

# Research confirms link between brand awareness and brand preference



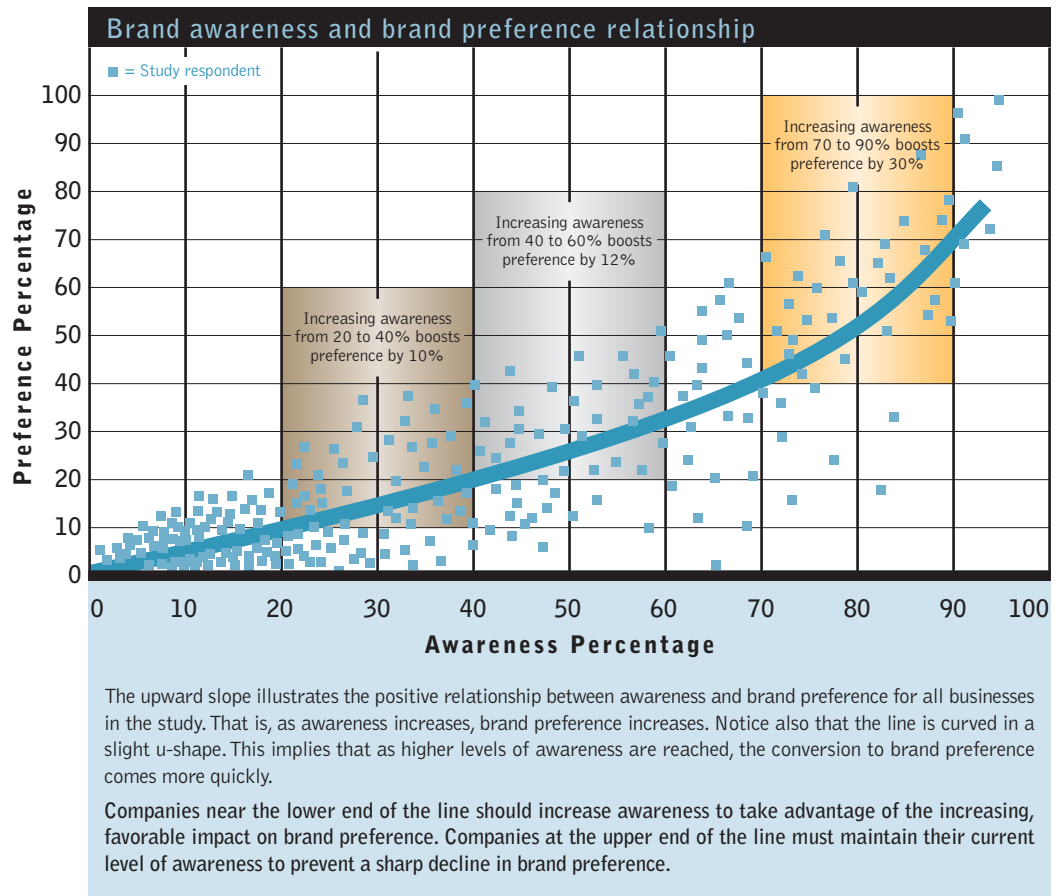
## About the study

- The sample was selected from the Cahners database of businesses; more than 88,000 businesses were selected for this study
- Data is based on responses from 23,341 businesses
- Participants included businesses in:
  - Manufacturing
  - Science
  - Building/construction
  - Communications
  - Electronics
  - Entertainment
  - Food
  - Packaging
  - Printing
  - Retail

Over the years, the value of “brand awareness” has repeatedly been called into question as a sufficient reason to advertise a company or product. Recent research confirms the effect of awareness on brand preference. Companies that put this understanding into practice continue to reap the benefits of greater brand preference.

## Brand awareness and brand preference

In 1988, James Haughey and Larry Hays hypothesized that successful companies could achieve large gains in brand preference by making comparatively small increases in brand awareness. Further study by researchers at Penn State’s Institute for the Study of Business Markets confirmed their theory. Now this relationship has been extended to a wider range of industries in a study conducted by Cahners Research in 2001.



## Executive Summary

- The correlation between brand awareness and brand preference is positive and exponential.
- Brands with low awareness may initially see moderate payoff from increased awareness; message frequency is key to increasing awareness, thus brand preference.
- As brands increase awareness, they see larger gains in brand preference for every unit of awareness; the payoff grows faster than costs for maintaining awareness.
- Brands with high awareness are advised to maintain awareness; a small loss of awareness can produce a steep decline in brand preference.
- Elevating brand awareness is the first step toward acquiring and retaining customers, regardless of industry or market.

## Building and maintaining awareness: a practical overview

The fundamental purpose of marketing is to acquire and retain customers. It has been demonstrated that elevated brand awareness is the first step in that direction, regardless of industry or market. Although boosting brand awareness is a complex matter, it's possible to identify practical considerations that apply in any market or competitive situation.

### Fundamental considerations for marketers

#### Focus on the behavior and wants of the audience

Awareness is built from the outside-in; identify what matters to the target audience and craft your brand message and identity accordingly. Internal considerations such as management perceptions, past budget allocations, and adherence to scientific and legal jargon are less important in the battle to win awareness.

#### Speak with a consistent, unified voice across all media

Message coordination, regardless of the medium, is essential to strong brand identity. Consistency in key themes and selling propositions builds brand-based identity and expectation in the minds of prospects and customers, promoting retention and top-of-mind awareness.

#### Continually reinforce awareness among existing customers

While acquiring new customers (conquest marketing) is essential for any business, retaining existing customers (relationship marketing) is more profitable. In one study, a 5% increase in customer retention yielded an impressive 80% gain in profits.<sup>1</sup> Although your results may not be as dramatic, building awareness among current customers does pay off with accelerated gains in brand preference and ROI.

#### Allow sufficient time and frequency for awareness gains

Some marketers make the mistake of quitting before the real payoff occurs. Building awareness through message frequency takes time, but pays off by moving awareness to the level where brand preference gains accelerate (*see reverse side*). Smart marketers recognize this increases brand value for existing as well as future stakeholders. Building awareness is cumulative; pulling the plug too early largely wastes the marketing dollars already invested.

<sup>1</sup> Richard Levy, "Tracking May Avoid Customer Defections", *Direct*, 10/1998.