

KEY MEASURES: what is Strategic Advantage?

Beyond brand equity, to strategic advantage....

There are three recent eras in the development of marketing strategy:

- (1) The Brand Equity Era: The late 1980's was the age of **brand-building**, when brand assets were regarded as the source of competitive advantage and future earnings
- (2) The Customer Equity Era: The mid-1990's saw the age of customer **relationship building**, which involves the development of lasting customer satisfaction in order to exploit the lifetime value of the customer. The argument here is that it is cheaper to retain the customer for life, than it is to compete for new customers.
- (3) The Business Equity Era: Now, in the early 2000's we see the start of a new movement where, to *brand equity* and *customer equity*, we add **market economics**. This is based on the belief that having customers, and owning a brand alone does not guarantee success, and that one cannot ignore market forces, for example the act of the exchange transaction itself, money for product.

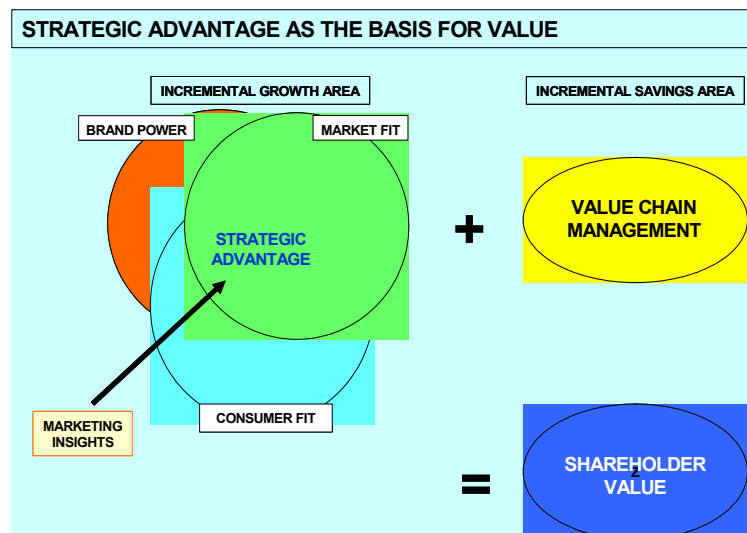
Adapted from: Dr M.J. Xavier: The fall of traditional brand management: Making way for CRM and business equity; Dean, Academy for Management Excellence, Chennai – 600 034, India

Strategic advantage occurs when there is equilibrium between three elements: when the brand, the consumer and the market fit together in the best way possible.

The better the *alignment* between these three elements, the greater the strategic advantage.

This forms a decisive antecedent in the consumer's brand choice process.

The objective of strategic advantage is to grow *value*. The only real way to do this is to achieve consistent positive cash-flow. Market share, brand equity and customer relationship management are meaningless concepts unless they are harnessed to produce cash flow and shareholder value. And, you cannot create value in the long term without sustained growth.



So, strategic advantage is all about incremental growth. But, to achieve value growth one needs to improve the overall *business equity*.

Therefore, strategic advantage should not be confused with business or financial equity. *Business equity*, is achieved when one combines...

- the efforts to achieve strategic advantage and incremental growth with...
- the efforts to achieve incremental savings through effective management of the value chain.

Strategic advantage forms one side of the business equity equation – the *incremental growth*, or *marketing*, side. For strategic advantage to occur, the marketer must study their industry and its market forces in minute detail, zero in on the target consumer needs that they are uniquely positioned to fill, and develop brands that showcase their added value. This means that the brand strategy must aim for **synergy** with the consumer and the prevailing market forces. So the brand must fit the consumer, and it must fit the market.

The concept of strategic advantage incorporates *three* important measures:

Brand Power / “Signal Strength”: this is a measure of the total strength of branding of the brand in question. Specific algorithms are used to measure the brand’s performance on each of four dimensions that reflect on branding strength and on competitive performance across brands:

- Calculation of the “Return on Brand Experience”
- Calculation of the “Return on Brand Quality”
- Calculation of the “Return on Brand Imagery”
- Calculation of the “Return on Brand Identity”

When these four “returns” are brought together into a single indicator, then we have the overall “signal strength” of the brand in terms of how effectively (compared to other brands) it projects its image and identity outwards. Thus, signal strength is the combined power of *branding efforts* in terms of experience, quality, imagery and identity; a single statistic for comparison purposes across brands.

