

MARKETING STRATEGICO E COMUNICAZIONE

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The steps to build a (strong) brand

BUILDING A STRONG BRAND: THE FOUR STEPS OF BRAND BUILDING



We present the brand resonance model, which describes how to create intense, active loyalty relationships with customers.

The brand resonance model looks at **building a brand** as a **sequence of steps**. The steps are as follows:

1. Ensure identification of the **brand** with customers and an association of the brand in customers' minds with a **specific product class, product benefit, or customer need**.
2. Firmly establish the totality of **brand meaning** in the **minds of customers** by strategically linking a host of tangible and intangible brand associations.
3. Elicit the proper **customer responses** to the brand.
4. Convert **brand responses** to create **brand resonance** and an intense, active **loyalty relationship** between customers and the brand.

BUILDING A STRONG BRAND: THE FOUR STEPS OF BRAND BUILDING



These **four steps** represent a set of fundamental questions that customers invariably ask about brands. This set is the following one:

- **Who are you?** (brand identity)
- **What are you?** (brand meaning)
- **What about you? What do I think or feel about you?** (brand responses)
- **What about you and me?** What kind of association and how much of a connection would I like to have with you? (brand relationships)

Notice the ordering of the steps in this **branding ladder**, from identity to meaning to responses to relationships. That is, we cannot establish meaning unless we have created identity; responses cannot occur unless we have developed the right meaning; and we cannot forge a relationship unless we have elicited the proper responses.

BUILDING A STRONG BRAND: THE FOUR STEPS OF BRAND BUILDING



- We can identify **six brand building blocks** with customers that can be assembled in a pyramid, with **significant brand equity** only resulting if brands reach the top of the pyramid
- Building blocks up the **left side** of the pyramid represent a more “**rational route**” to brand building, whereas building blocks up the **right side** of the pyramid represent a more “**emotional route**.”

BRAND SALIENCE



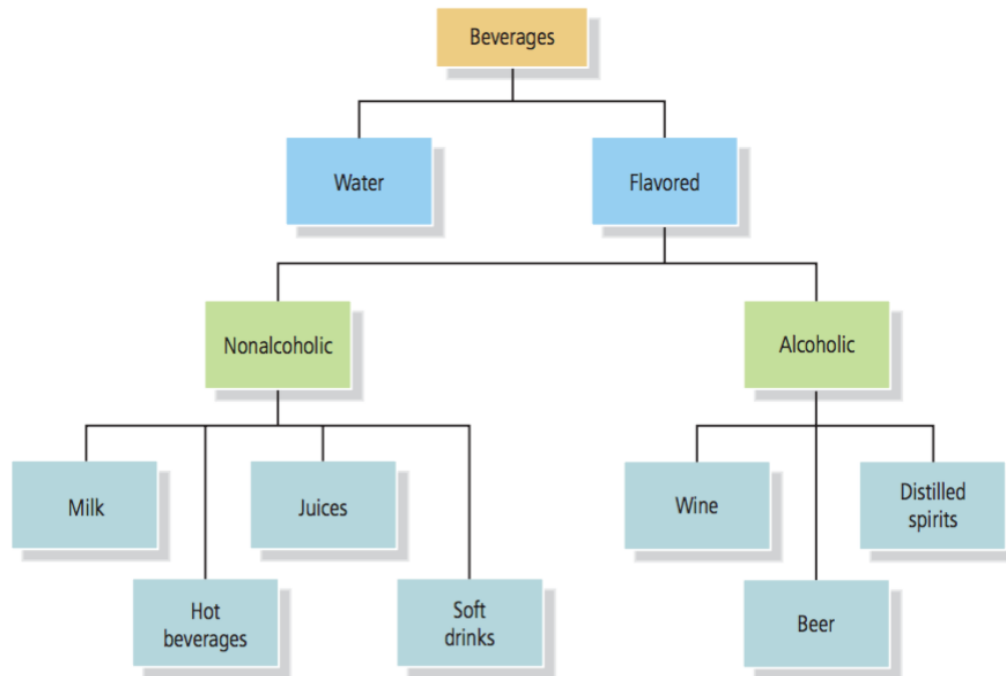
- Achieving the right **brand identity** means creating **brand salience** with customers.
- **Brand salience** measures various aspects of the **awareness** of the brand and how easily and often the brand is evoked under various situations or circumstances.
- **Brand awareness** refers to customers' ability to recall and recognize the brand under different conditions and to link the brand name, logo, symbol, and so forth to certain associations in memory.
- Building **brand awareness** helps customers understand the product or service category in which the brand competes and what products or services are sold under the brand name.



Breadth and Depth of Awareness

- The *depth* of brand awareness measures how likely it is for a **brand element** to come to mind, and the ease with which it does so. A brand we easily recall has a deeper level of brand awareness than one that we recognize only when we see it.
- The *breadth* of brand awareness measures the **range of purchase and usage situations** in which the brand element comes to mind and depends to a large extent on the organization of brand and product knowledge in memory.
- To fully evaluate the possible breadth of brand awareness , we need to appreciate ***product category structure***, or how product categories are organized in memory.

BRAND SALIENCE



Breadth and Depth of Awareness

- Consumers often make decisions in a top-down fashion, first deciding whether to have water or some type of flavored beverage.
- If the consumer chooses a flavored drink, the next decision would be whether to have an alcoholic or a non-alcoholic drink, and so on.

- Soft drinks have great breadth of awareness in that they come to mind in a variety of different consumption situations. A consumer may consider drinking one of the different varieties of Coke virtually any time, anywhere.



