

## Silicon Valley Branding Forum

**Date:** 7/1/2003

**Location:** AMD in Sunnyvale, CA

**Theme:** Measuring the Brand: How do you justify the money you spend on branding programs?

### Panel Members:

**Erica Baccus**, founder of Baccus Research, a marketing research firm in San Francisco that focuses on qualitative research as a means of evaluation.

**Bob Kennedy**, director of corporate branding at AMD. He is responsible for AMD's corporate image, and oversees the branding, worldwide advertising, tradeshow, and sponsorships for the company.

**Mike Kelly**, chairman and chief architect for Techtel Corporation in Emeryville, a marketing and branding research firm with expertise in quantitative research.

### Moderator:

**Dave Roberts**, a member of the advisory council for the SVBF and principal of SMC3, a brand strategy consultancy, and former president of NorCal Business Marketing Association.

The meeting began with a presentation of the results of the measurement survey administered by Probrand. Lisa Wachtell of Probrand reported that the respondents were either very positive about their company's measurement efforts or very negative with no moderate views. The open-ended question at the end provided the most useful feedback.

Respondents were asked to finish the statement:

"When it comes to the whole topic of brand measurement and metrics, I wish...."

Some answers were:

...I wish I had more funds.

...I wish there was a quicker, more cost effective way to measure brand effectiveness.

...I wish we could effectively measure brand loyalty.

...I wish senior management understood branding better.

### Panel Questions:

Regis McKenna has said that "brand is the refuge of the ignorant", and that "building brand awareness by itself won't change people's buying decisions.

The actual experience customers have with your product is what changes behavior."

How do you convince a CEO that increased revenues and rising stock are the result of brand-building efforts rather than pricing, distribution, or more aggressive sales? And even if you can bring senior executives on board how do you convince the board members that branding is worthwhile?

**Mike K.** - If you have a process for measuring the brand that is well-defined and you can show how this process works over time to achieve the branding goals, the executives will buy it. You have to provide them with a business solution.

**Erica B.** - From research she conducted with IDG, she learned that the most crucial step in the buying process is to get on the "short list." Companies that were on the short list for most companies were the top tier brands. Companies with a weak brand do not make it on to "short lists." Relate brand measurement to practicality and execs will listen.

**Bob K.** - There is a lot of research available that supports the notion that you can charge a higher price for a product with a stronger brand. Price differential is something that execs will listen to because that's profit.

The Volvo S40 and the Mitsubishi Charisma are the same car, yet in the UK, the S40 sells for 4000 pounds more than the Charisma. That 4000 pounds is the strength of the Volvo brand in the UK. In customer surveys both AMD and Intel have been called out as leaders in categories they've never even been in. That makes it pretty easy for them to extend their brand into those categories. That's all from the strength of the brand. So, speak to execs in terms they can understand and you'll be successful.

A related question from the audience was:

*Regis McKenna makes the distinction between brand awareness and brand experience in the article you quoted. When you think of brand, do you think of it as awareness or experience?*

Bob K. quoted a senior exec at AMD who said, "Branding is not an initiative. It is a way of doing business." So we work on brand education all across the organization. We realize every interaction our audiences have with our company is part of the brand experience. We put a lot of effort into managing how our partners promote our brand as well. The other panel members agreed that awareness and experience should not be considered an either/or proposition.

Erica pointed out that research has shown that IT managers have each other as their first source of information about companies and products - not TV, radio or print ads. So the experience with a customer is crucial. They have very long memories for negative experiences.

*The next question was how do you deal with trust issues with brand measurement? Execs may think corporate managers are spending money too freely when it comes to measurement, and if you have your ad agency do some measurement, the execs may think they're skewing the results to guarantee more advertising.*

**Mike K.**

You need two main things to get the trust of executives:

1. You need to have a systematic approach to brand measurement.
2. You need to have measures that take in all aspects of the business.

You also have to bring the execs into the problem solving. Have them agree - If we achieve these things then we will be successful. Then show a system for tracking that achievement.

**Erica B.** - Trust starts with building the right expectations. If you over-promise, you'll get in trouble. You have to prepare the clients to evaluate what they are hearing. They need to know what they are listening for. Erica pointed out that what she does is brand evaluation, not measurement (Our moderator then announced that we now would refer to the theme for this forum as brand

assessment instead of brand measurement). Qualitative and quantitative research are very complimentary when the predictions from qualitative research are backed up by the quantitative research. The only time they don't work well together is when qualitative research provides predictions that can't be measured.

**Bob K.** - The way to build trust is to think like senior management. They may think that branding is a flashy ad campaign. You need to talk to them about ROI, competitive research, etc. Once you connect with a senior manager about the importance of branding, latch on to him/her and don't let go. Let that person be your "brand champion". The other thing is the research you use. The popular choice is to say our ad agency will do our research for us. If you use your ad agency, be sure to structure their contract so that execs can't question their integrity. At AMD we have our agency on a fee basis, so research results will not affect the revenue they generate from our company.

