* Chapter appears in ***Strong Brands; Strong Relationships*** Edited by Susan Fournier, Michael Breazeale, and Jill Avery to be published spring 2015 by Rutledge Taylor & Francis Group

Constructing Consumer Brand Relationships

To Better

Market and Build Business*

By Max Blackston and Ed Lebar

blackbarconsulting.com

CAPITALIZING ON BRAND RELATIONSHIPS.
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The term Brand Relationships has become so ubiquitous that it now verges on loosing any specific meaning. Unheard of 30 years ago, when one of us first used the term in print, it is now used to describe virtually any brand-consumer construct or interaction. With the more universal recognition that the creation of value in brands has something to do with consumers, as well as brands' owners and managers, Brand Relationships seems to have replaced Brand Equity as the preferred term at the high ground of branding practice. What does it actually mean? Or, more exactly, what do the people who use the term actually mean?

By default, Brand Relationships are assumed to mean something analogous to interpersonal relationships. Although some (for example Patterson & O'Malley, 2006) may have questioned the wholesale appropriation of interpersonal relationships by brands, most users of the term in a specific sense - as opposed to its use as a generic surrogate for the term Brand Equity – are comfortable with the application of the interpersonal relationships (IPR) model to brands. Based on our own experience of several years of attempting to operationalize the IPR approach to identifying and measuring CBR, we will however make the case that its limitations make it not the most appropriate model for CBR. The more appropriate model is a psychological one, rather than a sociological one, specifically the theory of object-relations, the basis of Relational Psychology. Before describing this approach, we will briefly review the issues relating to the use of the IPR model.

Interpersonal Relationships – the Personal Brand

There are a number of variations in the specific IPR model adopted, and the methods and approaches to measurement that they employ. Several models involve no more than placing a brand on a uni-dimensional scale, which at its simplest goes from a bi-polar hate/love, to a more articulated semantic scale as used by BERA, which goes from "New" to "Divorce" via "Dating", "Love" and "Boredom". Saatchi and Saatchi's "Lovemarks" model measures Respect as well as Love, which enables them – by crossing the two dimensions - to position brands in the always-appealing quadrant chart.

Fournier, Aaker and others (Fournier, S., 1998 Aaker, J., S. Fournier and S.A. Brasel,2004) have used more nuanced IPR models, which have demonstrated that it is possible to use IPR-based taxa to describe various types of relationships that consumers have with a brand. That is to say, the qualities which consumers attribute to their relationship with a brand are often very similar – if not identical – to the stereotypical qualities of a specific interpersonal relationship.

However, being able to deconstruct the relationship that a specific consumer has with a specific brand and labeling it in IPR terms, does not provide a methodology for mapping on to an IPR taxonomy the generality of consumer brand relationships. In fact, attempts to generalize and quantify the correspondence between CBR and IPR have been less than successful. When, for example, consumers are asked to allocate brands to specific IPR descriptors, their selection is highly idiosyncratic because it is specific to consumers' own personal relationships and to their own brand experiences. The idiosyncratic nature of the ways in which consumers anthropomorphize brands and their relationships with them, is illustrated by the following two examples from qualitative explorations of brand relationships.

In a study of auto insurance brands in the US, respondents' preferred brand was anthropomorphized in figures as widely different as "A benign king who knows what is best for his subjects" and "my child's pediatrician". The common elements that can be identified in these anthropomorphisms are:

- the perception of an authority figure who has knowledge and expertise that the customer lacks, combined with
- a feeling of confidence in the brand that relies on the inference that the authority figure has the best interests of the customer at heart.

In a study of toilet paper conducted in Israel, a premium brand known for its strength (as opposed to the category benefit of softness) was variously described by non-users of the brand as "like Santa Claus" or a "foreign fashion model." What are the common elements here?

- both figures are perceived as somewhat exotic (Santa in a Jewish country !) with unique competencies, but (and probably because of this perception)
- a feeling of a lack of intimacy - an indispensable element of a trusting relationship - based on the inference that the brand does not feel involved with the consumer

What each of these cases illustrate are the diverse ways in which consumers can describe what are essentially similar relationships with a brand. In the context of qualitative research, these idiosyncratic articulations of brand relationships are definitely susceptible to decoding – using the tools of semiotics or analysis of archetypes – as they have been here. But the point is that they do have to be decoded; taken literally, these anthropomorphisms have no useful meaning.

The hope therefore that anthropomorphisms in a quantitative research setting – "Is this brand like the sister you never had/ the partner you wished you'd had/ the wife you once had " – can reliably identify brand relationships, is unfortunately illusory. The interpersonal relationship model can be used anecdotally, but is not capable of generalization.

Object Relations – the Relational Brand

The key insight of Relational Psychology is that relationships – with other people and with things – are paralleled by psychic representations of these relationships within the mind. A personality is in fact a composite and dynamic structure, which has been formed and built up out of countless never-ending influences and exchanges between ourselves and others. Relationship-forming starts of course with the mother/infant relationship, and then develops to include relationships with objects – like an infant's comforter, a special blanket, a favorite doll or toy and – brands. Relationships thus constitute an integral part of the personality of the individual. This is in stark contrast to traditional Freudian "Drive" theories, that preserve a very fixed and absolutist view of personality attributes. They do not allow for how such attributes may take on other meanings depending on the context or the relationship. Relational psychology, in reformulating the concept of self in personality development, also reformulates the concept of brand. A Freudian "driven" brand is always the same, irrespective of the nature of its consumer-partner; a relational brand, on the other hand, is a variable outcome of its interactions with its consumers.

