

Strong brands, discounted remuneration

By  Johnny Johnson

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In the preface of his book, *4D Branding*, Thomas Gad, founder of Futurebrands.com makes the following claim: *Today, brands are not the preserve of the marketing department. Brands are too important to be left to the marketing department - or any other 'department' come to that. Organisational ghettos do not create vibrant, world-changing brands...*



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He goes on to say that where brand was once understood to be a marketing tool used to positively influence the attitude of consumers, it is now a management tool used to influence every aspect of the business, including marketing. It addresses all stakeholders, beyond customers: clients of business-to-business brands; investors; suppliers; dealers and, very importantly; employees.

Importantly, employees because their attitude is central to delivering the brand promise.

This was measurably reported on in an article in the *Harvard Business Review* (July - August 2015: Compensating - Strong Brands, Weak Pay) quoting research done by the London Business School.

After mapping the compensation of 2,717 US senior executives against the brand strength of their firms' leading products. For pay figures, the researchers used Standard & Poor's ExecuComp database; for brand strength, BAV

Consulting's consumer surveys. They examined the data for 2000 to 2010, making more than 10,000 compensation-brand observations in all.

With each standard-deviation increase above the mean for brand strength, non-CEO executives earned, on average, 2% (about \$90,000) less a year. The effect was far larger for CEOs: Their pay dropped by 12% for each standard-deviation increase, saving their companies an average of \$1.3 million a year.

The conclusion is that employees are willing to "pay" for the positive association of working for a company represented by a strong brand in the same way that consumers will pay a premium for a prestigious brand that enhances their own image. This would explain the relative willingness of a CEO to "pay" even more because the kudos for running a strong brand is more than for working for one.

There are other reasons as well. A strong brand looks good on a CV and this was reflected in the research: younger employees who are beginning to build a career will take a more substantial salary sacrifice than older employees.

Doubtless another reason, in tough times especially, is recognition that a strong brand rides challenges more comfortably, offering job security.

Reading the article, I recalled a conversation I had with the managing director of a very successful contract publishing company. He told me that he had to pay a premium to his copywriters compared to that paid by strong brands like *Cosmopolitan*.

The brand champions that define, build and protect a company's brand must be the full executive of that company, ensuring that the brand addresses all stakeholders, not only the consumer.

ABOUT JOHNNY JOHNSON

Johnny's role at TowerStone is to define clients' brand promise and find ways of helping leaders engage with employees in such a way that they are committed brand ambassadors.

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