Marketing Practice

The Power of Brand Delivery

Building the Foundation for a Profitable Emotional Bond with Customers

McKinsey&Company

Overview

Strong brands create value for shareholders by building emotional bonds with customers. A series of related actions are required for a successful brand strategy and delivery plan:

- Marketing executives must articulate a distinctive and relevant brand promise.
- Marketers must identify two or three key attributes of the brand promise – the *brand triggers* – that will be critical to building the foundation for the emotional bonds.
- To identify the appropriate brand triggers, marketers must use market research to isolate specific triggers; use quantitative approaches to assess which triggers will have the greatest impact on building the emotional bond and delivering the overall brand positioning; and be certain that there is an easy-to-understand link between the triggers and sales and profits.
- Once triggers have been identified, management must mobilize the organization and operations to ensure consistent delivery on the triggers. Success requires incorporating delivery of the triggers into the normal stream of organization activity rather than as "add-ons" driven by the marketing department.

Strong brands drive total shareholder returns. Most winning brands build their strength by creating an emotional bond with customers. While advertising and marketing communications always play an important role in creating this bond by projecting the brand's warmth and personality, winning brands match this personality with distinctive delivery at critical *brand triggers* – the two or three key aspects of the overall brand promise that must be delivered consistently and effectively.

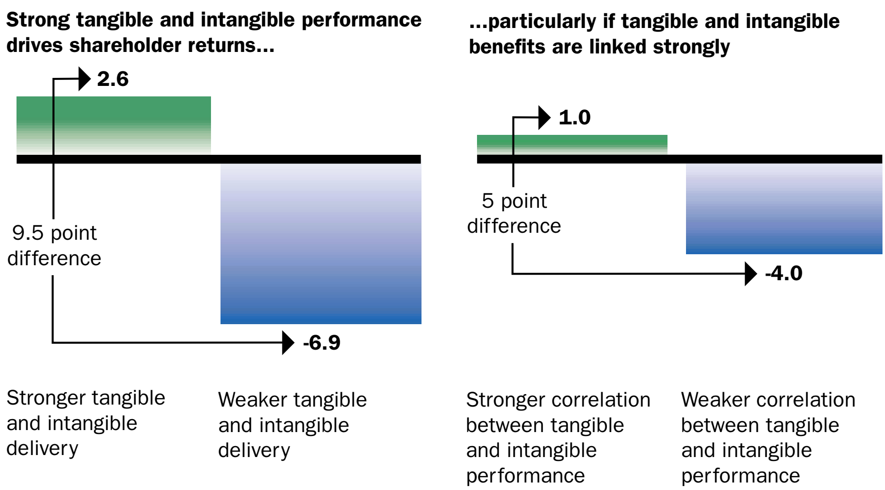
Identifying and then ensuring consistent delivery on a few key brand triggers is the foundation for the creation of brand equity. No brand can achieve distinctiveness *without* strong delivery, and there are several brands (e.g., MBNA in financial services, Whole Foods in grocery retailing) that have achieved strong equity primarily *through* distinctive delivery. Although it may be a complex undertaking, it is certainly possible to effectively mobilize the organization to deliver on these critical brand triggers. Importantly, our experience shows that this delivery foundation can quickly pay for itself, making senior executives more comfortable with a business strategy built around the brand.

McKinsey's recent brand research demonstrates the importance of brand delivery. In order to more accurately measure total returns to shareholders (TRS), we isolated 51 primarily corporate brands. We identified 85 brand attributes and classified them into those that are more associated with physical or *tangible* brand characteristics and those that are more associated with *intangible* brand characteristics (e.g., emotional benefits like "make me feel proud"). We then conducted broad market research to profile consumer responses to these brands. Two results stood out (see Exhibit 1):

- Companies with brands that delivered both distinctive tangible and intangible benefits generated TRS relative to their industries that were 9.5 points higher than the TRS of brands that were weak on both benefits. This differential was significantly stronger than that achieved by brands that were distinctive in only one area.
- Brands with differentiated shareholder value had always built strong synergy between their tangible and intangible performance, while weak financial performers had not focused on creating such synergy. This finding is based on the fact that brands with stronger correlation between their tangible and intangible brand

Exhibit 1 **Strong Brand Delivery Leads to Superior Financial Returns**

Difference between brand and industry TRS points, 2000-2001



Source: McKinsey Brand Research, Compustat performance scores had TRS that were 5 points higher than brands that had lower correlation between these two factors.

Allstate exemplifies a brand's ability to create strong synergy between its tangible and intangible performance. Allstate invests heavily in developing a suite of products and services to meet a full and diverse range of customer needs, as well as in training its agents to provide caring customer service. Because it executes well across these two tangible dimensions, consumers credit Allstate with the intangible benefit of being a caring and approachable leader of the insurance industry. Consumers accept the claim that "You're in good hands with Allstate" because they see how the brand's tangible performance explicitly backs up that promise. As a consequence of this strong correlation, Allstate has historically had much higher TRS as compared to the industry.