The other advantage of Relational Psychology, as a basis for understanding Brand Relationships, is that it recognizes how inanimate relationship partners – so-called "Transitional Objects" – may be invested with the same type of characteristics – personality, motivations, etc – as animate ones. In Relational Branding, the brand functions as a Transitional Object, so the model does not depend – like the IPR model does – on an argument by analogy; it is just a more focused perspective on Relational Psychology itself. CBR emerge organically from the Relational Psychology model, without having to make a special case for them.

Measuring CBR – the parameters of Brand Relationships

The nature of any relationship can be deduced by observing the attitudes and behaviors that the relationship gives rise to. In the Consumer-Brand relationship – as in all relationships – there are two participants, two sets of attitudes that are being expressed, two sets of behaviors that have to be observed before any deductions can be made. We all sit inside our own heads constructing our relationships; the dialogue with the world – the ongoing he said/she said – is all taking place inside our heads. Of course the outside world – people, advertising, the web – impinge on our psyche – we are not arguing that the outside world doesn't exist, that reality is an illusion. But how we internalize it all, the **perceptions** and **projections** that form the basis for relational behavior, are all internally generated.

Here is a thought experiment concerning a hypothetical relationship between a doctor and a patient

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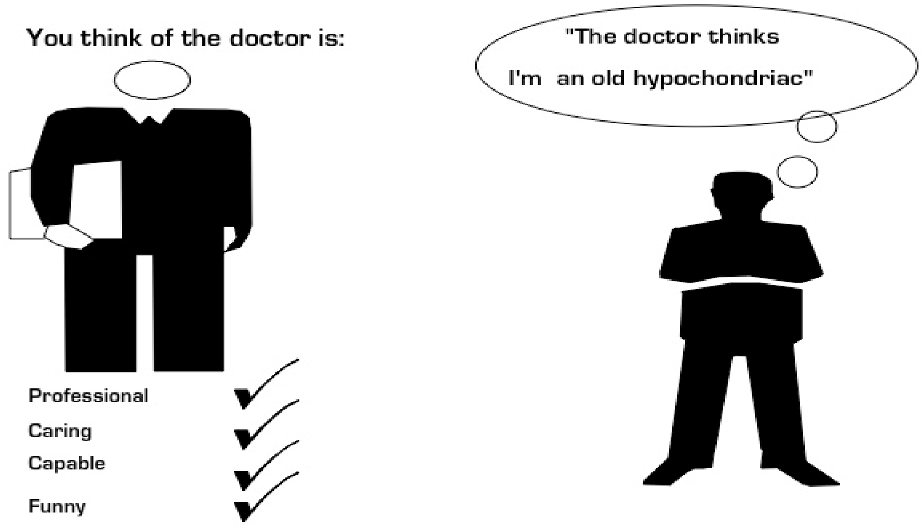
The Doctor-Patient Relationship

One side of the conversation: "What do you think of the doctor?"

The other side of the conversation: "What does the doctor think of you?"



If we let the doctor stand in for the brand, the characteristics on the left can be thought of as constituting the patient's attitude towards the doctor - the patient's ***perception*** of the doctor's "brand personality" He's highly skilled, caring and funny - sounds like a doctor we would all like to have, and we would expect the patient to like the doctor.

However when we uncover the crucial bit of information about what the patient *infers* about the doctor's opinion of him – that he is a hypochondriac - our understanding of the nature of the relationship changes completely. And it doesn't matter what the doctor really thinks because, for the patient, the relationship is based on his ***projection*** of the inferred attitude of the doctor and the doctor's behavior toward him.

Analogously, understanding the relationship between brand and consumer requires observation and analysis of two distinct types of parameter, both of which are recoverable from the consumer.

CONSUMER PERCEPTIONS – The consumer's attitudes and behaviors towards the brand, and

BRAND PROJECTIONS - The brand's attitudes towards the consumer, and the consumer's experience of the brand's behaviors

While consumer perceptions do not require further elucidation on our part, we do need to clarify the less familiar concept of brand projections. Object relations theory informs us how people project on to inanimate relationship partners – such as a brand - the same type of characteristics – personality, motivations, etc – as they do on to animate ones. We identify two distinct types of brand projection, which, while they parallel the dimensions of consumers' attitudes and behavior, are not identical – for the simple reason that we are not actually interrogating the brand in order to elicit them. As with the examples of the auto insurance and toilet paper brands cited above, they are projections on to the brand made by the consumer.

