



How are relationships evolving between marketing directors, finance directors and institutional investors?

What is the power of the brand?

# The Changing Power of Brand in a Brand Democracy



# Linear, triangular or circular?

The starting point for this project was to explore whether there is a difference in how three key stakeholders view 'the power of the brand' – marketing directors, finance directors and investors

The frequent cry of marketing that finance 'doesn't understand us', the belief that finance people think that marketing people are 'fluffy and insubstantial' and the widely held belief that the city just looks for short term profit drove the need for this research.

We set out to see if there was any truth in those arguments by interviewing 30 people – 10 marketing directors, 10 finance directors and 10 investors and analysts. The interviews spanned a range of sectors, brand 'presence', national and international large scale players.

It had been suggested that there might be a linear relationship with the Marketing Director feeding into the Finance Director who then, in turn, was the conduit to the investment community - with an implied hierarchy and implied loss of conviction, belief and ability to communicate the power of the brand.

It had also been suggested that, in the most successful companies, Marketing and Finance worked together differently, sharing a common language and a collective ability to 'translate' marketing and brand speak into the language of the City.

In fact both are true and neither are true.

In some instances there is clearly a fractious relationship between marketing and finance.

"Something to endure rather than something to embrace" [Marketing](#)

In some instances there is a very powerful, collaborative relationship.

"We are all trying to achieve exactly the same things ... inevitably there will be tensions ... first and foremost I see marketing as being the champions of the brand, the custodians" [Finance](#)

And in the most enlightened there is bemusement that this should still even be a topic for discussion because they have moved into a different arena of teamworking between marketing, finance, operations, sales, innovation, production ..... And the most enlightened companies are clearly succeeding well ahead of their competitors in the terms that even the most hardened investor really understands – share price, revenue growth, improving market share and increased market cap.

"Why is marketing different? We're part of the P&L. The amount of money a company spends on its buildings, its networks, its systems, its training programmes, its uniforms, its packaging, its marketing, its innovation ... do you really think they're not analysed by finance in exactly the same way? If you think that, then you're bonkers!" [Marketing](#)

*Something to endure rather than something to embrace*

# The changing power of the brand

And what of the brand? Do the different stakeholders have similar understandings of the power of a brand? Or is this the preserve of the marketing professional?

Interestingly, again, marketing, finance and investors have a broadly similar definition of brand. They all see it as the lifeblood of an organisation, something to unify around and something that defines the values and beliefs. A shorthand for the customer. A source of pride and unity for the employees.

Investors were also very clear in some instances about its true value and power ... in straightforward commercial terms - seeing a strong brand as the justification for a premium price.

"The brand is the big umbrella that makes it all possible" [Marketing](#)

"A brand is a rallying cry" [Marketing](#)

"A brand only has a value if it helps sell the product at a higher price" [Investor](#)

"It is pricing power" [Investor](#)

"What is a brand? It's how a consumer would describe it, the values that they would give it" [Finance](#)

# Awakening the power of the brand

So can we 'segment' these audiences in another way?

Yes, on the basis of 'enlightenment' ... There are undoubtedly still some laggards who are holding on to old fashioned notions of how relationships work, who continue to see the brand as the preserve of marketing, with finance and the city as the 'enemy' of creativity and long term brand building.

"Finance see us as a huge vat of the cost base ... if they could rein it in, they would" [Marketing](#)

"Marketing and finance are like the right side and the left side of a brain ... you have to be able to bridge that gap" [Finance](#)

"Marketing is an extraordinary sort of intangible thing that you can, if you want, nail to the floor and demonstrate its effectiveness. In doing so, you will, in large part, rip the guts out of it because it is intuition, judgement and experience added to scientific analysis" [Marketing](#)

And there are some who are in the process of awakening ... beginning to realise that there is a need for a more open, mature discussion, letting go of the preserves of 'different' languages and beginning to use the language of commerce - not the language of finance or marketing.

“There isn’t as much openness and communication between finance and marketing as maybe there should be. Both sides are to blame for that” **Finance**

“Marketing talks about things that are quite conceptual and intangible, whereas the finance team are used to dealing in facts and tangible things that are quite black and white. You need to demonstrate the link between the tangibles and the intangibles” **Marketing**

And then there are some who are enlightened. Who have moved through that process to a different arena, recognising that the world is different, that customers are different, that employees are different, that management teams are – and need to be – different. And that means that brands are different.

“Brand is thankfully becoming a far more engaging two-way thing. It’s less pushed than before. Or to put it another way, customers are pushing towards you their understanding and demands and expectations of a brand” **Marketing**

“Brand is born out of good marketing to start with, and then excellent follow through ... if you deliver or exceed your promise, then people will come back. All of a sudden you’ve established a relationship ... and lo and behold, you have a brand” **Investor**

This is where the power of the brand can become more and more significant.

