

# **DISPATCHES**<sup>TM</sup>

*Insights On Brand Development From The Marketing Front*

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Sunday, March 22, 2009

## **DO YOU HAVE BRAND LOYALTY?**

When we wrote “Creating Brand Loyalty,” as the title suggests, the focus was on this thing called “brand loyalty.” Our work continues to reflect this in everything we offer to, and do for, our clients. We define “brand” as an entity providing a constellation of values (both tangible and intangible factors) perceived to be important to customers. A brand goes well beyond the mere physical attributes of a “product.” “Loyalty” is an unswerving devotion to the brand by its customers. These are not hollow words. We certainly don’t take them lightly. They reflect a special relationship with customers. Getting beyond the product to establish a brand represents a worthy goal for marketers and their organizations. We sell products but we market brands. Products are transactional but brands are transformational. The former is short term while the latter, if managed wisely, is enduring.

What does it take to qualify as a brand? A name? Does a color scheme, such as blue and gold, qualify as a brand? Maybe it’s a logo? Not hardly. That’s all part of “branding.” Namely it’s the execution part. The brand is something else. It is something that is relevant to customers. A “brand” has, and gives, meaning. And, it has to connect with customers. Yes, iPod has all the bells and whistles but so do a lot of other MP3 players (like 1400 more). Some even have more and better features. But iPod has a special meaning to its users and, even, gives meaning to its users. (Now we’re all cool!)

Brand loyalty. How do you know if we have it? Might we assume we have brand loyalty if we have the dominant or leadership share of the market? Or might our experience of posting sales growth year after year evidence that we have it? We’re not sure that either of these serve as a litmus test for brand loyalty. Share leadership could be a function of being first to market, more muscle (such as outspending competition and, as a result, having a greater share of voice in the marketplace), more widespread distribution, a more effective sales force or a combination of any of the aforementioned – among other factors. The same goes for consistent sales and, even, share growth. Mac is a brand built on loyalty and yet it is far from the leader in sales and market share in the personal computer category. Yes, Mac has been growing. But there are products that have been growing, perhaps, due to industry strength, that we don’t even know or care about who do not enjoy brand loyalty.

We’ve shared with you in past DISPATCHES<sup>TM</sup> articles, and repeatedly in our training programs and workshops, that a true test of whether you enjoy brand loyalty is if the entity were out of stock the customer would put off purchasing until it became available again. Another test might be if customers ignored the lure of competitive promotions, particularly deep discounting, to stick with your offering.

This deep recession is testing brand loyalty. Now we learn whether customers have been purchasing our offerings out of convenience, habit or a special relationship with the sales person. (We want that special relationship to be with the brand or company not the sales person!) Competitors are cutting prices to match or undercut each other in an effort to hold onto, no less win, customers. And, this is only the beginning. Customers are getting to be more demanding – including the corporate ones. Businesses are discovering “procurement specialists” and using them to slash costs. They are demanding bids from valued supplier partners and opting for the lowest costing ones overlooking in many cases quality, added-value services and, even, outcomes. Moreover customers are lowering their expectations and choosing products of generally acceptable quality (GAQ) forcing rounds of product rationalization (which we believe will ultimately undermine brand health). The question you may be asking is whether this is a mere fad (of the times) or does it represents a sea change? Our advice is “prepare for the worst.”

No, we are not advancing doom and gloom (although we do believe this recession is going to take us into 2010 and will be many years before we are able to restore normalcy – like, maybe 2012-15). We do think, however, that we cannot afford to treat this in any other way other than a sea change. (If you opt for fad and it isn't you will be left adrift at sea.)

Let's pose another question to determine if you indeed enjoy brand loyalty. It will also determine if you are vulnerable to losing it and encourage thinking as to what's needed to gain and/or maintain it. Simply ask yourself this question, “If my entity were to go away (like Circuit City and many, many businesses today) would it be missed?” In talking about ‘being missed’ we are not getting at mere sympathy votes (like “Oh, it's too bad”). Instead, we are talking about missing as in causing disruption to the customer's being able to function satisfactorily, confusion in what the customer should do, a deep regret sort of like when a dear friend moves away – say to another country. That's what we mean by “being missed!”

Now be honest with yourself. Afterall, we are not judging you or your offering. But if you are the fourth pharmaceutical in the same class of drug with similar clinical results then can you really make a case for being missed if it were to disappear? Or if you are another medical device with the same standard of identity as your competition, having very similar features and delivering generic benefits the results of which are really determined by the value accorded by an intermediary (such as the surgeon), can you answer our question in the affirmative? What if your product is another FMCG (fast moving consumer goods) product in a category where there are a plethora of competitors and market share gains are temporary and/or a function of aggressive promotion, do you think it would really go missing? How about a financial institution offering similar returns on passbook savings? Whoa, let's pause here. If you have a sterling reputation in these times and engender ‘trust’ we certainly would miss you if you were no longer available!

If the answer to our question is “yes” then ask yourself, “Who will miss it?” We're asking which customer segment as defined by our seven elements of a complete target definition (i.e., demographics, psychographics, condition or lifestage or occasion, attitudes, usage and dissatisfactions, telling behaviors and needs that are more than generic). Now, identify why will this customer population miss it. What makes your offering so special? (This is getting at the meaning of your brand to customers.) In turn answer this question, “is this difference enduring?” Finally, what will it take to make it enduring, or extend the durability of the brand?

If you respond “no” then answer this next question: “Why won't it be missed?” Importantly, identify what you can do in marketing the brand so it will be missed.

**BOATS & HELICOPTERS:**

1. Take the *test for brand loyalty*. Answer “yes” or “no” to the following questions:

Question	Yes	No
• If my entity were out of stock customers would delay purchasing rather than purchase a competitive product*		
• Promotional spending for my entity has been increasing		
• The percent of promotional sales to total sales is rising		
• We lose sales to aggressive competitive offers or new developments (unless we match them)		
• Customers perceive our entity to be interchangeable with competitive entries*		
• Exclusive usage of our offering has been shrinking		
• Frequency of usage has been declining		
• We would be really missed if we were no longer available (such as going the route of Circuit City)*		

You must answer ‘yes’ to at least 5 of the 8 questions above of which you must also answer ‘yes’ to those three questions marked with an asterisk to consider that your offering enjoys brand loyalty

2. *Make it your job to create or bolster brand loyalty*. This includes:

- Segment the market and identify an appropriate target customer
- Develop a brand positioning strategy with relevant and meaningful differentiation to win the target
- Better serve your target than the competition
- Leverage the development of brand loyalty through the employment of key business drivers
- Promote the brand with tactics for each key business driver that represent BIG ideas
- Practice “Power Positioning.” Ensure that everything, absolutely everything you do, is consistent with the brand’s positioning strategy
- Engage in “Proositioning” (i.e., proactive positioning). Evolve the brand’s positioning strategy to fit with changes in the marketplace, customer needs, new technologies, etc.

3. **Learn to become a brand builder.** If you are interested in learning more about what you can do, and achieve the needed skills, to create brand loyalty then consider attending the BDNI “Open” Brand Positioning & Communications College program which will be conducted on May 5 – 7 in Evanston, Illinois. This is the same program we conduct for corporate clients throughout the world but is open to managers from all industries and companies. [Click here for more information](#) or contact Lori Vandervoort at 800 255-9831 for information. FYI, we conduct only one per year and space is limited so if you are interested act now.

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