Some general – i.e non product category-specific - examples of brand attitudes are shown below; *they are statements about the brand, which reflect an inference made by the consumer about* how the brand perceives him or her; (In our research, we use statements like these)

Cares about me (the brand thinks that my needs are worth caring about)

Cares what I think (the brand values me/my opinion)

Doesn't talk down to me (the brand thinks I am on the same level)

Expects a lot of me (the brand thinks I am capable)

Shares my values (the brand values what I value)

Makes me feel good about myself (the brand likes me)

Helps me to express myself (the brand is interested in me)

Knows me (the brand regards me as an intimate)

In addition to brand attitudes, the brand exhibits behaviors, which create brand experiences for the consumer. Here are some examples of brand experiences:

Provides a little treat for me

Inspires me

Connects me with other people

Simplifies my life

Responds to my needs

Brings back good memories

Makes me look good to others

There is a dialogue between brand and consumer going on inside the consumer's mind - between what consumers understand about the brand (**perceptions)**, and what the brand tells consumers about themselves (**projections**). In most research we elicit and measure only one side of that dialogue – the one that reflects consumers' perceptions of the brand; Using metrics such as those above, we are able to tap into the other side of the dialogue..

Why is that important? Because Brand Projections can be the deal-maker or alternatively the deal-breaker in the brand relationship. Brand Perceptions have generally been very purposively managed, but Brand Projections – brands' attitudes in particular - have not. The right brand attitude can help create a strong relationship, but if a brand has a "bad" or inappropriate attitude, then no amount of emphasis on its good image qualities can make up for that - it may even make the relationship worse. There are many examples of how "bad" attitudes – which usually means unmanaged brand attitudes - can undermine the image of a brand, and lead to poor brand relationships.

Emphasis on the separate identification of the two dimensions of the brand relationship gives a much clearer picture of both the strengths and weaknesses of the brand. Brand attitudes and brand behaviors can be crafted just as readily as brand image and brand personality, thus providing a whole new set of dimensions of "positioning space" and a new set of tools for marketing management.

Over the last twenty years, many specific product category studies of CBR have been successfully completed using this approach. Here, we report on the first attempt to generalize this approach to CBR via the identification and measurement of a set of brand relationships of a degree of universality sufficient to apply across brands in very different product categories.

Methodology

Following two pilot investigations, a large-scale study involving 48 brands in 8 different categories was carried out. This involved an internet survey of a representative sample of over 1500 consumers, divided into 3 cells each of whom were questioned on 16 brands. Brands were evaluated on the following series of issues:

- Familiarity
- Perceptions of Brand Image and Personality
- Brand Experiences and Brands' Attitudes
- Brand "Touch" points (Advertising, Websites, Social Media, etc)
- Brand Usage and Consideration
- Overall brand evaluations
- Other brand-related behavior

30 of the 48 brands were so-called "mono-brands", brands which – like Apple, Walmart or American Express – are co-identical with their corporate owners. This allowed us to compile, from public sources, extensive data relating to the marketplace performance of the brands, including but not limited to:

- Market Capitalization
- Sales

- Operating Profit
- P/E Ratio
- Operating Margin

Our overall objective was to measure the influence of consumers' relationships on the one hand and customer franchise on the other hand on the financial value of these brands, as reflected in the various measures.

Identifying and Measuring Universal Brand Relationships

We define a brand relationship as the combination of a specific **perception** of the brand (brand image, brand personality) with a specific **projection** - an inference about the brand's attitude and/or brand experience. The strength of the relationship is a function of strength of these individual components. But that function is not a simple additive one.

One key assumption of all additive models is that a brand's strengths can in theory compensate for its weaknesses. The Relational Brand model departs from the additive assumption, because in it relationships are composed of two essentially different components that interact in a non-compensatory manner. <u>A Relationship is more than the sum of its parts; it has emergent properties, so the function relating brand relationship strength to the strength of the two components has to reflect those properties</u>.

In theory, the number of possible brand relationships is determined by the combinatorial possibilities of the two sets of component dimensions – **Consumer Perceptions**, and **Brand Projections**. In practice, of course, not all combinations have a relational logic to them. Beyond that, we further screened possible relationships for emergent properties, that is relationships that have properties that neither of the separate components do. In practice this meant that we were looking for relationships, which have incremental predictive power over that of both of the separate components. Screening by this criterion led us to a set of 5 brand relationships that we refer to as the 5 "universal" relationships. Let's take a closer look at them.

Reinforcement: The brand is seen as having superior performance and providing heightened customer satisfaction (brand perception). Use or purchase of the brand makes the customer feel better and smarter (brand experience) – in his/her own eyes and in those of others – strengthening the attachment to the brand.

Identification: There is a very strong affection for the brand and (or because) it is experienced as expressing the customer's own values and aspirations.

Role Model: The brand is admired for its charisma – a standard of leadership and innovation, which the customer – by allying him/herself with the brand - is invited to share in.