Strategic implications

- The product hierarchy shows us that not only *the depth* of awareness matters but also *the breadth*. In other words, the brand must not only be top-of-mind and have sufficient “*mind share*” but it must also do so at the *right times* and *places*.
- Breadth is an oft-neglected consideration, even for brands that are category leaders. For many brands, the key question is not *whether* consumers can recall the brand but *where* they think of it, *when* they think of it, and how *easily* and how *often* they think of it.
- Many brands and products are ignored or forgotten during possible usage situations. For those brands, the best route for improving sales may be not to try to improve *consumer attitudes* but, instead, increasing brand salience and the breadth of brand awareness and *situations* in which consumers would consider using the brand to drive consumption and increase sales volume.

BRAND SALIENCE



- A highly **salient brand** is one that has both depth and breadth of brand awareness
- **Brand salience** is an important **first step** in building brand equity, but is usually not sufficient
- For many customers in many situations, other considerations, such as the **meaning** or image of the brand, also come into play.
- **Creating brand meaning** includes establishing a brand image—what the brand is characterized by and should stand for in the minds of customers.
- **Brand meaning** is made up of two major categories of brand associations related to **performance** and **imagery**.

BRAND PERFORMANCE

BRAND PERFORMANCE ●●●●



- The **product** itself is at the **heart of brand equity**, because it is the primary **influence** on what consumers experience with a brand, what **they hear about a brand** from others, and what the firm can tell **customers** about the **brand** in their communications.
- Designing and delivering a product that fully satisfies consumer needs and wants is a prerequisite for successful marketing.
- **Brand performance** describes how well the product or service meets customers' more **functional** needs.



Subway has zoomed to the top as the biggest-selling **quick-serve restaurant** through a clever positioning of offering healthy, good-tasting sandwiches. This straddle positioning allows the brand to create a **POP on taste** and a **POD on health** with respect to quick-serve restaurants such as McDonald's and Burger King .

Five important types of attributes and benefits often underlie brand performance



- **Primary ingredients and supplementary features.** Customers often have beliefs about the levels at which the primary ingredients of the product operate (low, medium, high, or very high). Some attributes are essential ingredients necessary for a product to work, whereas others are supplementary features that allow for customization and more versatile, personalized usage.



- **Product reliability, durability, and serviceability.** **Reliability** measures the consistency of performance over time and from purchase to purchase. **Durability** is the expected economic life of the product, and **serviceability**, the ease of repairing the product if needed.

BRAND PERFORMANCE



- **Service effectiveness, efficiency, and empathy.** Customers often have performance-related associations with service. **Service effectiveness** measures how well the brand satisfies customers' service requirements. **Service efficiency** describes the speed and responsiveness of service. **Service empathy** is the extent to which service providers are seen as trusting, caring, and having the customer's interests in mind.

- **Style and design.** Consumers also may have brand performance associations with the product that go beyond its **functional aspects** to more **aesthetic considerations** such as its size, shape, materials, and color involved. **Performance** may also depend on **sensory aspects** such as how a product looks and feels, and perhaps even what it sounds or smells like.



- **Price.** Price is a particularly important **performance association** because consumers may organize their product category knowledge in terms of the **price tiers** of different brands.

BRAND IMAGERY



- The other main type of brand meaning is **brand imagery**. Brand imagery depends on the extrinsic properties of the product or service, including the ways in which the brand attempts to meet *customers' psychological or social needs*.
- It is the way people **think** about a brand abstractly, rather than what they **think** the **brand** actually **does**.
- Imagery refers to more intangible aspects of the brand, and consumers can form imagery associations directly from their own experience or indirectly through advertising or by some other source of information, such as word of mouth.

BRAND IMAGERY



Many kinds of intangibles can be linked to a brand, but four main ones are:

- (1) **User profiles**
- (2) **Purchase and usage situations**
- (3) **Personality and values**
- (4) **History, heritage, and experiences**



Take a brand with rich brand imagery such as Nivea in Europe. Some of its more notable intangible associations include: (1) family/shared experiences/maternal, (2) multipurpose, (3) classic/timeless, and (4) childhood memories.

BRAND IMAGERY



User Imagery. One set of brand imagery associations is about the type of person or organization who uses the brand.

- It can be based on **demographic factors**:

- **Gender.** Venus razors and Secret deodorant have “feminine” associations, whereas Gillette razors and Axe deodorant have more “masculine” associations.
- **Age.** Pepsi Cola, Powerade energy sports drink, and Under Armour performance clothing, shoes and accessories have positioned themselves as fresher and younger in spirit than Coke, Gatorade, and Nike, respectively.
- **Race.** Goya foods and the Univision television network have a strong identification with the Hispanic market.
- **Income.** Sperry Topsider shoes, Polo shirts, and BMW automobiles became associated with “yuppies”—young, affluent, urban professionals.

- It can be based on **psychographic factors**. They might include attitudes toward life, careers, possessions, social issues, or political institutions; for example, a brand user might be seen as iconoclastic or as more traditional and conservative.

BRAND IMAGERY



Secret deodorant versus Axe deodorant



Powerade versus Gatorade

Goya foods the Hispanic market



BRAND IMAGERY



Purchase and Usage Imagery

A second set of associations tells consumers under what **conditions** or **situations** they can or should **buy** and **use** the brand.

- Associations can relate to type of **channel**, such as department stores, specialty stores, or the Internet; to specific stores; and to ease of purchase and associated rewards (if any).
- Associations to a typical **usage situation** can relate to the **time** of day, week, month, or year to use the brand; **location**—for instance, inside or outside the home; and **type of activity** during which to use the brand—formal or informal.

