Discover your edge

Brand Equity Segmentation and Targeting©

Making Your Brands Do More For Your Bottom Line
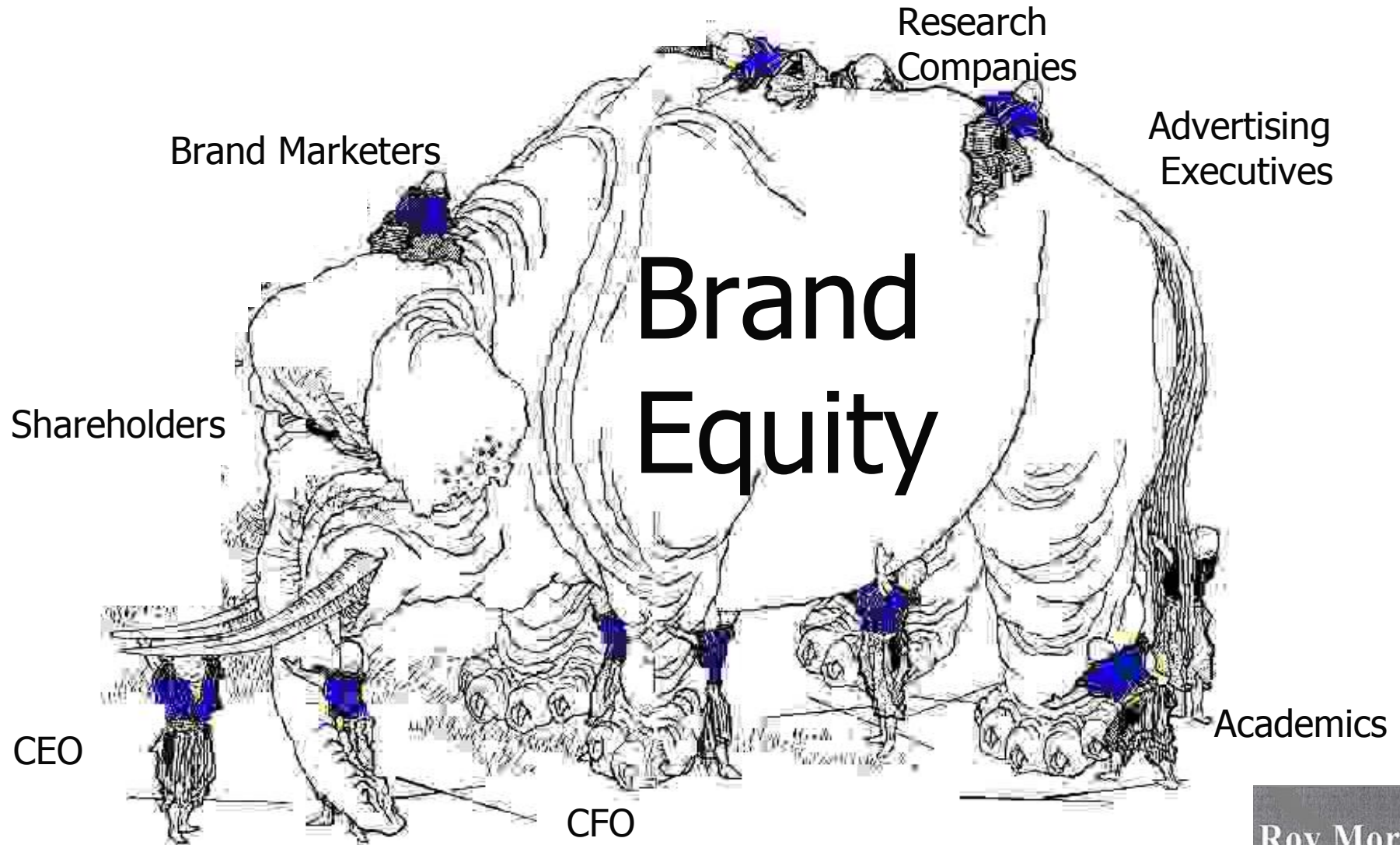
Josh McQueen