This relationship was true for a variety of industries other than financial services. Packaged goods, retailing, and consumer electronics were also industries where strong financial performers had created strong synergy between tangible and intangible brand performance.

Several well-known brands demonstrate how consistent delivery creates strong brand equity: Wal-Mart builds the strength of its brand around low prices and value; McDonald's brand strength centers around wholesome family eating; The Ritz-Carlton generates brand strength from its promise of luxurious short stays; and Volvo's brand strength emanates from safety. Each of these brands generates a strong emotional bond, the foundation of which is built on delivering on two or three key aspects of the overall promise time and time again. Wal-Mart's price rollback program and local price tailoring by its store managers ensure that Wal-Mart constantly offers the lowest price in the market. McDonald's consistent operating platform designed around cleanliness and throughput, time waiting in line, and promotional partnerships ensures a satisfying, family-oriented visit time after time. The Ritz-Carlton's combination of distinctive properties, operational platform, and frontline service approach delivers a consistently superior short-stay experience. Finally, Volvo's heritage in safety innovations, product design, and performance reinforces the emotional benefit of safety in every Volvo car.

The message should be clear: the senior executive team needs to worry as much about how to create an emotional bond with its customers through delivery as it does about other aspects of its strategies. Yet our experience is that the branding dialogue in most companies is rarely focused on brand delivery. Even assuming that the executive team is convinced of the power of building brand equity through strong emotional bonds, the discussion frequently spirals down into a dialogue about advertising positioning or remains at a level too high to have impact (e.g., "we have to get better at customer service" or "we need to have better merchandise to win"). In many cases, this lack of a wide-ranging, integrated discussion on branding reflects the functional silos that exist within the organization and the inability of the marketing executives to break through these barriers.

Two related actions are required for a successful brand strategy and delivery plan. First, marketing executives must articulate a distinctive and relevant brand positioning and identify the two or three critical triggers supporting the brand promise that will establish the foundation for building an emotional bond with customers. Second, the senior team as a whole must mobilize the organization to integrate the consistent execution of these core brand delivery triggers into its operations.

Defining Elements to Deliver on High-Leverage Triggers

The starting point for an emotional bond must be a distinct and relevant positioning for the brand. Without this positioning, all brand delivery efforts could be meaningless.

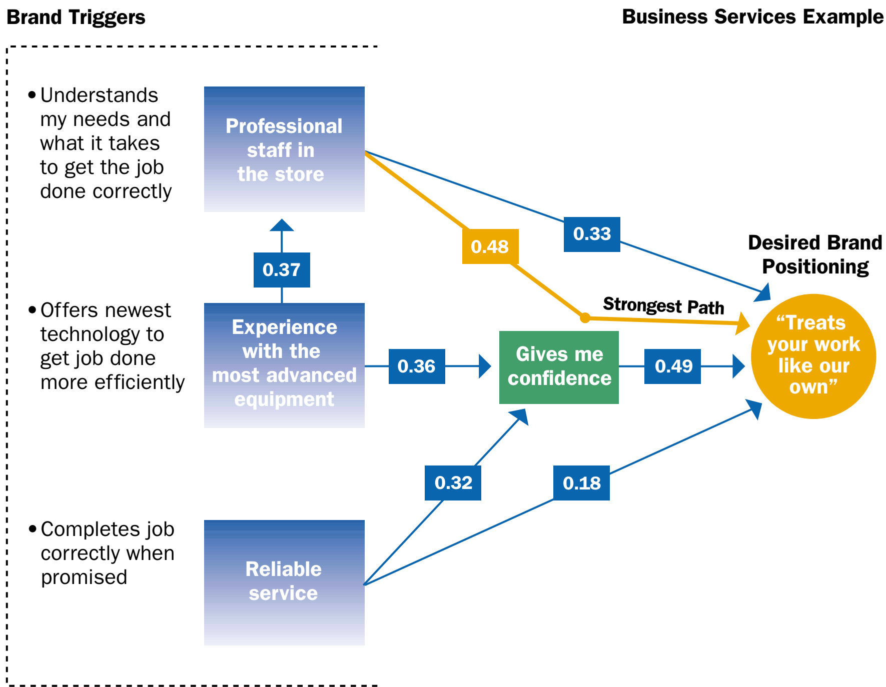
However, even when a distinct and relevant positioning is in place, many companies fail to identify the two or three most important brand triggers for the customer. Take, for example, airlines. Virtually every airline would aspire to have a positioning centered on providing higher, more caring service for business customers, since they are critical to airline profitability. The impact of frequent-flyer programs notwithstanding, performing well in several areas of service can influence more than 25 percent of travel decisions. But an airline has at least 30 potential triggers of service within the business traveler's flight: from reservations and upgrade rules to check-in, boarding procedures, and baggage handling. Some of these triggers are critical to business travelers, while some of these triggers are merely "nice-to-haves." The key to building distinctive brand equity is to identify and deliver on the two or three key triggers of the product/service experience that stand out for business travelers in their overall impression of the service of an airline. Delta Air Lines, for example, focused on improving the boarding process as part of its dedication to creating a brand that stood for "on time." United Airlines, in contrast, attempted – and then abandoned – a more general approach centered around its "United's Rising" theme.