*You buy Apple shares on the back of the iPod gaining in market share*

## Brand as facilitator

The brand is a mechanism for creating open, constructive engagement – between all interested parties.


It is the route to conversation and dialogue ... rationally it adds texture and depth to a conversation between a CEO and an investor – wearing their professional hats. Emotionally it sets the climate and context for that conversation – investors are, after all, consumers as well and respond to brands as human beings, not just professional ‘judges’.

“You buy Apple shares on the back of the iPod gaining in market share” **Investor**

“The brand represents the business values ... for customers it stands for value for money, immaculate delivery, innovative thought ... for the employee it matters because you want to be proud of it” **Finance**

As a consumer in a society rife with massive amounts of choice, I think brands become more important ... I have limited buying time ... I want to buy something I recognise and trust. Brand matters more not less” **Investor**

And it enables a broader, deeper conversation with the investment community, providing the chance to engage and inspire through vision as well as value.



*If a company has a strong brand and is maintaining it then, by default, it's doing lots of other things right*

"It's one more thing that they can add to their whole discussion with analysts about the value of the company and why our stock price should be higher" [Marketing](#)

"Companies need to do two things that will get me interested in them ..."

"A brand can get me interested, through its identity. If it occupies an interesting space or has an interesting story. Now that I am interested, how does their branding fit into the overall story? How does it fit into the commercial effort and the marketing strategy?" [Investor](#)

It's a symbol of trust ... a powerful brand delivered well symbolises a well managed, thoughtful, strategic business.

"Good companies generate good brands" [Investor](#)

"If a company has a strong brand and is maintaining it then, by default, it's doing lots of other things right" [Investor](#)

"I feel more comfortable talking about reputation rather than brand ... if a company has decent brands then they have better prospects and I look at it from the company perspective" [Investor](#)

"From the city's perspective, a brand business is much better than a non-brand business ... because the brand can be a key part of what we talk to the city about. Helps you talk about trends ... relating to the big trends of the day - health, indulgence, convenience, going green ..." [Finance](#)

"The brand is the way of organising data in a shop of assumptions for people ... and that's why it's so powerful" [Marketing](#)

It's an opportunity for people to demonstrate their values, social beliefs and personal ethics. Being associated with, and seen to be associated with, the 'right' brands symbolises who you are.

"The dynamics of branding have changed. Countries are being branded and political parties and what you stand for and, to an extent, religion ... all sorts of things are becoming brands and what you stand for is very important" [Marketing](#)

"Our brand relies heavily on the integrity of the product offer, the integrity of the supply chain, the way in which we work with our suppliers and the way in which we work as a company of people" [Finance](#)

"People want to make small differences ... you can distil your activism into a selection of brands and activities" [Marketing](#)

"The value of the brand can snowball ... you can get preferential terms from governments ... it holds up as a sort of paragon" [Investor](#)

"A brand enables you to trust ... it reduces the risk of transacting" [Investor](#)

# Brand democracy

The brand is a route for open debate and discussion. There is nowhere to hide any longer ... smart companies recognise this and see their brands as a route to enabling discourse and debate. **We call this brand democracy.**

We have moved from a deferential 'down load' society to a referential 'up load' society – the enlightened belief is that this will have a fundamental impact on brands and traditional methods of brand building and management will simply cease to be relevant.

"Someone said to me ... you're no longer brand manager, you're brand bystander. What's going on with online is just incredible, people are just uploading their own content"  
Finance

"Brands in the future will have to engage more with the consumer and be open and confident enough to have that engagement with the consumer and have the brand being shaped by the consumer"  
Finance

"Brand is increasingly important now we've moved from deference to reference. Needs to be truly engaging and open, accessible to everyone ... point of connection and trust"  
Marketing

"We're in an 8 second sound bite media culture with attention spans of next to nothing. I think the paradox is that if you're got a decent story to tell, people do actually want to hear it ... and even if they don't want to hear it in detail, they expect to be able to come and find it"  
Marketing

And it's a part of what enlightened people want to talk about now – reputation with brand as a symbol of reputation. Reputation is 'brand plus'.

"You don't buy a brand ... you buy an operating infrastructure, people, systems – the brand stands for all of that"  
Investor

"Reputation is brand plus performance – it's about building and continuing to build value"  
Investor

"All I can say to you is for brand read reputation"  
Finance



*Someone said to me ... you're no longer brand manager, you're brand bystander. What's going on with online is just incredible, people are just uploading their own content*

# The drivers of change

And what drives 'enlightenment'? Often it was 'forced' by external factors, sometimes it was sparked by the vision of an individual.

