



BkReAynsD®

Customization

An Unreasonable Loyalty Perspective of One of
the 21st Century's
Most-Important Customer Values

Prepared for:

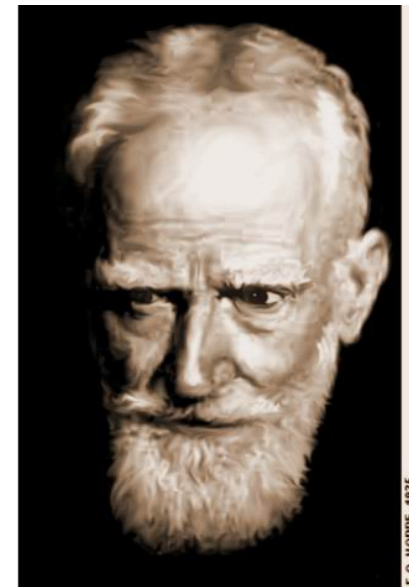


Custom Publishing Council

March 10, 2008

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“The reasonable man adapts himself to the world. The unreasonable one persists in customizing the world to himself and his values.”



George Bernard Shaw

Warning: Customize or Perish

Consumers' heightened feelings of control.

The commoditization of almost everything & craving for customized 'stuff.'

The convergence of these trends has morphed into increased desire for more customized products and services.

And tailored information about them.



How Did We Get Here?

Customer Satisfaction

Total Quality Movement

Process Re-Engineering

Now everyone does it “right”

Nature abhors a vacuum, so other values become more important to customers

In this case, it’s “customization,” and it’s important!



Numbers Are the Product of Counting.
Quantities Are the Product of Measurement.
Values Are the Product of Consumer-Generated Analysis

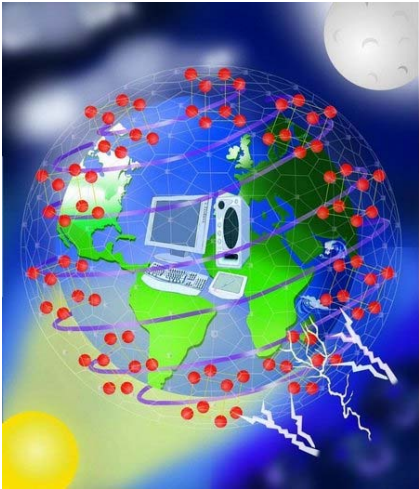
The percent-of-contribution that ‘customization makes to product and service engagement, adoption and loyalty- and therefore profitability- is currently

18%

5X

(Since the value was 1st measured in 1997 at 4% contribution)

For Example



Customized Top-10

Of the 57 categories, that make up the 2008 Brand Keys Customer Loyalty Engagement Index, the Top-10 categories where customization has become one of the largest brand differentiators are:

1. Automobiles
2. Athletic Footwear
3. On-Line (Literally and virtually all of them)
4. Wireless
5. Cell Phones
6. Hotels
7. Restaurants
8. Parcel Delivery
9. Coffee Providers
10. Clothing Catalogs

Who Is Brand Keys?



The leader in *predictive*, brand equity & customer loyalty research metrics since 1984; independent global boutique.

New York Albuquerque Los Angeles Philadelphia
London, England Sydney, Australia Tokyo, Japan

Brand Keys, Inc. is the only research consultancy in the world that specializes in customer loyalty, providing brand equity metrics that accurately *predict future in-market consumer behavior* and therefore correlate highly with sales and profitability.

Our predictive brand metrics are *grounded in clinical psychology*. This distinction allows us to understand *both* the emotional and rational factors bonding consumers to brands; and the impact media/marketing initiatives will have on future in-market consumer behavior.



B *k* R *e* A *y* N *s* D

Some of Our Clients

ABC Television, Ann Taylor, Bath & Body Works, Cablevision/ Rainbow Media,
Calvin Klein, Discover Financial, Dunkin' Donuts,
Eventive Marketing/ McNeil Pharmaceuticals, Hakuhodo, Hyatt Hotels,
KeySpan Energy, L'Oreal, MTV Networks,
Major League Baseball, Maybelline, Neutrogena, NHL Enterprises, OfficeMax,
Proctor & Gamble,
Samsung, Scottrade, Shell Oil, The Body Shop, T.Rowe Price, Wrigley,
Wyeth Pharmaceuticals, and XM Satellite.

