



The Value of *a Brand*

CALCULATING RETURN ON INVESTMENT (ROI) FROM A BRAND

What is a brand worth to *your company?*

How do you measure your return on investment (ROI) from a new brand? Some might say it is impossible to calculate—but, having been in the business of creating custom brands for over 25 years, we can attest to the fact that there is a return, and we think you'll find the results astounding.

Let's walk through the monetary impact a professional brand can have on your business. They are broken down into these five categories:

- 1 BRAND RECOGNITION
- 2 HIGHER PERCEIVED VALUE
- 3 CONFIDENCE
- 4 PRIDE
- 5 BRAND EQUITY

RETURN ONE

Brand *recognition.*

A strategic, professional brand is unique and distinct. It can be used in several different situations without decreasing the integrity and ease of recognition.

The more times a brand registers in your brain, the stronger relationship and affinity you have for that company. Creating a strong visual connection with your customer results in a higher chance of purchase.

Poorly executed brands, on the other hand, don't offer the same level of connection, due to bad design, weak strategy, or complicated messaging.

Because of the poor thought and research put into the construction of the brand, it may not be used consistently, or recognized as easily, requiring the brand to be seen more often in order to generate the same level of awareness.

You will need to market longer, or at a higher frequency, in order to gain the same level of recognition and to develop a connection with customers.

RETURN ONE

Calculating *brand recognition.*

Let's do a calculation based on the ROI of brand recognition. For this calculation let's assume your company sales are \$1 million per year, and you allocate the recommended industry average of 7% (\$70,000) to your marketing budget.

If you are utilizing a high-quality brand that is memorable and unique, customers will be more likely to remember your company and think of them first when considering a purchase. This would result in the ability to reduce your marketing spend by 1%, while still achieving the same results.

This would equal a return of \$10,000 per year.

RETURN TWO

Higher perceived *value.*

As much as we try not to judge a book by its cover, forming opinions based on first impressions is hardwired into our psychological being. A simple Google search on the ‘psychology of judging based on appearance’ results in hundreds of scientific studies that prove this theory.

A corporate brand that exudes quality and professionalism creates an immediate association of better quality and higher prices. So what does this mean? It means that when you have a great brand, you can charge more.

So how can you tell if you have an ineffective brand? Simple—you won’t be getting measurable results. If your brand is overly complicated, outdated or not reaching your target market, then you won’t be gaining market share.

An ineffective brand may be easily mistaken for other brands, or may not be used consistently on all of your marketing channels, decreasing your brand recognition.

A poor brand may have good aesthetics, but lack a clear direction and strategy that truly reflects your values.

RETURN TWO

Calculating higher perceived *value.*

Let's calculate the potential ROI you'd gain in higher perceived value simply by getting a new, well executed brand.

Using the same sales of \$1 million per year, let's assume the company has an average ticket price is \$100,

Having a great brand with a higher perceived value, you would be able to increase the price of your product by a modest 2%, to \$102.

This translates to an increase of \$20,000 in annual return.

RETURN THREE

Confidence.

A study was conducted in the political world to determine if looks alone could sway a vote. A University of California study proved that looks alone make a huge difference in results. The study utilized flyers featuring the same content, but two different photos. One photo was modified to give the model facial features that portrayed higher integrity, competence and leadership. The flyer with the modified photo received 12% more votes.

Your brand is the face of your company, and a strategically designed, professional face will inspire confidence. And the figures state that a strategic, good-looking brand can convert 12% more people from prospects to customers.

Confidence, however, doesn't just impact customers. It also helps you attract and retain skilled employees, reducing the cost of employee turnover. In addition, the majority of sales people want and need to believe in what they sell. Providing a sales team with a leading brand gives them the confidence to close more sales (and at higher prices).

Lack of confidence causes people to shy away from your company, losing sales before you're even aware of the opportunity. Employees leave to other companies who appear to offer better opportunities. And, your closing ratio is lower when sales people aren't confident in the brand.

RETURN THREE

Calculating return on confidence.

So how will confidence impact your bottom line? Let's go back to our million dollar company.