Worldwide Director of Brand Equity
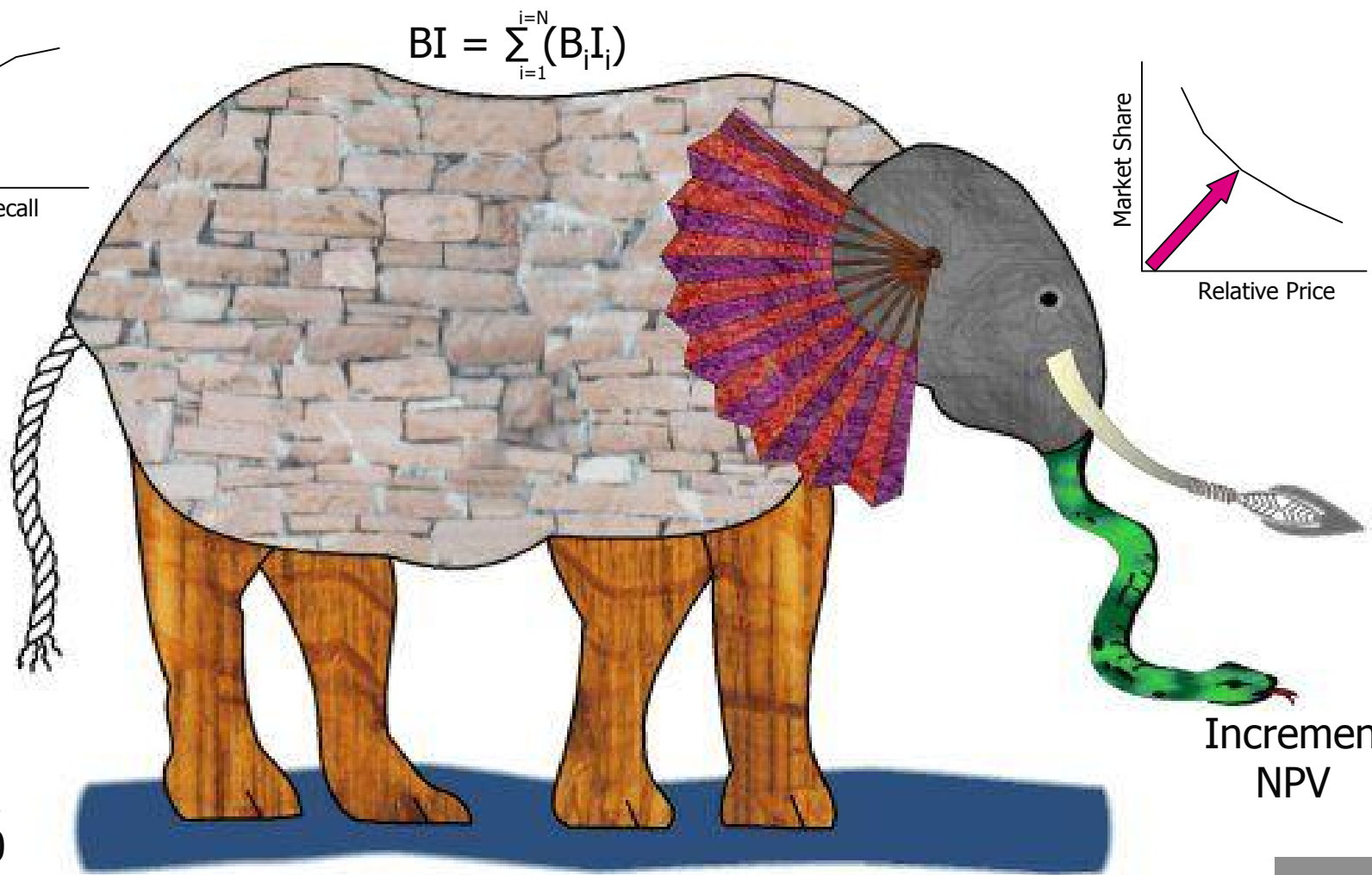
Roy Morgan International

Presented to Australian Institute of Company Directors

November 13, 2003

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Many Different Stakeholders Want to Manage Different Aspects of Brand Equity

The Problem: Most Metrics Don't Migrate Easily Across Brand Equity Domains

Discover your *edge*

Recognition / Recall

$$BI = \sum_{i=1}^{i=N}(B_iI_i)$$

Market Share / Relative Price

Profit if
$ = 100 &
Dist = 100

Incremental NPV

Tobin's Q(Stock price vs. Book Value)

Roy Morgan Research

Value-Creation under Corporate Control Drives Share Price and Bottom Line

Value Drivers Developed on Top 500 Companies in NYSE

- 10 year performance record from Standard and Poor's (1st quarter 1992 - 4th quarter 2002)

- Built an Explanatory Model on 120 S&P Companies

- Validated Model on the remaining 380 companies

- Using variables accepted by Wall Street Analysts:

  - Standard & Poor's (Performance Analysts)