Published & Acclaimed Brand Loyalty & Engagement Experts

PREDICTING MARKET SUCCESS

New Ways to Measure Customer Loyalty and Engage Customers With Your Brand

BY ROBERT PASSIKOFF, PH.D.



Predicting Market Success is a comprehensive and practical guide to leading-edge engagement, with leading-indicator research and planning. Today's customers represent a new breed of hyper-informed, brand-savvy individuals. Brands not directly aligned with their values are doomed.

predicting Market Success describes how any marketer can implement predictive methods of loyalty, research, helping marketers accurately "hear" and interpret customers' values and expectations – translating into engagement opportunities.

Companies using these sophisticated listening devices gain access to the most critical "conversation" of their brand's life, accurately predicting future in-

market behavior, engagement, loyalty, sales, and profitability.

predicting Market Success demonstrates how today's business leaders can apply loyalty-based models to any company.

Praise for Predicting Market Success

"Engagement metrics that brand marketers can take to the bank."

—DAN HANOVER, EDITOR & PUBLISHER, EVENT MARKETER MAGAZINE

"Offers all marketers a chance for engagement enlightenment."

—SCOTT DEEVER, EVP CENDANT

Predicting Brand Success provides an easy to understand manual for applying customer loyalty metrics to the brand.

—BOB CATELL, CHAIRMAN & CEO, KEYSPAN ENERGY

Available September 2006 wherever books are sold






Published by John Wiley And Sons • 0-470-04022-X • 256 pages • HARDCOVER • US\$29.95/CAN\$38.99/UK£19.99

Dr. Robert Passikoff

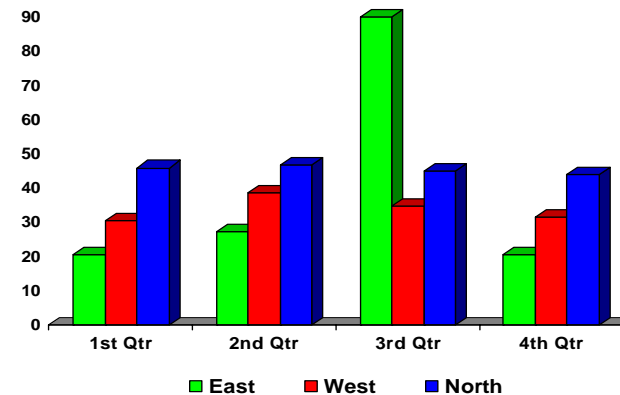
Named a
"2007 ARF Research
Innovator"

Read The ARF's
"First Opinion"
Research Review
On Brand Keys'
Engagement Method at
www.brandkeys.com

Customer Loyalty = Profitability

Consumer loyalty does not have a **casual connection** to profits...

it is *the* most **critical connection** to profits.



True customer loyalty is **actual future purchase** not stated intent.

The question is, what *drives* customer loyalty to a brand?



