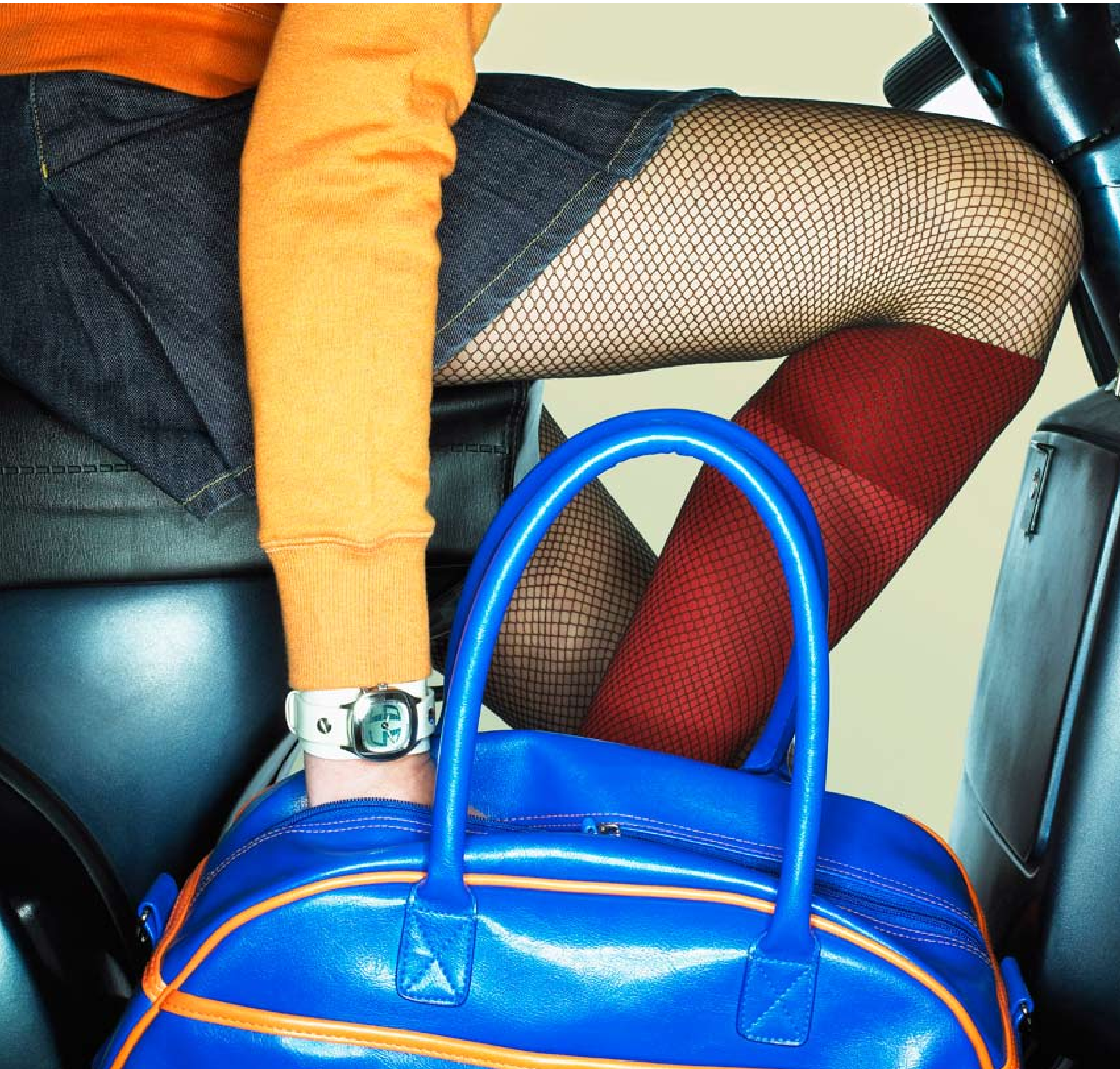
Interbrand

The 2007 Brand Marketers Report

Interbrand's Annual Survey on Brands and Branding



In October 2006, Interbrand developed a survey to assess the current and future trends in brand management. The survey was made available to branding experts and industry opinion leaders via the leading website on branding, brandchannel.com. This first annual survey explores a range of questions regarding the industry and the practice of branding.

Is the practice of branding strong and thriving or weakening? How are leading brand owners managing their brands? What's working, what needs to change? Do brands even matter? If so, what are the best brand management practices? The following report addresses these questions and others. Consider it a wellness check – branding's annual physical. And, as it is the first of what will be an annual survey, it will serve as the benchmark going forward.

All of this information comes from a self-reported survey of brand experts or is the result of analysis of the data. It represents the opinions of the respondents and is, by definition, biased toward their point of view. However, this was an anonymous survey among members of an independent online branding community, which suggests a clear earnestness in respondent participation. Further, we found that the behavior of the data was consistent with a respondent population that had no problem telling the truth. In their responses, many were critical of their own efforts and performance. It is our opinion that, while not scientifically representative of the entire branding community, the information presented in this report represents an insightful and valuable assessment of the state of branding according to those directly responsible for it.

We wish to thank the following colleagues for their assistance throughout the various aspects of this report's development: Abby Campbell, Sergey Khorenko, Laura Menk, Jay Myers, Lorena Noriega, Erin O'Keefe, Rob Palermo, Justin Wartell and Van Rais.

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Executive Summary

The state of brand management at the beginning of 2007 can best be described as healthy but not living up to its full potential. It is clear that branding remains an integral, yet evolving, practice and profession.

According to the experts, a strong brand can be an extremely powerful influence in the customer decision process. The role that brand plays directly impacts the business, driving top-line revenue and distinctiveness. If branding is truly sophisticated, it can actually impact the bottom line by reaching target audiences in the most effective and efficient ways. This study confirms the impact that brands have on business results.