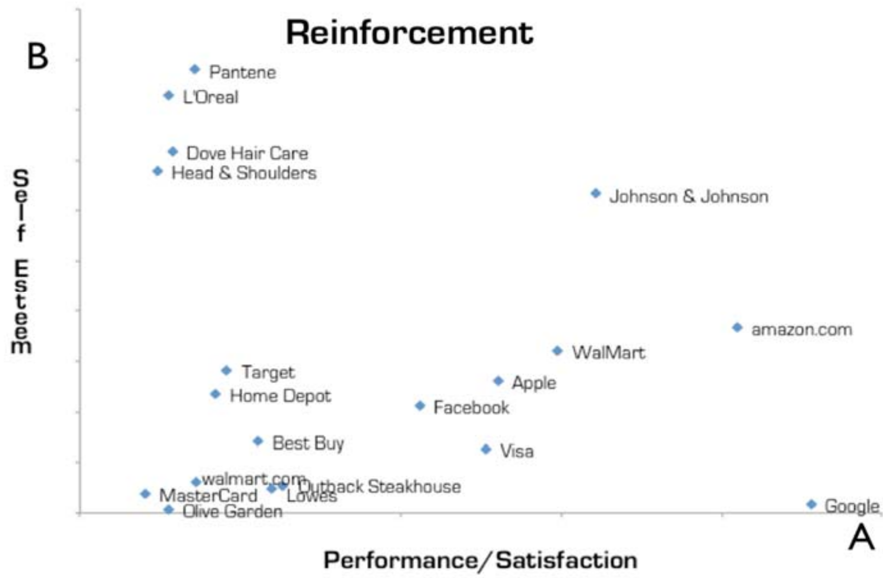
Self-Differentiating: The brand is seen as distinctive and unique – but not in a distant or iconoclastic way. The brand's difference is inclusive of the customer, who therefore feels distinctive and unique too.

Playful : The brand is liked for its relaxed style; it demands nothing of the consumer other than to experience the pleasure it gives.

The following table joins the **Consumer Perception** factors and the **Brand Projection** factors to summarize the essence of the 5 Universal relationships.

	BRAND PROJECTIONS- ATTITUDES/EXPERIENCES				
CONSUMER PERCEPTIONS	**Self-Esteem** •Makes me look good to others •Makes me feel good about myself	**Self-Expression** •Simplifies my life •Helps me express myself •Frees me to be myself	**Mentoring** •Challenges me to think differently •Teaches me •Inspires me •Shares my values	**There For Me** •Appreciates my biz •Recommended by people I care about •Responds to my needs •Has my interests at heart	**Pleasure** •Brings back good memories •Provides a little treat for me •Excites me
Functionality •Performs well •Satisfaction	**Reinforcement** Your brand of choice makes you look and feel good				
Emotional Attachment •Love it •Fits my life		**Identification** Let the brand you love tell the world who you are			
Charisma •Dynamic •Excitingly innovative •Leader •Progressive			**Role Model** Be empowered by brands that lead the way		
Positive Differentiation •Distinctive •Unique				**Self-Differentiating** Let a brand with a difference make a difference to you	
Relaxed & Stylish •Fun •Friendly •Cool •Stylish •Easy •Different					**Playful** Fun brands that are just to enjoy

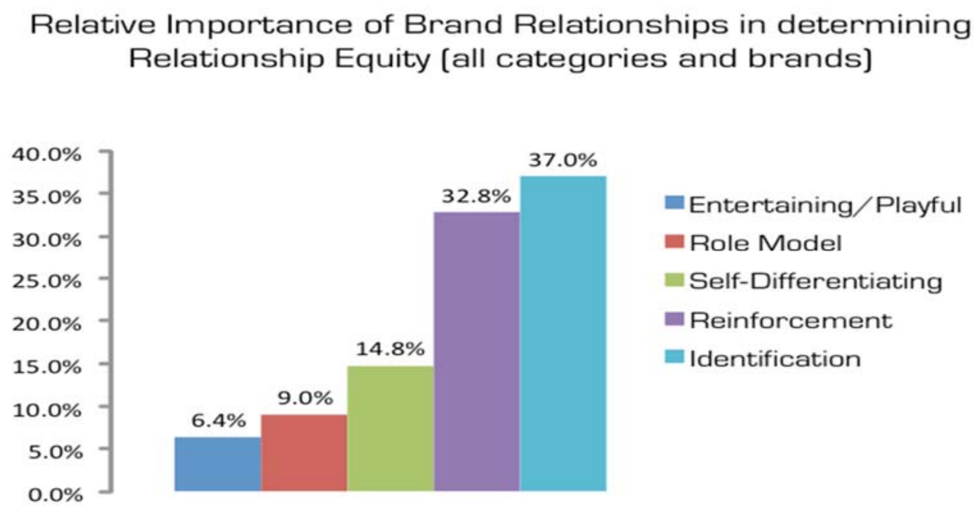
Brands' scores for each relationship can be represented on a two-dimensional graph, which captures the strength of each of the relationship components and identifies the balance between perceptions and experiences. The chart below compares the two components of the "Reinforcement" relationship; the functional attributes of **performance and satisfaction** with the experience of **self-esteem**. Brands in the hair care category deliver highly on the self esteem component of "Reinforcement", but are relatively weak on functionality. Brands in retail channels like Amazon and Wal-Mart deliver strong attributes of performance and satisfaction. The corporate brand Johnson and Johnson has built both sides of the relationship.