Equation For The 21st Century

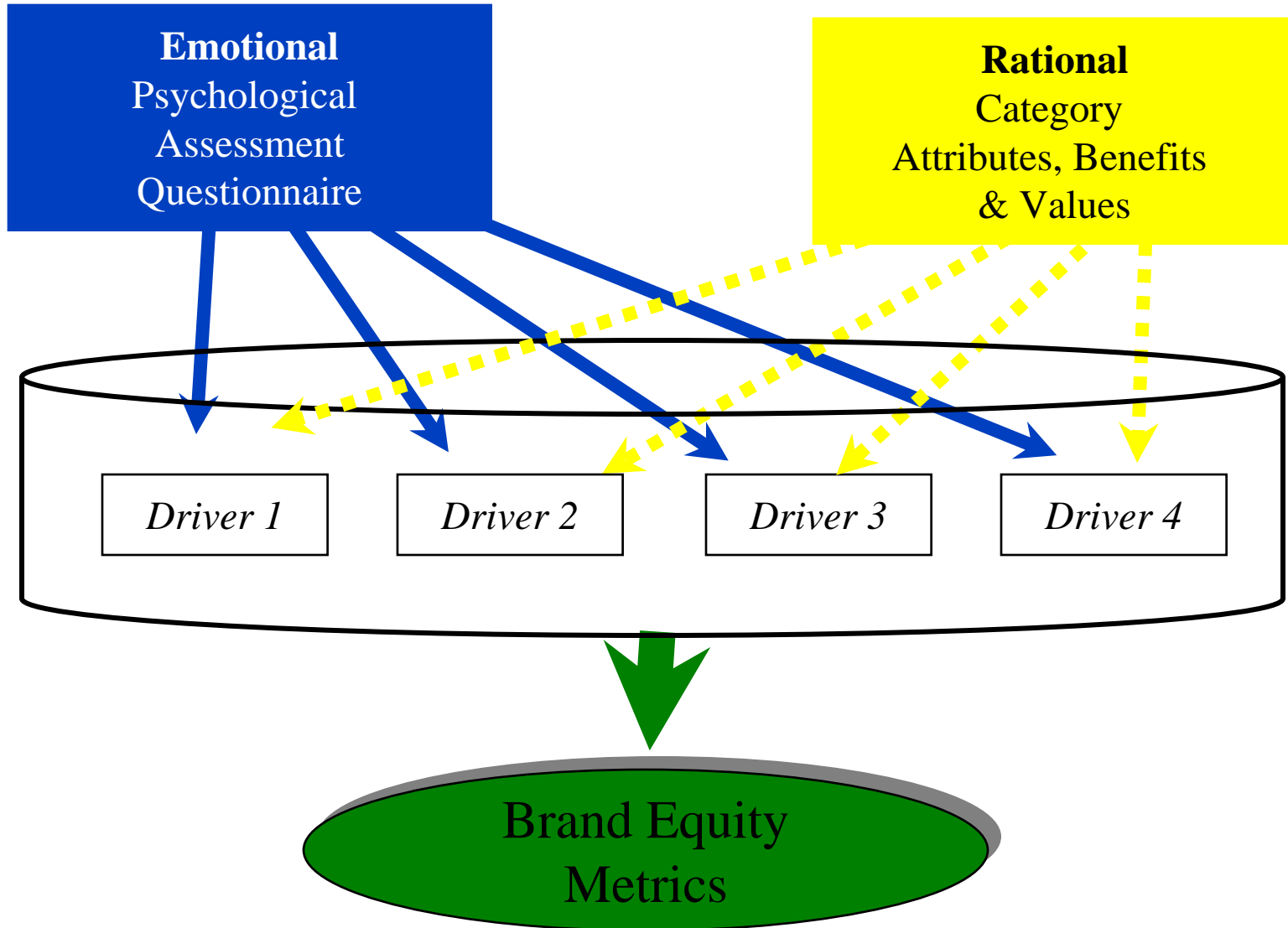
↑ Brand Equity → Customer Loyalty = Profitability

Loyalty is driven by **brand equity**...

