyal customer. He requires no advertising or other persuasion, and he brings a friend along with him."

Or, to quote me, branding + loyalty = profits.

Branding allows a company to differentiate themselves from the competition and, in the process, to bond with their customers to create loyalty. So a position is created in the marketplace that is much more difficult for the competition to poach. A satisfied customer may leave. But a loyal one is much less likely to.

Again, I am surprised at times by the amount of people who don't "get" the benefits of branding. Branding creates many benefits for a company: it allows for price premiums, offers the ability to block out competition, lower customer churn, have greater margins, lower marketing costs, realize higher-than-industry average transactions and visit frequency, reduce sales volatility, offers the ability to attract and keep better customers and employees, creates opportunities for brand extensions, and opens the possibility of co-branding opportunities with like-minded products or services.

The bottom-line benefits of branding for a company is that, properly managed, branding can create customers for life, offer long-term profitable growth, and increase shareholder value and stakeholder worth.

For a customer, branding also offers benefits: it simplifies choice, brand personality (through the brand's "halo" effect), can enhance the customer's self-image and esteem, save time and effort for the customer, reduces uncertainty and risk, creates trust, and reinforces a sense of community. Clearly, branding is a win-win situation for both companies and customers in the global marketplace.

Pay attention now, because this next point is really important: When branding, it is also important to make sure the bond created is truly between brand and customer; not between brand deals and customers.

Branding and relationship marketing help ensure the right bond is created. Discounting is the antithesis of the branding process. Discounting weakens the brand, thereby weakening the bond that engenders loyalty and retention.

Much research has borne out the point that price is not as important to a brand as service and quality. Therefore, to discount is to inherently weaken the brand, and weaken a company's market position and capitalization. For well-known and loved brands, discounting has a negative effect on the brand in the consumers' mind.

Quality and the price of a brand are not separate concepts in the consumers mind; they are interrelated. Research has shown that deep discounts do cause the consumer to believe something is wrong. The goal of the branding process is to create a relationship with the consumer that also establishes a high-quality, high-value and high-price relationship.

Customer loyalty is created when the brand experience and quality is consistently excellent and meets and exceeds the customer's expectations.

How does that play out?

When you call a catalog's 800-number to place an order, and the interaction of the call center matches the company's brand image, loyalty is reinforced.

When a customer receives a package in the mail of the ordered items that is keeping in look and tone with the overall brand personality and message, loyalty is reinforced.

When the product or service fulfills on the promise, loyalty is reinforced.

When a customer calls or writes with a legitimate complaint, and the company responds by standing behind their product or service, loyalty is reinforced.

When a customer identifies with a product, loyalty has grown and affinity is created.

This loyalty becomes a bulwark against competitors, and the customer is an excellent candidate to enter into a relationship marketing effort. They trust and identify with the brand, and favor the brand over any other, which is the ultimate goal of the branding effort.

And that is the main benefit of branding!

Now. Aren't you glad she asked?