Executive Summary

Many experts in our study recognize the potential of this asset and are actively managing their brands while others sit on the sidelines. The insights that highlight these findings include:

1 While the impact of brands is clear, entities in most major industries remain *Non-Branders,* not proactively supporting or managing their brands.

2 Many brands have rebranded recently, yet being thorough in rebranding activities is much more important than being frequent. 66% of companies surveyed have recently re-branded, spending, on average, US$7.4 million.

3 Strict adherence to brand standards creates brands with customer impact, but few companies have been able to secure consistent compliance across their organizations.

4 Centrally managed brands are no more influential with customers than decentralized ones. The benefits of centralized brand management are likely more operational, such as efficiency of effort, scale and tighter controls.

5 Brands that receive adequate financial support are more influential in the customer decision process, yet most experts feel their brands are under-funded.

6 Brand budgets are not expected to grow in 2007.

7 Metrics and brand research are generally under-leveraged in the industry, even though all recognize the need to make the practice of branding more accountable.

8 Brand practitioners believe *Consistency* is the most important aspect of successful branding, followed by *Understanding the Customer/Target* and *Messaging/Communication Effectiveness*.

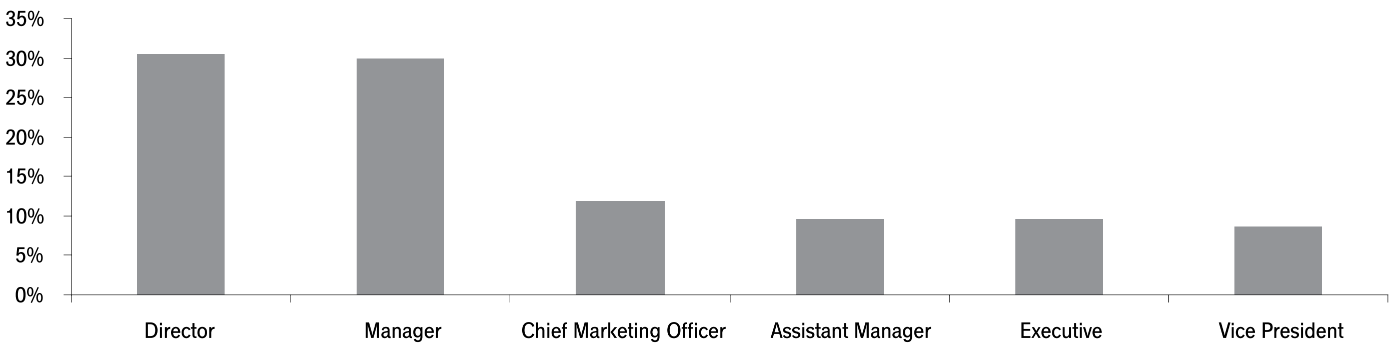
Given the opinions of respondents, it would appear that the practice of branding, when managed thoroughly and holistically, is alive and well. However, not everyone is managing brands in this fashion. There was a clear undercurrent of frustration by those in brand decision-making capacities. This was largely due to the inability to convince executive management to invest in the brand and a general malaise encountered when communicating with the organization at large regarding the benefits of branding. This report will detail the practices of the successful brand managers while setting a benchmark for the entire industry – disciples and doubters alike.

The Experts: Experienced, Influential, and Isolated

In October 2006, Interbrand anonymously invited brandchannel.com's members to complete an online branding survey. 299 respondents qualified for and participated in the study. The participant group represents brand leaders and decision makers within their own companies. Most are director or manager level (FIGURE 1).

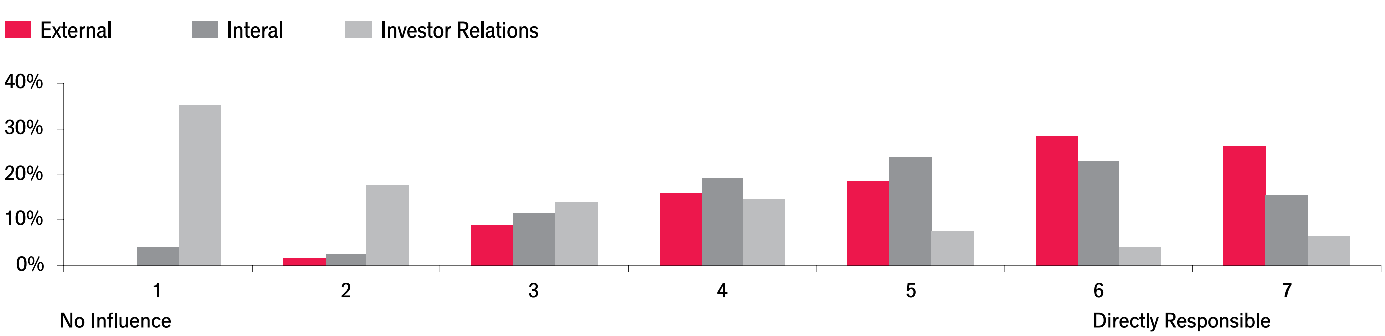
Almost all are directly involved in brand management decisions (89%). The respondents represent companies in almost every industry, split almost evenly between Business-to-Business and Business-to-Consumer brands. The respondents are also experienced, averaging 4.46 years in their current role.

Figure 1 / Question: Which of the following best describes your position?



These brand leaders are influential within their organizations, but within a limited scope (FIGURE 2). While most have a high level of influence on external communications, their ability to influence internal communications lags. This suggests that their organizations have not yet fully realized the importance of their own employees to the success of the brand, or that there are departmental boundaries whereby marketing may own external communications while human resources may own employee communications. These same respondents play an even smaller role in investor relations. This disparity of influence suggests that many companies still see brand as simply a function of marketing or advertising – important within "customer world" but not as relevant to other stakeholders and communities, such as employees and investors.

Figure 2 / Question: How much influence do you have on the following areas of communication?