For a long time, pizza chain restaurants had strong associations to their channels of distribution and the manner by which customers would purchase and eat the pizza — Domino's was known for delivery, Little Caesar for takeout, and Pizza Hut for dine-in service

BRAND IMAGERY



Brand personality

- Through consumer experience or marketing activities, brands may take on **personality** traits or human values and, like a person, appear to be “modern,” “old-fashioned,” “lively,” or “exotic.”
- Five dimensions of brand personality (with corresponding sub-dimensions) are **sincerity** (down-to-earth, honest, wholesome, and cheerful), **excitement** (daring, spirited, imaginative, and up-to-date), **competence** (reliable, intelligent, successful), **sophistication** (upper class and charming), and **ruggedness** (outdoorsy and tough).
- Any aspect of a brand may be used by consumers to infer **brand personality**. One research study found that consumers perceived non profit companies as being “warmer” than for-profit companies but as less competent.

BRAND IMAGERY



https://www.youtube.com/watch?time_continue=36&v=uHvx_VSbwK0



REBEL

Brand personality



RUGGEDNESS

BRAND IMAGERY



Brand personality

- Advertisers may imbue a brand with personality traits through **anthropomorphization** and product animation techniques <https://www.youtube.com/watch?v=l83g9d92gfQ>
- More generally, the actors in an ad, the **tone or style** of the **creative strategy**, and the **emotions** or **feelings** evoked by the ad can affect brand personality.
- Still imagery and brand personality may not always be in agreement. When **performance-related attributes** are central to consumer decisions, as they are for food products, for example, brand personality and user imagery may be less closely related. For example, early in its U.S. brand development, Perrier's brand personality was "sophisticated" and "stylish," whereas its actual user imagery was not as flattering or subdued but "flashy" and "trendy."
- When user and usage imagery are important to consumer decisions, however, brand personality and imagery are more likely to be related, as they are for cars, beer, liquor, cigarettes, and cosmetics. Thus, consumers often choose and use brands that have a brand personality consistent with their own self-concept, although in some cases the match may be based on consumers' desired rather than their actual image.

BRAND IMAGERY



Brand History, Heritage, and Experiences

- Finally, brands may take on associations to their **past** and certain noteworthy **events** in the brand's history.
- These types of associations may recall distinctly **personal experiences** and **episodes** or past behaviors and experiences of friends, family, or others.
- They can be highly personal and individual, or more well-known and shared by many people.
- For example, there may be associations to aspects of the brand's marketing program, the color of the product or look of its package, the company or person that makes the product and the country in which it is made, the type of store in which it is sold, the events for which the brand is a sponsor, and the people who endorse the brand.

<https://www.youtube.com/watch?v=FvFIjVUZldU&feature=youtu.be>

BRAND IMAGERY



- Creating strong, favorable, and unique associations is a real challenge to marketers, but essential to building customer-based brand equity.
- Strong brands typically have firmly established favorable and unique brand associations with consumer.
- **Brand meaning** is what helps produce *brand responses*, or what **customers think or feel about the brand**.
- We can distinguish brand responses as either **brand judgments** or **brand feelings**, that is, in terms of whether they arise from the “head” or from the “heart,” as the following sections describe.

BRAND JUDGEMENT



Judgment Dimensions

- **Brand quality**
 - Value
 - Satisfaction
- **Brand credibility**
 - Expertise
 - Trustworthiness
 - Likability
- **Brand consideration**
 - Relevance
- **Brand superiority**
 - Differentiation



- **Brand judgments** are customers' personal opinions about and evaluations of the brand, which consumers form by putting together all the different **brand performance** and **imagery associations**.
- Customers may make all types of judgments with respect to a brand, but four types are particularly important: **judgments** about **quality**, **credibility**, **consideration**, and **superiority**.

BRAND JUDGEMENT



- **Brand quality:** consumers can hold a host of attitudes toward a brand, but the most important relate to its *perceived quality* and to customer value and satisfaction.
- **Brand credibility** describes the extent to which customers see the brand as *credible* in terms of *three dimensions*: perceived expertise, trustworthiness, and likability. Is the brand seen as (1) competent, innovative, and a market leader (*brand expertise*); (2) dependable and keeping customer interests in mind (*brand trustworthiness*); and (3) fun, interesting, and worth spending time with (*brand likability*)?
- **Brand Consideration.** Favorable brand attitudes and perceptions of credibility are important, but not important enough if customers don't actually *consider* the brand for possible purchase or use.
- **Brand Superiority.** Superiority measures the extent to which customers view the *brand as unique* and *better* than other brands. *Superiority* is absolutely critical to building intense and active relationships with customers and depends to a great degree on the number and nature of unique brand associations that make up the brand image.

BRAND FEELING

Taste the Feeling.

WHAT FEELING
SHOULD YOUR BRANDING
EVOKE?



- Brand feelings are customers' **emotional responses** and **reactions** to the brand.
- What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others?
- Trustmarks truly belong to the people who offer the love to the brand, and that an **emotional connection** is critical.
- More and more firms are attempting to tap into more **consumer emotions** with their brands.

BRAND FEELING

Six important types of brand-building feelings.



