

Value-D

BALANCING DESIRE
AND PRICE FOR
BRAND SUCCESS



DESIRE



PRICE



One fundamental retail factor continues to remain more art than science—Price.

Even the most successful and intuitive merchants still struggle to find the sweet spot where the desire consumers have for a product perfectly matches the price they're willing to pay. Pricing too high risks losing a sale. Pricing too low may sacrifice margin.

The Value-D study removes some of the guesswork. Based on consumer interaction with more than 7,000 brands worldwide, this original research provides a critical new tool for finding the most productive balance between Desire and Price.

INTRODUCTION

The Desire-Price relationship, which we call the Value-D score, was developed by WPP's Millward Brown and is based on BrandZ, the world's most comprehensive and reliable collection of brand equity information available. Created 13 years ago, BrandZ contains data from more than one million consumers in 30 countries.

The study begins with insights from The Futures Company, a member of the WPP family and an expert in anticipating changes in consumer attitudes and behaviors that drive new opportunities and value. The thought piece explains why the Value-D score is especially critical today when consumers have retreated to a "new normal" of cautious spending.

In this post-recession environment, commercial success is difficult to achieve without addressing the shifting balance between Desire and Price.

We discover that Price alone is not paramount, even among today's frugal consumers. Rather, brand has increased in importance relative to other purchase drivers such as price, location, convenience and habit. On average worldwide, only 7 percent of consumers buy on price alone, down from 20 percent ten years ago. In stark contrast, 81 percent regard brand as an important purchase driver, according to BrandZ data.

Unfortunately, as the study confirms, too many brands fail to fully optimize their power and instead overemphasize Price and under leverage Desire. If this limiting practice applies to your brand, the study can help you correct it.

The study is designed to be a practical and relevant tool for sharpening your business and improving profitability.

It will help you:

- Gain insight into how consumers view your brand today in terms of Desire and Price compared with how they view your competitors and global brand leaders across many categories.
- Understand any shift in consumer perception of your brand compared with the competition by charting the past several years.

- Evaluate whether your brand is optimizing its profit potential.
- Recognize new opportunities for rebalancing Desire and Price to grow both sales and margin.

The Value-D study includes:

The Framework: This section begins with an overview that establishes a context for the study by assessing the major economic and social forces that are changing consumer attitudes and shaping purchasing decisions. It continues with a general explanation of the new tool at the heart of the study, the Value-D score.

The Brand Results: This section allows you to obtain brand-specific results and insights by country, product category and brand typology. It's possible to consider 7,341 brands in 22 countries.

The study concludes with important action items and contact information.



A NEW TOOL

This study introduces a new tool – Value-D – for marketing your brand to the changed consumer.

Value-D measures the gap between the consumer's Desire for a brand and the consumer's perception of the brand's Price.

By quantifying this gap, Value-D helps brands optimize their sales, profit and market positioning potential.

While there's no absolute best Value-D score, in general a high Value-D score is good because it indicates a strong level of consumer Desire for the brand. Any score above 100 is relatively strong because it signals that the brand scores higher on Desire than on Price. And that's important.

Here's an example of how the calculation works for a good Value-D score:

Desire score (110) - Price score (100)
Gap = +10
Value-D score = 110

And here is an example of how the calculation works for a poor Value D score:

Desire score (100) - Price score (110)
Gap = -10
Value-D score = 90

Desire and Price are like the sun and the moon. You need both, but Desire is primary; Price depends on Desire. Consumer Desire for a brand usually takes investment and time to cultivate. Similarly, consumer perception of Price evolves over time, but usually consumers first Desire a brand and only then evaluate its Price.

Desire enables greater price flexibility and it drives consideration, loyalty, near-term growth and TrustR.



Brands that enjoy high Desire have more Price flexibility.

For example, suppose consumers believe your brand is too expensive. Desire provides options. You might lower the Price to eliminate the high Price perception, or you might hold the Price but strengthen Desire to justify the premium. Without high Desire, brands are less agile when responding to consumer perceptions and market fluctuations.

In theory, when Desire and Price are in balance, the Value-D score is 100. A Value-D score below 100 might indicate that the brand is too expensive for the level of Desire. A potential consequence could be declining equity. But a score below 100 also could apply to a successful brand whose high pricing is best appreciated by a niche market. A Value-D score above 100 might indicate that the brand is too cheap for the level of Desire. A potential consequence could be sacrificed margin. But a score above 100 also could apply to a successful discount brand that is sacrificing margin intentionally to drive sales.