Customers building their overall impression on two or three triggers is characteristic of every industry – from opening price points in a retail setting to closing costs in mortgages and credit processes in retail banks. Understanding triggers and how to use them to build an emotional bond is the key to creating brand equity.

Three tests can help identify critical brand triggers:

- **How important is the trigger to the target consumer?** Market research is critical to understanding the specific brand triggers that are most important to your most profitable customers. The key is to go deep enough to understand specific triggers versus general brand-delivery attributes – "check-in time," for example, versus "good service" for an airline.
- **Can this trigger help build a pathway to a stronger emotional bond?** Even among the most important triggers to the customer, some are likely to be more effective in building the emotional bond in the minds of customers. For example, for an airline, boarding time had the greatest association with a possible positioning built around a "we save you time" theme. Whereas, if the positioning was "we care for you," upgrades and solving

Exhibit 2 **Using Pathway Modeling to Help Identify Critical Triggers Insures Consistent Brand Delivery**

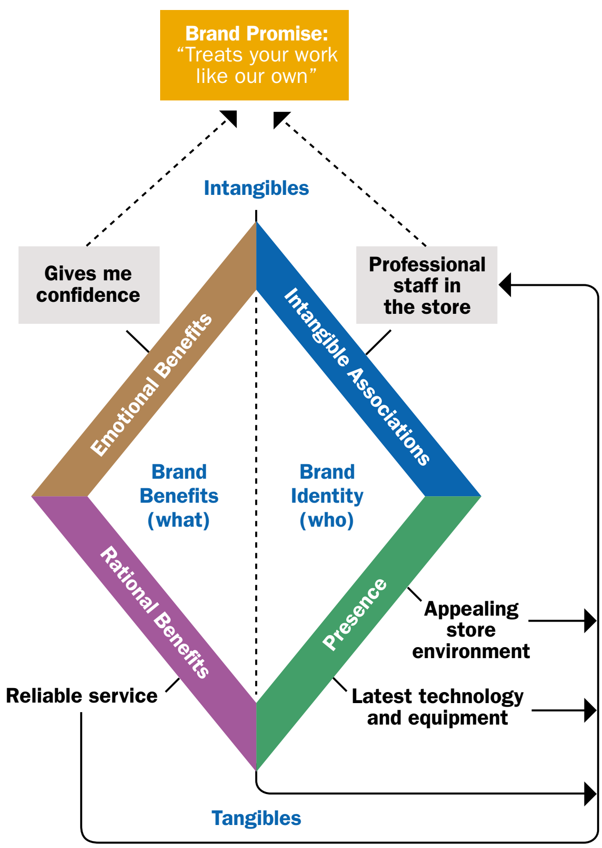


problems (e.g., lost luggage, flight delays) had the greatest association. Similarly, at an electric utility, the complaint handling and service recovery trigger, particularly around downed lines, had the greatest correlation with an emotional connection of caring.

Finding the best combination of brand positioning and two or three key triggers that effectively signal brand delivery to customers is part of the magic of brand strategy. Identifying these pathways can be done qualitatively, but most often we find that quantitative approaches best size the relative magnitude with which specific triggers contribute to building an emotional benefit. For example, in the case of a business services company, initial market research had highlighted three critical potential triggers associated with frontline employee interactions with customers (see Exhibit 2). Structural equation modeling (based on multiple regression analysis) highlighted that one of the triggers – professional staff in the store – contributed the most to the desired brand positioning of "treats your work like our own," providing customers with the confidence that their work will be done right and on time. Once the relative associations of the brand triggers in building equity are established, the triggers can be combined to profile the pathway that translates tangible benefits into the desired intangible benefits.

We use the McKinsey Brand Positioning model (see Exhibit 3) to illustrate this concept of pathways. The bottom half of the diamond includes the tangible brand triggers while the top half includes the intangible brand triggers: the combination of the

Exhibit 3 **Tangible Attributes Can Be Combined along Pathways to Delivering Intangible Benefits**



two halves describes the set of tangible and intangible triggers that underlie the brand promise. In the business services case, the trigger of professional staff in the store, when combined with the latest technology and equipment and an appealing store environment, provided the pathway to the promise of "treats your work like our own."