*The next question was:*

*Is it possible to really have brand loyalty? Or is brand loyalty just getting confused with brand preference? Do researchers take into consideration that they may have a lower price point or better distribution when they look at brand loyalty?*

**Mike K.** - The brand is in the mind of the buyer. Prices go up and down, but buying choices come down to brand. If you are not happy with the quality of a product and service, a lower price won't make a difference.

**Erica B.** - Brand loyalty can be measured, and it is different from preference. Preference is the rational side of decision-making. It's the product features and price point. Loyalty is how much you are going to stick to a brand. From a qualitative perspective, Baccus Research has done a lot of work finding out what it takes to get a customer to switch brands. In high tech, loyalty is easier because once systems are installed, they're INSTALLED. It's very expensive to change brands. Price is not a big issue with IT brands. You have to really screw up to lose the loyalty of an IT customer.

**Bob K.** - On the consumer side, it's very difficult to keep brand loyalty. Intel spent hundreds of millions of dollars to create loyalty (and some awareness) with their Intel Inside campaign. When AMD started competing in that space they stole a lot of marketshare. AMD was Intel's first taste of competition. It was much more difficult to steal market share on the commercial side.

Some related questions from the audience:

**Q:** *Can you be SOMEWHAT loyal? This would be more for the consumer market. At what point does price make a difference?*

**Erica B.** - People are more brand loyal in some product categories than in others. People can certainly be somewhat loyal in some product categories on the consumer side. On the B2B side, it comes down to how much pain there is associated with a brand before someone will consider switching. B2B companies are willing to embrace change, so they are always looking at new technologies.

**Q:** *Do you think risk-avoidance plays a role in brand loyalty in the B2B space?*

**Erica** - It used to play a role, but not anymore. Companies cannot compete by avoiding risk. There are so many new technologies coming out, companies have to be willing to take risks to remain competitive. I would rather measure customer satisfaction than brand loyalty for IT products. If a customer is loyal because it is too expensive and time-consuming to switch brands, then you win by default. But is the customer really happy with the product and service?

**Bob** - You have to be careful of customer satisfaction. People love AMD, but they don't necessarily want to buy us. I can't believe I just said that.

**Mike** - Brand loyalty is you'll buy it again. You may hate some aspect of a company, but you'll buy it again because it's your best choice.

**Q:** Innovation in technology seems to make it impossible to develop brand loyalty. How do you create loyalty when you have to constantly come out with new releases?

Innovations can come and go, but the brand will live on. Many companies will wait to adopt a new technology when it is released by a company they trust. Acquisitions help this to happen. Established brands buy small companies with new technologies. Then customers can buy the new technology from an established brand.

*The next panel question was: What are some of the newer techniques being used in brand measurement? What new tools has technology provided?*

**Mike K.** - The web has just reached a point where it has become very useful in gathering data. His company has been evaluating different software for several years and they finally found a software package just recently that works well. The web has a tremendous impact on the speed of gathering quantitative data.

**Erica.** - She has held focus group on the web, and she doesn't think they are very effective. They are too impersonal, and they miss the spontaneity and subtle gestures that speak volumes about people's attitudes. Erica prefers telesessions which still misses the visual gestures, but captures the spontaneity.

**Bob K.** - The speed of the web for gathering data has been very helpful. He has done combination web and phone surveys that were very effective.

*Next panel question: What is the difference between internal and external brand measurement?*

**Bob K.** - Internally, it's important to link up with your HR organization. You can add to one of their existing surveys or have them distribute your own. It's much easier to collect data internally than externally.

**Erica B.** - Another difference we have found is that sharing the results of measurement internally is very important - not just to management, but with the entire organization.

**Mike K.** - They don't do any internal measurement, but his impression has been that his clients recently have had a good grip on the value of and a process for internal measurement.

*The next question was, How can measurement tools and techniques help you to hold on to your budget during these tough times?*

**Bob K.** - The key is to establish a brand champion at the executive level. Hector Ruiz at AMD has set branding as one of his top 5 priorities for achieving their growth goals. You've got to earn the trust of that brand champion with independent research and ROI. The other thing you can do is to break up big ticket branding elements into smaller chunks. When executives look at an advertising budget, they see a big chunk of money. Big chunks of money get pared down during tough times. It may seem sneaky, but you have to do what's right for the company.

**Erica B.** - These so called "hard times" are times of change. Companies have a tendency to scramble and go off in new directions when they react to change. It's more important than ever to assess your brand during times of change, to be sure you are staying true to your brand goals.

**Mike K.** - During hard times, especially, people will respond to an approach that says, "Here is your problem, here's a solution, and here's how we will implement that solution."

*Related question from the audience:*

*What if you're working for a company that has only \$10 million in sales, how do you get any budget at all for branding?*

**Bob K.** - Even a company with \$10 million in sales has a brand. You can't expect to get a large budget for branding, but you have to use what you get cleverly. The key thing is to be consistent. The tendency is to try to do a lot of everything and you end up doing nothing. It's not expensive to be consistent and targeted in your branding efforts. Also, you have to put 2% of your budget aside for measurement. If you don't measure what you've done, you've wasted your time. You could be at the mercy of a CEO who says, "I don't like it."  
Or worse: "My wife doesn't like it."

We adjourned at 11:30.