Clearly, the Value-D score needs to be interpreted in the context of the sector in which the brand competes. It is not intended as a stand-alone diagnostic but rather as an important addition to the suite of tools available to help understand and optimize your brand. In interpreting Value-D scores, it's useful to begin with three questions:

- 1** Has your brand achieved a strong Value-D score and therefore strikes a good balance between Desire and Price?
- 2** Is this balance working well for the brand?
- 3** Is there an opportunity for greater profit?

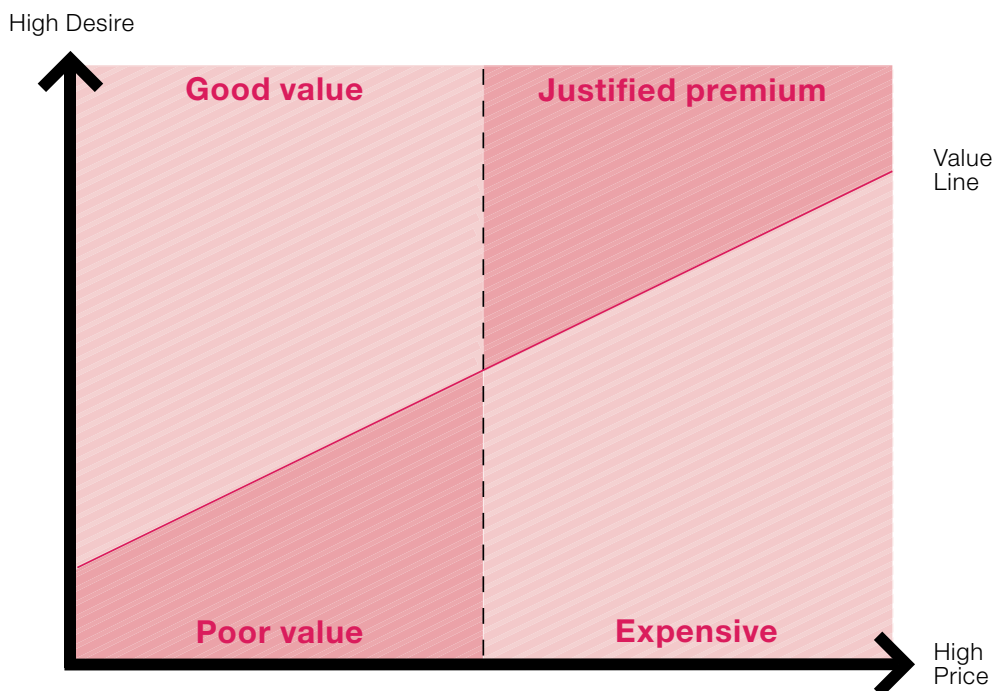


The impact of the Value-D score on brands becomes clear in a chart.

Desire and Price are tracked on the vertical and horizontal axes, with an intersecting line (the Value Line) sloping up to the right.

The impact of Price depends on its relationship to Desire. Consider the Value-D score chart. In all cases, Price becomes higher as it moves to the right away from the average line. But that's only part of the story. The same high Price, far to the right, can be perceived as a Justified Premium (above the Value Line) or as Expensive (below the Value Line). Similarly, as Price falls below average, moves to the left, it can be perceived as either Good Value (above the Value Line) or Poor Value (below the Value Line).

Within each sector, brands share certain characteristics. Brands in the Poor Value sector receive low Value-D scores and also perform poorly in other dimensions, such as Trust, Bonding or prospects for future growth. In contrast, brands in the Expensive sector also receive low Value-D scores but are strong in many other dimensions. Most interestingly, brands within each sector exhibit personality characteristics that contrast sharply with the characteristics of brands in other sectors.



Brand characteristics vary by sector.

The following summary elaborates on the relative sizes of the four sectors and the characteristics of brands found in each.

The challenges are noted for general guidance and are not intended to be prescriptive as every brand has specific issues.

Good Value: Brands in this (top left) sector score higher on Desire than on Price.

- 31 percent of brands belong in this sector
- Characteristics of brands in this sector: friendly, fun, kind
- Average Value-D score: 111
- A challenge: To keep Desire sufficiently higher than Price

Poor Value: Brands in this (bottom left) sector score low both on Desire and Price.

