

COVALENCE ANALYST PAPERS

Branding: Increasing access to new markets and overall sales

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The act of buying a product or service is one that involves a number of physiological processes. Corporations have increasingly become sensitive to this fact, and realize that the functionality of their products is only one factor among many that drive consumers' decisions. Attempting to make their products more attractive, corporations have evolved their advertisement campaigns into the present day "branding" of different products and services.

I Branding

A company's brand or a product's brand is a synthesis of several components. There is brand recognition, which can be broken down into five categories: rejection, non-recognition, recognition, preference, and loyalty.ⁱ Next is Brand image, the perception of your product by the consumer, which comes from the feelings and images associated with a company's brand. Brand community and identification are other factors that deal with the social phenomena that surround a brand and the self-identification consumers derive from it. These components factor into a company's brand and determine its strength and consumer draw within the market.

Branding plays into the idea that consumers are buying more than just a product when they make a purchase. Rather, they are also buying the ideas and images associated with the product. Products from luxury Coach purses to Organic food stories to Apple's ipod have been very well received by consumers despite the fact that these products are essentially offering the exact same functionality as their competitors. These companies have achieved success through the strength of their brand, which is a combination of the packaging, advertising, promotion, customer service, and loyalty of the buyer community. Through extensive and successful branding, these companies have essentially convinced consumers to buy a more expensive product when similar and cheaper products exist on the market.

Branding is also an effective means with which to break into new markets and can aid in launching new services. Often times, a company's brand name or reputation will precede its move into a new market. Apple's move into the manufacture of cell phones, with the iphone, and the media and consumer excitement it was able to drum up is a case-in-point example of a brand creating sales in a previously unexplored market.ⁱⁱ

A good brand is essential to the success of any company, because it gives the company "soft" influence over consumers. "Hard" influence is the attractiveness of the actual components and features of a product or service. When hard influence is used, companies are depending on their product's superiority to the competition to influence consumers into purchasing their product over another. When soft influence is used, companies employ a variety of brand building tactics such as promotion, community building, and customer service in order to influence the consumer.

Certainly the success of any product should focus on both hard and soft influence. The weight given to each type of influence, however, can have a significant effect on the overall success of a product. The technology and electronic market holds a wealth of examples that illustrate this point. In the crowded portable electronic and personal computer market, a new generation of products are rolled out about every six months. After a product is released, there is no doubt a competitor that releases a technologically superior product within a few months if not weeks. This results in a very limited time period with which companies can rely on hard influence to sell a product. In fact, hard influence has proved to be quite ineffective in selling products. Early adopters may be able to keep up with the technology curve, but for the average consumer top of the line technology is not affordable. Companies have had to adjust to this fact and increase their soft influence in order to generate sales. To do this, they have employed branding strategies to make their products stand out in the minds of consumers and

to offset the fact that there will always be a competing product that is technologically superior on the market soon after their own product's release. Some successfully companies that have branded themselves and their products are Dell, Apple, and IBM. Each has created a culture and community around their products that make them attractive to consumers even if there is a product out there which is technologically superior. These companies have tapped into the notion that consumers buy more than a product when they make a purchase. They buy a certain mythos and set of ideas that surround the product and are looking to deriving a certain amount of self-identification and self-expression.

II Brand Strength & Covalence

Attempting to get into a new market or expanding one's services is cause for a company to reevaluate its brand quality. Covalence, a company that tracks the ethical reputation of multinational companies via a unique EthicalQuote system, is in just such a stage. It is interested in developing partnerships with investment firms where data from EthicalQuote will be used to manage ethical portfolios. These portfolios will guarantee that ethically concerned investors will only have their money invested in companies of high ethical standing.

Up until now, we have been discussing "branding" on the micro level focused on the consumer. The fundamental principles of "branding", however, can be applied to the macro, company-to-company, level too. Companies, themselves, are a brand. Think about Coca-Cola, Ford, or Nintendo, when consumers and executives hear these names, they instantly have an impression that pops to mind (not necessarily the same one). Brand recognition, image, identity, and to a lesser extent community function on the macro level. For a company such as Covalence, its various brands, such as, EthicalQuote should be thoroughly evaluated and oriented toward the investment firm market and ethical investors. Brand recognition and image are areas of top concern. In the field of ethics, the credibility and objectivity of the data provider is of paramount importance. Before entry into the investment firm market, Covalence and EthicalQuote need to be branded as an objective and fair bench marker of corporate ethics and have the credentials to back it up. After accomplishing this, the brand name of Covalence and EthicalQuote needs to be expanded until the level has reached that of brand recognition. This stage means that companies will lean towards Covalence's products when given the choice between its products and those of a company they have never heard of. All this must be accomplished before Covalence attempts to build relationships in the investment firm market, without strong brand image and recognition, successful partnerships are unlikely.

III Achieving Success

The market for ethical investment is expanding.ⁱⁱⁱ Access to information regarding the actions of corporations is readily available and the public is becoming more educated and aware. This growing knowledge has led ethically conscious investors to demand ethical investment options. Covalence already has and is expanding services that can fill this demand. With these services ready, Covalence is now ready to enter into the brand building stage. The goals laid out in the previous section should now be the focus of operations.

For Covalence, a social entrepreneurship with limited resources, the avenues to success are fewer, but they still exist. The road to achieving brand recognition can be achieved through extensive and skilled use of the Internet. This grassroots PR and marketing method would include extensive use of bloggers, online news services, and press releases to increase Covalence's visibility. Hiring an Internet marketing strategist to coordinate and increase Covalence's online recognition and presence would aid this process. Creating buzz around Covalence and its products is the main goal here.

The online press and reputation Covalence creates will be a great aid as it presents its services to investment firms that are seeking to develop ethical portfolios. The positive image and consumer recognition that Covalence is able to construct will increase its chances as it attempts to break into the investment firm market. It is likely that the brand recognition and image of Covalence and its EthicalQuote system could become a selling point in and of themselves. If Covalence is able to develop a sterling brand image, then the benefits of partnering with Covalence increase because of the credibility that Covalence can lend to an ethical investment fund simply by association.

Branding for Covalence and all businesses is an essential activity that must begin from the day a company or product is conceived. In a competitive and crowd market, a company's brand may be the only thing that separates its products from those of the competition.

ⁱ "5 Levels of Brand Recognition." Khera Communications, Inc. 10 July 2007
http://www.morebusiness.com/running_your_business/marketing/ah_brand_rec.brc

ⁱⁱ Analyst estimates put the sales of Apple's iPhone in its first weekend on the market at 500,000 units. At the writing of this report exact numbers were not available. You may find the news article at
http://money.cnn.com/2007/07/02/technology/iphone_sales/

ⁱⁱⁱ This claim is supported by data collected from IFA Promotions. They report that there has been an increase of over 100 per cent in those people seeking advice on ethical investments. Also the number of firms focusing on ethical investments has increased. For more information, you may find the article at
<http://www.moneyexpert.com/News/Savings/17522283/Surge-in-demand-for-ethical-investment-advice-.aspx>

In January 2007, Royal London Asset Management launched an Ethical Bond Trust that employed the support of EIRIS, an ethical investment research provider. By the latest reports (June 2007), the trust had received £59 million of investment. For more information, you may find the press release at
<http://www.eiris.org/files/press%20releases/rlamjune07.pdf>