

Strategic Chronicle™

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Brand Relevance

Achieving brand relevance is a strategic task that, by its very nature, is never complete in the volatile markets of our rapidly changing societies. Each and every day more brands enter the marketplace. Ironically, as their numbers increase, there are fewer and fewer brands that really stand for anything significant in the minds of the public.

For years, the holy grails of strategic brand management have been (i) carving out a niche in the marketplace, (ii) achieving brand differentiation, and (iii) keeping the brand in front of its target audiences. While these fundamental differentiation strategies are still necessary, they are no longer sufficient to create a famous, valuable, nor, most importantly, a relevant brand.

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With this geometric proliferation of increasingly meaningless brands in the marketplace, how can a brand establish its relevance? Simply put, in a world of too many brands for human cognition to make sense of, a successful brand needs to stand for something that actually matters.

Achieving Brand Relevance

Achieving brand relevance is about keeping the brand current in the marketplace, and linked, at the macro level, to its times. While that may seem simple enough, it is really quite difficult to establish and maintain such a balance in the rush of commerce.

The brand proliferation that began at the end of the 1990s, changed the rules for effective marketing

Inside This Issue:

Brand Relevance	1
Non-Financial Performance Measurements	3

strategies, requiring more than the usual gain in short-term brand awareness accomplished through the repetition of marketing messages. While still of tactical importance, merely keeping the brand in front of its target audience does little to ensure that the brand has a freshness about it or a positive significance.

As businesses, nonprofits, and governmental entities alike are embracing branding and spending more money on marketing, their brand messages need to become more complex and orchestrated to carry more meaning and to establish effective brand relevance. The traditional strategies of repetition are inadequate of themselves to create either the “authentic newness” or the “individual meaningfulness” that are the hallmarks of contemporary brand relevance.

“Authentic Newness”

Being positively new and fresh is a fundamental aspect of successfully establishing brand relevance. In most industries, brand strategists work to achieve newness by generating news, promoting their goods, extending their existing offerings to create variety, entering new markets, and through the introduction of new products and services.

These strategies remain effective to relieve the monotony of a fixed identity by introducing various degrees of new meaning. However, to deliver relevance they must be deployed authentically and with sincerity.

In many cases, customers and consumers have become too sophisticated to accept a new color, shape, feature, size or flavor as “new.” They have

seen it before, ad nauseam, across all industries and in every category. Often, the traditional strategies for looking new are now widely recognized as “marketing ploys,” and thus they have lost their magic to entice consumption.

Authentic “newness” is a function of legitimate change and invention. A brand is seen as “new,” and therefore relevant, only when it delivers an innovative new presence to the marketplace. Without this it lacks the authenticity required to make it truly new. To be new in this sense, a product or service must have a real reason for being in the marketplace, distinct from the needless proliferation of marginally new entries endlessly deployed simply to drive incremental sales. In short, to do something new, novel, modern, original, fresh, and different is to advance an authentic innovation into the marketplace.

“Individual Meaningfulness”

“Meaningfulness” arises from marketing communications that have legitimacy and importance for the target audience.

Legitimate messages are not those characterized by repetition or those that are undertaken for purely marketing purposes. Rather, today’s legitimate messages actually inform, educate, and communicate on matters of importance. For example, they are communications that introduce and articulate new technology, evidence social responsibility, or demonstrate the sincere furtherance of non-commercial objectives by an enterprise. Such marketing communications contribute to establishing brand relevance.

Thus, communications from relevant brands tend away from traditional marketing communications about price, quality or service, and more toward messages that address the purpose and behavior of their brand and their organization in their world.

Therefore, to do something that is significant to the times requires showcasing the brand with meanings that reach beyond the point of consumption and commerce alone. Today, in order to establish and retain their relevance successful brands need to stand for social responsibility and the greater good.

Brands As Non-Commercial Entities

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As consumption in the developed world reaches the point of saturation and markets begin to top-out, people award their regard to brands that are relevant to the times and issues of their society. A “living wage” for coffee growers sells more coffee for Starbucks than do solitary brand impres-

sions or the mere iteration of new flavors. Free access to the world’s libraries will establishing greater brand relevance for Google and than does dominance in the search industry rankings. Progress in the development of molecular medicine is worth more in brand relevance to the many biotech companies, than is direct-to-consumer advertising for traditional medicines. Brand relevance is about authenticity and meaningfulness.

Thus, achieving brand relevance is less about the consumer recall of nominally differentiated marketing messages, and more about the brand’s significant impacts on society, impacts that both consumers and non-consumers alike recognize as real and germane.

Brand relevance doesn’t come easily in a world cluttered with brands and their traditional marketing activities. It isn’t the result of product placements, large television advertising budgets, nor impressions per thousands of percipients. Brand relevance is the reward of ongoing meaningful activity both within and outside of the marketplace.

Non-Financial Performance Measurements

We are all well-acquainted with the traditional measures of enterprise performance – the time-honored quantifications of tangible and financial assets such as gross revenues, net profit, return on assets, and earnings per share; the familiar discipline-specific measures such as market share, sales per point of distribution, percentage of sales from new products, defects per thousand; and the increasingly common financial valuations of intangible assets such as famous brands, intellectual property, or technologies. All of these measures have proved their ability to guide and assess the success of business enterprises.