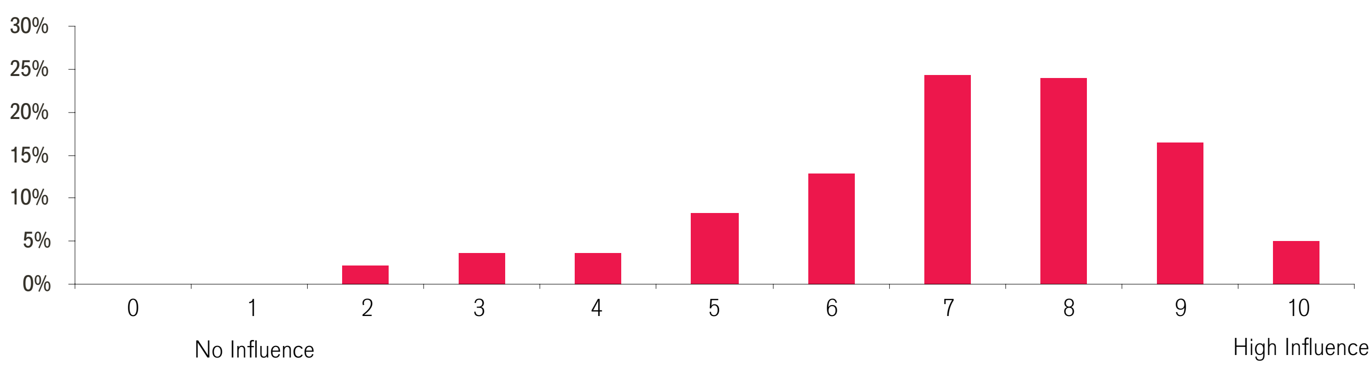
The Brands: Some Get It – Others Don't

The various definitions and theories of brand and the practice of branding are as diverse as the companies that they serve. Rather than explore the complex definitional dimensions of branding, this study was based on a simple yet fundamental view of branding: strong brands influence customer choice. While most brands play a role that extends beyond the direct purchase decision, no brand is successful unless it can drive customers to choose it, and the products and services it supports, over other alternatives.

Strong brands capture customer attention, draw them in, orchestrate a favorable decision and secure lasting relationships. The best brands do this incrementally better than their competitors. This simple metric of performance – the influence on customer choice – is used throughout this report to separate effective brand management practices from those with less impact.

Most practitioners in our study manage influential brands (FIGURE 3). The data shows that on a scale from *No Influence* to *High Influence*, our experts believe their brands, more often than not, play an important role in customer choice. Customer choice implies revenue to the firm. Consequently, this data suggests that most brands play a direct role in business value creation.

Figure 3 / Question: How much does your brand influence your customers' buying choice?



The Brands:
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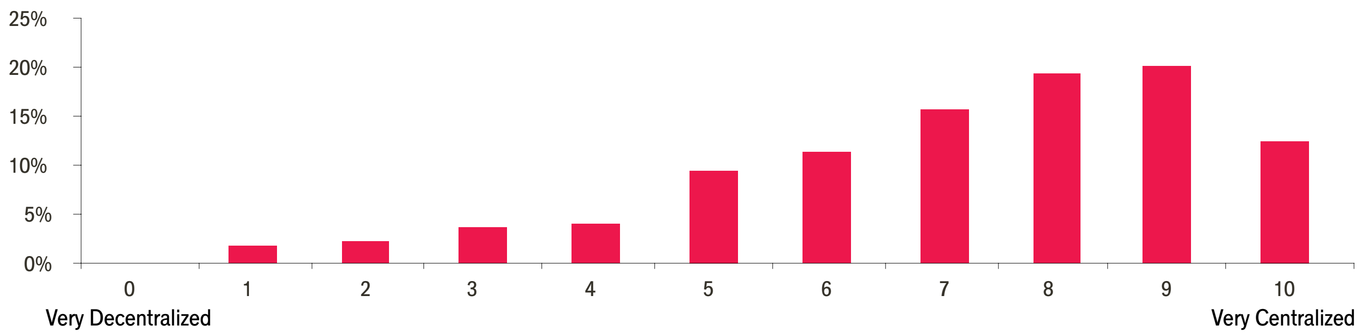
The data also raises a critical question: why are some brands more influential than others and what practices are successful brand managers using to create customer impact? A deeper analysis of the factors contributing to brand influence reveals that, while most respondents in our study believe their brands are fairly influential, the strongest of these brands are carefully cultivated and managed for success.

Some brand management strategies and practices are more effective than others. For example, regarding organizational structure, there appears to be considerable consensus within the industry. Yet the analytics suggest that organizational structure might matter less than other factors.

Most companies in the study employ a centralized brand management structure. This can be seen in the ratings in FIGURE 4 that lean heavily toward the Centralized end of the continuum. However, when the respondent group is divided into two segments – *Less Centralized* (scores 0–6) and *More Centralized* (7–10) – there is no statistical difference in the level of performance on the key performance metric of influencing customer choice. In other words, centrally managed brands are no more influential with customers than decentralized ones. This finding implies that the benefits of centralized brand management are likely more operational (e.g., efficiency of effort, scale, tighter controls, etc.) than customer-facing.