- **Is there a direct financial benefit from improvement in these brand delivery triggers?** Some of the best-positioned brands fail to realize the benefits of their investments in positioning because of poor execution on the important triggers. Superior execution occurs when managers across the organization can see a reasonably direct tie between what they are asked to do and the broad business goals of growing revenue and profits. Therefore, a brand trigger that has an easy-to-understand link to sales and profits is more likely to succeed. This choice is particularly important in distributed service environments, where large numbers of employees and a complex business system need to be mobilized to deliver on the brand.

  For example, part of the strength of the Southwest Airlines brand is the fun and efficient way in which they achieve quick equipment turnarounds. The employees are critical to this quick turnaround, and they succeed not only because it is good for the brand, but also because they can easily perceive that this measure is critical to the overall operational performance of the company (e.g., fast turnarounds reduce costs).

Progressive Insurance provides another example of a company that has used a focus on overdelivery at a critical few triggers to rapidly grow sales and profits. The company is obsessed with superior delivery at two important trigger points for its positioning around "reliable, trusted friend" of its customers: 1) the time when customers choose the insurance product, and 2) the time of an accident.

At the trigger of product selection, being the "reliable, trusted friend" of its customers has meant that Progressive leverages its multiple sales channels – including 1-800-AUTO-PRO – to facilitate price comparisons with key competitors. With 1-800-AUTO-PRO, Progressive is convinced that the short-term "tactical" loss of revenue due to price comparison shopping is more than offset by the long-term "strategic" gain in market share. Customers show their appreciation for the Progressive value proposition through greater conversion and higher loyalty.

At the time of an accident, Progressive differentiates itself from competition through sheer responsiveness and a visible demonstration of caring. Not only does Progressive maintain a round-the-clock Immediate Response call center, but its claims representatives often travel to the site of an accident in their Immediate Response Vehicles and sometimes bring along checks that allow customers to immediately get on with their lives.

Turning On the Organization to These Critical Triggers

Once this pathway to building a customer bond is identified, the operations of the company must be realigned to ensure that there is consistent delivery of the triggers and then improvement in performance over time. To do this, the brand delivery triggers must be incorporated into the normal stream of organization activity (e.g., day-to-day roles, specific processes like business planning, operational metrics) rather than appended as "add-ons" driven by the marketing department. While the marketing process for establishing the specific triggers tends to be similar across companies, the way they are integrated into the mainstream company processes will differ widely by company:

- At both an insurance company and an airline, we found that their annual planning cycle was the critical time to focus the organization on any important initiative. These companies used their business planning process to justify and make trade-offs on capital investments required to achieve brand-delivery goals and approve initiatives. In order to monitor progress, the companies adjusted their performance scorecards to add measures linked to the different brand-delivery initiatives (e.g., quality of agent service, number of planes retrofitted, boarding time). Furthermore, clear targets against these measures were set and approved in the planning process, organizational champions identified for each initiative, and progress reviewed in the quarterly performance review sessions.

- At a leading retailer, where frontline behaviors are critical to delivering the brand trigger of a caring shopping experience, the company used its frontline management processes to drive brand delivery. Changes were made to talent-hiring criteria and operational metrics for store-level employees to shift sales behaviors in critical parts of the store. In addition, a new performance reporting system, designed around the operational metrics, was installed and a new coaching system was implemented for both store-level employees and regional managers. Finally, ongoing customer satisfaction research was modified to ensure that brand delivery was improving.
- For a leading software company, the migration from a primarily product-focused company to a more consultative, trust-based partner required a fundamental retooling of the company's approach to product development, sales, and services that needed to be reflected in the company's core processes. As an example, there was a significant shift in the required mix of sales skills and in the performance measures and incentives. Further, the company revamped key management processes to ensure greater internal coordination between product development, marketing, sales, and professional services.

The case for building strong brands that create an emotional bond with customers is a powerful one in virtually every industry. But instead of thinking of brand building as something that only the marketing department and the ad agency execute, senior executives need to focus on mobilizing their organizations to deliver brands distinctively and in a manner that is consistent with the brand promise. Marketers must play the critical role in identifying high-leverage brand triggers that can be the pathway to stronger brand equity and ensure the creation of advertising that reinforces and personalizes the message. But the broader management team must then break down functional barriers and focus its regular processes to deliver superior performance on the brand triggers. Our experience suggests that such actions can result in increased sales and profits in the short term. Further, it is a crucial step in building the long-term image of the brand, which can then be leveraged into multiple new growth arenas. And that can make brand strategy and business strategy work in concert to enhance shareholder value.

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