# Brand differentiation

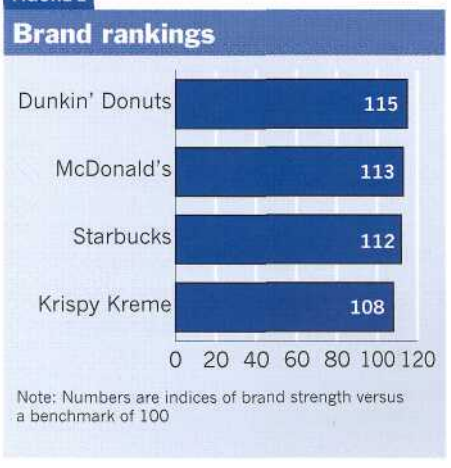
New research shows how brands are losing distinction in today's consumer market **Robert Passikoff,** Brand Keys, reviews the evidence

YOU KNOW THE part of the movie *Perfect Storm* where the scientists are drinking coffee in the lab and suddenly a machine that never beeps starts to beep, because somewhere the floor of the ocean has cracked open? According to the results of the 2008 Customer Loyalty Engagement Index®, from Brand Keys, Inc. (www.brandkeys.com), the New York-based brand and customer loyalty and engagement consultancy that conducts the survey, marketers had better start listening for that beep!

The perfect marketing storm of 2008 will be remembered as the convergence of three realities that have been building in strength over the last decade. First, the bionic consumer has more connectivity and control than at any point in history. Second, the media environment has become more complex than any marketer could have imagined a mere ten years ago. And third, the landscape is littered with brands that are so undifferentiated, their own customers can't tell them apart.

For the first time in the 11 years the survey has been conducted, 97% of the categories tracked in the annual survey (comprising of 57 categories and examining 400 brands) have shown a shift in the drivers of consumer loyalty and engagement. What does this say about the marketplace? We predict that the fusion of consumer empowerment, media complexity and brand genericism is about to cause *tsunami-like* changes to virtually every product and service category, particularly a climactic shift in the drivers that define how consumers view categories, compare brands and, ultimately, buy.

FIGURE 1




## Consumer control

The undeniable fact that consumers have greater and greater control over the brand messages that even enter their personal touchpoint zone - let alone engage them - is entirely changing the world of media and brands. No longer reliant on crafted messages dispatched through traditional channels, consumers can readily access 'real' information about a product from other consumers via the internet. Add to that a sea of brands where it's hard to tell one from the other, and you see what we are seeing now: category drivers - and the category and customer attributes, benefits, they consist of- shifting.

These drivers are critically important to understanding brand engagement and getting it right when dealing with today's 'bionic' consumers. Properly configured, category drivers will tell you far more than who a consumer is - the typical demographic and attitudinal point of view. They tell you what you really need to know as a brand: what consumers will actually do in the real marketplace. This matters if you're keeping score by counting your sales and profits and not merely awareness levels.

This year there are also more 'ties' in terms of loyalty brand rankings than ever before. The best insinuation you can walk away with from this is that it's a sign of category standardisation. But there's a greater likelihood that the curtain has been pulled back from brands, exposing products and services that have lost their "brandness" and are turning into category placeholders. Think of them as the ACME Car, Cola and Credit Cards of the 21st century. Let's see how this plays out in the marketplace.

## Deso-latte-d?

We'll start with a caffeine jolt and look at the coffee category, which has been getting a good deal of attention since Starbucks lost 43% of its value over the past year. It did this by failing to understand how important it was to keep an eye on the important drivers in the category. ^

In 2007, the category drivers for coffee purveyors were:
1, Location/Value
2. Service & Surroundings
3. Quality & Taste
4, Variety & Selection.

We spilled the proverbial coffee beans last year when we announced that Starbucks had slipped to No. 2 in our Brand Keys Customer Loyalty Engagement Index. The reason for this? The chain, once famous for its European coffee house environment and handcrafted beverages, had become famous for its vacuum-packed, pre-ground coffee, automatic machines and the hit-and-miss quality of its products.

This year, the drivers look like this:
1. Service & Surroundings
2. Quality & Taste
3. Location/Value
4. Variety & Selection.

