

Trade on price at your peril

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Brand owners need to build equity to get the best return

Price led brands are less attractive, command less loyalty and are less likely to grow. The price positioning of your brand speaks volumes. At the extremes: 'I'm really expensive and certainly not just for anyone' or 'I'm pretty cheap (and nasty)'.

Because consumers have relationships with brands, what you say to them influences whether they continue to buy you or not. If you speak to them in 'price', they will judge you accordingly. And a relationship focussed on price alone tends to be a shallow one.

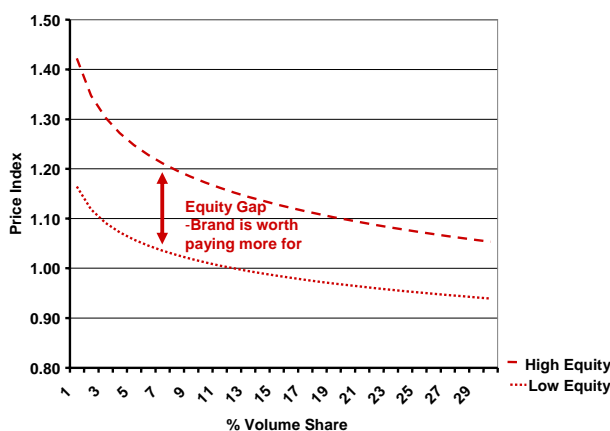
Analysis from the huge BrandZ database (the premiere global branding study from WPP, that covers more than 25,000 brands across the world and which has been running since 1998 with interviews amongst 1,000,000+ consumers) shows that the stronger your brand equity the more you can charge for your product:

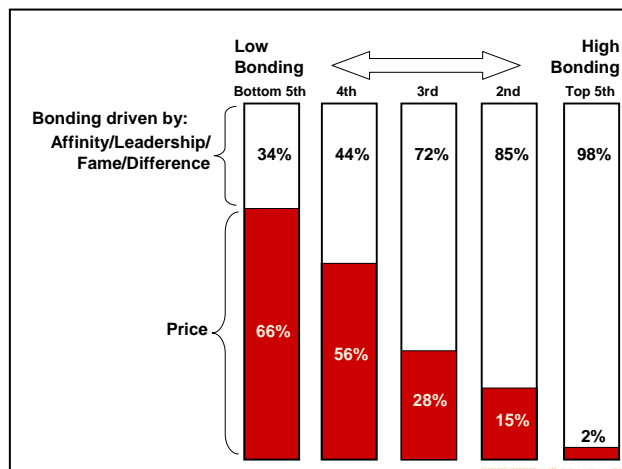
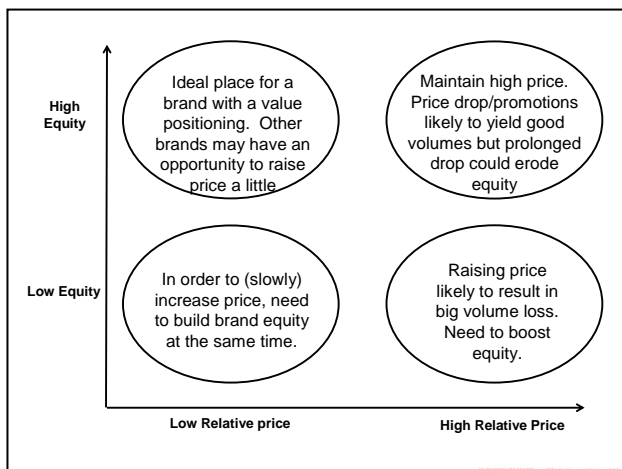
They offer something to a consumer that makes them worth paying more for over and above other the other brands available. There is however a ceiling beyond which the additional cost can't be justified, reducing volume sales. Brands that are too expensive can lose their relevance to consumers.

Offering a better or more acceptable price than others can itself be advantageous and be the basis of a strong relationship with consumers. These brands have to maintain their price advantage and often this is the only reason for buying them. Brands that compete in price sensitive sectors often need to find a way to differentiate themselves from others.

If all of the brands available are at a reasonable price, how is the consumer to choose between them? Airlines are a good example of this. When EasyJet launched, it was principally positioned as being the cheap alternative. Many other airlines have since entered the market meaning that whilst price is still a key factor other elements such as location of the airport, the experience of dealing with the airline etc have an influence on the choices made by consumers.

Brands with high equity are more able to justify their price premium, in fact, the price premium might be part of the reasoning for buying the brand. Brands that have low equity, but increasingly demand a premium are likely to see volumes declining.





The choice is clear: Let price dictate and ignore brand equity at your peril.

The BrandZ Study indicates that brands with perceived *leadership* (innovation), with a *great experience* and with *clarity* (being known for what they stand and being uniquely associated with that) are the winners. They achieve the highest 'Bonding' levels with consumers.

But the quality and basis of that 'Bonding' is a vital component.

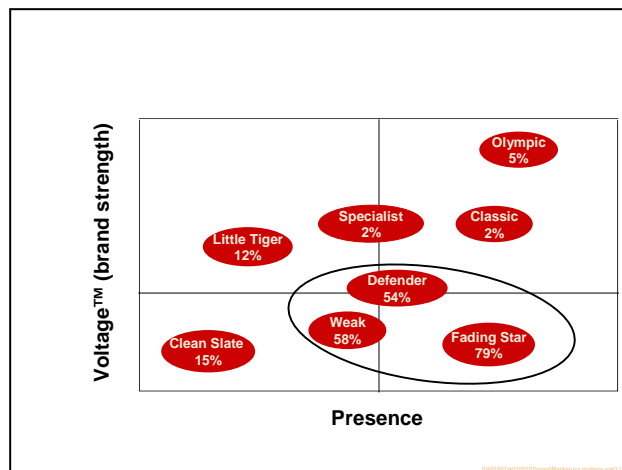
What is striking is that brands that rely on price rather than the other factors are much less likely to 'Bond' with consumers:

There are five aspects on which brands can drive 'Bonding':

- Affinity** (both rational and emotional)
- Fame**
- Leadership** (or Challenge)
- Difference**
- Price**

The lesson is to avoid the vicious circle of selling on price, which in turn reduces the equity of the brand, which means you need to charge even less...

The effects of relying on price to the exclusion of more motivating aspects reveal themselves when we split our brands in to strong/weak equity and well known/lesser known on the BrandZ Map. The stronger brands do not trade on price alone:



Create the virtuous circle – look after your brand and see your margins improve.

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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.