- 28 percent of brands belong in this sector
- Characteristics of brands in this sector: innocent, different, rebellious
- Average Value-D score: 95
- A challenge: To increase Desire and command a higher Price

Justified Premium: Brands in this (top right) sector have both a high Price score and a high Desire score.

- 11 percent of brands belong in this sector
- Characteristics of brands in this sector: trustworthy, desirable, creative
- Average Value-D score: 108
- A challenge: To sustain a high level of Desire that justifies high Price

Expensive: Brands in this (bottom right) sector generally have Price scores that are higher than their Desire scores. These brands have a relatively low Value-D score.

- 30 percent of brands belong in this sector
- Characteristics of brands in this sector: sexy, assertive, in control
- Average Value-D score: 90
- A challenge: To moderate Price or justify Price by increasing Desire

Key Findings

- Brands that enjoy strong equity usually score high on Desire.
- The most valuable brands effectively drive Desire to move from ordinary to extraordinary profitability.
- Leading brands don't ignore Price. They adjust Price based on Desire.

Charts: Top 10 Global Desire Brands

#	Brand	Desire	Price	Value-D score	
1	Amazon	133	87	146	Great Value
2	Microsoft	132	108	125	Justified Premium
3	Pampers	130	112	126	Justified Premium
4	Coca Cola	127	102	125	Justified Premium
5	Sony	123	119	104	Justified Premium
6	Colgate	122	89	133	Great Value
7	Nokia	122	94	128	Great Value
8	BMW	120	140	80	Expensive
9	Apple	120	119	101	Justified Premium
10	Visa	118	93	125	Great Value

Charts: Top 10 Global Price Brands

#	Brand	Price	Desire	Value-D score	
1	Lidl	78	95	118	Great Value
2	Aldi	84	96	112	Great Value
3	Kia	86	93	108	Great Value
4	Amazon	87	133	146	Great Value
5	Vaseline	88	102	115	Great Value
6	Suzuki	89	98	108	Great Value
7	Colgate	89	122	133	Great Value
8	H&M	90	101	111	Great Value
9	Dove	90	99	109	Great Value
10	Hyundai	90	95	105	Great Value



Charts: Top 10 Global Value-D

#	Brand	Value-D score	Desire	Price	
1	Amazon	146	133	87	Great Value
2	Colgate	133	122	89	Great Value
3	Nokia	128	122	94	Great Value
4	Pampers	126	130	112	Justified Premium
5	Visa	125	118	93	Great Value
6	Coca Cola	125	127	102	Justified Premium
7	Microsoft	125	132	108	Justified Premium
8	McDonalds	124	114	91	Great Value
9	Nescafe	120	114	94	Great Value
10	Lidl	118	95	78	Great Value



TAKE AWAYS

- 1** Know the score. Your brand's sector (Justified Premium, Good Value, Poor Value or Expensive) is your brand's home address. It's how consumers view your brand.
- 2** Remain restless. If the sector works well for the brand, then stay there. But understand that Value-D measures a point in time. If the Desire-Price balance works well, enhance it. If it can be improved, then investigate how.
- 3** Be positive. Fate didn't condemn your brand to its sector. If your brand sits in a negative sector, move. A sector is a home, not a prison.
- 4** Keep perspective. Value-D measures a perception of your brand that you may have intuited. Now you have another tool to help improve consumer perception.
- 5** Think holistically. Use Value-D (how consumers Desire and perceive the Price of your brand) in combination with other WPP measurements, including BrandZ (how consumers value your brand), the BrandZ Pyramid (how consumers bond with your brand) and TrustR (how consumers Trust and Recommend your brand).
- 6** Even if your brand is in one of the positive sectors- Good Value or Justified Premium- it faces challenges. It's like being accepted in a top-ranked university. It's flattering. It feels good. But the work has just begun.
- 7** Give yourself a break. Don't try to build a brand without driving Desire. It's like swimming upstream. Price is important, but Desire is primary. A high level of Desire means your brand can respond to the competition and market fluctuations with greater agility.
- 8** Adjust for today's consumer. We've entered an era of "mindful consumerism" where consumers are less indulgent and more cautious. This new attitude will affect how consumers Desire your brand and perceive its Price.
- 9** Invest in your brand. Price alone has become much less important as a purchase driver compared with brand and everything it signifies—quality, reliability and durability.
- 10** Optimize brand power. Regardless of your brand's sector, your investment in that brand will have been significant. Take the time to learn how Value-D can help you repair a struggling brand and reinforce a strong brand.