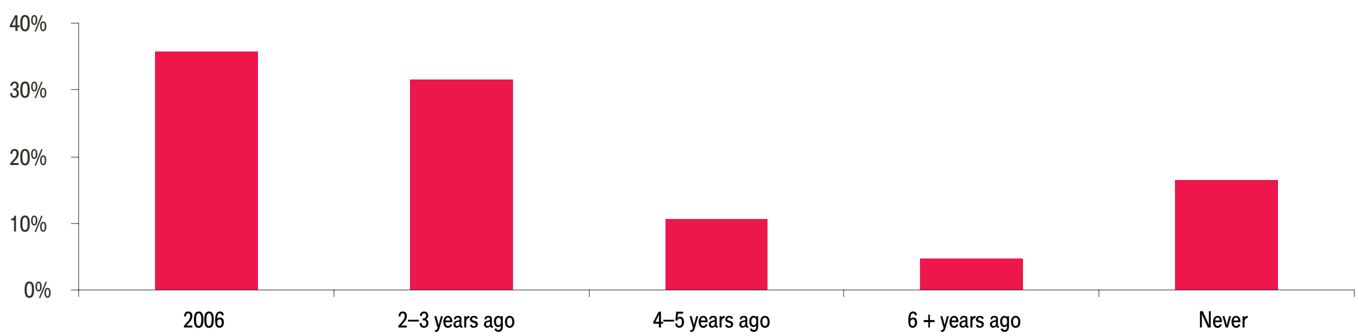
Figure 4 / Question: How centralized are your brand management efforts?



However, there are brand management practices that seem to improve the brand's level of customer influence. Rebranding, which includes activities such as reconsidering brand strategies, repositioning the brand, and refreshing creative executions, is one such effective practice. Many brands rebrand frequently (FIGURE 5). A full 35% of the companies in this study engaged in a significant rebranding effort in 2006. Over the past three years, 66% have rebranded. They are spending good money in the process. On average, companies spent $7.4 million in rebranding, with one company reporting a $200 million rebranding budget.

Rebranding, however, is not a case of "build it and they will come" and the results of rebranding efforts reported in this study are mixed. The success of rebranding appears to rest less on the frequency of effort and more on its thoroughness. For instance, no significant differences were observed in the influence of brands on customers between those that rebranded in the past year compared to those that rebranded 2–3, 4–5 or 6 or more years ago. On the other hand, brands that were thoroughly rebranded tend to be more successful.

Figure 5 / Question: When was the last time you significantly rebranded?



The Brands:
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In the survey, respondents were asked to rate the thoroughness of their rebranding efforts on a 0–10 scale. Those that assigned a score of 9–10 on their own rebranding performance have significantly more influential brands than those that were less thoroughly rebranded[1]. Additionally, respondents that gave their own rebranding thoroughness a score of 6–8 had significantly more influential brands than those rating rebranding thoroughness at less than 6 on this scale. This relationship between thoroughness and impact, compared to frequency and impact, is important. It suggests that doing it right is more valuable than doing it often.

Interestingly, most experts believe they were not thorough in their last rebranding effort. Significantly fewer respondents, roughly 20%, believe they covered nearly everything they could in their last rebranding effort (FIGURE 5A)[2]. Most either just covered the basics (35%) or were somewhere in the middle (46%). This is a clear opportunity for improvement: thoroughness corresponds to impact, yet most rebranding efforts are less-than-thorough.

1, 2 Differences between groups were tested for statistical significance using a Mann-Whitney test at 95% confidence level.

Figure 5a / Question: In your opinion, how thorough was your company in your rebranding efforts?

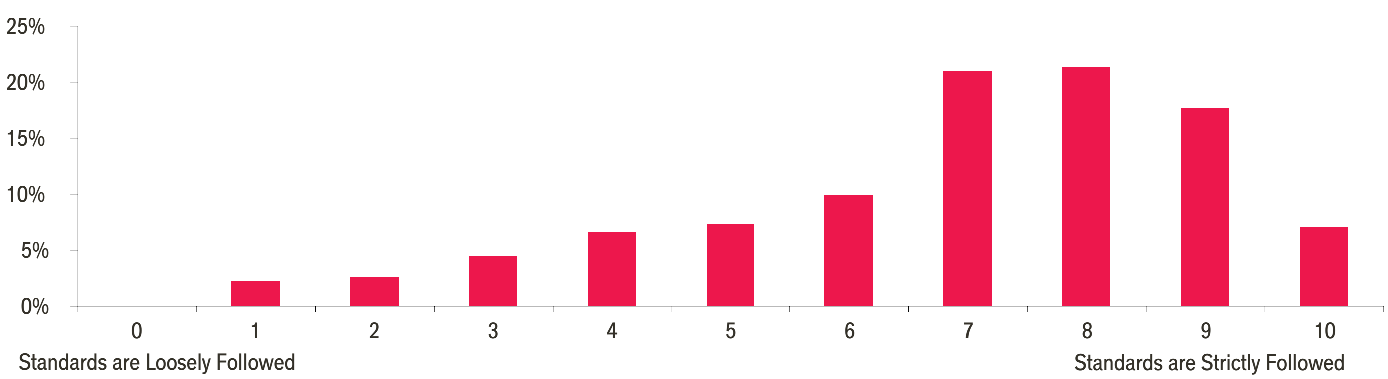
A final point regarding rebranding frequency: any review of the data in FIGURE 5 reveals that it is bimodal – i.e., there are two distinct humps in the distribution.

Additional analysis elaborates on this observation. We divided the survey population into three classes of rebranders – *Frequent* (rebranded in the past three years), *Infrequent* (rebranded over 3 years ago) and *Never.* Both the *Frequent* and the *Never* group are significantly greater in number than those that have rebranded 4 or more years ago[3]. The polarity hints that two mindsets may exist toward the ongoing care of brands – call it active stewardship and complete disregard. This dichotomy between *Frequent* and *Never* should not be that surprising considering the earlier insight that rebranding frequency does not correspond to impact. It also posits a certain brand management typology of *Branders*, those that actively invest in their brands vs. *Non-Branders*, those that leave brands to fend for themselves. Clearly, some firms are actively managing their brands, searching for new positions in the marketplace and maintaining relevance. Others are not changing at all. Later information in this report regarding the financial support of brands will further evidence this typological construct.

Beyond rebranding, companies that demonstrate a close adherence to brand standards also possess more influential brands. Most brand managers believe their companies are following brand standards more strictly than not (FIGURE 6).

