How to build a resilient brand

December 8 2022, by Benjamin Kessler

Credit: Pixabay/CC0 Public Domain

Great brands are built over the long haul, yet the macroeconomic cycle forces brand managers to continually re-adjust their strategy to changing short-term market conditions. In the current environment, for example, managers must prepare for a possible recessionary climate that brings a very different set of challenges than those confronted during periods of expansion. How can managers use the tools at their disposal to ensure continuous growth of equity despite these fluctuations?

A new research paper co-authored by Tarun Kushwaha, professor of marketing at George Mason University School of Business, plumbs 17 years of U.K. data on hundreds of CPG brands to formulate a model that connects brand success in good and bad economic times to six strategic factors—price positioning (budget vs. high-end), advertising spending, brand architecture (presence in one vs. multiple product categories), market position (leader vs. follower), product line length (i.e. assortment) and distribution breadth. Kushwaha's co-authors were Koushyar Rajavi of Georgia Institute of Technology and Jan-Benedict E.M. Steenkamp of University of North Carolina—Chapel Hill.

For each product in their data-set, the researchers first estimated SBBE (sales-based brand equity), a construct attributing sales variance to the effectiveness of brands in the marketplace. They then drew statistical correlations between brand-level changes in SBBE and the six factors listed above, as well as macroeconomic growth and contraction over the observation period (January 1994–December 2010).

As they suspected, the mix of attributes associated with higher sales performance shifted with the macroeconomic climate. In bad times, brands with an umbrella architecture, dominant market position, and higher ad spend prevailed on the whole.

"These attributes permit brands to signal their higher quality and evoke confidence in consumers during economically uncertain times," Kushwaha explains. However, the effects were somewhat modest. During economic expansions, the positive impact of umbrella brand structure and advertising expenditure disappeared, and premium pricing emerged as a brand-equity asset.

"Premium brands are associated with higher product quality and lower purchase risk, and when the disposable incomes are higher, consumers are willing to splurge on premium offerings," Kushwaha says.

In contrast to the middling or mild effects above, three of the six factors provided a strong boost to brand equity that was not as contingent upon economic conditions. High product assortment was neutral in bad times—because its positives and negatives were seen to cancel each other out—but supplied a significant lift during expansions.

When consumers are flush with cash, the researchers reasoned, they are more apt to be adventurous and try a new product marketed to their individual needs. But in times of belt-tightening, consumers' unfamiliarity counterbalances their curiosity about niche products.

Regardless of the economic climate, broadly distributed brands had a sizeable advantage in equity over less widely available ones. Distribution, after all, influences the relative visibility of a brand, which in turn affects consumer perceptions. Brands with a ubiquitous presence are generally seen as higher-quality. They are also in greater supply across the marketplace, which makes them more amenable to discounted pricing and other recession-friendly marketing maneuvers.

These findings add depth and granularity to the marketing maxim, "In good times and bad times, strong brands win." While wide product assortment and broad distribution are positive indicators of brand strength, other indicators (advertising spend and premium pricing, for example) were less unconditionally effective. Managers of strong brands should be aware that not every advantage available to them can be equally leveraged to further bolster the brand.

As expected, leading brands were able to build brand equity regardless of the economy. But this is a less surprising and useful insight, as markets, not managers, choose their leaders. There are, however, steps managers can take to promote the growth of brand equity over the long haul.

The researchers recommend, firstly, that brand managers place more emphasis on expanding distribution. Narrowly distributed brands should either rethink their strategy or increase efforts to overcome whatever barriers to wider distribution they may be confronting.

Second, managers should discard the conventional wisdom advising R&D cutbacks during recessions. Since bigger brand families fare much better than average during expansions, and no worse during recessions, a good strategy for bad economic times might be to focus on product development so as to capitalize fully when the cycle comes back around to prosperity.

"Macroeconomic cycles are unfortunate, but a much needed, aspect of our capitalistic economic system. They help keep the system efficient by cutting the unnecessary excesses. Along the same idea, our study highlights that brand managers can ride the expansionary waves and buffer their brands from the recessionary cycles to enhance and protect their most important asset, their brands' equity," Kushwaha says.

The paper is published in the *Journal of Marketing*.

More information: Koushyar Rajavi et al, Brand Equity in Good and Bad Times: What Distinguishes Winners from Losers in Consumer Packaged Goods Industries?, *Journal of Marketing* (2022). DOI: 10.1177/00222429221122698

Provided by George Mason University