Although the study says 12% return on confidence, we'll be more conservative in the impact the new "face" of your business will have and reduce that amount to 3%.

Closing 3% more business equals \$30,000.

Keep in mind that this number doesn't even consider the savings and benefit you will get from attracting and retaining great staff, nor the confidence that your sales team will have in selling a brand they feel confident about.

RETURN FOUR

Pride.

You might wonder if confidence and pride are the same, but they are two completely different emotions. For example, you might be confident that either a Honda Civic or an Audi R8 could get you to your destination, however, you would feel more pride driving the R8 (or whatever your favorite brand of vehicle happens to be).

Great brands instill pride in your customers, and just like confidence, the benefits of pride spill over to your staff. Would you be more proud to tell people that you worked for a well known car brand or an unknown brand?

And, let's say you loved a brand so much, that you bought yourself one, would you tell your friends how wonderful it was? Customers who are proud of the brands they purchase will happily tell their friends, family, associates and co-workers, which creates amazing, easy-to-close opportunities that we call referrals.

A mediocre brand isn't going to generate the level of loyalty and pride needed to inspire customers to talk you up and generate referrals. And within the organization, we know attitudes start at the top and trickle down. When employees see that the owners are dedicated to maintaining a great brand for the company, they will feel more dedicated to the company, and put in the extra effort.

RETURN FOUR

Calculating return on pride.

So what's pride worth to your business?

If your employees are proud to come to work, they arrive earlier, try harder, and stay later. If, in an eight hour shift, your proud employees work 10 minutes harder or smarter, this translates to a 2% impact (10 minutes divided by 480 minutes in an 8 hour day).

At 2%, that equates to \$20,000.

But there are also customers who love your product and the experience they had with your dedicated and proud employees. They share their feelings with friends and family, resulting in more referrals and more business.

Let's be conservative and assume 1% of your 10,000 sales generated referrals, that's 100 more sales at your average ticket price of \$100, adding \$10,000 to your bottom line.

In total, the net result of pride is \$30,000.

RETURN FIVE

Brand equity.

When it comes time to sell your business, how can you ensure it's valued at the highest possible dollar amount? One way to do this is to build up your goodwill. According to Wikipedia, goodwill arises when one company acquires another, but pays more than the fair market value of the net assets (total assets - total liabilities). Goodwill is made up of three things: brand, customers and intellectual capital.

Are you wondering how much a brand can actually be worth? Well here are a few examples. In 2002 a study of top brands looked at the dollar value of each brand as well as the percentage of share value attributed to brand. They looked at big companies and discovered that in 2002, Coke's brand value was \$69.6 billion which was equal to 51% of total share value. This means if you had shares in Coke in 2002, 51% of the value of your holdings was a direct result of their brand. Not equipment, cash, buildings and property—but their brand, a completely intangible item. McDonald's brand value was recorded as \$26.4 billion, with a staggering 71% of shareholder value attributed to brand.

With strong brand equity your company can accumulate valuable goodwill. So what will determine the sale value for all those years of blood, sweat and tears? The answer is in your brand equity.

RETURN FIVE

Calculating return on brand equity.

With a strong identity and continual investment in shaping and managing your brand, your brand equity will continue to grow so that when it comes time to sell, you receive the compensation you deserve.

So, although brand equity may not have a measurable annual monetary impact for our million dollar company, it will make a huge financial impact when it comes time to sell.

Even if you aren't a huge global brand with brand equity of 50-70% as in the studies, even a modest increase in goodwill can substantially increase the saleability and value of your company substantially.

CONCLUSION

The value of a professional brand.

The value of a brand is much higher than expected.

Where do you go from here? Typically, a rebrand entails a new logo or website, and radiates out across all of your marketing and digital touchpoints.

When looking at the cost of rebranding your company, a strategically designed, professional brand is worth the investment.

Working with an experienced agency throughout the branding process will help you clarify who you are and what the real meaning is behind your business. This will help solidify a memorable, equitable brand that increases perceived value, confidence, pride, and ultimately, brand equity.

If you believe a new brand is a good option for your company, reach out to Studiothink and we can meet with you to prepare a proposal on your new brand.

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