2015

The Power of Brand Love

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Published In
Barker, R., Peacock, J. and Fetscherin, M. "The Power of Brand Love," International Journal of Market Research, 57, 5 (2015): 669–672.

Viewpoint: The Power of Brand Love

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BERA Brand Management

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In this article we would like to respond to Romaniuk's (2013) Viewpoint article '*What's (brand) love got to do with it?*' and provide our point of view regarding brand love. While we agree with some of the limitations she points out in Batra et al.'s (2012) article and acknowledge that, we disagree with her statement that there is "*no evidence that building brand love leads to higher market share, sales or profitability*" (Romaniuk, 2013, p. 185). It is conceivable that there was no evidence when she wrote the article in 2013. However, as this article illustrates, we have since 2013 conducted our own research based on over 1 million respondents and 4,000 brands across 200 categories and can provide evidence that brand love leads to greater profitability and total shareholder return.

Importance of the Brandscape

In our view, marketers need to think about 'love' not within a specific product category but across the entire universe of brands. In that respect, we agree with Romaniuk that, even if 89% of people put at least one brand in the 'love' category, this number should be described in the context of all brands an individual consumes; as part of the larger brandscape or universe of brands. Ironically, however, that is still how most companies manage and measure brand performance (within a specific product/service category) ignorant of the fact that consumers are often making trade-offs not just between brands but across a number of product categories that play a role in their lives. Such trade-offs become yet more stringent when consumers' discretionary spending is tight. Mistakenly, marketers tend not to view their brands through an agnostic lens -as consumers do- and we view this, as also Romaniuk points out, as an oversight, if not a mistake. In other words, achieving 'brand love' in one category alone is not the end game, because ‘brand love’ is universal, transcending all manner of category (Fetscherin *et al*., 2014).

BERA Platform

As Batra et al, (2012) correctly state, brand relationships - and specifically brand love - permits companies to monetize increased willingness to pay a premium, gain market share, remain price-competitive, or increase profits. For years, the authors have researched the ways in which people ‘fall in’ and ‘fall out’ of love with brands. This led to the development of BERA (Brand Equity Relationship Assessment)equity assessment platform, surveying 20,000 people on a weekly basis, collecting millions of consumer perceptions and evaluations for over 4,000 brands across 200 categories. We believe it provides reliable and real-time response from which CFOs, CMOs, marketing and brand managers can take actions. The full methodology is described in Fetscherin and Heilmann (2015).

Relationship Stages and Brand Development

We distinguish between five stages of ‘brand love’: new, dating, love, boredom and divorce. Knowing a brand’s relationship stage provides concrete clues to identify the right tactics, timing and resource allocation necessary to support and maintain ‘love’. In relationship terms, a ‘first date’ has a different itinerary from that proposed after a year of dating or ‘date night’ after 10 years of marriage.

BERA Elements

On a weekly basis, we measure four elements of the brand-bond: Brand Cognizance (or perceived awareness and familiarity), Brand Regard (or perceived satisfaction and favourability), Brand Competitive Uniqueness and Brand Meaningfulness. By including these four elements (see Figure 1), both leading and lagging indicators are integrated. The *lagging* indicators (Cognizance and Regard) make up a consumer’s short-term relationship with a brand, which we call ‘today’. The *leading* indicators (Competitive Uniqueness and Meaningfulness) comprise what we call ‘tomorrow’, because they define consumers’ long-term relationship with a brand and are indicative of future growth value and potential.

Figure 1: BERA’s Elements of Brand Love

The two constructs of ‘today’ and ‘tomorrow’ power an understanding of the brand balance at any point in time: how well your brand-bond is taking care of short-term and long-term future expectations. For example, when today > tomorrow, we see volume growth deceleration, market share, price, and margin pressures, and inefficiencies in marketing spend.

Economic Proof of Brand Love

Through our analyses, the following Figure 2 illustrates and provides evidence that different brands occupy different brand relationship stages. It shows how a selection of ‘quick service’ restaurant brands differ based on their relationship stage. The platform also facilitatesa break down of each individual point (company) into different consumer segments (e.g., loyals, switchers, prospects) and show how many are within each segment and at which relationship stage they are with the brand. This allows marketers to have very specific target market insights permitting them to formulate clear tactics for their product, pricing, promotional strategy and allocate respective resources.