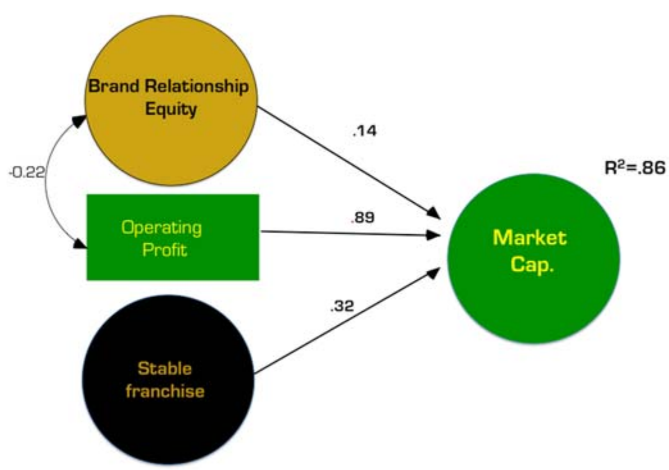
Conceptually, the key point that the brand relationship space reminds us of, is that – unlike in an additive model – point A ("Good" Image, "Bad" Attitude) is not equivalent to point B ("Bad" Image, "Good" Attitude); Google has a very different type of Reinforcement relationship from hair care brands.

Modeling the impact of Brand Relationship Equity on the Market Value of Branded Business

In order to test our principal objective, connecting Brand Relationship based equity to brand financials, we constructed a Brand Relationship Equity statistic based on the predictive



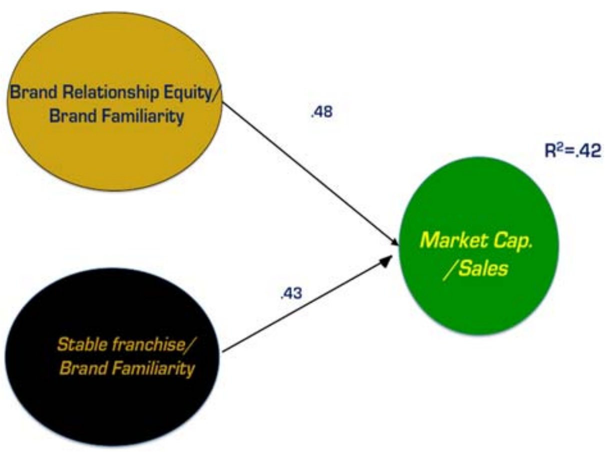
equation connecting the 5 Universal Relationships with a measure of overall brand equity. The chart shows the relative weights that each of the 5 Universal Relationships had in computing Brand Relationship Equity (BRE).



Brand Relationship Equity is clearly not the only variable influencing the market value of a branded business. Two other variables that we include in the model are brand franchise – its size and quality – and operating profit; and we have worked with a number of alternative model specifications involving different definitions of these two variables. In one such specification, we found a significant relationship connecting ratio variables, as shown in the chart.

Stable Franchise is defined as the percentage of customers saying they use the brand regularly less the percentage saying they do so only if there is no alternative.

As shown by the standardized regression coefficients, BRE and Stable franchise – both normalized for the level of familiarity of the brand – have roughly the same influence on the Market Cap to Sales multiple.



Another formulation of the model - shown in the chart to the left - included the non-normalized values of Brand Relationship Equity, Stable Customer Franchise and operating profit as explanatory variables of the absolute value of Market Capitalization.

Not surprisingly, although BRE and the relative size of Stable Franchise are still significant contributors, difference in the level of Operating Profit is clearly the major single influence on variation of Market Cap.

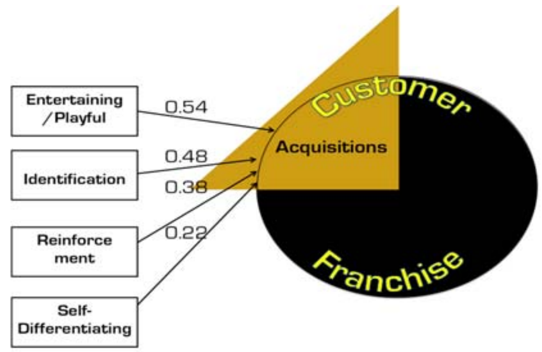
An interesting observation is the negative correlation between Relationship Equity and Operating Profit. This does not say, "Do not invest in relationship equity!" But investments in the brand must be appropriately paced in order to avoid overspending and being faced with a reduced operating profit in the short term. There is – as there has always been - a trade-off between investments in the brand and the quarterly or yearly earnings statement.

However, this trade off between brand relationships equity and operating profit may be improving. The digital world has opened new dimensions for unpaid brand support (beyond public relations). There are a multitude of new channels (social media, customer reviews, digital word of mouth etc.) for consumer communication. Later in the chapter we will show how Consumer Brand Relationships are impacting the good and bad things consumers are saying about brands.

Equally interesting is the *apparent* lack of correlation between BRE and Stable Franchise. This is an artifact of the way the BRE and Stable Franchise variables have been constructed in these model specifications. Both are highly aggregated statistics; BRE is a weighted average of the 5 Universal Relationship scores; Stable Franchise, is the net result of movements into and out of and within the brand franchise. In order to see the very strong influence of Brand Relationships on the development of customer franchise, both variables need to be "unpackaged", which is what we turn to next.

