Brand value chain

Definition of brand value chain:

The Brand Value Chain is defined as the effectiveness of the sum of all company functions delivered to your customers and the marketplace: Marketing, Sales, Product/Service Quality, Customer Service, Pricing, Warranties/Returns, Customer Relationship & Experience Quality, etc.

It is based on several premises:

First: brand value creation begins when the firm targets actual or potential customers by investing in a marketing program to develop the brand, including product research, development, and design; trade or intermediary support; and marketing communications.

Second: we assume customers' mind-sets, buying behavior, and response to price will change as a result of the marketing program; the question is how.

Third: the investment community will consider market performance, replacement cost, and purchase price in acquisitions (among other factors) to assess shareholder value in general and the value of a brand in particular.

There are three multipliers moderate the transfer between the marketing program and the subsequent three value stages.

• The program multiplier:
Determines the marketing program's ability to affect the customer mind-set and is a function of the quality of the program investment.

• The customer multiplier:
Determines the extent to which value created in the minds of customers affects market performance. This result depends on competitive superiority (how effective the quantity and quality of the marketing investment of other competing brands are), channel and other intermediary support (how much brand reinforcement and selling effort various marketing partners are putting forth), and customer size and
profile (how many and what types of customers, profitable or not, are attracted to the brand).

- **The market multiplier:**

Determines the extent to which the value shown by the market performance of a brand is manifested in shareholder value. It depends, in part, on the actions of financial
In order for your company to have a chance at being a market leader, it is important for it to have all links in the brand value chain attaining top effectiveness. Just one broken link in this brand value chain (BVC) can bring your whole company down and subject your company to the following risks:

1) Loss of Market Share as compared to your competitors
2) Inability to close sales
3) Lack of marketing leads and inquiries
4) Declining customer base over time including customer defection to the competition
Symptoms of a broken value chain:

1. Your sales team just can’t seem to close the deals. Potential broken value chain links: Poor customer service, product utility/quality, pricing.
2. You have great products, pricing and customer service but nobody has heard of you. Likely broken value chain links: Poor marketing and/or sales operations.
3. Your customer base keeps declining year-over-year: Likely broken value chain links: Poor customer service or eroding product quality or pricing.
4. Your marketing generates a plethora of leads that are not closed or turned into sales deals: Likely broken value chain links: Sales operations and marketing-sales lead management procedures are non-existent or sub-optimized.

How the broken value chain impacts company performance:

A company must deliver great performances in every category to become a market leader. One broken link in the brand value chain is enough to reduce the company to a market laggard and risks them going out of business over time if not rectified.

The following chart illustrates how one broken brand value chain has the ability to bring down the entire company and risk its overall viability:

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<th>How The Broken Brand Value Chain Impacts Company Performance</th>
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Methods to rectify a broken value chain:

1. Perform Six-Sigma process and effectiveness improvement reviews

2. Invite customers to participate in focus groups and advisory councils to help identify ways to improve the department’s effectiveness (sales, marketing, customer service, etc.)

3. Form Improvement “Tiger Teams” consisting of inter-departmental high performers to assist with increasing functional performance.

4. Invite outside and leading consulting firms to help infuse a holistic set of industry best practices across and within company functions – marketing, sales, customer service, pricing, etc.

5. Tie performance and variable rewards to customer rated scorecards where company employees only get paid bonuses when our customers rate us as high performing.

Examples of companies suffering potential broken value chains:

Every day we see examples of companies that seem to have everything going for them except one weak link in the brand value chain that brings the entire perceived brand value down. Some examples are as follows:

**Comcast:**

Great programming, great marketing/sales, great products, great technology & infrastructure but perceived bad customer service and pricing creates a negative impression of the company by many customers and prospects – their company’s Achilles heel.

**Sears:**

great products, good pricing, good in-store sales, etc. but is severely lacking in marketing and promotions including in-store and on-line customer experience design which tends to brings down the other great intra-company performers and has led to a decline in the customer base.

**General Motors:**

Good pricing, promotions, dealer sales, etc. but perceived increased negative product quality due to the number of recent recalls has brought many questions regarding the GM brand. These questions about product quality could impact customer retention and acquisition in the longer-term.
Value chain analysis of Coca-Cola

Introduction:

Coca-Cola markets nearly 2,400 beverages products in over 200 geographic locations. As a result, development of a superior value system is imperative to their operations. Throughout this paper we will analyze their value system by using Michael Porter’s value chain analysis model. In an attempt to paint a current picture of the non-alcoholic beverage industry, we will assess the market activity by using mergers, acquisitions as our benchmarks to determine if the market is growing or contracting.