So if the thing that you mismanaged has now become the first most-important driver, what's a brand to do?

Starbucks' answer was to close all 7,100 stores in the United States for three hours to retrain 135,000 in-store employees and teach baristas how to pull the perfect shot, not burn coffee, and how to correctly steam your milk or soy.

Is this a good move? It's certainly a symbol that the company cares about quality. And profits. On the other hand, competitors decided to capitalise upon the three-hour window to offer free coffee to those Starbucks customers who were in need of a caffeine fix.

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Brand rankings for 2008 can be seen in Figure i. Improving your brand and creating operational effectiveness and profits seems a smart thing, but not when it flies in the face of category drivers.

### How does it compute?

For the computer category, the four category drivers in 2007 were:
1. Design/Added Features
2. Technologically Advanced
3. Service & Support
4. Warranty & Pricing.

In 2008, the category is being driven more by technology than design, and service and support have lost some substance, according to consumer calculations:
1. Technologically Advanced
2. Design/Added Features
3. Warranty & Pricing
4. Service & Support.

Figure 2 show the rankings in the category. Not surprisingly, Apple, with the technological advances of the iPhone, along with consistency of great design, took the category by a healthy margin.

### Washed out

For the laundry detergent category, the drivers for loyalty in 2007 were:
1. Family at its Best
2. Good for All Laundry
3. Cleans Better
4. Simplifies Laundry.

But in 2008, successful brands will clean up in a slightly different manner. Simplifying laundry, along with life, is a fresher value than 'cleaning better', which is - from the consumer's point-of-view - what all laundry detergents are supposed to do. Now the category looks like this:
1. Family at its Best
2. Simplifies Laundry
3. Good for All Laundry
4. Cleans Better.

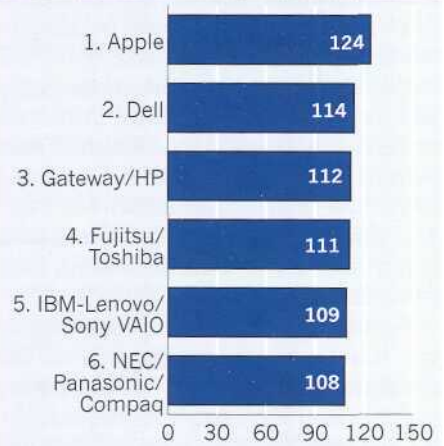
Rankings can be seen in Figure 3. While Tide easily beats out Bold, there is little difference among the top three in this category - indicating an urgent opportunity for these brands to better understand the subtleties driving loyalty in this category.

### Gimme choice!

Everybody's hungry for profits and competition in the quick-serve restaurant category, which heated up in the past year. Last year, category drivers cooked like this:
1. Menu Variety
2. Customer Service

FIGURE 2

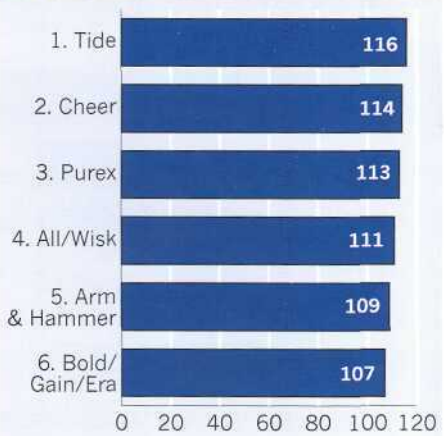
**Computer category: brand rankings**




Note: Numbers are indices of brand strength versus a benchmark of 100

FIGURE 3

**Laundry detergent category: brand rankings**




Note: Numbers are indices of brand strength versus a benchmark of 100

3. Healthy Choice/Quality/Value
4. Decor & Entertainment Factors.

But 'Service' and 'Decor & Entertainment Factors' aren't even table stakes any more. They are part and parcel of the background of the category. Here's what feeds loyalty in the category today:

1. Menu Variety
2. Healthy Choice/Quality/Value
3. Customer Service
4. Decor & Entertainment Factors.

And if you 'parse' the brands according to what drives the category, you'll see that the rankings come along with a side order of 'face validity' (see Figure 4).