3 Differences between groups were tested for statistical significance using a Mann-Whitney test at 95% confidence level.

Figure 6 / Question: Describe how strictly your company adheres to brand standards?



The Brands:
Some Get It – Others Don't

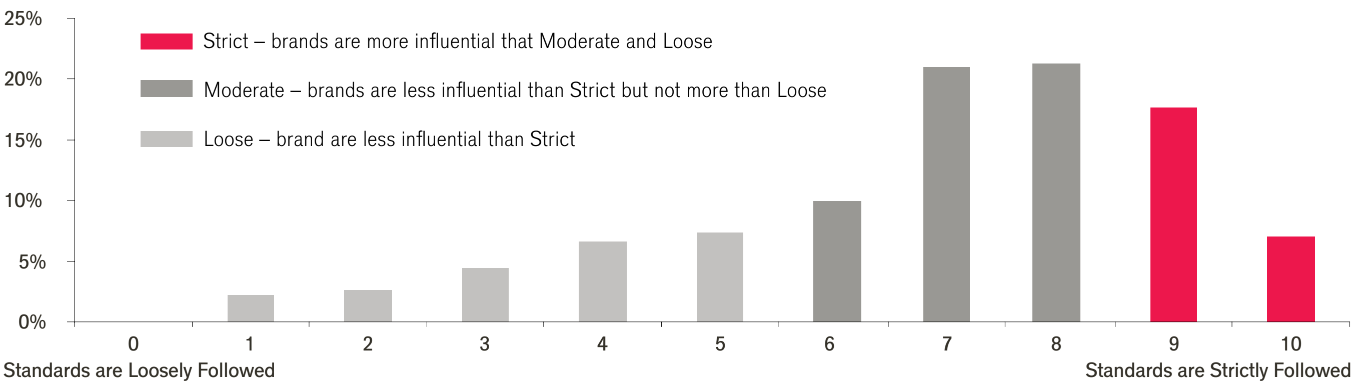
But is this adherence to standards a benefit to the brand? The data suggest that it is advantageous. We compared companies that reported Very Strict adherence to standards (scores of 9–10) versus Moderate (6–8) and Loose (0–5) on the question of customer influence. We found that companies with Very Strict adherence to brand standards are significantly more likely to have brands with influence[4].

However, this is a high bar to clear, as only the strictest followers of brand standards are creating impact (FIGURE 6A). Those companies that follow brand standards more moderately do not create more influence than those companies that only loosely follow brand standards. The insight here is that creating and sustaining influential brands is difficult. Beyond simply having standards, companies must strictly adhere to these standards in order to reap the benefit.

Lastly, and probably not surprisingly, financial support increases the impact of brands. Companies in the study reported an average 2006 brand budget of over $13 million. For 2007, this number is just under $11 million. These numbers are smaller in absolute terms, yet no statistically significant difference exists between these two years, indicating that brand budgets will remain flat into 2007.

4 Differences between groups were tested for statistical significance using a Mann-Whitney test at 95% confidence level.

Figure 6a / Question: Strict – brands are more influential than Moderate and Loose?

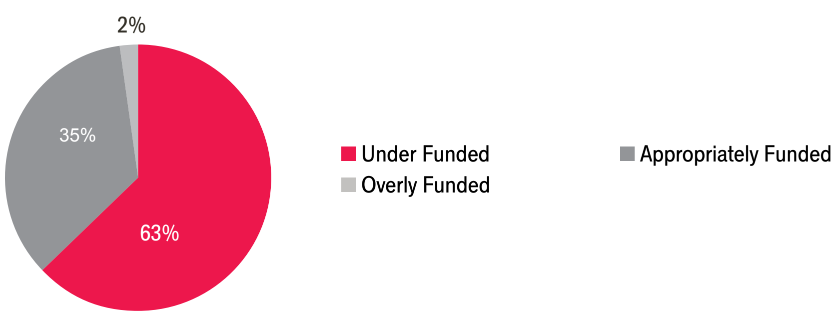


Although brand budgets may not increase in 2007, the companies with larger budgets have a higher likelihood of creating brand value. Among the large companies in our study (>$1 billion in revenue), a significant correlation (.603) exists between spend and customer influence. In short, brands that are supported tend to be more effective. More financial support equals greater customer influence.

Despite the evidence of the relationship between support and impact, nearly two-thirds of brand managers believe their brands are under-funded (FIGURE 7). And some brands are not funded at all.

In our sample, 73% of companies report some sort of brand budget for 2006. That means that over a quarter of the brands in the study do not have a specific budget to support the brand. Unsupported brands, however, are not just small companies or in niche industries. Of the 27% of our sample that reported no brand budget in 2006, no meaningful segments or patterns emerged. They were not smaller or larger or in any particular industry when compared to the firms that had brand specific budgets. This is further evidence of the *Branders* and *Non-Branders* theory – some companies are either not interested in brand management or have not recognized that brands require financial support to be effective.

Figure 7 / Question: Do you believe your brand budget is...?



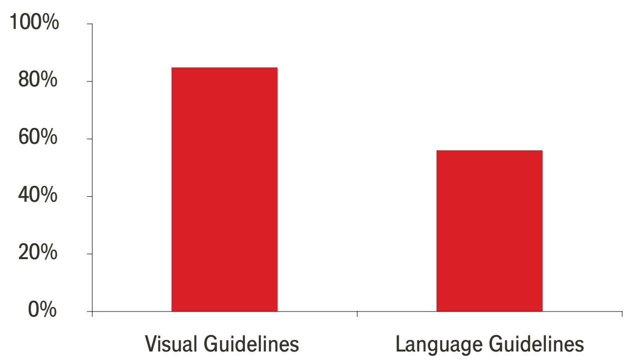
Brand Operations: Unheard-of Standards, Unseen Metrics

We have seen that brands can drive customer choice and that many brand managers are using best practices such as thorough rebranding, adherence to standards and strong financial support. The following information regarding brand management operations indicates that few firms are doing it all right. Brand standards are often not complete or well communicated within the organization. Many firms are also not employing robust measurement programs. Yet, the opportunity for improvement should be attractive to most firms as the information from this study indicates that well run operations correspond to high-impact brands.