- **Warmth:** The brand evokes soothing types of feelings and makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand. Many heritage brands such as Welch's jelly, Quaker oatmeal, and Aunt Jemima pancake mix and syrup tap into feelings of warmth.
- **Fun:** *Upbeat types of feelings make consumers feel amused, lighthearted, joyous, playful, cheerful, and so on. With its iconic characters and theme park rides, Disney is a brand often associated with fun.*
- **Excitement:** *The brand makes consumers feel energized and that they are experiencing something special. Brands that evoke excitement may generate a sense of elation, of "being alive," or being cool, sexy, etc.*
- **Security:** *The brand produces a feeling of safety, comfort, and self-assurance. As a result of the brand, consumers do not experience worry or concerns that they might have otherwise felt. Allstate Insurance and its "Good Hands" symbol and State Farm and its "Like a Good Neighbor" slogan are brands that communicate security to many.*
- **Social approval:** *The brand gives consumers a belief that others look favorably on their appearance, behavior, and so on. This approval may be a result of direct acknowledgment of the consumer's use of the brand by others or may be less overt and a result of attribution of product use to consumers. To an older generation of consumers, Cadillac is a brand that historically has been a signal of social approval.*
- **Self-respect:** *The brand makes consumers feel better about themselves; consumers feel a sense of pride, accomplishment, or fulfillment. A brand like Tide laundry detergent is able to link its brand to "doing the best things for the family" to many homemakers.*

BRAND RESONANCE



- The final step of the model focuses on the ultimate relationship and level of identification that the customer has with the brand. Brand resonance describes the nature of this relationship and the extent to which **customers** feel that **they are “in sync”** with the brand
- Resonance is characterized in terms of **intensity**, the psychological bond that customers have with the brand, as well as the **level of activity** engendered by this loyalty (repeat purchase rates and the extent to which customers seek out brand information, events, and other loyal customers).

We can break down these two dimensions of brand resonance into four categories:

- Behavioral loyalty
- Attitudinal attachment
- Sense of community
- Active engagement

BRAND RESONANCE



- **Behavioral Loyalty.** We can gauge *behavioral loyalty* in terms of repeat purchases and the amount or share of category volume attributed to the brand, that is, the “share of category requirements.” In other words, how often do customers purchase a brand and how much do they purchase?
- **Attitudinal Attachment.** Resonance, however, requires a strong personal *attachment*. Customers should go beyond having a positive attitude to viewing the brand as something special in a broader context
- **Sense of Community.** The brand may also take on broader meaning to the customer by conveying a sense of community. *Identification* with a brand community may reflect an important social phenomenon in which customers feel a kinship or affiliation with other people associated with the brand, whether fellow brand users or customers, or employees or representatives of the company. A brand community can exist online or off-line.
- **Active Engagement.** Finally, perhaps the strongest affirmation of brand loyalty occurs when customers are *engaged*, or willing to invest time, energy, money, or other resources in the brand beyond those expended during purchase or consumption of the brand.



STARBUCKS



Moderate Brand Resonance

Resonance

- Strong Brand recognition but easy to switch
- High attachment: long relationships but do not buy frequency
- Active engagement: depend on activity

Feeling

- Security: Standard
- Social approval
- Self-Respect

Judgment

- Credibility: Global brand/ Barista
- Quality: Premium brand (Product/Service/Image)

Judgment

Feeling

Imagery

- Brand Personality
 - Modern lifestyle/Trendy
 - Working age
 - Stylish
 - Wealthy
- Brand History: Successful
- Reach to urban lifestyle: Office area/Department Store

Performance

- Uniqueness: Design/Material
- Variety product
- Customize
- Best Service: Friendly/Consideration
- Third Place: Feel like home/Relax

Performance

Imagery

Saliency

TM

Saliency

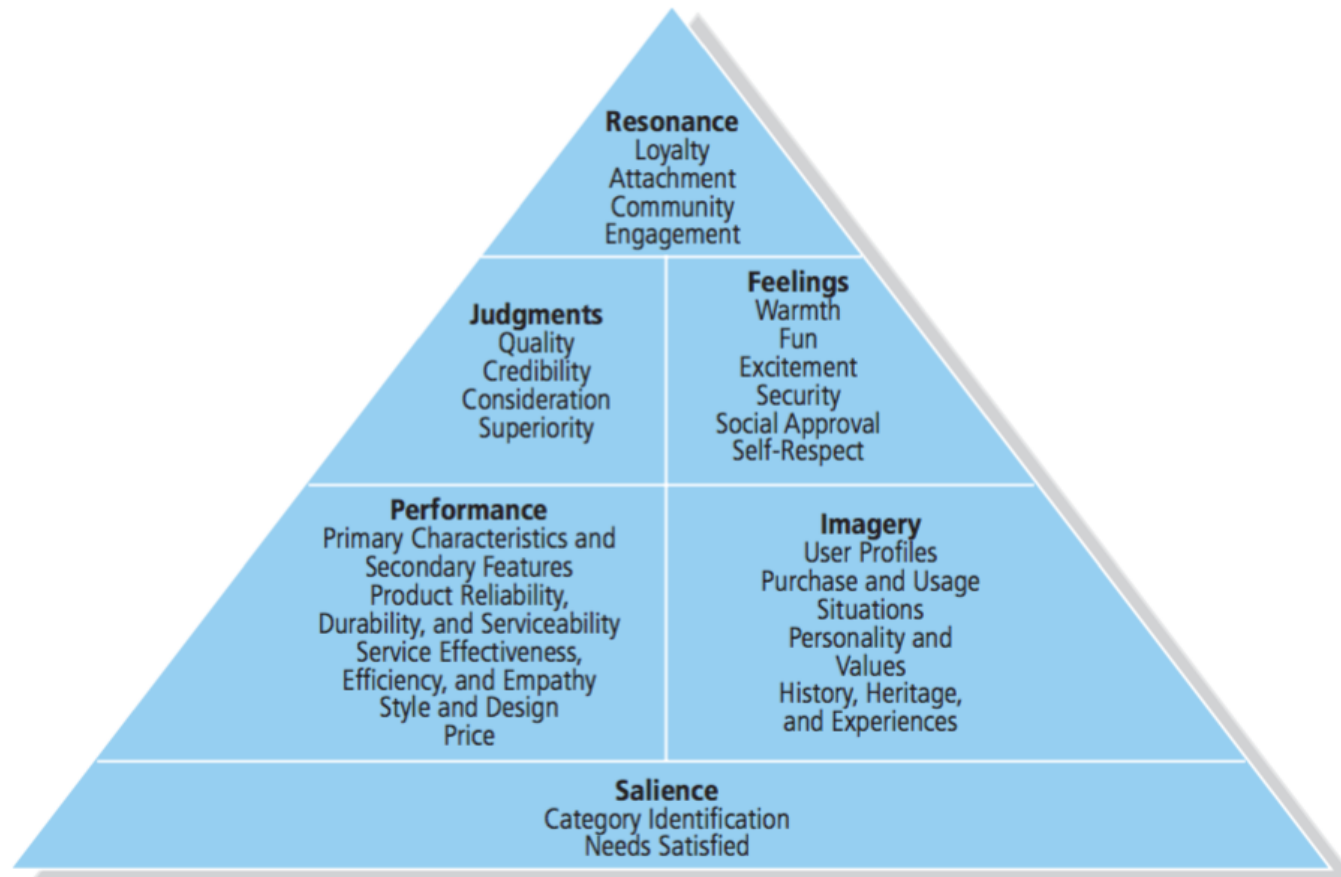
- High recognition : Coffee/Environment/Premium
- Well known brand

