What's In A Name?
Blue Chips Lose "Brand Power" To Lower-Tiered Firms

For major financial service firms that are relying on their names and branding to become major internet investment portals in the new economy, there is some bad news. There is an extraordinary shift occurring in branding – America's most revered corporate brands are losing some of their luster, and this shift in "brand power" is not a one-time phenomenon. Jim Gregory, CEO of Corporate Branding, observed, "Fundamental changes are occurring in the marketplace that change the rules of branding. Now is not the time to become comfortable with a brand's historic position."

Corporate Branding in their 10th Annual Brand Power survey, surveyed 1,000 executives at large U.S. companies, who graded 575 corporate brands on familiarity, overall reputation, management strength and investment potential. Each participant rated 40 companies with scores ranging from one to 100. Among the 115 companies with the highest ratings, the average "brand power" score fell 7.7% to 50.9 in 1999. The second tiered companies (116 to 230) dropped nearly 11% to 28.9 while the average score of third tiered companies (231 to 345) rose 42% to 10.9. It is not unusual to see newer or weaker brands leap ahead in the annual survey, but the broad-based decline among the most powerful brands in the latest survey was startling (Table 1).

Old-line companies are beginning to lose ground to new economy companies with a more compelling message exploiting their advantages as faster, cheaper and better, or simply more exciting options. The new economy companies are establishing that they "get it," and in effect, are saying the old economy companies "don't get it." Corporate Branding's managing director, Lawrence McNaughton, said, "Marketing consultants believe some old-line companies are neglecting or mishandling their corporate brands. They usually just do the easiest thing: Throw some new advertising out there." The public senses a disconnect between the old-line companies' understand-

Table 1. Brand Power Ratings
(Maximum Possible Score = 100)

Company	Score 1999	Score 1998
Coca-Cola	77.1	82.7
Microsoft	73.6	77.0
Walt Disney	72.5	76.1
Campbell Soup	69.6	72.6
Johnson & Johnson	68.8	72.9
General Electric	67.1	76.5
FedEx	66.6	70.5
Proctor & Gamble	66.5	71.0
Hershey Foods	65.7	64.1
Harley-Davidson	65.0	67.5

Source: Corporate Branding

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The conundrum that has long puzzled Wall Street is you can't add value unless you can look at all the client's assets as one account, yet the technology necessary to route and assemble investment information on all the client's assets custodied at banks, insurance companies, brokerage firms and asset management firms does not exist. So, the burden has fallen onto the consultant to manually create this information as a base point from which they work. The absence of technology that would electronically gather and route investment information into one account is the single biggest inhibitor that advisors face in adding value. Without this information, one cannot evaluate an investment recommendation or determine whether they add value. Fundamental considerations like whether an investment recommendation improved overall portfolio performance, reduced risk or contributed to the tax efficiency, liquidity or cost structure of the portfolio at-large are not passions. Many have assumed that the thesis of adding value versus not adding value is so compelling that investors would eventually gravitate toward the financial services giants that offered banking, insurance and/or brokerage services under one umbrella such as CitiGroup. It would be easy for large firms with all the affiliated investment pieces in place to create virtual real-time balance sheets and income statements incorporating of all a client's assets and liabilities as almost all of the client's assets and liabilities would be in-house. Yet, in spite of what could be a most significant, competitive advantage that would make it possible for these gigantic organizations to literally add value, their focus is still very much in commission brokerage, and thus the virtual real-time balance sheet and income statement is still not a reality in the financial services mainstream (even when this technology would be predatory relative to competitors who did not have it). This inertia prompted the creation of The Investment Source Company (see Spenser Trask story in March 2000 issue of *Senior Consultant)* and has led Advent, a leading investment management and reporting technology firm, to develop their Trusted Network product.

Trusted Network provides the technology infrastructure that allows institutions to offer investors a view of all their investment assets custodied with many other institu-

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The danger in there being no countervailing efficient market mechanism in place which would mitigate the demographic market excesses that Dent suggests, is that when those demographic trends run their course in 2009, when the baby boomers' spending reaches its peak, there will be a severe and prolonged economic downturn (depression) that would last until 2023. So there is no such thing as uninterrupted economic expansion that is being suggested by many. In fact, the efficient market hypothesis is essential for the capital markets to work. For example, we have established that internet IPOs were trading at three times their fair and equitable public offering value and that those values could not be sustained because it required earnings to grow at three times the expected 29% growth rate. When those rates of earning growth (almost doubling every year) cannot be sustained, the efficient market thesis would require a correction in stock prices sufficient to bring them back in line with their intrinsic value. This would mean at least a 66% correction, but because of the psychology of corrections, the resulting panic would likely lead to a significant overcorrection. (Historically the best returns have been achieved on the heels of a market overcorrection.)

The ultimate check-and-balance within the capital markets are earnings which eventually lead to an efficient market. If earnings cannot support market valuations, very simply, values and prices must fall. This is why Warren Buffett and Marty Whitman have been making unusual private equity investments in precious metals and complex turnaround situations, respectively, in recent years . . . in a market where no one wants to talk about value, they represented better value than could be found in the equity markets. Thus, the check to the unabridged earnings multiple expansion of the market is eventually earnings, alternative non-financial assets and common sense.

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Not many of us would pay $100,000 for a Buick Park Avenue, why would we pay three times the intrinsic value for an internet stock? This is not to say efficient markets are infallible, because we know in the immediate past that market valuations are way out of line. What this does say is that in healthy markets there should be a correlation between intrinsic value and market value. When demand for stocks outstrips supply and drives the price of the stock up, there must be corresponding correction in that stock's price if markets are to remain efficient. If internet stocks only correct 33% rather than the 66% (or more) suggested, this tells us the public equity markets command a 100% liquidity premium relative to the private equity market value for the same asset.

