Marketing in the Meltdown: How Redefining Brand Equity Gives Us Direction

Feb 17, 2009 12:07 PM, By Neale Martin

Companies that increase marketing and advertising in economic downturns outperform competitors in the cyclical upswing.

This argument is made during every economic downturn and has been the gist of headlines in countless marketing articles for the past year. Most CEOs and CFOs recognized this argument for what it is, a desperate attempt to protect marketing and advertising budgets. The same argument is currently being made by R&D and personnel development: invest in the down cycle to prepare for the up.

The role of the chief marketer is to focus on the strategic intent of the entire organization, not solely on marketing. Even if you are convinced of the need to maintain marketing efforts, marketing more than any other discipline must rapidly adapt to changes in the marketplace. Recommending more of the same in the midst of violent upheaval makes a marketer look clueless. Chief marketers must help the rest of the management team understand where to cut, what to preserve, and where (if anywhere) to expand.

What is real

The first message from marketing needs to be a clear understanding that we are not in a cyclical downturn, nor is this simply a correction in the market. Changes are occurring at systemic levels—and the future will not look like the past. We have been too clever by half in making easy credit available for everything from flat panel televisions to homes. The implication of this is that we do not know the real size of most of our markets. As Wall Street attempts to understand the implications of bailouts, TARPs and economic stimulus packages, our customer have either hit the 'pause' or the 'reset' button on their spending.

Two of our most important industries, housing and automotive, are sinking and their vortexes are pulling related industries under with them. Television ad sales are down 30% and newspapers might as well be printed with red ink. The reasons behind these events are complex and interrelated and our response to this new marketplace must take such factors into account.

In this uncertain future, the role of the chief marketer is to understand how to preserve what the company has built and look for strategic opportunities as they appear out of the chaos. But how can you determine the correct course of action in markets for which there is no precedence? I propose that marketers look to their customers for the answer.

The human brain has evolved two minds—the executive (conscious) and the habitual (unconscious) minds—and marketers have by-and-large been focused on the wrong one. According to recent research, the majority of behavior, including buyer behavior, is under the control of the habitual mind.

The implications of this notion are staggering and go a long way to explain why customer satisfaction doesn't predict future purchase, why most new products fail and why the more we advertise the less we communicate. Instead of focusing on abstract constructs such as attitude, beliefs or intentions, companies should focus on customers' habitual behavior—databases rather than surveys. Behavior is far more stable than measures such as attitude, belief and intention.

Based on the habit framework, companies seek to make customer repurchase so automatic it does not require the intervention of the executive mind. Netflix is a great example, as the online DVD rental company bills your credit card for its monthly service. The arrival of movies in the mail is highly reinforcing, while the bill is typically hidden from the executive mind.

However, disruptions in the marketplace (what you do, what your competitors do, what is happening in the world) can dislodge a decision from the habitual mind and bring it up for executive review. Anything from a change in packaging to a new product release by a competitor can disrupt an automatic habit-based purchase.

Our current financial crisis is the largest disruption in the living memory of today's market. Virtually every purchase decision is now up for executive review, from a cup of coffee at Starbucks to having your teeth whitened. It is critical that senior marketing executives move immediately to reestablish their value proposition with current customers. Here's how to get started.

Brand Equity Revisited

Brand equity refers to the differentiated value created from the history of a brand. Brand equity manifests itself at the product level (the price premium the brand commands over its peers) as well as the corporate level (the difference between the sum of all of a company's assets and its market capitalization). In both cases, brand equity is viewed as a static measure, a snapshot of a particular place and time.

I propose instead to view brand equity as a dynamic concept whose value changes based not only on a company's or a product's past performance, but on the dynamics of the marketplace as well. In this view, brand equity is measured as the cumulative habitual behavior across a company's entire customer base. The more automatic repurchase has become, the higher the resistance to disruption. By analyzing its customer database, a company can assess how well its brand equity is standing up based on current market conditions.