638 x 479



BRAND RESONANCE

Subdimensions of Brand Building Blocks



Brand-Building Implications



The brand resonance model provides a **road map** and guidance for brand building, a yard-stick by which brands can assess their progress in their brand-building efforts as well as a guide for marketing research initiatives.

Customers Own the Brands

- The basic premise of the **brand resonance model** is that the true measure of the strength of a brand is the way consumers think, feel, and act with respect to that brand.
- The strongest brands will be those to which consumers become so attached and passionate that they, become **evangelists** or **missionaries** and attempt to share their beliefs and spread the word about the brand. The power of the brand and its ultimate value to the firm reside with customers.

Brand-Building Implications



Don't Take Shortcuts with Brands

- A great brand is not built by accident but is the product of carefully accomplishing—either explicitly or implicitly—a series of logically linked steps with consumers.
- The length of time to build a strong brand will therefore be directly proportional to the amount of time it takes to create sufficient awareness and understanding so that firmly held and felt beliefs and attitudes about the brand are formed that can serve as the foundation for brand equity.

Brands should have a duality

- Strong brands blend **product performance** and **imagery** to create a rich, varied, but complementary set of consumer responses to the brand.
- By appealing to both rational and emotional concerns, a strong brand provides consumers with multiple access points while reducing competitive vulnerability.

Brand-Building Implications



Brands Should Have Richness

Brands should not necessarily be expected to score highly on all the various dimensions and categories making up each core brand value.

- Building blocks can have hierarchies in their own right. For example, with respect to brand awareness, typically marketers should first establish **category identification** in some way before considering strategies to expand **brand breadth** via needs satisfied or benefits offered.
- With brand performance, they may wish to first link **primary characteristics** and related features before attempting to link additional, more peripheral associations.
- Brand imagery often begins with a fairly concrete initial articulation of **user and usage imagery** that, over time, leads to broader, more abstract brand associations of personality, value, history, heritage, and experience.
- Brand judgments usually begin with **positive quality** and credibility perceptions that can lead to brand consideration and then perhaps ultimately to assessments of brand superiority.
- Brand feelings usually start with either **experiential ones** (warmth, fun, and excitement) or inward ones (security, social approval, and self-respect.)
- Finally, resonance again has a clear ordering, whereby **behavioral loyalty** is a starting point, but attitudinal attachment or a sense of community is almost always needed for active engagement to occur.

Brand-Building Implications



Brand Resonance Provides Important Focus

- Brand resonance is the pinnacle of the brand resonance model and provides important focus and priority for decision making about marketing.
- Marketers building brands should use brand resonance as a goal and a means to interpret their brand-related marketing activities.
- The question to ask is to what extent is marketing activity affecting the key dimensions of brand resonance—consumer loyalty, attachment, community, or engagement with the brand? Is marketing activity creating brand performance and imagery associations and consumer judgments and feelings that will support these brand resonance dimensions?

