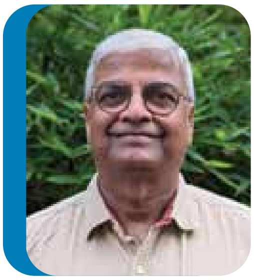
BRAND BOOSTERS AND THEIR COSTING

Abstract

The sustenance of and the growth in a brand's earning power largely depend on the competence and impact of the Brand Boosters. Hence a business enterprise must keep on strengthening these boosters by regularly incurring the relevant strategic costs. Valuation of a brand is mainly enhanced by regular revitalisation and occasional reincarnation of the brand boosters.



CMA (Dr.) Girish Jakhotiya
Management Consultant
Mumbai
girishjakhotiya@gmail.com

Deccan Women Dresses (DWD) is well - known for around sixty years for its elegant dresses for women. This enterprise of Solapur (from South Maharashtra) is now run by the third generation which is seriously working on its old brand "Deccan". Women of the old generation love this brand a lot but the younger generation is little sceptical about this brand and the dresses endorsed by it. The young owners of Deccan are now evaluating their brand. They are bit confused about the exact treatment to be given to it. There are three possibilities here - just revive it a bit or revitalise it substantially or reincarnate it totally. In any case, a few significant strategic costs were to be incurred to reenergise the "brand boosters". The most important booster was the product itself. To attract the young customers, the 'product proposition' was to be realigned with the 'value proposition'. Youngsters were now preferring the western designs. DWD decided to use the western patented designs. The vital strategic decision here was about a capex to be incurred to buy out a few European patents or use them by incurring an opex of regular royalty payment. The young owners preferred the second approach so that they could avail of the latest European designs every time.

Revitalisation of the "Deccan" as a modern brand needed a very wise change in its "promotion". The risk here was of inviting displeasure from the older generation. It was therefore decided that 'heritage' and 'new age' were to be simultaneously promoted by presenting two different products. The young customers could be attracted to 'heritage' and the old customers would not oppose the concept of 'new age'. This effort of parallel promotion was expected to be gigantic and very expensive also. It was decided that the cost of promotion will have to be capitalised for enhanced 'brand valuation' although there could be certain accounting difficulty in 'brand to be valued as an intangible asset' in an Indian context. The capex of revitalising the brand was to be incurred at the cost of DWD's Operating ROI during the next three to four years. It was also expected that this cost would impact the free cash flow considerably.

People i.e. employees, vendors, stockists and customers too were very important brand boosters. Especially the customers would endorse the brand very effectively. DWD decided to spend on "people engagement" to reorient "Deccan" as people's brand, especially a brand that serves the "personality perceptions" of the young customers. The 'Cost Budgets' were defined on two different lines viz. product-wise identifiable cost and common cost of people engagement.

The most sensitive brand booster is the price of a product which should reasonably represent the "value" delivered by the product. The dilemma here is, a very low product price often undermines the 'esteem value' and a very high price shrinks the sales volume. In other words, the price should proportionately represent the power of a brand. Hence the challenge here was to create a balance between 'product exclusivity' and 'price affordability'. The young owners' team decided to do a sensitivity analysis of the proportion between 'price fluctuation' and 'brand response'. What incremental price of a product would impact the 'brand acceptance' was a very crucial conclusion to be drawn very carefully. Any corresponding loss of price was to be absorbed to protect and enhance 'brand acceptance' among the masses.

The young team of DWD is seriously studying the correlation between 'product position' and 'brand position' in their respective life cycle. Although both are two sides of the same coin, they may contradict each other if they do not reflect on each other proportionately. This is simply because a week product would eventually erode the earning power of a brand and a not so visible brand could do harm to the business volume of a strong product. A gap between these two will have to be urgently measured, so that a corresponding strategic cost could be incurred to bridge it correctly. MA