And this approach leads to a clear recommendation for allocating marketing dollars in the current economic climate. Companies should invest to maintain the brand equity (habitual behavior) they have built over the life of a brand. Let's examine how this works.
Contrary to marketing theory, customers rarely think about what they purchase. Most of the time, they shop on autopilot. Even those purchases that receive executive mind attention are more likely decided by the application of a heuristic (rule of thumb) than novel problem solving. The more times a customer repurchases the same brand, the stronger the habit formation. This behavior is written into the habitual mind of customers and its repetition forms customer inertia.

Habits are interrupted when an event jars a formerly scripted behavior into conscious assessment. Marketers must understand what has caused the altered behavior and move swiftly to reestablish habitual patterns. Though the current economic uncertainty may shift even the most automatic behavior back into executive review, this does not mean companies should reflexively lower their prices. Instead, they must reestablish the brand's original value proposition.

Here are four steps to maintaining brand equity.

Reestablish brand value: habits occur within specific contexts. Reconnect with why customers bought your brand in the first place—convenience, reliability, economy, etc., within that context.

Communicate: regardless of media, communicate the value proposition. However, communication is dialogue; you must also listen to the customer. Walking through my local grocery store, I was amazed that my favorite premium ice cream had raised its price considerably. They clearly are not listening well.

Build trust: repurchase can only become a habit if trust is maintained. Evaluate all responses to new market conditions to make sure trust is not violated.

Repetition and reinforcement: habits are formed through repetition and reinforcement. Understand the steps necessary for purchase and repurchase, minimize those steps, and then reinforce the desired behavior.

Ultimately, economies rest on faith and ours has been shaken to the roots of the American dream. We will rebuild, but many companies will perish in the process. By focusing the organization on preserving brand equity, chief marketers can be invaluable to their organizations' survival today and expansion tomorrow.

Neale Martin (neale@ntelec.com) is CEO of Ntelec Inc. and the author of "Habit: the 95% of Behavior Marketers Ignore."

Related Articles

- The Right Formula For Grabbing Market Share (/web/20101121165206/http://chiefmarketer.com/disciplines/branding/0 market-share-economy)
- Getting Your Brand "Shovel Ready" for the American Recovery and Reinvestment Program (/web/20101121165206/http://chiefmarketer.com/disciplines/branding/0 american-recovery-reinvestment/index.html)

We Recommend

Integrating Social, Direct and Mass Media Insures Success for SBLI
(/web/20101121165206/http://chiefmarketer.com/disciplines/online/media-insures-sbli-succes-0801/)

Email Metrics That Matter
(/web/20101121165206/http://chiefmarketer.com/marketing-roi/email-metrics-matter-0801/)

Urban Outfitters CEO on Brands, Blogging and Business
(/web/20101121165206/http://multichannelmerchant.com/news/urban-outfitters-business-brands-blogs-0930/)

Ways to Improve Your Mailing List Performance
(/web/20101121165206/http://directmag.com/lists/0928-lists-ways/)

B-to-B Automation Challenges: Why Content and Data is Vital
(/web/20101121165206/http://chiefbusinessmarketer.com/articles/interviews/ automation-challenges-data-content/)

A Marketing Segmentation Primer, "Seinfeld" Style
(/web/20101121165206/http://chiefmarketer.com/disciplines/directmarketing/ segmentation-seinfeld/)

COMMUNITY

Thoughts and opinions from MultiChannel Merchant editors & columnists.

BIG FAT MARKETING BLOG

Emails We Love: Williams-

BLOG: BETH NEGUS

Catalogers,

MORE BLOGS

All Blogs

Sonoma

Memo to USPS: Pump Up Volume, Not Prices

Trying to Get the Point of Office Depot's Big

I'm Throwing Down the Gauntlet

By Beth Negus Viveiros

Advertising/Media

Direct Marketing

Social Media

Promotions

Back to Top