But today, under the influence of globalization, environmental crises, and widespread ethical breakdown there is pressure to identify and report new, non-traditional, and “non-financial” measures of performance to get at newly recognized dimensions of enterprise value, success, and significance. These new demands emerge from a belief that social, environmental, ethical, and geopolitical factors materially impact the ability of a company or enterprise to perform favorably.

This is a challenging new development, and much of its challenge lies in finding adoptable ways to measure non-financial performances, and credible ways to connect them to enterprise performance. In this respect, much of the thinking necessary is yet to be accomplished as the pioneering thinkers become aware of the range of non-financial issues.

The New Dimensions of Performance

The key areas that are being recognized and codified as non-financial performance measurements are being drawn from the strategic risks and opportunities associated with sustainability in all of the

social, environmental, and ethical dimensions. The specific issues receiving the greatest attention at this time include corporate governance, transparency, attestable financial integrity, corporate social responsibility, environmental impact, and corporate ethical character.

And while many organizations still fail to grasp or acknowledge the connections between these non-financial performance factors and the traditional financial bottom lines, other companies, such as those tracked for non-financial performance by SustainAbility, Standard & Poor’s, and the United

Nations Environment Programme (UNEP), are beginning to devote increased levels of attention, at both the executive and board levels, to non-financial performance.

Most players are adopting the standards developed under the Global Reporting Initiative

(GRI), and delivering their reports to the world through a “Corporate Social Responsibility Annual Report,” wherein the performance metrics that are applicable to their industry or business are benchmarked, reported annually, and rationalized.

SustainAbility tracks companies that are reporting non-financial performance metrics and annually reports the “Top 50 Companies.” One of the U.S. companies that has made it into the Top 50 Companies in the world is the Starbucks Coffee Company. A look at their Corporate Social Responsibility Annual Report for 2003 shows them adopting non-financial performance measures in the areas of workplace culture, diversity, sustainable raw materials/coffee, customer relations, communities at all levels of their business initiatives, corporate governance, and corporate ethics.

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Intangible Assets and Non-Financial Performances

Despite the emergence of now largely standardized calculi designed to assess the performance of intangible assets like brands during the 1990s, the state of the art of identifying, measuring, and consistently reporting non-financial performances is not well advanced.

Much of this lack of standardization has to do with the present voluntary nature of such reporting.

Those organizations that put themselves under the onus of non-financial performance metrics do so of their own free will, thus there is much variation from one organization to another as they formalize their respective reporting formats.

As non-financial performance measurements make their debut and work their way into the standard enterprise lexicon as matters of strategy and management, the biggest challenge is in identifying metrics that meaningfully demonstrate causal relations or associations across various industries, and that can be solidly linked to other traditional metrics of organizational performance.

It is believed, that as the concepts and language of non-financial reporting evolve, the possible causal relations between non-financial organizational behaviors and traditional reporting metrics will become more solidly established and standardization will emerge, governments will begin to put in place regulatory guidelines, and more organizations will merge and blend their financial and non-financial reporting metrics into the increasingly broad dashboard for corporate guidance. This is largely what has happened with the measurement and eventual valuation of intangible assets.

The Role of Activities and Behaviors

One important distinction between the successes

during the last decade with measuring intangible intellectual capital assets and the subjects of emerging non-financial measurements, is the difference between setting the value of an asset and determining the significance and progress of an activity or an enterprise behavior.

Valuing a brand is about valuing an asset, an intellectual asset, much as valuing an office building is about valuing a traditional physical asset. However, being socially responsible, having a high level of corporate governance, or an ethical workforce, is, as a non-financial performance measurement, about measuring an activity or a behavior. And while that activity may build intellectual assets, such as “social capital” or “ethical capital,” the non-financial performance measurement per se is measuring the activity and its degree, and not any subsequent asset.

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Brand valuation, as the most developed form of intellectual capital asset valuation, has reached the generally accepted practice levels (cf. GAAP) within the U.S. and in Western Europe. The rise of brand valuation toward acceptability may be instructive in reverse engineering non-financial performance measurements, as formalized brand valuation has reached its level of acceptability through the identification and formalization of the activities that produce the most valuable brands. Once these activities were identified, it became easier to dissect a brand and assess its degree of brand equity by analyzing the degree of proficiency for each brand building activity.

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Therefore, insofar as non-financial performance measurements track activities that can result in the development of intellectual capital asset equity, such as “social equity,” the non-financial performance measurements that produce the greatest amount of that asset, should be the measurements that are most worth tracking and reporting. Thus, those activities which structure and dimensionalize the asset under development, should form the measurements under study.

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laying the foundation for integrating these new non-financial performance metrics with the traditional measures that have become *de rigueur*, to form a increasingly comprehensive and promising scorecard by which to manage and assess enterprise performance.

Building Intellectual Capital Assets Is Key

Dimensionalizing the activities and behaviors that create related intellectual capital assets is key to both standardizing non-financial performance variables and integrating them with the traditional measurements of enterprise performance.

Forward-thinking enterprises are capturing their non-financial performances as they take into account their social, environmental, ethical, and political impacts and devise ways to ensure their constituencies that the performance of their enterprise is enhancing the world rather than destroying it.

While many and varied approaches are in evidence today to account for these various factors, it is clear that a standardization of measures is beginning to emerge as more enterprises are adopting such measures of accountability. The trend toward Corporate Social Responsibility Annual Reports is

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P.O. Box 948
Boulder, Colorado 80306-0948
U.S.A.

Telephone (303) 444-7212
Telefax (303) 444-7235

www.klminc.com



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