Transforming the management of branded business

- In the globalized world where growth and profitability are increasingly harder to gain through traditional business development, companies need a differentiating advantage – a strong brand.
- Brand is the most valuable intangible asset of many companies that can and should be systematically managed and strengthened. It is created in all company operations and its management requires a comprehensive image on company performance.
- Ravogen has created the world's first commercial solution for comprehensive management of the brand process and creation of differentiating advantage. The software helps companies execute a unified vision and strategy – one that creates better long-term profitability and growth.
- Ravogen software seamlessly merges financial data with "soft data" from the organization and customers, helps break silos and focus all aspects of operations towards common goals.
- Ravogen makes use of the company's existing systems, solutions and management models, supporting the integration of all management actions to a more streamlined entity.

Competitive advantages in the globalized market

With the shift in the global economy from commodities to services and information technology, huge amounts of intangible assets are created. According to the OECD, in developed countries intangible assets already represent in average 40% of companies' total assets[1]. Intangible assets include human capital, innovation, patents, trademarks, copyrights – and most importantly – brands.

A brand-intensive industry is one where a significant proportion of future cash flows are generated through intangible assets. In brand-intensive industries, such as most B2C industries currently, the value of brand alone can represent 80% of the identifiable assets[2]. Thus, to a huge amount of companies, intangible assets, especially brands, are the greatest source of potential competitive advantage.

Globalization has accelerated the cycle of competition, with existing competitive advantage factors becoming outdated and replaced by new ones. In many industries, low prices and high quality are already being taken for granted. In this age of hyper competition, companies especially in developed countries have no other choice than to differentiate more and create a continuum of constantly renewing competitive advantages. This requires a systematic process for evaluating and strengthening competitive advantages and brands as key growth drivers.

Strong brands make more profit

Several studies show that strong brands make more profit and thrive in the long term. Brands with higher brand equity are able to charge higher prices[3], they enjoy better market power and profit[4], and attract consumers in all economic situations[5]. Research suggests that brand orientation gives companies a strong positive effect on market and financial performance[6], and long-term branding strategies are associated with stock price increase[7].

Shortly put, strong brands tend to win the markets. These kinds of brands are associated with companies that manage their competitive advantages and brands systematically and comprehensively, and can thus be called "brand-oriented" in their management.

In fact, the EBITDA of companies that are most brand-oriented is found to be almost twice as large as that of the least brand-oriented companies[8] – companies that do not manage their brands in a systematic process. By neglecting their brand, companies are effectively abandoning a huge amount of potential business and EBITDA, enabled by their brand.

How companies struggle with their brands

The main reason for underperformance in brand intensive industries is that companies fail to recognize the significance of brand as a both 1) a valuable intangible asset in their balance sheets that needs to be managed systematically, and 2) a powerful growth driver that should be on top of company strategy.

Moreover, managing a strong brand is not simple. Brand is a complex entity made up of multiple company processes, actions and strategic elements – manufacturing, R&D, segmentation, differentiation, IPR and so forth. Due to this extreme complexity, companies find it very difficult to comprehensively manage their brands and competitive advantages with existing organizational structures, management models and tools. Effective brand management requires a systematic process with analysed data from multiple sources (organization, stakeholders, customers, and competitors) and KPIs for tracking the performance of the organization and all stakeholders that play a role in creating the brand.

To grasp and manage this complexity, international standards have been created. ISO Standard 10668 for Brand Valuation and ISO Standard 20671 for Brand Evaluation provide a systematic framework for assessing the strength and monetary value of a brand, taking into account the entire operations of the company. In a brand intensive business, brand strength and monetary value should be the most important umbrella indicators for assessing the organization's performance in creating profitable growth based on differentiating advantages.

Bad management of brand creates a Delivery Gap

Research on how companies succeed in delivering on their promises suggests that 80% of companies believe that they provide a superior value proposition, while customers think that only 8% of companies achieve this[9]. In fact, every 3 out of 4 brands could disappear overnight, and consumers would not even care[10]! This "delivery gap" between strategy and consumer experience perfectly illustrates the mismatch between companies' views of what good brand management is and the harsh reality – after all, the customer is always right.

Where does the delivery gap come from? Bad management.

Brands are still mostly measured and thus managed with marketing KPIs, such as NPS, awareness and brand image. Our research reveals that only about half of companies track financial performance in assessing their competitive advantages, 10% track their personnel (who actually build the brand), and 5% track competitors (although competitive advantage depends entirely on the competitive situation on the market).

These companies end up tracking and managing only a small fraction of the brand's entity. On the other hand, the companies that do manage their brands systematically do not do it just for fun and laughs. As mentioned earlier, the EBITDA of the most brand-oriented companies is in average double the size of the least brand-oriented companies.

Brand value chain – the key to a strong brand

How do stronger brands with better competitive advantage create more value for the company and its shareholders? We call this process *the brand value chain*.

All company activities – not just marketing, not just management, but the entire operations – create a customer impression of the company and its brand(s). With better performance comes better experience, image, reputation, and loyalty. This affects the measurable strength of the brand, which in turn creates competitive advantage for the company. With a stronger brand, the company can enjoy larger premiums, profits, and market shares, as well as a smaller credit spread. This has direct positive implications for enterprise value and shareholder value.

Ravogen has created a structure for this complex entity, enabling systematic management of the brand value chain and better utilization of its business potential. A well-managed brand process links higher-level goals with daily operations, effectively bridging the delivery gap. The Ravogen software allows continuous monitoring of the organization's performance: how competitive advantage goals are attained both internally within business processes and externally compared to competitors.

This data, when integrated with other key data, produces the ISO-standardized brand strength and monetary value of the brand. These key indicators provide executives with unique insight into the allocation of investments in order to gain maximum long-term impact, as well as tools for tracking the impacts and consequences of the investments.

Why Ravogen needed to be created

Ravogen is designed to revolutionize the management of competitive advantages.

For several years already, competitive advantage and brand strategy consultants have been making the case for brand-orientation. More and more companies have started to develop their business in this direction, better acknowledging intangible assets as a pivotal part of their overall business strategy. The roots of Ravogen also lie in competitive advantage consulting based on ISO 10668 and 20671 standards.

However, it has become apparent that consulting alone cannot give companies the tools to properly execute their competitive advantage or effectively track its performance. The message from clients and partners globally has been clear: no solution on the market so far could solve this problem, and a solution was very much needed. Thus, the Ravogen software was developed, providing the first commercial tool for systematically managing competitive advantage – instead of managing it in silos and with gut feeling, driven by short-term goals.

How Ravogen helps

Ravogen helps companies to actually deliver their value proposition. It helps companies execute the elements of their competitive advantage through all functions and processes. It also supports the justification of important investments and strategic decisions, and a faster response to market changes. Through a feedback loop, it also tells whether the company's strategy is effective in the market. When companies use Ravogen, they can witness their market value increasing as the value of their intangible assets increases.

Ravogen is the only tool in the market that automatically calculates brand strength, fully adhering to the ISO 10668 Brand Valuation and ISO 20671 Brand Evaluation standards. Furthermore, the software is consistent with the ISO 9001 standard and can be combined with various business process tools (ERPs etc.). This enables management of the entire competitive strategy in a single software and comprehensive assessment of performance with advanced analytics. Ravogen brings together all the elements of a company's competitive advantage, creating a systematic way for managing competitive advantage in a way that increases the company's value. Nothing like this has been on the market before.

References:

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