

A FEW NOTES ON BRANDING AND INVESTORS

A brand is a first impression.

“Branding” is most frequently understood to mean the visual representation of a product, service, or company, and usually refers to a logo, website, marketing materials, packaging, user interface, etc. Branding can also refer to much less concrete things, such as reputation, customer service experience, and the promises made to customers.

A brand is more than a name and logo — it is the sum total of every contact a company has with its customers, suppliers, investors, regulators, and others. Branding takes place in the minds of these customers, suppliers, and other audiences. And expectations are the essence of branding.

A brand promise drives a customer to choose one product or service over another. Customers don't make that choice based on a logo, but rather, because the brand persona and promise speaks to them in a way that creates a relationship.

Like consumers, investors won't choose a company to invest in based on its logo design, but based on what the brand communicates about the company strategy, management vision, and corporate culture.

Branding is a powerful force that integrates communications, builds corporate culture, allows for unified messaging, and engages employees. Branding is powerful, but it is also frustratingly hard for investors to quantify.

The value of a brand can be significant.

A brand can play a significant role in strengthening a story, by defining vision and values. It creates an emotional connection with key audiences that could end up tipping the balance in the investor decision-making process.

A brand can be measured by how much of a premium the company can charge above its competitor's product. General Electric claims incremental revenue of ten billion dollars every year due to the power of their brand.

The best brands have absolute staying power. Category leaders for many top brands in 1925 are still leaders today, including Wrigley, Ivory soap, Gillette, Coca Cola, Lipton's, Kellogg's Nabisco, and Budweiser.

Branding can tip investor decisions.

A solid brand and the pricing premium it brings can be very attractive to investors. Brands can:

- Help a company triumph in a price war
- Keep a company going through a recession
- Grow operating margins
- Create shareholder value

Like a brand itself, the premium that investors are willing to pay for a company with a branding edge is almost entirely psychological. A stock with a large amount of brand equity is, of course, always “worth” whatever someone is willing to buy it for. Why do people pay more for Apple products and Starbucks coffee? Emotional connection, brand loyalty, perceived value.

Investment banks look for strong brands with a story to sell through to prospective investors. The equities business is stories-based; investors ask, “tell me why I should invest?” They look at the business plan and the mission and try to determine if it all holds together. A well-crafted brand can be the glue.

Investors look at numbers, but non-financial measures are important too. Institutional investors attribute an average of 40% of their IPO investment decisions to non-financial measures, one of which is brand strength. In fact, 60% of investors consider brand strength and market position in their top five choices.*

A strong brand can assuage investor fears about lack of data. A clearly defined brand that is communicated consistently both internally and externally can indicate a clear vision and business strategy. Conversely, a poorly defined brand without a core message may point to the absence of a defined business strategy, lack of attention to detail, or lack of discipline.

Brand between business plan and launch.

When is the right time to invest in branding? To some extent it depends on the type of business. But in general, after the business plan so that the target audience is clearly defined, and before launch.

- Stores, restaurants, and small service-based businesses must launch with a full brand identity.
- Solopreneurs can slowly grow their brand identity organically, as it is always closely tied to the brand of the owner.
- High-tech startups greatly benefit from a visual identity, as the “thing” they create is typically not very visual.

While nearly all startups are constrained by tight budgets, a well-designed logo should last years and is a key initial investment. Business offerings will always change, and a thoughtful brand identity should be flexible enough to accommodate change, while still maintaining some consistency.

Branding must-haves

- Unique selling proposition
- Key messages for each target market
- Name and tagline
- Corporate colors and fonts
- Logo
- Business card
- Website

Branding nice-to-haves

- Print piece (brochure, folder and insert sheets)
- Envelopes / labels
- Powerpoint template
- Newsletter
- Social media graphics
- Notecards / holiday cards
- Brand book

*Interested in learning more? E-mail Lara at lara@optimumdc.com.
We'll have coffee or tea and talk about your branding challenge.*