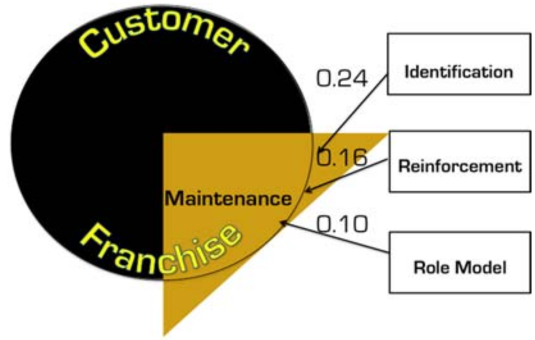
Brand Relationships Influence Customer Acquisition and Retention

Brand Relationships impact both the acquisition and retention strength of the franchise. However the role of specific Brand Relationships is different in each phase of franchise building and maintenance, with each of the five Universal Brand Relationships varying in degree of importance.



Acquisition Phase of Development:

Attraction to the brand that can yield new users for the franchise comes from three key relationships. The most influential on trial consideration is "Playful" – liking the brand for its relaxed style and feeling that use of the brand would give pleasure. This is followed by "Identification" and "reinforcement"



Retention Phase of Development:

Among brand users, the most influential of the relationships on brand loyalty is

"Identification" – loving the brand because in some way it reflects and strengthens the consumers' own values and aspirations.

Brand Relationships are thus intimately entwined with the strength of the brand's franchise. Relationships hence have a dual role in building financial value in branded business – directly via the influence of Brand Relationship Equity, and indirectly via the influence of individual relationships on the development of the customer franchise.

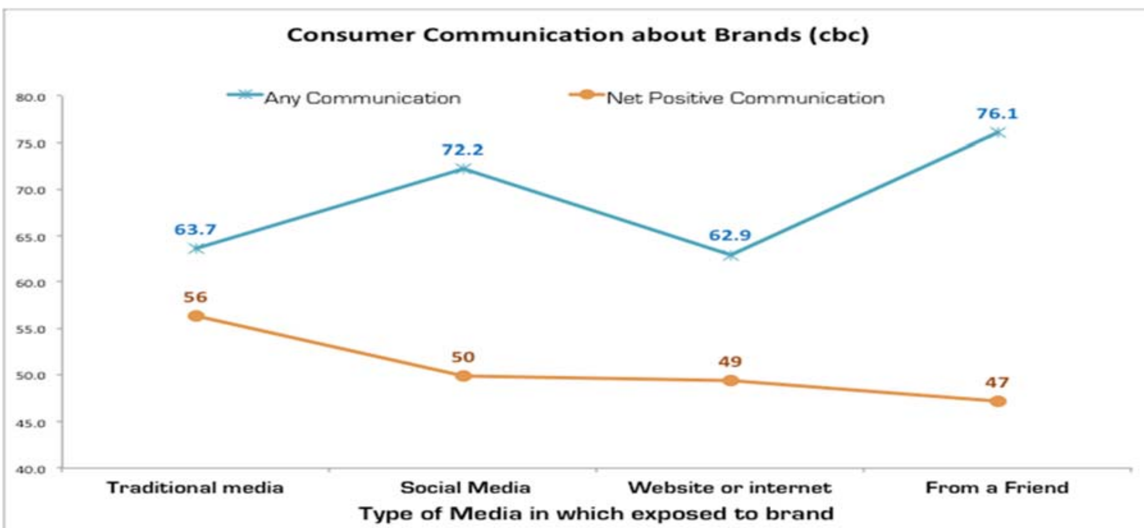
Consumer Brand Relationships and Consumer Brand Communication

Along with consumers' part in creating Brand Relationship Equity, we have to acknowledge their role in brand communication too. The voice of the consumer is louder than ever .The new digital channels for consumer communication, like Facebook, Twitter and Yelp! , customer reviews on retail channel web sites and informal recommendations to friends all serve to amplify the voice of the consumer. These channels have laid the foundation of a new Brand Democracy, in which brand owners now no longer monopolize – or even dominate - the control of brand messages.

This shared control has brought many new challenges and opportunities for brand managers. While embracing new models and metrics of engagement, advocacy and sharing of content, they must take into account the interplay between Consumer Brand