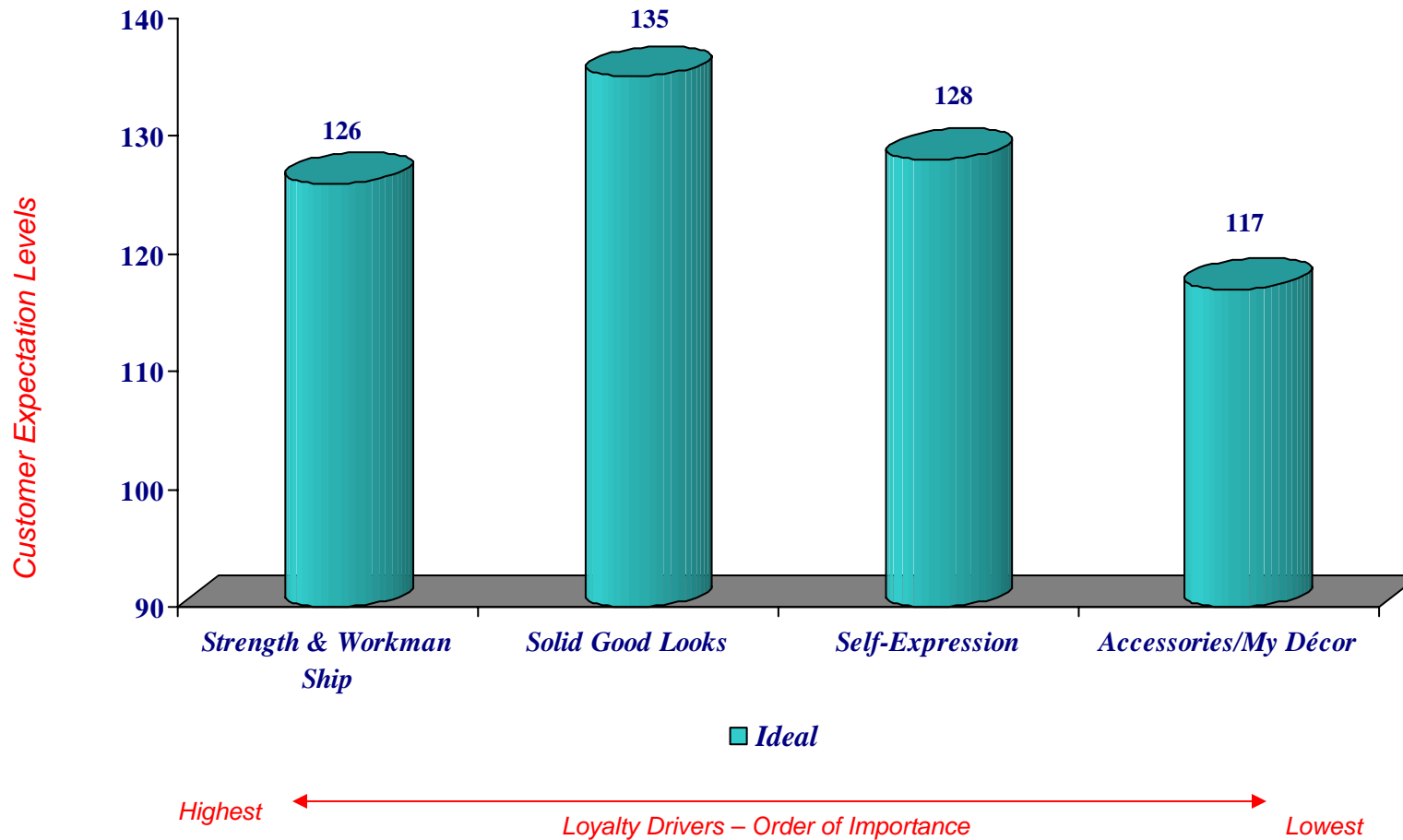
how well the brand **meets or exceeds** consumer needs/expectations in a category.

The greater the **brand equity**, the more **customer loyalty**, leading to **profits** for the brand.