By the way, the McDonald's ascension to number one spot was fuelled by its high-octane injection of premium coffee into its beverage mix, which is why coffee drinkers put the brand No. i in that category. Again, it helps if you are connected to what matters to consumers.

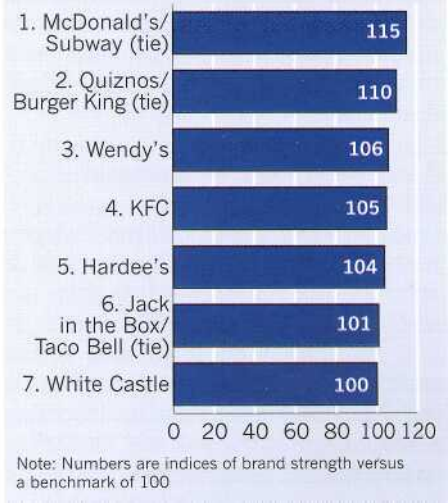
### Pile it high

It's no secret that recent times have not been kind to the retail sector. In 2007 the Discount sector of the category traded on the following drivers:

1. Convenient Location/Value
2. Merchandise Range
3. Shopping Experience
4. Store Reputation.

FIGURE 4

**Quick-serve restaurant category: brand rankings**




Note: Numbers are indices of brand strength versus a benchmark of 100

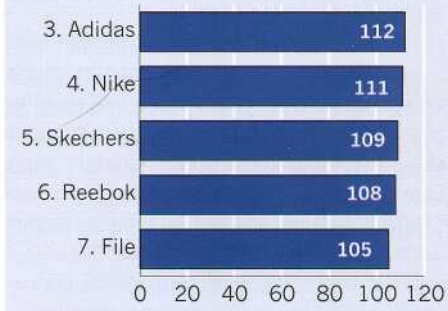
FIGURE 5

**Discount retail category: brand rankings**


Note: Numbers are indices of brand strength versus a benchmark of 100

FIGURE 6

**Athletic shoe category: brand rankings**




Note: Numbers are indices of brand strength versus a benchmark of 100

This year, however, location and value as well as a wide range of merchandise have become table stakes for the category. The store reputation, however, is another thing.

1. Convenient Location/Value
2. Merchandise Range
3. Store Reputation
4. Shopping Experience.

Still, discount retail is one of the few categories where brands were not tied (see Figure 5).

Not only have consumer control, complex media environment and undifferentiated conditions changed the order of category drivers, but in certain instances - athletic footwear, for example - they are also changing the composition of the drivers in terms of which attributes, benefits and values have become more important to the consumer and, therefore, to loyalty and profitability.

### Just do it?

In 2007 the athletic shoe category ran on the following drivers:

1. Customer Needs/Values
2. Durability
3. Comfort/Support
4. Materials/Manufacturing.

But in a 'greener' 2008, not only is the order of the drivers different, so too are the values that form the drivers. In this case what materials are used and how the manufacturing process has an adverse effect on the environment is an entirely new - and more potent - driver for the category.

1. Customer Needs/Values
2. Carbon Footprint/Materials/Manufacturing
3. Comfort/Support
4. Durability.

As to brand rankings, Air Jordan and New Balance ran neck-and-neck in the No. i position (115), with the others finishing as shown in Figure 6.

For this year's survey, 26,000 consumers, 18 to 65 years of age and drawn from the nine US Census regions, self-selected the categories in which they are consumers, and the brands for which they were customers. Eighty-five per cent (85%) were interviewed by phone and 15% were interviewed face-to-face, to account for today's consumers who are cellphone-only users.

These are exceptionally revealing measures. At a time when most brands struggle to differentiate themselves from their competition, and profitable engagement remains elusive, these rankings serve as both opportunity and warning.

Brand Keys predicts that the brands that answer this warning with a truly consumer-centric view of their category, based on predictive loyalty metrics, stand to gain the most, and establish themselves as 21st-century brands and not commodities. Because if marketers think engaging consumers is hard now, wait until they try doing it when their brand turns into a well-known commodity.

Beep. Beep.

Fonte: Admap, v. 46, n.6 , p. 41-43, june 2008.