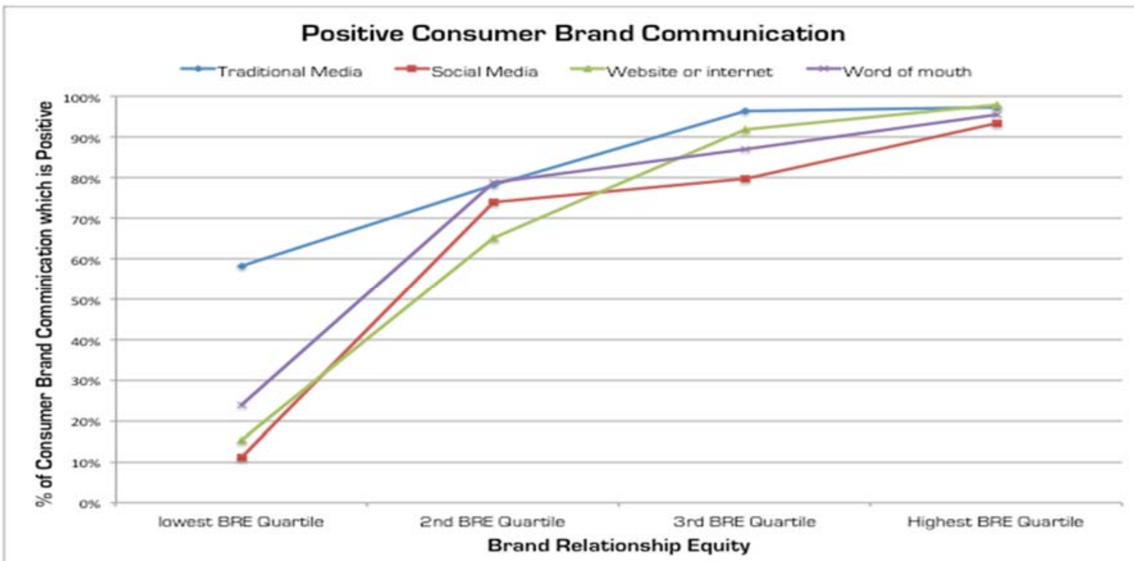
Relationships and consumer brand communication. We have talked about the fact that brand experiences – brands' attitudes in particular – have been left unmanaged; it is our contention that better management of these, resulting in stronger Brand Relationships, will result in more positive consumer brand communication via the channels that consumers control.

In order to test this hypothesis, we included in our study questions, both about the various media types in which brands had been encountered and about whether and how consumers had communicated about brands. The relationship between these two – between how/where brand messages are received and what messages are transmitted – is shown in the chart below:



Those exposed to a brand's communication in social media and by word of mouth are more likely to communicate about the brand than those exposed to it in other types of media. However communicating more does not mean communicating positively; in fact, in net terms, the additional communication of these two groups is negative. This perhaps reflects the lack of control over social media and word of mouth by brand owners, and emphasizes the need to somehow harness these channels. Unlike with owned or bought media, the influence of brand owners in these channels can however only be indirect. Do stronger, better Brand Relationships represent the means to that control?

The chart below shows the variation in positive consumer brand communication by channel for four different levels of Brand Relationship Equity. (If communication is not positive, it is – by definition – negative.)



At the lowest level of BRE, only brands seen in traditional media result in consumer brand communication that is more positive than negative. For the second BRE quartile, the situation is very different; the level of positive CBC for brands seen in other media rises dramatically to the same level as for traditional media. In the third BRE quartile, positive communication about brands seen in owned or paid media (traditional and digital) continues to increase – at a steeper rate than the increase in positive CBC for social media and word of mouth. For brands encountered in these uncontrolled media, it is only in highest BRE quartile that negative consumer brand communication virtually disappears.

Thus stronger Brand Relationships result in more positive communication about brands in whatever media they are encountered. They are essential for the digital media – whether owned, like brand web sites or earned as in social media – and for word of mouth.

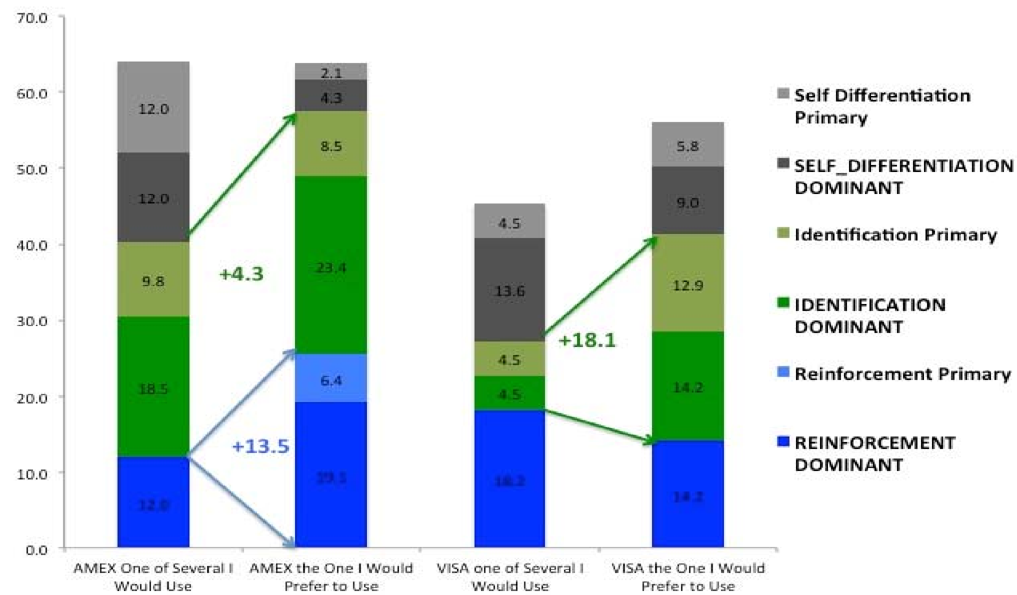
The Relative Strength of Amex Vs. Visa on CBR and CBC

In the credit card category there is a strong relationship between consumer brand communication and consumer brand relationships. CBR explains about 30% of the movement in CBC.