THE BRAND VALUE CHAIN



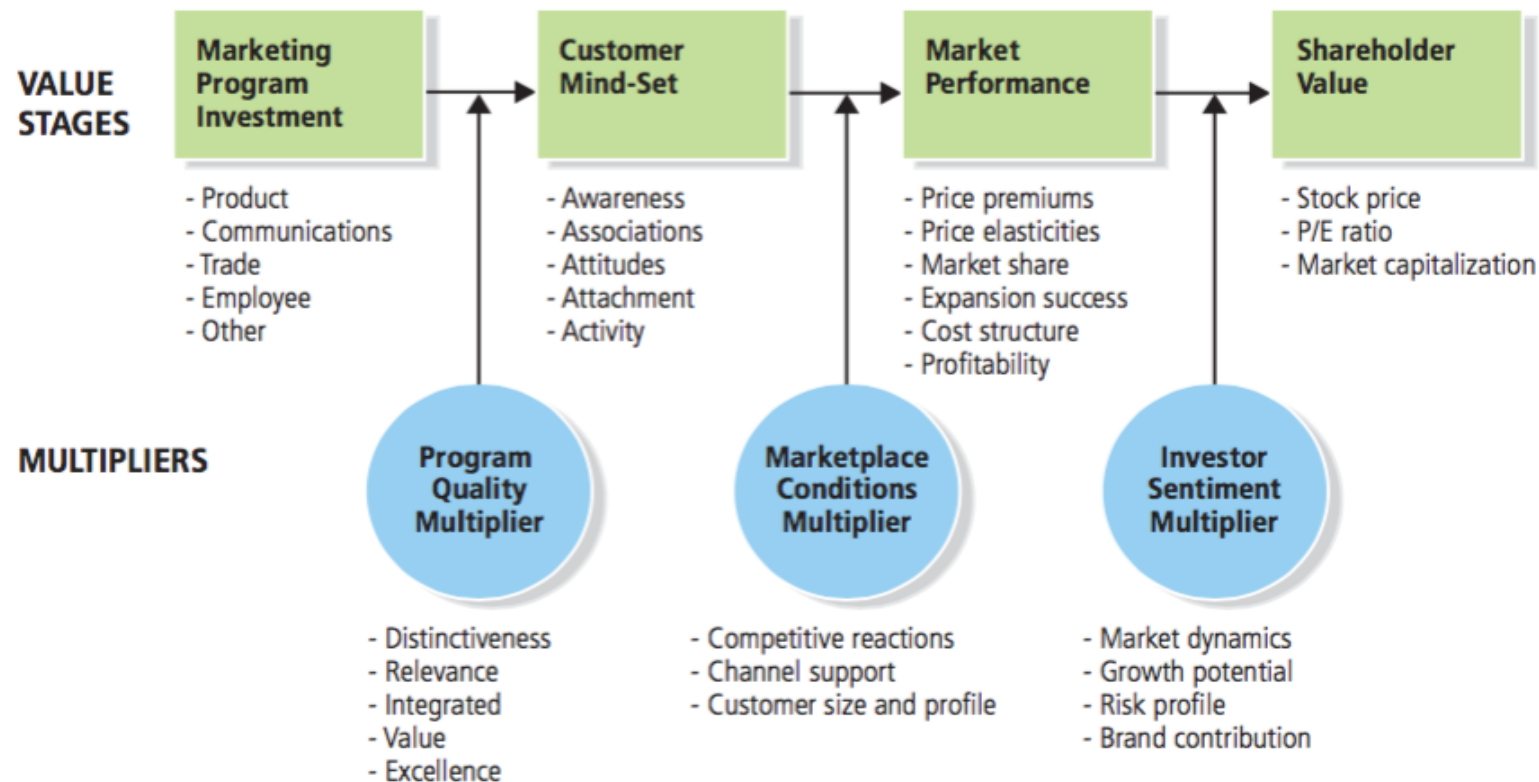
- Developing a strong positioning and building **brand resonance** are crucial marketing goals.
- To better understand the ROI of marketing investments, however, another tool is necessary.
- The **brand value chain** is a structured approach to assessing the sources and outcomes of brand equity and the manner by which marketing activities create brand value.



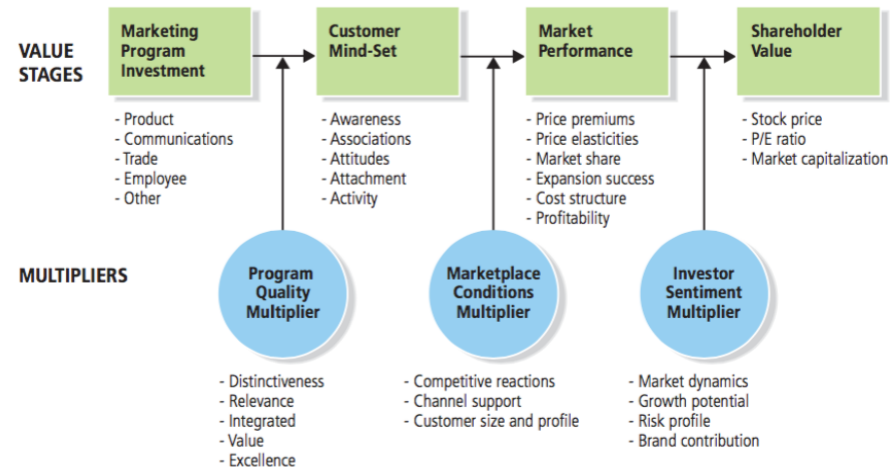
THE BRAND VALUE CHAIN

- The **brand value chain** has several basic premises. Consistent with the brand resonance model, it assumes that the value of a brand ultimately resides with customers.
- Based on this insight, the model next assumes that the **brand value creation process begins when the firm invests in a marketing program** targeting actual or potential customers (stage 1).
- The associated marketing activity then affects the **customer mind-set**—what customers know and feel about the brand—as reflected by the brand resonance model (stage 2).
- This **mind-set**, across a broad group of customers, produces the **brand's performance** in the marketplace—how much and when customers purchase, the price that they pay, and so forth (stage 3).
- Finally, the investment community considers this market performance—and other factors such as replacement cost and purchase price in acquisitions—to arrive at an **assessment of shareholder value** in general and a value of the brand in particular (stage 4).