Most firms in our survey maintain visual and verbal guidelines for their brands (FIGURE 8). However, the occurrence of visual guidelines is significantly greater than language guidelines, indicating a certain disagreement concerning the necessity of both verbal and visual standards.[5]

5 Differences between groups were tested for statistical significance using a Mann-Whitney test at 95% confidence level.

Figure 8 / Question: Does your organization offer brand-specific guidelines?

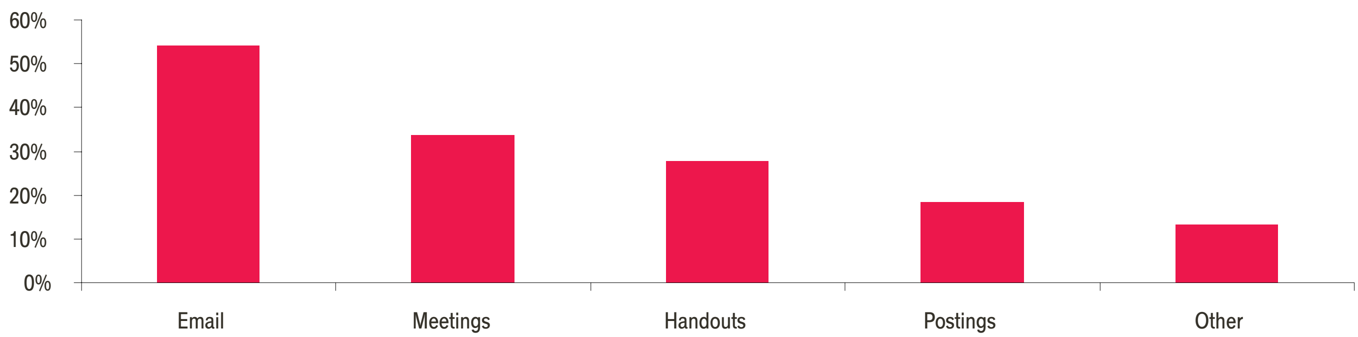


Brand Operations:
Unheard-of Standards, Unseen Metrics

While most firms have standards to manage the brand, less than half actually provide brand training. Only 44% of those surveyed indicate that they provide any type of brand-specific training to employees. Similarly, many companies update their visual and language guidelines but do not thoroughly communicate updates to employees. 74% of respondents indicate that their company updates standards. Yet, communication updates regarding the standards are inconsistent and at times rudimentary (FIGURE 9). Just over half use email for this type of internal communication. They use other techniques, including meetings, postings and handouts, significantly less.[6]

6 Differences between groups were tested for statistical significance using a Chi Square test at 95% confidence level.

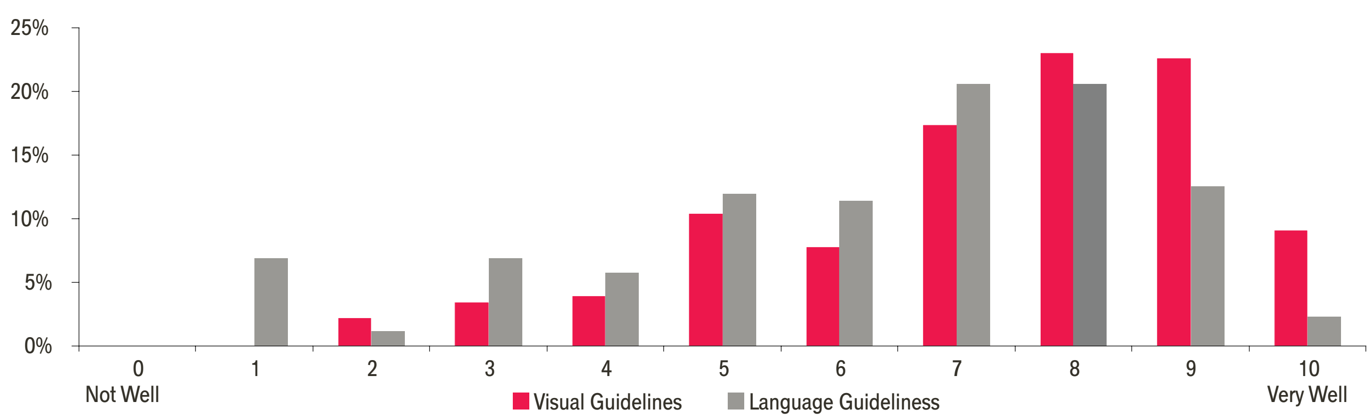
Figure 9 / Question: In what format does your company communicate updates?



The data indicates a breakdown in internal brand management controls. Most firms have standards, but only three-fourths provide updates on those standards. Even fewer, less than half, offer training. In short, standards exist but some are never updated. When they are updated, communication is most often over an impersonal mode (e-mail). While only an inference from the data, this dynamic paints the picture of a small or isolated brand group diligently creating and updating standards but then not disseminating them throughout their firm or reinforcing standards through training. Many factors, such as resource constraints or organizational inertia, could explain this dynamic.

Despite this dynamic, most firms report that they do a fairly good job following brand guidelines (FIGURE 10). Their self-reported performance on following visual standards is higher than on language guidelines, which should not be a surprise considering that visual guidelines are much more prevalent than language guidelines.

Figure 10 / Question: How well does your firm follow brand guidelines?



