

Hello Moto, your marketing grew shareholder value!



Peter Walshe

Demonstrating ROI from successful brand building

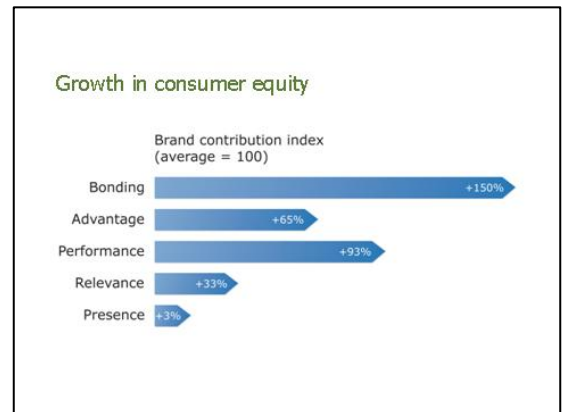
Marketing is often said to be unaccountable. Malcolm MacDonald famously reported Financial Directors describing their marketing colleagues as:

"Unaccountable, untouchable, slippery and expensive".

Demonstrating to finance the value that successful marketing has created for the business (and its shareholders) is a powerful way of proving the return on marketing actions. Because our approach to valuation within the BrandZ Top 100 analysis makes a firm link between the equity measures and brand value this proof is much more convincing.

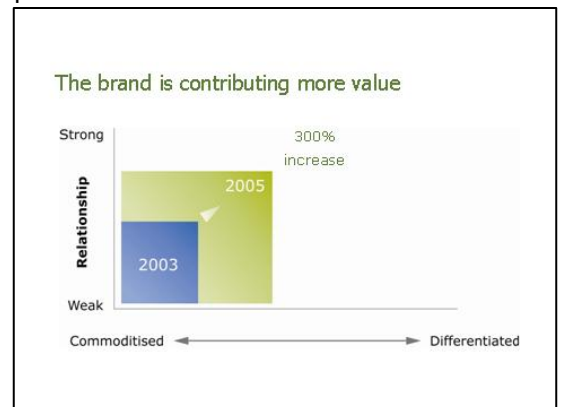
In the BrandZ Top 100 analysis, Motorola provides a good case study of how improved business performance can be attributed to marketing and R&D working at its best.

BrandZ data from 2003 and 2005 shows that in the UK Motorola achieved one of the biggest increases in equity seen for brands measured – with strong increases from the performance level upwards in its brand relationship pyramid.



This means that the strength of its relationship with customers increased from 2003 to 2005. Over the same time period its strategic and product innovation helped to reverse the trend toward commoditization in the category overall – buyers now telling us that getting the right brand of handset is more important than it was 2 years ago.

These two factors together mean that in 2005, the brand was contributing three times as much to earnings as it was 2 years ago in 2003 - this translates into a 300% increase in brand contribution over this time period.



So how does that translate into money?

Well this brand had a global value of \$9bn in 2005 (ref: BrandZ Top 100 2006) – of which some 3% was derived from the UK - \$260m. With the increase in brand strength and the increased category differentiation that value would only have been about \$80. So we can estimate that just through strengthening the brand the business benefited to the tune of some \$180 dollars.

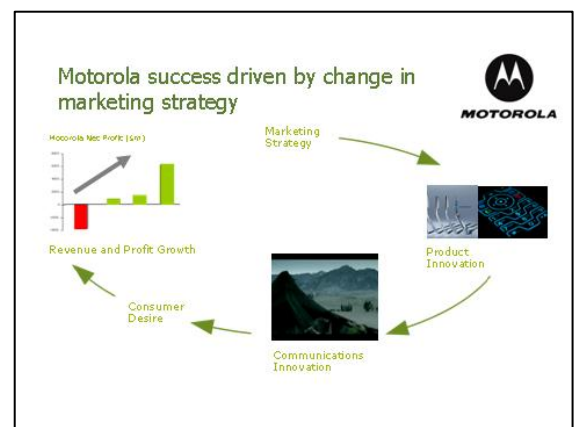
Turning this into money

- UK share of global brand value = \$260m
- If brand had not increased in value, would have been worth = \$80m
- Increase in shareholder value = \$180m

How did this change come about?

When the late Geoffrey Frost took over as marketing director one of his first acts was a full review of what the brand stood for, and what it was that customers wanted. Out of this came a new way of looking at the global market segmentation – based not on demographics but interest areas – music being one of the key segments they identified.

These insights were one of the factors behind the company’s innovation in handset design, and in the link up with iTunes. Iconic product and content innovation were also linked to great communications activity – “Hello Moto” entering the lexicon for the youth sector.



Overall the combination of design, consumer understanding, and great advertising created the desire that drove growth in market share, revenue and profits, all in all a true integrated business success story that had marketing strategy and consumer insight at its heart.

What this case study shows is that the reason for determining the value of a brand and other intangibles is not to find a number, but to identify the best way to manage the business, get better statistics, invest better and thereby grow the value that marketing adds to the business.

For this type of analysis go to <https://mb.brandz.com> or contact Brandz.uk.millwardbrown.com

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BrandZ is the WPP funded global brand equity study available to clients and potential clients via WPP owned companies. It is validated against sales and quantifies and diagnoses the strengths and weaknesses of brands.