THE BRAND VALUE CHAIN



THE BRAND VALUE CHAIN



Marketing Program Investment

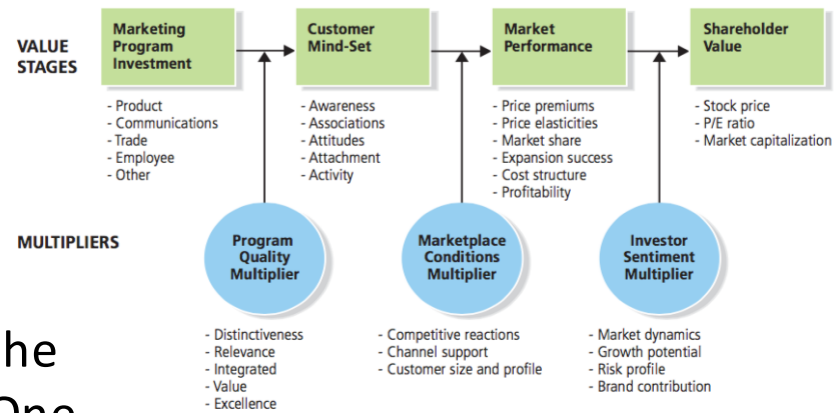
- Any marketing program investment that can contribute to brand value development, intentionally or not, falls into this first value stage.
- A big investment of course does not guarantee success.
- The ability of a **marketing program investment** to transfer or multiply farther down the chain depends on qualitative aspects of the marketing program and the program quality multiplier.

THE BRAND VALUE CHAIN

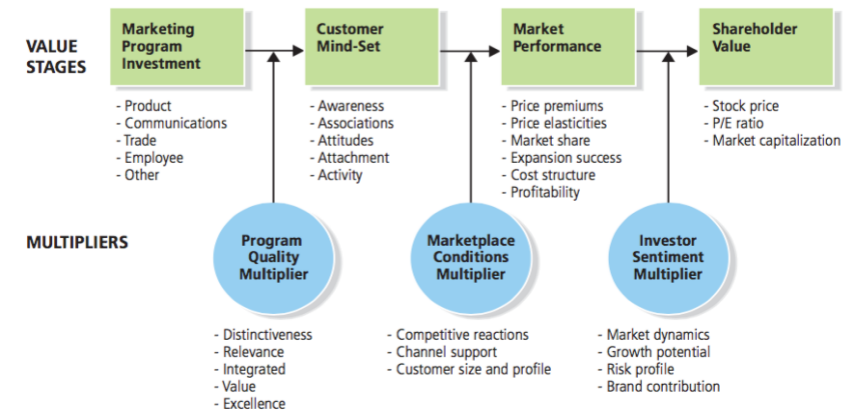
Program Quality Multiplier

The **ability** of the marketing program to affect the **customer mind-set** will depend on **its quality**. One handy way to remember some key considerations is through the acronym DRIVE, as follows:

1. **Distinctiveness:** How unique is the marketing program? How creative or differentiating is it?
2. **Relevance:** How meaningful is the marketing program to customers? Do consumers feel the brand is one they should seriously consider?
3. **Integrated:** How well integrated is the marketing program at one point in time and over time? Do all aspects combine to create the biggest impact with customers as possible
4. **Value:** How much short-run and long-run value does the marketing program create? Will it probably drive sales in the short run? Will it build brand equity in the long run?
5. **Excellence:** Is the individual marketing activity designed to satisfy the highest standards?



THE BRAND VALUE CHAIN



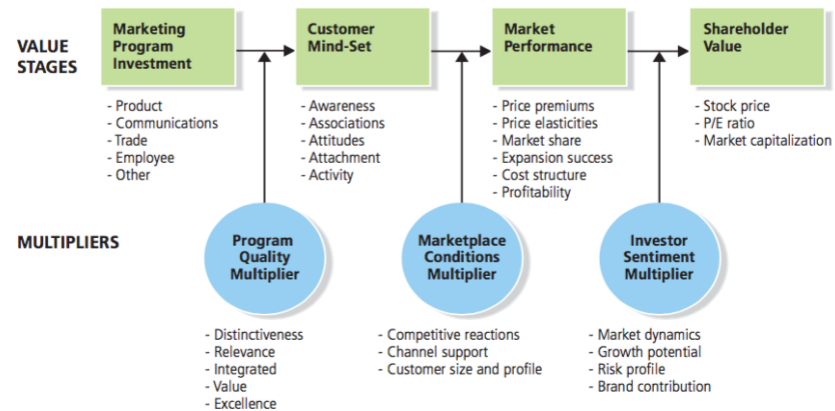
Customer Mind-Set

- In what ways have customers been changed as a result of the marketing program? How have those changes manifested themselves in the customer mind-set?
- Remember, the customer mind-set includes everything that exists in the minds of customers with respect to a brand: thoughts, feelings, experiences, images, perceptions, beliefs, and attitudes

Brand value is created at this stage when customers have (1) deep, broad brand awareness; (2) appropriately strong, favorable, and unique points-of-parity and points-of-difference; (3) positive brand judgments and feelings; (4) intense brand attachment and loyalty; and (5) a high degree of brand activity.

The ability of this customer mind-set to create value at the next stage depends on external factors we call the marketplace conditions multiplier.