Brand Operations:
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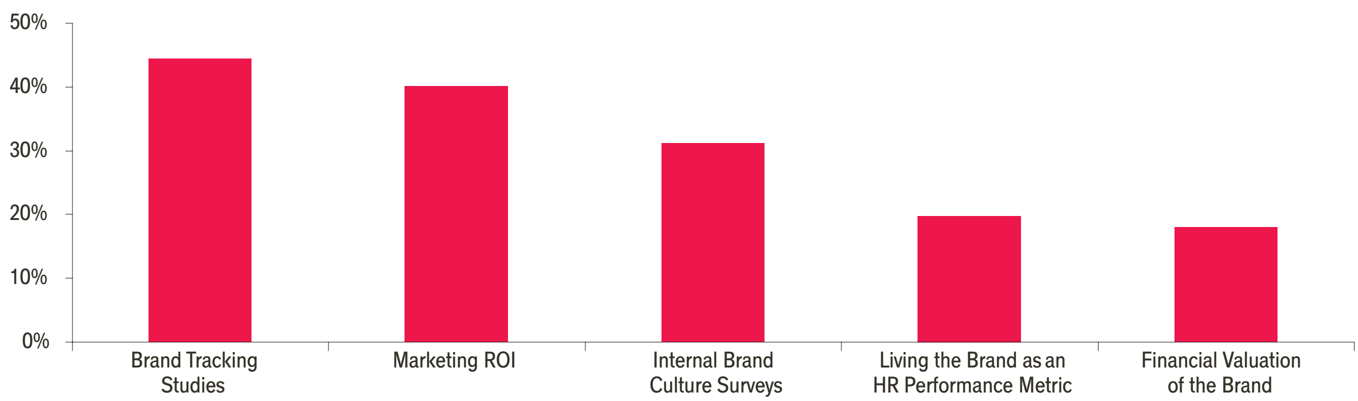
Even though the experts here believe they are doing a good job, are all of these brands really adding value? Perhaps not. Recall the earlier finding that only the companies with the strictest adherence to brand standards, those indicating a top-two box score (9 or 10), possessed more influential brands (FIGURE 6A). The question of following brand guidelines (FIGURE 10) was asked on an identical 0–10 scale. In this case, only 32% of firms scored themselves in the top-two box for *Visual Guidelines*. Only 15% gave the same scores for *Language Guidelines*. Applying the axiom that only the most strictly adhered-to standards generate impact, it is clear that few firms are actually following their visual and verbal brand standards close enough to make a difference.

How can firms improve their internal brand performance? One answer is metrics, although the industry appears slow to realize it. In this study, we asked a series of questions related to brand metrics and found that, despite the emphasis on measurement and return that dominates the business and brand literature, companies by and large are not investing in metrics. FIGURE 11 shows that no one type of available measurement tool is being used by more than half of the respondent pool. 45% use *Tracking Studies* and 40% calculate some sort of *Marketing ROI*. Internal measures are even less common. Only 31% survey the *Internal Brand Culture*. An even smaller minority is actively tying *Brand Performance* to financial outcomes. 20% have installed *Living the Brand as an HR Performance Metric* and 18% have employed *Financial Valuation of the Brand*.

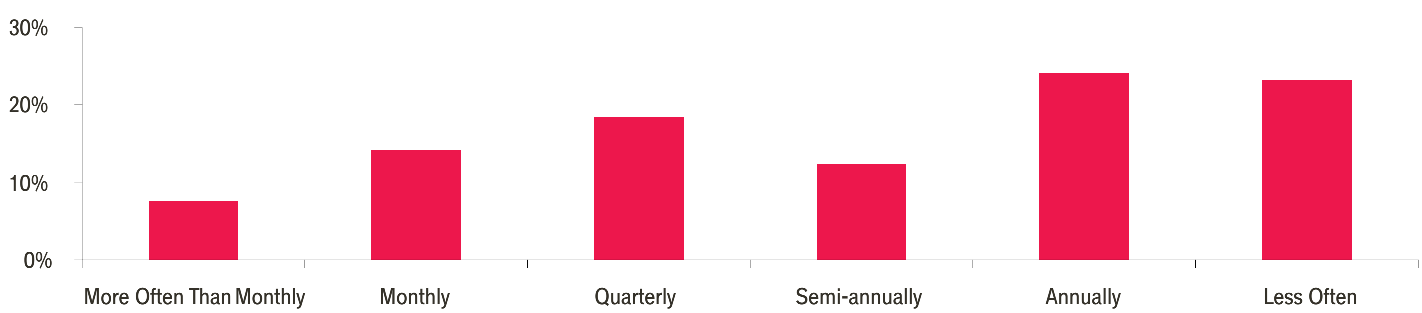
Figure 11 / Question: Which brand measures do you employ?



The lack of pervasive measurement systems is clearly a missed opportunity. In this study, firms that did conduct internal brand culture surveys had significantly higher scores on adhering to brand standards. Considering that companies with strict adherence to standards also have more influential brands, it is somewhat surprising that more firms are not measuring their internal brand culture. This would probably be an easy fix for many firms, as over 77% of those in this study indicate that they survey their employees annually or more frequently. They could simply add brand culture questions to their existing survey instruments to create brand metrics that matter.

Firms are surveying customers slightly more frequently than they are surveying employees (FIGURE 12). With respect to customer surveys, brand is more frequently in the mix: over 73% of respondents indicate that they survey customers on brand issues, whereas only 53% indicate that they similarly survey employees. This disparity supports the earlier notion that many companies see branding as a separate, unintegrated discipline. Just as brand experts are much more likely to have influence on customer communication than internal communications or investor relations, these same firms are more likely to survey customers on brand issues than to survey employees.