The term *signal strength* is used deliberately here because the statistical tool used is signal detection analysis, which establishes the strength of signal of the brand amid all of the back-ground noise and clutter in the marketplace.

Brand-Consumer Fit: this is the extent that the brand values coincide with the consumer’s psychographic make-up. The psychographic elements are measured by the overall scoring and weighting of brand performance in terms of matching consumer needs, motivations, values, self-concept and lifestyle.

Brand-Market Fit: this is measured by:

- The extent that brand price falls into the consumer’s acceptable price range
- The extent that the brand is cushioned against budget / trade / distribution influences
- The rank-order importance of the product in the budget / shopping list
- The ease of access to the product

Consumer-Market Fit: There is a third “fit” relationship that occurs: the fit between *consumer* and *market*. This involves the needs and behaviours of consumers under certain market conditions, such as at specific price points. This relationship between consumer drives and market forces often has a direct effect on brand choice. For example, a brand might be considered as a good choice, to fulfil a particular need or behavior, at a particular price that the consumer is prepared to pay; while another brand might not be considered as being suitable for this specific combination of need, behavior and price point. This particular relationship is also an indicator of *brand relevance*, which is dealt with under cover of a separate article.

All four of the above measures are in their own right, important *antecedents to brand choice*.

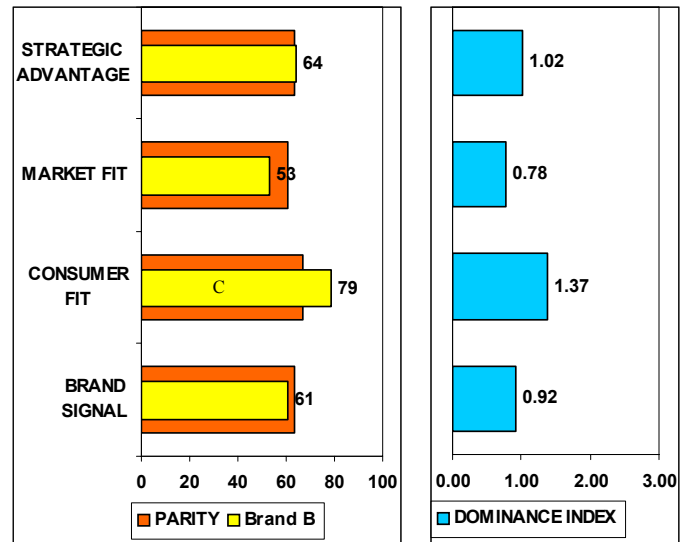


We are interested here in three of these measures: brand signal, brand-consumer fit and brand-market fit.

Putting these three factors together results in an overall *strategic advantage score* for the brand.

Comparing this composite score to the scores of other brands in the category yields a **dominance index** which is a single statistic that indicates the strategic advantage that the brand has over other brands. This *dominance index* reflects the extent that the brand strategy has achieved a better balance between the brand identity, the consumer psychographics and the prevailing market forces, than is achieved by its competitors.

A great deal of insight about the brand's position can be gained from exploring the strategic advantage concept.



One such method of exploration is the **strategic advantage grid**. This is an analytical tool that makes use of the following variables:

- Branding elements i.e.
 - Brand experiential effect
 - Brand quality
 - Brand imagery
 - Brand identity
- Brand-Consumer fit
- Brand-Market fit

How a brand performs in terms of the above six variables is significant: comparing the performance of a brand on these six variables to the typologies in the strategic advantage grid below says much about the character of the brand.

Power brand:	this is where the brand leads the category on all six variables.
Wilderness brand:	this is where the brand lags the category on all six variables.
Sensing-Thinking brand:	this is where the brand leads on the sensory (experiential) and rational (quality) aspects but lags on consumer fit and market fit
Functional-Economic brand:	this is where the brand leads on consumer fit (needs and behavior) and market fit (price) but lags on sensory experience and quality.
Value brand:	this is where the brand leads on sensory experience and price but lags on image and identity (high on intrinsic features, low on extrinsic features)



Image brand: this is where the brand leads on imagery and identity but lags on sensory experience and economic fit (high on extrinsic features, low on intrinsic features).

