

Marketing's *Dividend*

We now know that everything the company does affects its brand image, which in turn, has an impact on the company's underlying economics; marketers have known this instinctively for years.

Now, however, CMOs can offer management convincing, quantitative evidence of the impact brand marketing has on the bottom line. The result is that the CFO recognizes that communications spending is actually an investment, and one with a reasonably high rate-of-return.

The single-most important measurement is brand equity as a percentage of market capitalization. A strong, smart corporate brand image can have a measurable, positive impact on stock price.

In our studies of 1,200 companies across 47 industries, we found that this "marketing dividend" can range from just under one percent for a commodity-oriented industry like electric utilities, to nearly 15 percent for a highly brand-dependent industry, such as household products. This contribution can equal hundreds of millions — perhaps billions — of dollars, contributing directly to a company's market cap.

In a three-year study of 10 of the industries, we found that there was an average gain of more than *1.49 billion dollars per company, per industry*, over that time-frame. The chart, on the right, shows how the results broke out over these 10 industries.

For companies that commit to managing the financial contribution of their corporate brand actively, the return on investment is clear. Those that do not actively participate in corporate brand management leave substantial value on the table — and don't get credit for the incremental equity they create.

Bringing accountability to the marketing department will create powerful incentives for increasing corporate communications spending and create greater value for the company as a whole. There are four steps to implementing a program.

1. Continuous benchmark tracking of your corporate brand, along with appropriate peer companies among key constituencies.

2. Establishing or acquiring trusted ROI models with consistent reporting mechanisms and metrics. These need to be proven and based on sound economic principles.

3. Reporting brand equity measures on a quarterly basis to senior management gets easier with each consecutive quarter. (If you only report annually, you will always be explaining the method as opposed to getting the point across about the value being created).

4. Be prepared for strange things to happen: The CMO will be able to show management exact communication ROI figures; the CFO will become a brand advocate; and the CEO will be asking why marketing isn't requesting a bigger budget.

The CEO wants to support communications programs. Now they have an economic reason to do so! ■

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Brand Equity

INDUSTRY	PERCENTAGE OF MARKET CAP			DOLLAR VALUE (1.0 = \$1 billion)		
	4th Q 2002%	4th Q 2005%	Variance Basis Pts. (00)	4th Q 2002 \$	4th Q 2005 \$	Variance \$
Banks	4.92	4.43	(0.49)	2.06	3.76	1.70
Beverages	12.51	13.00	0.49	3.92	9.37	5.45
Chemicals	3.99	5.04	1.05	0.59	1.19	0.60
Computers	8.19	8.49	0.30	3.39	4.52	1.13
Electric Utilities	0.93	1.62	0.69	0.06	0.18	0.12
Insurance	4.81	4.90	0.09	0.63	1.22	0.59
Internet	8.97	11.00	2.03	0.63	3.49	2.86
Retailers	11.64	11.53	(0.11)	2.46	2.55	0.09
Telecommunications	6.54	5.87	(0.67)	2.09	3.58	1.49
Household Products	12.60	14.60	2.00	3.08	3.97	0.89
TOTAL	75.10	80.48	5.38	18.91	33.83	14.92
AVERAGE	7.51	8.05	.54	1.89	3.38	1.49

Note: CoreBrand tracks over 1,200 companies across 47 industries in the Corporate Branding Index® (CBI), a continuous survey of business leaders (12,000 surveys are completed each year by VP level and above of the top 20% of corporations in the United States). Brand equity values are derived from regression models proprietary to CoreBrand (for more information visit www.corebrand.com).