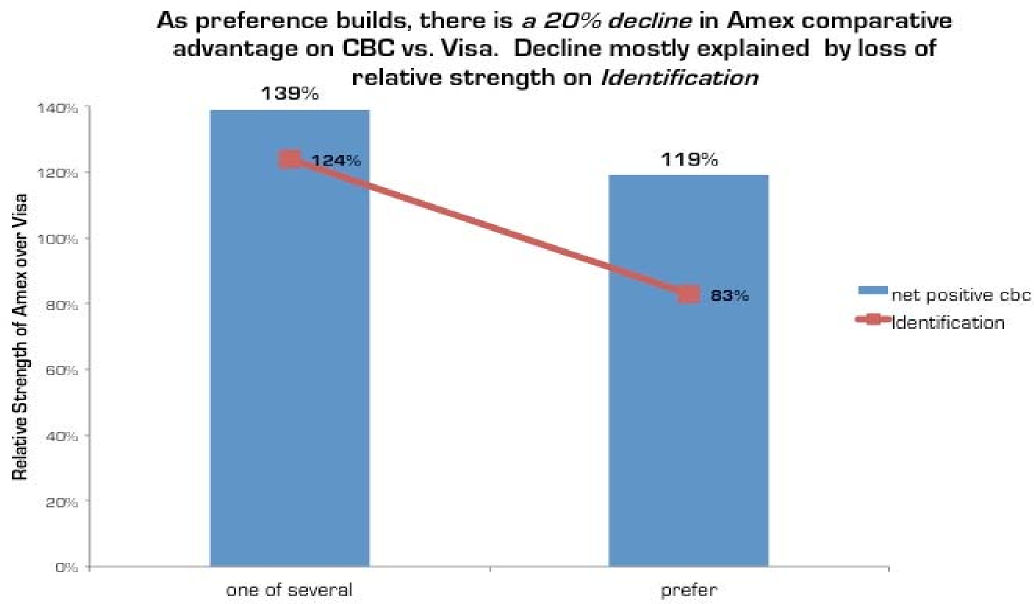
The chart below looks at the way that Consumer Brand Relationships develop and change for Amex and Visa among two franchise segments with different levels of preference for each brand. The changes in the importance of key brand relationships, between these levels, will help explain the difference in brand preference. Also, the comparative difference between the two brands' relationships impacts the relative strength of net positive CBC as customers move up each brands funnel.

There are dramatic changes in the **relative** importance of **Identification** between Visa and Amex as customers move from "one of the cards I keep in my wallet" to the "card I prefer to use". Among Visa preferers , **Identification** (self expression) improves + 18.1 points but only 4.3 points for Amex. The important build for Amex is significant improvement in **Reinforcement** (primarily performance) + 13.5 points .

Changes in Principle Brand Relationship Profiles for Amex and Visa



The relative changes between the two brands are shown in the chart below. As the customers of Amex and Visa move to preferring to use the card of one brand, Amex's relative power to generate positive CBC dramatically declines. The advantage drops 20 % (139% -119%). This drop can be mostly explained by the significant increase in Visa's preferers feeling more **identified** with the brand.



It appears that the cost of Amex becoming a more mass brand through offering a multiplicity of branded cards and co-branded cards has led those with the highest preference to have a relationship structure more like Visa's preferers. The risk is that by pushing brand preference via increased functionality – e.g. giving points, offering revolving credit, etc – Amex may have made itself more vulnerable to Visa because it has sacrificed the relative importance of its ***Identification*** *and some* ***Self Differentiation*** *(distinction) for stronger* ***Reinforcement*** *(Performance)?*

Summary

The use of Relational Psychology (object-relations theory) as a model has the advantage of not requiring "special-pleading" for its application to Consumer Brand Relationships. Brands can legitimately be considered as Transitional Objects, in just the same way as all the other parts of people and things that we have interacted with and carry around with us in our heads.

Brand relationships are not readily accessible by direct means. Because they are so inextricably linked with the individual's personal relationships and brand experiences, they are often not susceptible either to articulation by analogy with interpersonal relationships or to an unequivocal decoding. The nature of brand relationships – just like any other relationships – can best be deduced from observing the attitudes and behaviors they give rise to. There are two sets of such attitudes and behaviors that result from the brand relationship – the consumer's and the brands - both of which are accessed from the consumer.

Brands' attitudes and consumers' brand experiences provide what has often been the missing link between brand image and a complete definition of consumer-based brand equity. Brand Relationship Equity – derived from brand image and brand experiences - is a direct influence - along with the size and stability of the brand's customer franchise - on the financial value of the brand.

Brand Relationships are also a significant influence on the development of brand franchises – although the link is partially time-lagged. The acquisition and retention phases of franchise development are impacted by different relationships. Thus, over the long term, brand relationships contribute both directly and indirectly to the financial value of a brand.

Managing brand experiences and brands' attitudes, as well as traditional brand messaging, is an essential part of creating strong brand relationships. In addition, all the evidence points to these elements as being the determining influence on the tenor of brand communication by consumers via the increasingly important channels that they control.