Thus, patient money, like shrewd family offices, Buffett and Whitman continue to search for better values in private equity investments until public equity prices came back to earth. As Warren Buffett says, you have to play in whatever market environment you find yourself, whether you like it or not. Even though stocks had gotten to levels that cannot be sustained, you have to pay it out because no one wants to be the first to sell in a bull market. But when the market turns, there will be no such inhibition to sell, which will result in an overcorrection. Let's all hope the market appropriately corrects, and efficient markets will be here to stay. Yet, in reality, efficient markets are never permanent; at best, they can only be fleeting, which is why our advice has value. ■

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ing of the marketplace and its changing needs which, in turn, the new economy companies are exploiting. To try to compete, some old-line companies are mimicking the new economy companies' advertising in order to look cool, even if it means a radical change in their traditional image. This doesn't work because the old-line companies have not changed anything about their enterprise that would make them more competitive other than their advertising platitudes, and the new image is confusing without substance to back it up. Old-line companies actually have to work harder than ever before to re-invigorate their brands. They have to go beyond what worked in the past to address the changing needs and tastes of a much more discerning and sophisticated marketplace.

In financial services, just having a robust financial product and service menu and offering trade execution is not enough. Clients want high level advice and value to be added. Thus, a financial services firm's brand is no better than the value it empowers its advisors to add. A compelling case can be made that the only branding that has value in the financial services business is built around a firm's proprietary, comprehensive investment process technology and methodology through which its financial consultants are empowered to address and manage the investment values most important to each investor. If a new economy financial services firm, say Charles Schwab, were to build itself around investment management consulting and its brand was built on adding value and being responsive to the unique needs and circumstances of each investor, it would clearly be preemptive to an old-line commission brokerage firm which does not have the culture, structure or technology that makes it possible to add value. The consultant addresses and manages the investment and administrative values (risk, return, tax efficiency, liquidity, cost and time structures) necessary in order for the investor to achieve their long-term goals and objectives, while the commission broker's job is complete when the trade is executed and is not accountable for the

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financial results. Thus, firms branding their investment process through which their consultants are empowered to add value will inherently have a much higher brand power rating than the old commission brokerage franchise where there is no accountability and no possibility of adding value.

The key to understanding the new economy which is changing the rules of branding is that consumers and the marketplace are responding to brands that specifically address their needs and are adding value in the process. This can translate into the price of buying a book or a CD or in financial services, the depth and breadth of investment values addressed and managed. It is clear the old financial services brands are not specifically responsive to the broad range of fundamental investment values that are important to all investors. Consequently, it is not difficult for new economy financial services firms to address the consumer's needs and changing tastes, resulting in the old brands continually experiencing lower brand power ratings. Adding value wins; trade execution loses. Financial products and services in the abstract lose; process and technology that allow these financial products and services to be managed in terms specifically meaningful to each client win big. Product management loses; process management wins. Stockbrokers lose; investment management consultants win.

The financial services mainstream's internet strategy illustrates how old economy companies are contributing to their own loss in brand power ratings. Most major mainstream financial services organizations are simply linking their commission brokerage systems to the internet and are surprised that investors have not responded. The reason may be those systems don't move the investor, and that may be why their web site will generate a lower brand power rating because they don't understand it is process (or what you do with the product) that adds value, not product. The financial services mainstream is not offering processes through which value can be added. The consumer is just looking at a raw product menu with instructions on how to buy. New economy financial services firms will offer virtual real-time balance sheet and income statements and processes that help the investor manage the data in terms specifically meaningful to their unique needs and circumstances. In essence, the old line financial services mainstream, as we know it, is not responsive to the evolving needs, circumstances and tastes of the marketplace. It is still focused on products, commission brokerage and trade execution.

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The other key to the new rules of branding is the marketplace has limited "band width," says Corporate Branding. Consumers and investors can cope with only so many brand names. Thus, if the old-line financial services mainstream companies "don't get it," it is important that investment management consultants develop their own brand for high level advice outside the financial services mainstream. This means substantially elevating the standard for high level advice so it is meaningful to the consumer/investor and differentiating, through evaluation and examination, the top senior consultant practitioners in the country. The standards and the designation of excellence transcend organizations. It essentially brands the senior investment management consultant, assuring the highest professional standing and stature within the financial services industry at-large.

There is a clear divergence in the relevancy of commission brokerage and investment management consulting in addressing and managing the investment values most important to each investor. The internet is making it painfully clear the old commission brokerage-driven financial services brands are not specifically responsive to the unique needs of each investor, and their egos, culture, structure and technology cannot change as quickly or as easily as their advertising slogans and platitudes.

Old brands in financial services are not being reinvigorated and, with the internet, the consumer and the financial consultant know it. The major financial services brands must reinvent who they are, what they do, who they serve and how they price their services because an entirely new financial services industry is being created around high level advice, and the old brands are being left behind. If these old brands equivocate or are not bold in reinvigorating their brands, they run the risk of being at the wrong end of highly unfavorable comparisons of client service which is the beginning of the end for many brands of old. ■

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tions in one consolidated account. Peter Caswell, president and chief executive officer of Advent, said, "Receiving advice from an advisor who doesn't have easy access to an up-to-date view of your total wealth is like getting surgery from a doctor who doesn't have all your medical files. Until now, financial advisors would have to manually consolidate their clients' portfolios because there was no automated solution."

Advent is in a unique position to deliver the technological and relationship infrastructure that would provide cross institutional data gathering and reporting. Advent provides front-to-back office solutions to 5,800 financial institutions worldwide and is the leading investment management and reporting software used by independent, stand-alone investment management consulting practices. Advent's custodial data services, which is a direct link between

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