  - Ennis Knupp and Associates (Manager of Managers)

  - T Rowe Price (Fund Manager)

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Seven Key Factors Drive Value

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Company Controlled

Corp Earnings

Earnings Forecast
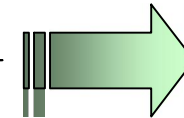
Diversification

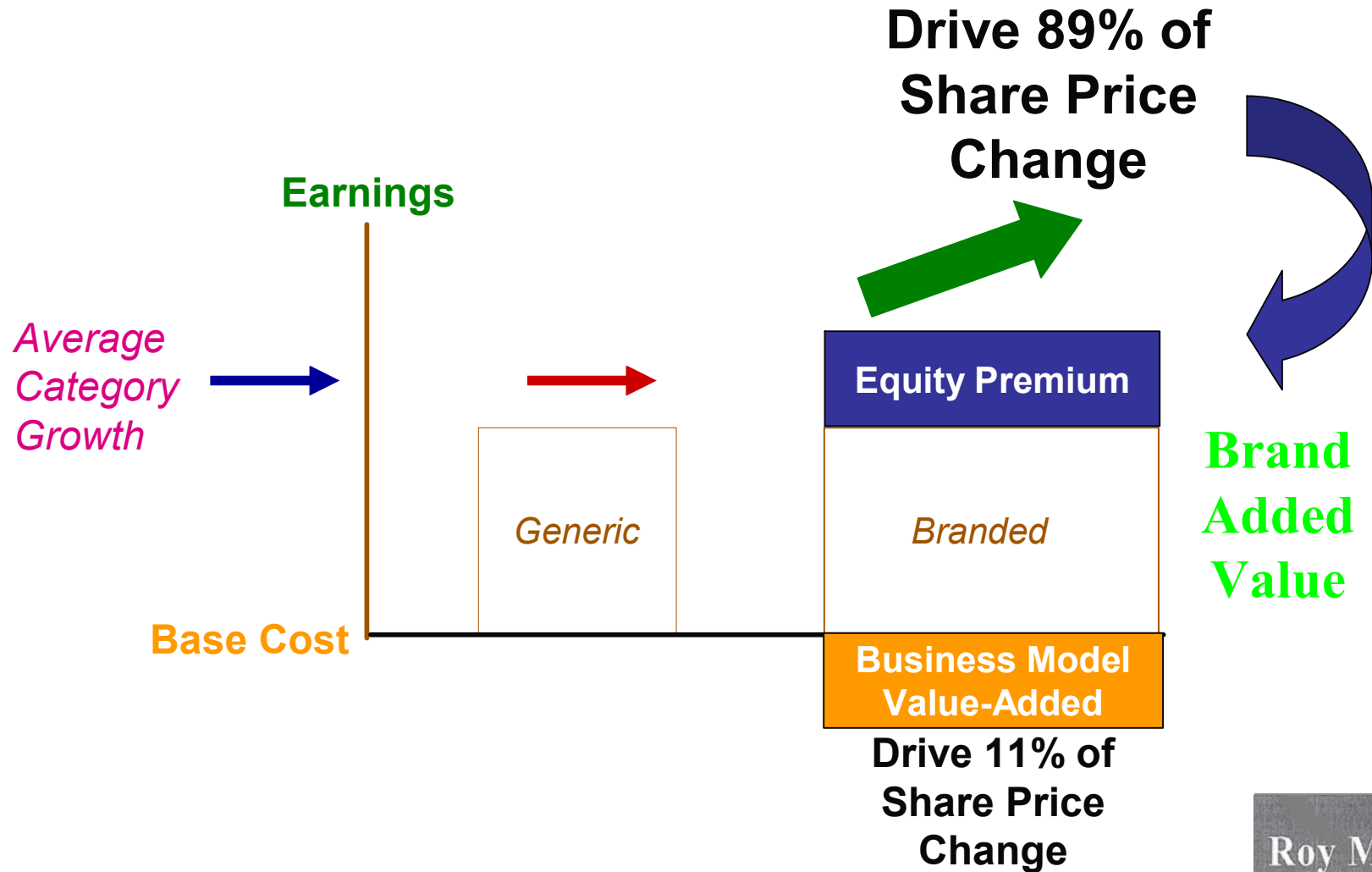**Investing in the Brand**

Leveraging Innovation

Cost Containment

Cost Reduction

These seven Measures Explain 80% of the Increase in Shareholder Value.