Take off the blinders. How well or poorly your brand scores and in what sector it sits need to be understood in context of the market and the competition.

**FOR MORE
INFORMATION
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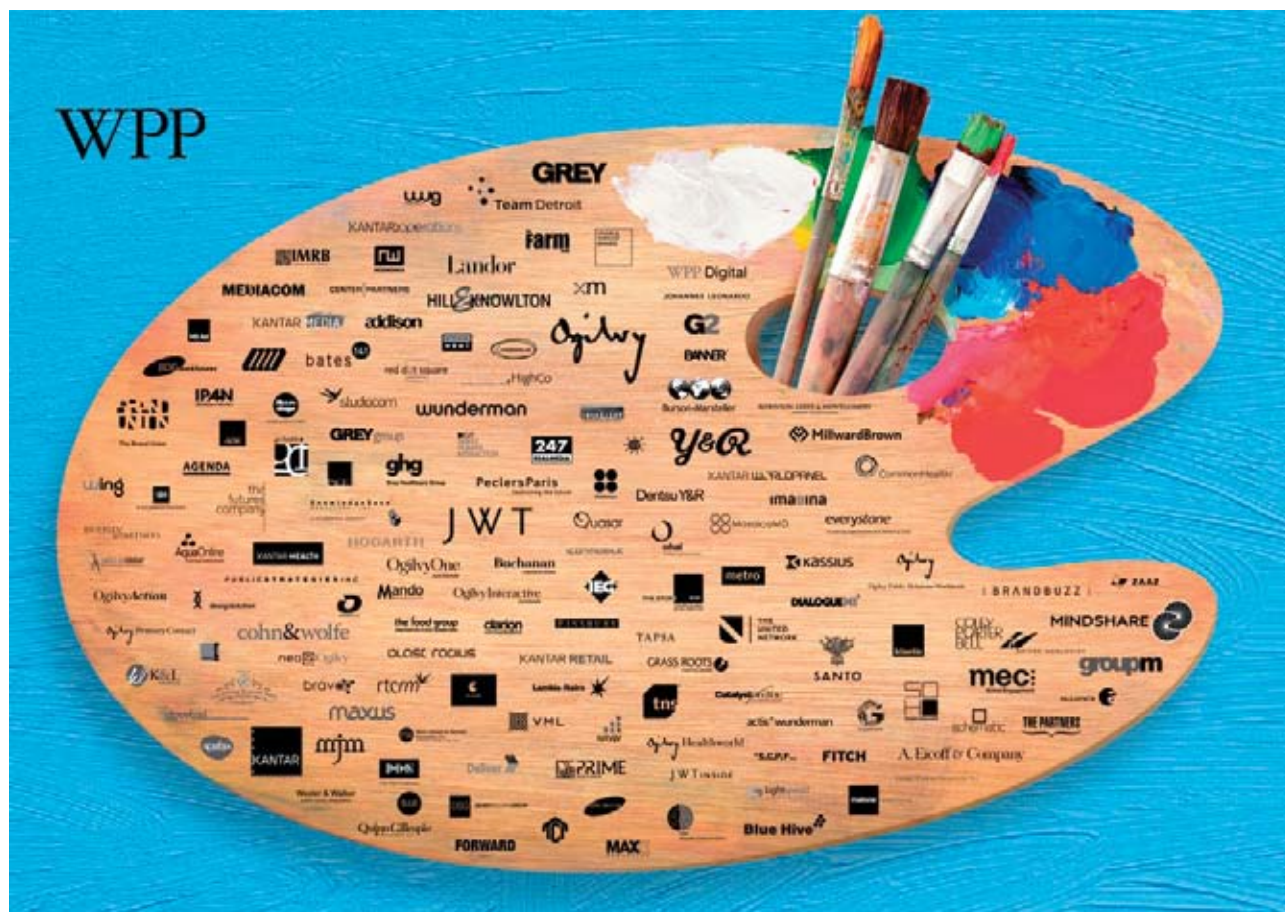
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