Value Chain Analysis:

A value chain is a model used to disaggregate a firm into its strategically relevant value generating activities, in order to evaluate each activity’s contribution to the firm’s performance (Terms V 2006). Through the analysis of this model, we can gain insight as to how a firm creates their competitive advantage and shareholder value. The
value chain of the nonalcoholic beverage industry contains five main activities. These include inbound logistics (suppliers), operations, outbound logistics (buyers/customers), marketing and sales, and service.

**Inbound Logistics (Suppliers):**

Some of Coca Cola's most notable suppliers include Spherion, Jones Lang LaSalle, IBM, Ogilvy and Mather, IMI Cornelius, and Prudential. These companies provide Coca Cola with materials such as ingredients, packaging and machinery. In order to ensure that these materials are in satisfactory condition, Coca-Cola has put certain standards in place which these suppliers must adhere to (The Supplier Guiding Principles). These include: compliance with laws and standards, laws and regulations, freedom of association and collective bargaining, forced and child labor, abuse of labor, discrimination, wages and benefits, work hours and overtime, health and safety, environment, and demonstration of compliance (Coca Cola 2006). See Appendix for additional information: From time to time, Coca-Cola uses third parties to assess their suppliers by having interviews with employers and contract workers. If a supplier has issues about the supplier guiding principles, they are usually given a certain amount of time to take corrective measures; if not, Coca-Cola has the right to terminate their contract with these suppliers.

**Operations:**

Coca Cola core operations consist of Company-owned concentrate and syrup production (Coca Cola 2006). According to their website, some of the main environmental impacts of their business occur further along the value chain through system's bottling operations, distribution networks, and sales and marketing activities (Coca Cola 2006). Management of these operations across the business value chain tends to be more challenging outside of the core operations. According to Coca Cola, they continue to address this by working with their partners to reduce the effects at every level of the manufacturing process by enlarging their comprehension of the complete environmental impact of their business through the entire lifecycle of their products from ingredient procurement to production, delivery, sales and marketing, and post-consumer recycling (Coca Cola 2006). Please see Appendix for additional information.
Outbound Logistics (Buyers/ Customers):

The activities required to get finished products to customers include warehousing, order fulfillment, transportation, and distribution management. Coca Cola has the world largest distribution system. They own, lease, and operate in over 800 plants around the world (Coca Cola 2006). The 2,400 beverage products which they market reach consumers in more than 200 different geographic locations (Coca-Cola 2006). Grocery stores such as Sobeys, fast food restaurants such as McDonalds (fountain sodas), and vending machines are just a few of the distribution units used to ultimately reach consumers. Coca Cola has over 300 bottling partners which range from publicly traded businesses to small family owned operations (Coca Cola 2006). They have implemented the Coca Cola System in which they work cohesively with their partners in order to develop strategies aimed to meet the needs of all their customers. Examples of their commitment to these strategies are seen in their plant in Indonesia, where boats are used to transport the products between hundreds of islands throughout the Amazon. This is often because waterways are often the main way to access these remote islands. In some of the higher elevations of in the Andes, Coca Cola products are sometimes transported by four-legged power. Across much of Africa, bottlers deliver to thousands of family-run kiosks and home-based stores.

Marketing and Sales:

Out of approximately 2,400 products, Coca Cola markets four of the world’s top sales drink brands. Although the industry is relatively small and they only directly compete with two companies, creativity is a vital marketing strategy to Coca Cola. Coca Cola ultimate goal is to deepen their brands connection with consumers. As a result, they have to constantly reinvent their product (Coca Cola 2006). The marketing strategy they use is directly linked to the consumer; from advertising, to point of sale, to ultimately opening and consuming a Coca Cola beverage. Techniques which they have used to achieve this include developing new products and brands, changing the design of their packaging, and designing various new advertising campaigns (Coca-Cola 2006). On October 19th, Coca Cola reported their earnings for the third quarter. Earnings per share are up which results in higher benefits for shareholders. According to Neville Is dell, CEO of Coca Cola, they have experienced a growth in sales of five percent compared to the same quarter last year. This is as a result of balancing performance across their global markets and their product portfolio (Coca Cola 2006).
Service:

Activities that maintain and enhance a product value include customer support, repair services, installation and training. Coca Cola customers range from large international retailers and restaurants to smaller independent businesses and vendors. As a result, they provide services tailored to meet their customer’s needs. Coca Cola also supports their customer by providing them with the training necessary to help their businesses become more effective and profitable. They have established Customer Development and Training Centers which are available to more