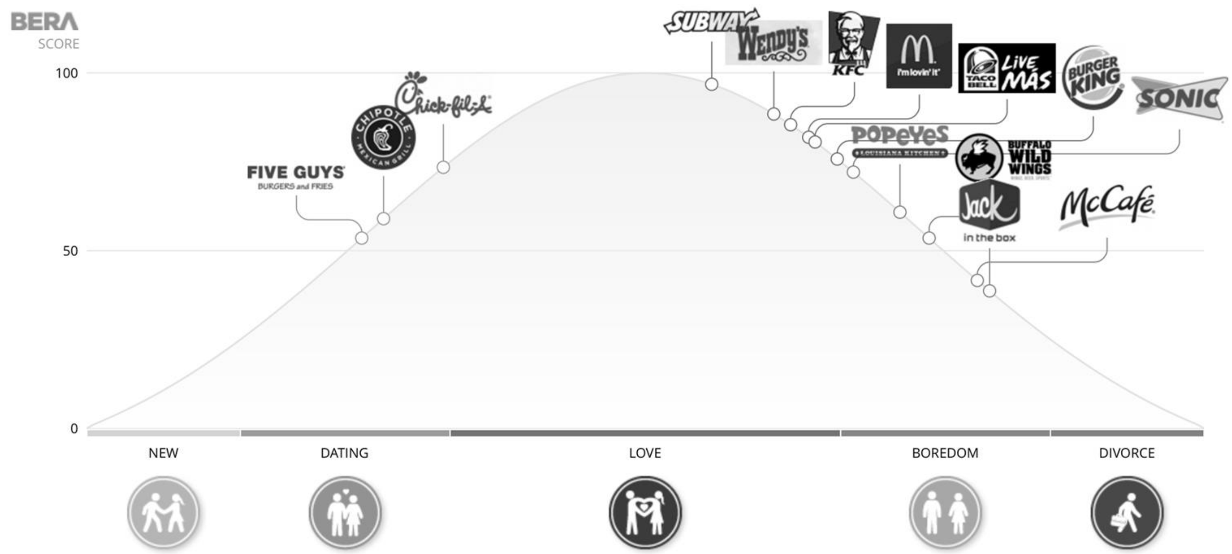

Figure 2: Brand Relationship Stages

We all intuitively know that a strong, emotional brand bond should lead to superior company performance. The following analyses challenge Romaniuk (2013) statement that there is “*no evidence that building brand love leads to higher market share, sales or profitability*” (p. 185). We find that company performance is closely linked to ‘brand love’ and that ‘brand love’ is predictive of superior performance. To test this, we first hypothesize that brands with high BERA scores produce above average Total Shareholder Returns (TSRs), consisting of the dividends and capital gains the shares of these brands yield. To measure this, we need to identify 'mono-brands' -- publicly traded companies where the company's market value and share price are highly dependent on a single brand (e.g., Southwest Airlines rather than a multi-brand marketer like P&G). We then analyse the average shareholder return between our scores and TSRs. Figure 3 illustrates the TSRs for companies with ‘below average’ and ‘above average’.

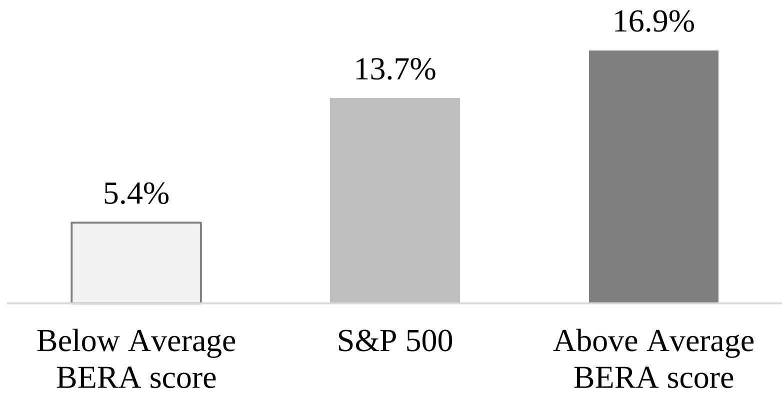

Figure 3: Total Shareholder Return (2014)

For this analysis, brands were classified as ‘below average’ (n=63) and ‘above average’ (n=81) based on their relative score and compared it to all brands surveyed in 2014. Those that fell above the 50th percentile rank were classified as ‘above average’ and those that fell below the 50th percentile rank were classified as ‘below average’. Our MANOVA revealed a significant multivariate main effect with Wilks’ $\lambda = .258$, $F = 202.9$, $p <. 001$, partial eta squared = .742 suggesting the mean differences between ‘above’ and ‘below’ average are significantly different with over 11% difference in TSR. This is clear evidence that brand love does in fact signal superior company performance and ultimately higher total shareholder return.

As the first hypothesis is looking backwards, we wanted to test a second, forward-looking hypothesis. We hypothesise that brands with high scores should command premium valuation multiples, reflecting investor forecasts of performance. While there are many ways to measure relative valuation, we chose the simplest ratio: brand value:revenue. This ratio describes how valuable a brand is per dollar of revenue that it produces and will vary substantially from one category to another. As such, within a category we would expect brands with high scores to command higher valuation multiples than brands with lower scores. This is what we observe in Table 1 across a selection of categories.

Industry	**Company**	**BERA Score**	**Enterprise Value to Revenue Ratio**

Airlines	Southwest	79.3	1.5x
	Delta	61.5	1.2x
	American	57.4	1.2x
Drug Retail	Walgreens	91.4	1.0x
	CVS	87.3	0.9x
	Rite Aid	64.6	0.5x
Specialty Retail (Wellness)	GNC	60.7	2.1x
	Vitamin Shoppe	32.8	1.2x

Table 1: Relationship BERA Scores and Ratio of Enterprise Value to Revenue

While the results provided in this article are not exhaustive, we believe they indicate the existence of ‘brand love’, and contrary to Romaniuk’s argument brand love does indeed influence profitability, growth and, in turn, higher brand values.

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