THE BRAND VALUE CHAIN



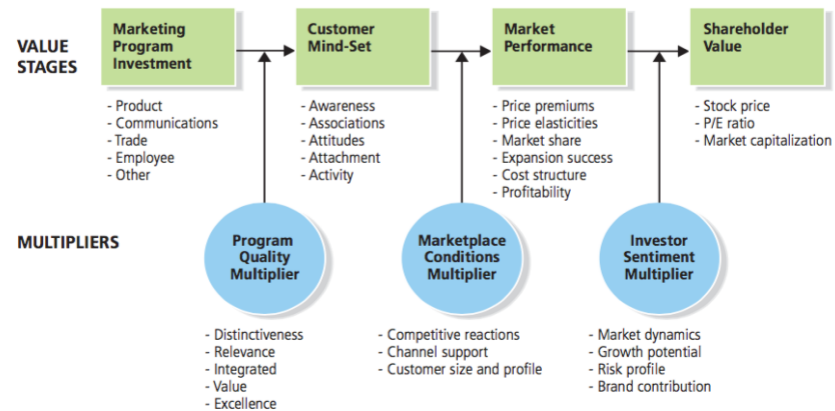
Marketplace Conditions Multiplier

The extent to which **value** created in the minds of customers affects **market performance** depends on factors beyond the individual customer. Three such factors are:

1. **Competitive superiority:** How effective are the marketing investments of competing brands?
2. **Channel and other intermediary support:** How much brand reinforcement and selling effort is being put forth by various marketing partners?
3. **Customer size and profile:** How many and what types of customers are attracted to the brand? Are they profitable?

The value created in the minds of customers will translate to **favorable market performance** when competitors fail to provide a significant threat, when channel members and other intermediaries provide strong support, and when a sizable number of profitable customers are attracted to the brand.

THE BRAND VALUE CHAIN



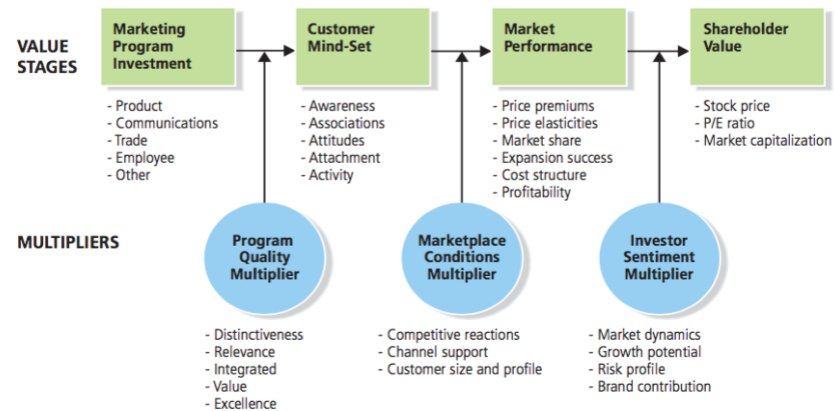
Market Performance

- The customer mind-set affects how customers **react** in the marketplace in six main ways.
- The first two relate to **price premiums** and **price elasticities**. How much extra are customers willing to pay for a comparable product because of its brand? And how much does their demand increase or decrease when the price rises or falls?
- A third outcome is **market share**, which measures the success of the marketing program in driving brand sales.
- The fourth outcome is **brand expansion**, the success of the brand in supporting line and category extensions and new-product launches into related categories
- The fifth outcome is cost structure or, more specifically, **reduced marketing program** expenditures thanks to the prevailing customer mind-set.

When combined, these five outcomes lead to **brand profitability**, the sixth outcome.

The ability of the brand value created at this stage to reach the final stage in terms of stock market valuation again depends on external factors.

THE BRAND VALUE CHAIN

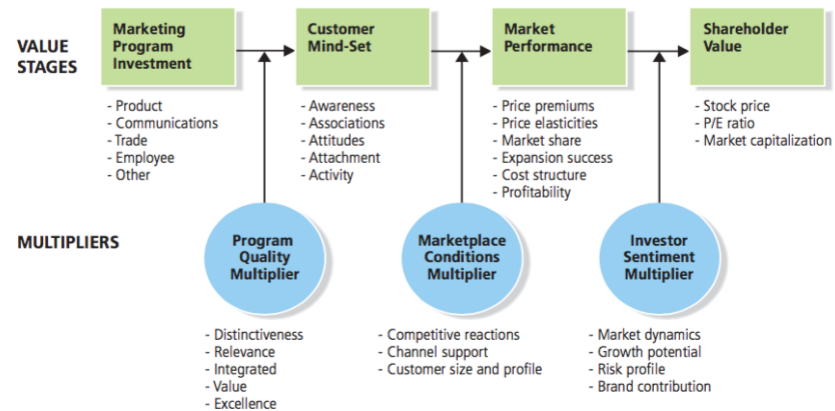


Investor Sentiment Multiplier

Financial analysts and investors consider a host of factors in arriving at their brand valuations and investment decisions. Among them are the following:

- **Market dynamics:** What are the dynamics of the financial markets as a whole (interest rates, investor sentiment, supply of capital)?
- **Growth potential:** What is the growth potential or prospects for the brand and the industry in which it operates? For example, how helpful are the facilitating factors and how inhibiting are the hindering external factors that make up the firm's economic, social, physical, and legal environment?
- **Risk profile:** What is the risk profile for the brand? How vulnerable is the brand to those facilitating and inhibiting factors?
- **Brand contribution:** How important is the brand to the firm's brand portfolio?

THE BRAND VALUE CHAIN



Shareholder Value

- Based on all available current and forecasted information about a brand, as well as many other considerations, the financial marketplace formulates opinions and assessments that have very direct financial implications for the brand value.
- Three particularly important indicators are the stock price (prezzo azione), the price/earnings multiple (utili multipli), and overall market capitalization for the firm.
- Research has shown that not only can strong brands deliver greater returns to stock-holders, they can do so with less risk.