External factors might include change of status of the business and the need to prove 'brand value and power'. Or being in a particularly competitive customer facing market.

The vision of an individual might include the belief and vision from someone at the very top that there is a need for a new business model that ensures that the business and the brand are driven by a collaborative team involving all the different professionals working as equals. Using a shared language that is the language of commerce and the language of the customer.

"The CEO said 'you need to teach us all to be marketers'. The FD has been a terrific student. The Chair has become an absolute expert on the brand ..." [Marketing](#)

This model puts the customer at the centre, identifies shared aspirations for the business to really meet and help define the needs of the customer.

This collaborative model is also very clear about defining the roles, responsibilities and accountability of the different professional partners.

The collaborative team has the maturity and confidence not to hide behind jargon but to use the universal language of commerce and to be prepared to invest the time to understand each others' roles and perspectives.

"What's the point of creativity that has no recognition of financial impact? What's the point of new product development that isn't necessarily going to be commercially viable? What's the point of putting anything on the shelf if it costs too much to get it there?"

[Marketing](#)

"It isn't just a marketing/ finance type of dialogue, it's marketing, sales, supply chain etc etc to make sure we're getting the best value out of our brands" [Finance](#)

"Specialised language only occurs when people are not talking to each other ... lawyers and accountants use such arcane language to confuse people in order to protect a privilege" [Investor](#)

"If marketers send out an image that it's only them that can understand marketing, then they deserve all that they get! To suggest that no-one else can appreciate it or understand it is to constrain it, to confine it, to dress it up as something that it isn't"

[Marketing](#)

"A lot of it comes down to culture ... communications is vital but also clarity around roles and responsibilities as well. You have to trust the judgement of your colleagues ... we have to be very clear about what people are accountable for" [Finance](#)

This team might well be using a matrix system for evaluating

performance including a number of measures of brand health. This team recognises that it is hard to 'prove' the direct contribution of marketing – as well as other areas – but continues to try.

Some of the measures that people are using are fairly straightforward measures that much of the industry already uses including penetration, loyalty, premium compared to competition, level of discounting required to achieve sales.

The difference is that they really seek to apply a financial value directly related to marketing investment and continue to strive for that as the 'holy grail' of accountability.

"We've developed a matrix system to look at brand performance ... includes profitability, the price we can achieve in store, the level of discount we have to apply to get stocked ... as well as more qualitative measures which are the long term health measures rather than short term performance measures" [Finance](#)

"We have headings of 'brand health'. We look at things like penetration, number of units purchased, price premium – are people prepared to pay a premium? Premium is a measure of brand strength. We also look at internal measures ... life of the brand – what's been around and still doing well. Mark of quality assurance and trust. Stream of innovation – how many new things introduced over the last year and what's in the pipeline" [Finance](#)

And one company talks openly about the percentage of revenue that they invest in marketing their brands – a clever way of making it difficult to slash marketing investment without admitting difficulties!

"We consistently talk about investing a percentage of our revenue in our brands ... if we suddenly drop that, it might have short term profit results, but we'd be pretty transparent to the City that the only way we got there was by slashing investment. That would be seen as a real negative to the City" [Finance](#)

The enlightened team is confident about how to share 'the power of the brand' with the City. And just might be sufficiently confident to involve the Marketing Director in that conversation.

*The CEO said 'you need to teach us all to be marketers'. The FD has been a terrific student. The Chair has become an absolute expert on the brand*

# Brand evolution in a fast changing world

And the future? Expectations that brands will become more and more important as the world becomes more and more confused.

Brands can help simplify decisions in a complex marketplace and enable people to cope with the increasing myriad of messages that they are exposed to day in, day out. And there is also a belief that accountability will become easier as consumers 'take control' of brands,

expecting them to engage in the consumer's narrative.

Brands need to connect to the daily narrative. To ensure that, each and every day, they are part of the customers' world, engaging, informing, inspiring and entertaining.

## Summary and conclusions

Institutional investors understand brands and appreciate that they are valuable, because they make money.

Finance directors also think that brands are really important and have an increasingly sophisticated view of them. The best FDs recognise that they should be interested in them, not just because they make money, but because they have a real value for people to coalesce around as customers and employees.

All marketing people recognise the power and value of brands, but some are better than others at communicating this to their colleagues and maximising the value of the brand to their own organisation.

The City is increasingly demanding that marketing and finance people work well together, along with their peers in other departments, to deliver the true value of the brand and the business. At the moment there is a wide range of relationships from fractious to perfect harmony.

The best companies have measures of brand health in place which all sides can understand and that discourages the short term slashing of brand investment.

Shrewd observers from all three groups recognise that brands are going to become more and more important as simplifiers and enablers in an increasingly complex world.

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