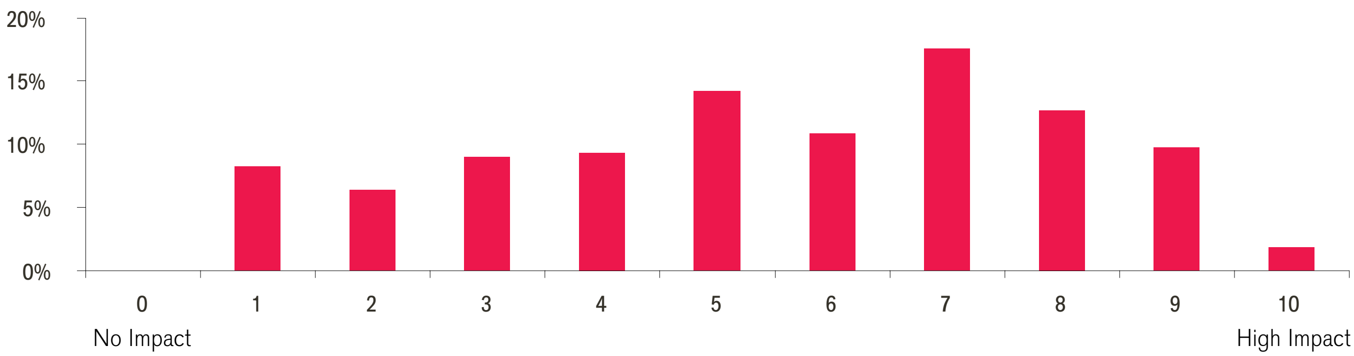
Figure 12 / Question: How often do you conduct customer research?



Brand Operations:
Unheard-of Standards, Unseen Metrics

This overall inconsistency regarding metrics might be best demonstrated by the relationship between measurement and budget. We asked respondents how brand performance impacts annual budgets. The responses were decidedly across the board, with many answers ranging from nearly *No Impact* to *High Impact* (FIGURE 13). Considering the inconsistency of brand metrics, it is not surprising that budgeting practices are similarly diverse.

Figure 13 / Question: To what degree do the metrics on brand performance impact your budget for the upcoming year?



The Future Trends in Branding: The Usual Suspects, an Opportunity for Balance

While the health check has been helpful to understanding the current state of branding, we can also explore what the future holds. When asked which brands most impressed them in 2006, answers for the most part reflected the usual suspects of brand exemplars (FIGURE 14).

Apple and/or iPod was mentioned by nearly 24% of the repondents as the most impressive brand(s) in 2006. Google was also mentioned frequently (7.8%) as was YouTube. Apple/iPod always does well in these types of surveys and Google and YouTube are high-use/high-engagment communication and community portals. All three benefit from the considerable attention and enthusiam that technology tends to engender.

Toyota and Nokia might be the most interesting members of this group. Why are they impressing the experts and what can we learn from their success? The answers would be incredibly useful as these brands represent large and mature industries with many players and mixed fortunes. The US-based automotive sector is in a well documented decline. Telecommuncations has had its share of difficulties, too. The answers could be many, including innovation, green technology, personalization and marketing consistency, to name just a few.

The outlook for 2007 is much the same, with Google, Apple/iPod and YouTube expected to continue to standout. The most notable member of this group may be China. Its presence in the 2007 *Standouts* list offers a fascinating discussion of nation branding. Is China a brand? If so, can it be strategically managed like the companies in this survey to create impact?

Figure 14

Most Impressive in 2006	
Apple/iPod	23.9%
Google	7.8%
Toyota	3.4%
YouTube	3.4%
Nokia	2.2%

Figure 15

Standouts in 2007	
Google	18.7%
Apple/iPod	15.8%
YouTube	5.9%
China	2.5%
Microsoft	2.5%

The Future Trends in Branding:
The Usual Suspects, an Opportunity for Balance

Lastly, we asked the experts to tell us in their own words what they believed to be the most critical aspects of succesful branding (FIGURE 16). *Consistency* was far and away the most cited practice. This represents a uniform presentation of the brand externally and across touchpoints. The experts cited *Understanding of Customer/Target* frequently. This mirrors the finding in this report that metrics and brand research are key tools. *Communication* and *Creative* effectiveness were also frequently mentioned as critical aspects of successful branding.

These open-ended responses provide a useful counterpoint to the other findings in this report. They reflect the classic tenets of branding and marketing, which are focused on knowing the customer, maintaining a consistent brand in the marketplace, and delivering winning content and creative. The findings from this study indicate that influential brands are also built on thorough management and rigorous internal standards. These brands intergrate with finance and use metrics and research to track performance. At the end of 2006, brand practioners are justifiably externally focused. The most succesful brands of 2007, however, will likely deliver against a balanced scorecard.

Figure 16

Aspects of Successful Branding	
Consistency	36.0%
Understanding of Customer/Target	18.2%
Message/Communication	14.7%
Creative/Design/Brand ID	12.8%
Relevance	12.4%
Differentiation/Uniqueness	12.0%
Key Stakeholder Buy-In	10.9%
Positioning	9.7%
Clarity	8.9%
Connection to Customer/Target	8.9%
Awareness/Recall/Memorability	8.1%
Focus	7.0%
Authentic/Truthful/Honest/Accurate	7.0%
Leadership	5.4%
Budget/Cost	4.3%
Strategy	3.5%
Product	3.5%
Research	3.1%
Innovation	2.3%
Simplicity	2.3%
Delivering on Promises	2.3%
Public Relations	1.6%
People	0.8%
Marketing	0.8%
Advertising	0.4%
Other	93.8%
Total	290.7%

Summing Up

The evidence shows that some brands "get it" and other do not. Operationally, most firms are creating standards and surveying customers and employees, often including brand in the mix. However, this study found few that put it all together. Brands with impact are thoroughly managed, strictly adhered to and financially supported. Yet, brands are not reaching their full potential. Most of our experts believe they could be more thorough. Few reach the necessary level of strict adherence to standards. Financial systems that link brand performance to personal reward and budgets are rare.

The best practices are now clear. It is equally clear from the report card that the current shape of the branding practice does not put the discipline at the top of the class. Brand practitioners, owners and managers have clearly stated that branding can be done better. 2007 will be another interesting year in the evolution of branding.

We thank the respondents and look forward to next year's report, which will have another year of data for comparison, debate and dialogue.