Increasing Your Bottom LIne

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Brand Equity

Drive 89% of Share Price Change

Earnings

Average Category Growth

Equity Premium

Generic

Branded

Brand Added Value

Base Cost

Business Model Value-Added

Drive 11% of Share Price Change

Where Does the Extra Value Come From?

- ## Higher Volume Per Household
  - 10 Times Higher Volume than Average Category User

- ## Higher Average Price Paid
  - 15% Higher Price Paid than Average Purchaser

- ## Longer Retention
  - 2/3 Less Year-on-Year Brand Slippage Among Frequent Purchasers

- ## Greater Brand Momentum
  - Word-of-Mouth, Dominance Multiplier

- ## Easier Diversification
  - Consumer-based Category Migration

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BEST© Identifies High-Value Customers

Dimensions				Segments
Medium and Heavy Category Purchasing/ Usage	Predominant Brand Purchasing	Consistent Behavior And Affect	"Our" Brand	Core Customers
			Competitive Brands	Core Competitors
		Inconsistent Behavior and Affect		Core Changeables
	Multiple Brand Purchasing	Brand In Repertoire		Repertoire Customers
		Brand Not In Repertoire		Repertoire Competitors
Light Category Purchasing/ Usage	High Brand Salience			Light Fair-Prospects
	Low Brand Salience			Light Poor-Prospects

BEST© Applicable Across Many Categories

- ## Finance
  - Low Net Worth, Repertoire Customer, Core Customers

- ## Retail/Fashion
  - Light Shoppers, Multiple Outlet Buyers, Core Shoppers

- ## FMCG

- ## Alcoholic Beverages

- ## Automotive

- ## Technology/Telecommunications

- ## Business-to-Business
  - Light Buyers, Mixed Decision Makers/Competitive Tenders, Regular Customers

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BEST© Identifies High-Value Customers

Discover your edge

"Typical" 20% Share Brand

RETAIN ! **GROW !**

Segments	% All People		
Core Customers	2%	3%	16%	40%
Core Competitors	8%	13%	0%	0%
Core Changeables	2%	4%	4%	10%
Repertoire Customers	11%	18%	30%	30%
Repertoire Competitors	7%	12%	0%	0%
Light Fair-Prospects	15%	25%	40%	16%
Light Poor-Prospects	15%	25%	10%	4%

BEST© Application: Automotive

Dimensions			Segments
Target Make/Model Fit With Wants & Needs	**"In the Market" Consumers**	**Car/Model "On the Shopping List"**	Core Customers
		Car/Model "Not On Shopping List"	Conversion Targets
		"Looking for Best Price"	Deal -Prone Customers
	Not "In the Market" Consumers		Desire -Creation Targets
Target Make/Model Does Not Fit Wants & Needs	**Current Car "Old" / Buys New Cars**		Agenda -Change Targets
	Current Car "New" / Buys Used Cars		Non -Prospects

BEST© Application: Investment

Dimensions				Segments
High Net Worth Individuals	"In the Market" Consumers	Our Brand - Primary		Core Customers
		Multiple Brands	Would Consider	Repertoire Customers
			Would Not Consider	Repertoire Competitors
		Competitive Brands - Primary		Core Competitors
	Not "in the Market" Consumers	Brand Not In Repertoire		Desire Creation
Low Net Worth Individuals	Promising Life Stage			Agenda Creation
	Static Life Stage			Non-Prospects

BEST© Delivered Via Roy Morgan Single Source

- **Identify Segments via Continuous Survey**
  - Most 1000 general surveys have only 20-30 Core Users!
  - Morgan Provides 50,000, therefore 1500 Core Customers

- **Understand Their Media Preferences in Context of Single Source**
  - Without Single Source left to looking at demographic differences between segments ... Loses 90% of Variation!

- **Develop Product and Communication Strategies**
  - Capture subtlety between segments

- **Systematically Track Performance Over Time**

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Putting Brand Equity Metrics to Work

- **Company Value Resides in the Future**

    - <u>Accountable Investments</u> Against Current Best Customers

    - <u>Growth Prospects</u> Against Growth Objectives

    - <u>Strategies Developed</u> With Most Profitable Customers

    - <u>Conversion strategies</u> that rely on more than just price

    - <u>Diversification built on current core strengths</u>

Opportunity?

- Focus on Core Customers to Grow the Bottom Line

- Use Single Source to Monitor Brand Equity

- Identify Key Factors That You Can Control to Improve Share Price and/or Company Performance

- Bring Brand Accountability to the Board Room and Competitive Advantage to the Marketplace

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