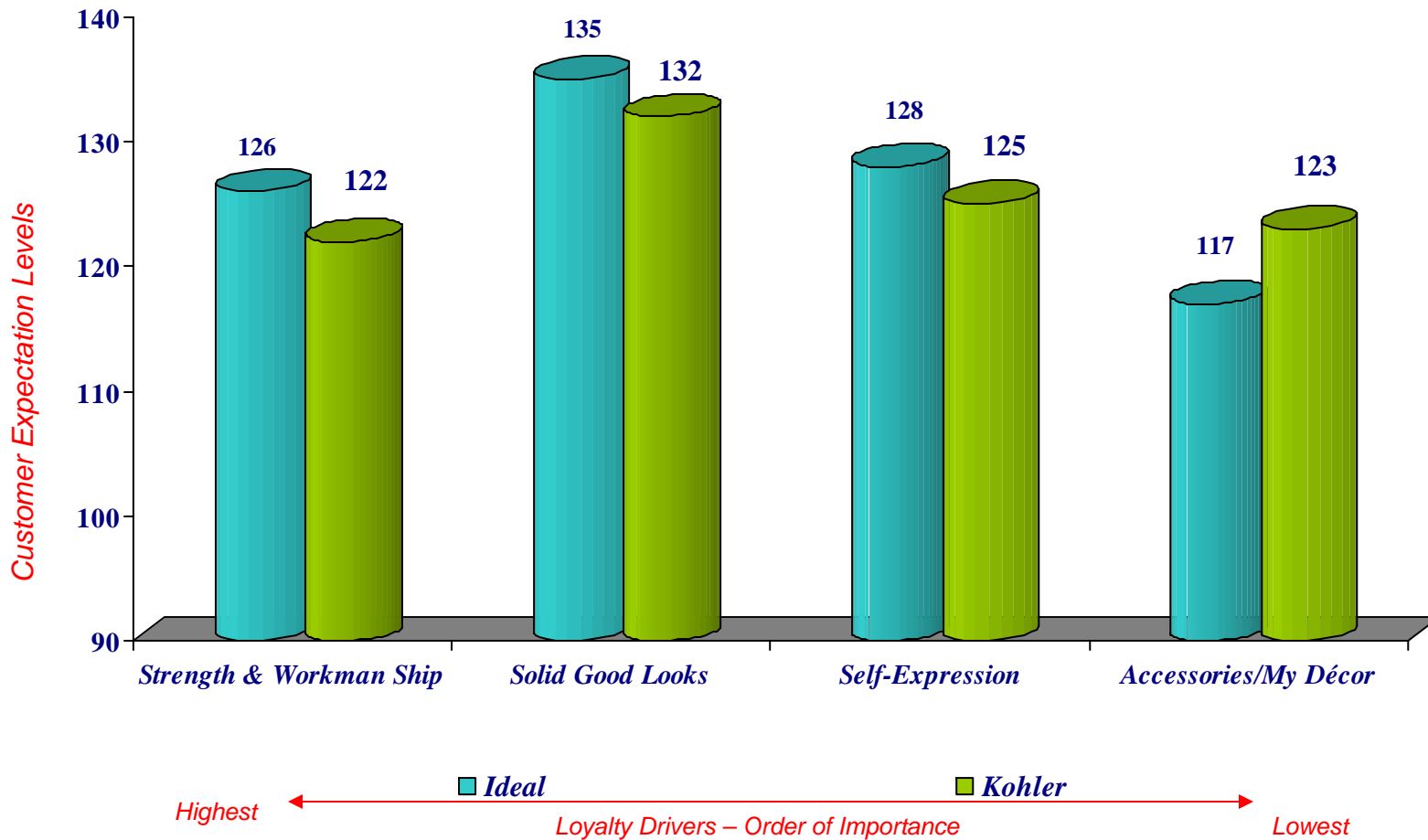
Summary: Brand Keys Methodology



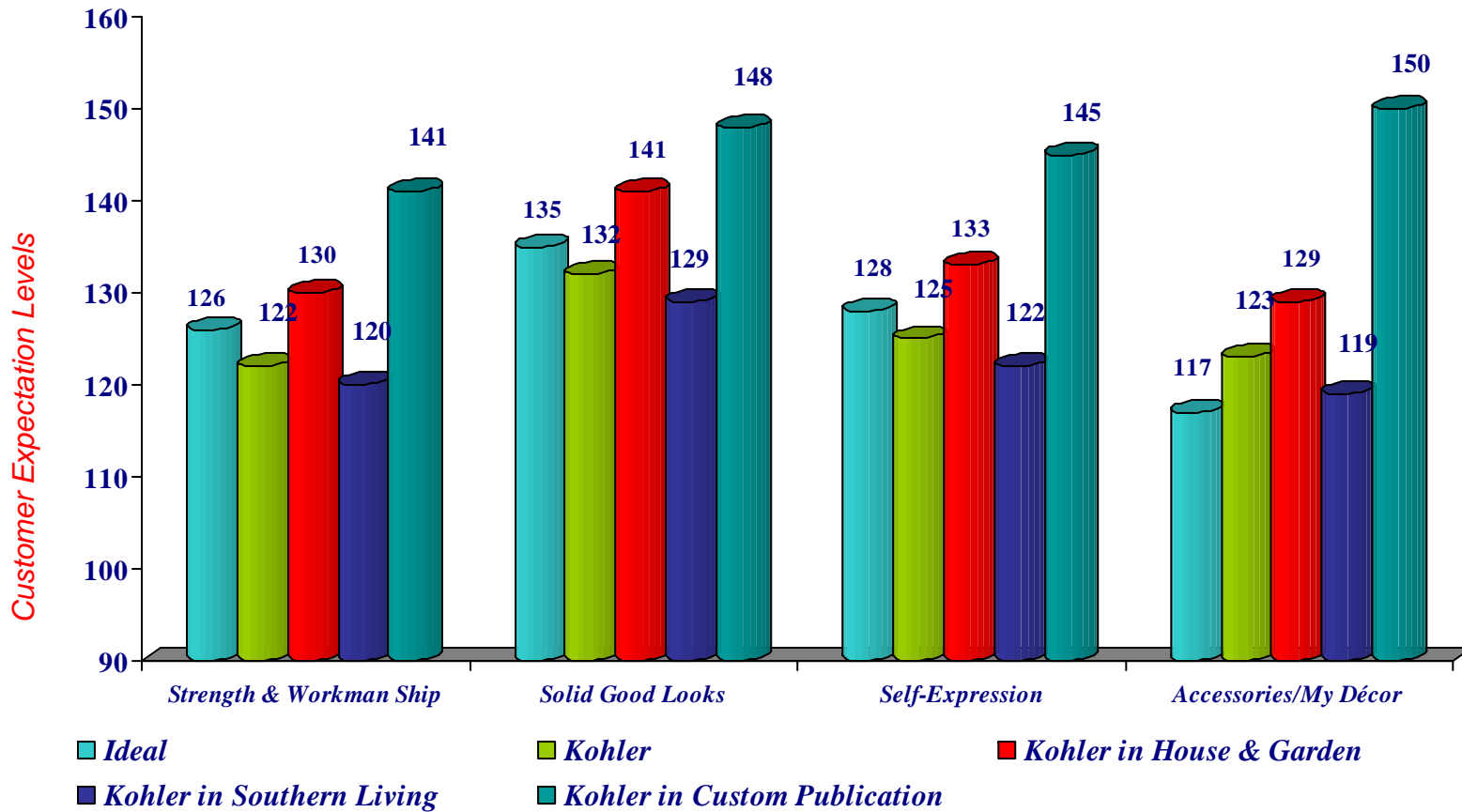
Category Idea: Fixtures & Faucets



Category Idea: Fixtures & Faucets



Category Idea: Fixtures & Faucets



Highest ← Loyalty Drivers – Order of Importance → Lowest

Brand-To- Media Engagement

High Engagement

Kohler + Custom Publication	144
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Neutral Engagement

Kohler + House & Garden	133
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Kohler	126
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Kohler + Southern Living	123
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Negative Engagement

Brand Equity **ROI**

$$\text{Corporate P/E} = \frac{\text{Market Value Per Share}}{\text{Earnings Per Share}}$$

$$\text{Return On-Equity} = \frac{\text{Increase in Brand Equity Due to Media Value}}{\text{In-Going Brand Equity}}$$

$$\begin{array}{l} \text{Kohler In:} \\ \text{House \& Garden} = \frac{133}{126} = +6\% \end{array}$$

$$\begin{array}{l} \text{Kohler In:} \\ \text{Southern Living} = \frac{123}{126} = -2\% \end{array}$$

$$\begin{array}{l} \text{Kohler In:} \\ \text{Custom Publication} = \frac{144}{126} = +14\% \end{array}$$

How, And In What Ways Should This Be Applied?

It depends.

On which category and the brand (since values and what consumers value differs by category).



“Primacy of Product” & Satisfaction = ?

What have you done for *ME* lately?

Custom Publishers are in a wonderful position to capitalize on this value shift.

What they need to do is to actually measure how the aspects of their category can be translated into customized information and communication.

If they do, they can effectively communicate values, and will better connect with consumers and convey brand differences that get people to buy.

Next Steps:

Make good on customization and consumers will return your investment with loyalty and profitability.

