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CFO Insights
Why Brand Stewardship is a CFO's Job

Google…Walt Disney…Coca-Cola…Amazon.com… Nike…McDonald's…

Brand may be an intangible asset for accounting purposes, but the value of a brand is hard to deny. In fact, the 2009 study, "BrandZ Top 100 Most Valuable Global Brands" by Millward Brown Optimor,[1] found that the value of those leading brands increased by 2 percent to $2 trillion despite global economic turmoil. Moreover, the stocks of those Top 100 brands have consistently rewarded shareholders, outperforming the S&P 500 by more than 30 percent between April 2006 and April 2010.[2]

That value, however, can be fleeting if left unprotected. Indeed, brands are under constant attack, and brand stewards must systematically understand the risks that their brands face, the potential impacts, and the options for managing these risks. Without the proper safeguards, the results may be harmful for both the brand and the company — and sometimes for others in an industry.

That is why, as a company's *de facto* chief risk officer, there really is no one better positioned to undertake the role of brand steward than the CFO. In this issue of *CFO Insights*, we will look at why CFOs should work in conjunction with marketing to defend and expand a company's brand; why such a function falls under the steward role as outlined in the Four Faces of the CFO; and what steps CFOs can follow to both protect this most precious and vulnerable asset.

Why brand stewardship is a CFO issue

In his book, *Brand Resilience: Managing Risk and Recovery in a High-Speed World* (Palgrave Macmillan, 2011), Jonathan Copulsky makes the case that brand reputation is more precarious than ever. Given the speed of information and the interconnectedness of the social media landscape, true and false information can spread like wildfire. And brand reputation can be negatively impacted overnight by everything from consumer reviews to disgruntled employees to the actions of celebrity sponsors.

Take Tiger Woods. Remember the night he crashed his SUV into the fire hydrant in November 2009? Because of his celebrity stature, the murky details, and the pervasiveness of social media, that incident went viral in short order and severely impacted his "brand." In fact, in the month after his December announcement that he was taking a leave from golf, the seven publicly-held companies that have or had sponsorship deals with Woods lost up to $12 billion in market value.[3] (Nike, by contrast, stuck with Woods, who, despite his public transgressions, retained his position as the top individual sports brand in the 2011 "Forbes Fab 40" ranking. [4])

Still, Copulsky argues, organizations can reduce — and often eliminate — brand risk through brand resilience. Brand resilience is the ability of an organization to responsively identify threats to its brand and to bounce back from brand sabotage events with its brand stronger than before. And given the importance of brand both as a unifying message to investors (think annual reports and other disclosures) and as an engine of growth (think brand extensions, licenses, etc.), the job of protecting that brand should not only fall to marketing but also to finance.

In fact, it can be argued that finance should work hand-in-hand with marketing to develop organizational brand resilience. Given what is at stake, finance should seek to be a true partner with marketing by:

- **Calculating what drives brand value.** Finance, after all, is in the business of understanding what levers drive value in the organization and how those levers can be measured. By exploring both tangible metrics, such as price premiums, click through rates, repeat purchase rates, as well as less tangible metrics (customer loyalty, media coverage, etc.), finance can help marketing not only calculate the incremental value that a brand creates for an enterprise, but also identify where brand value is potentially eroding.

- **Safeguarding against potential brand attacks.** The least destructive brand attack is the one that never occurs. To guard against such attacks, finance should work with marketing to develop a reporting mechanism that captures the drivers of brand value/brand risk. Such a mechanism will both highlight risks to appropriate stakeholders and identify potential brand threats.

- **Responding to brand attacks that do occur.** Inevitably, brand attacks do occur. But how a company responds can mean the difference between a glancing blow and a fatal attack on its brand. That is why a calculated response — one akin to a disaster planning scenario — should be developed jointly by finance and marketing in case of such an assault. That response should include strategies for investment in brand resilience depending on the scenario (level of risk, source of risk, etc.). For example, if unethical competitors anonymously spread misinformation about your brand, know which media outlets to invest in ahead of time to thwart the attack. If some change in product packaging or formulation leads to negative customer engagement, have a plan for adjusting volume forecasts and operational plans. In addition, finance and marketing should engage all the appropriate stakeholders, particularly those in investor relations, to respond in a unified manner.

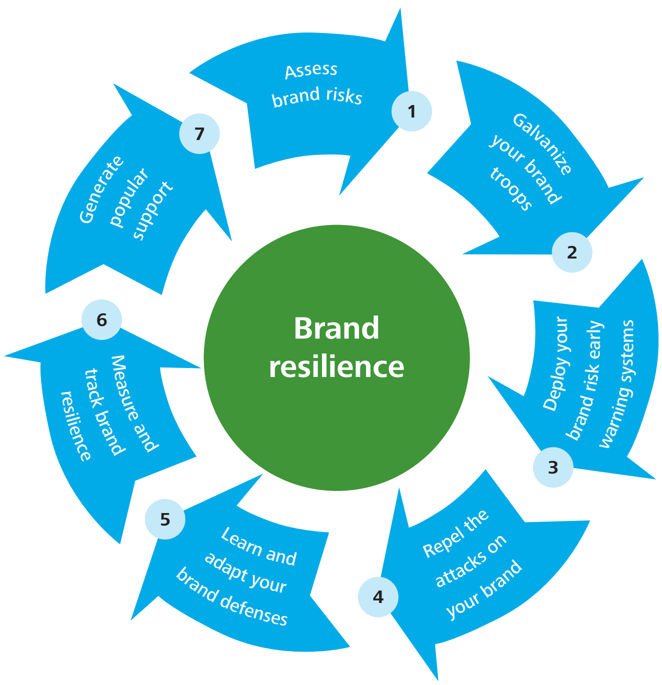
Tools of brand warfare

To fully address brand risk, however, requires both a partnership with marketing and the engagement of the entire organization. At Deloitte[5], we have developed a Brand Resilience framework that can help CFOs identify and execute initiatives to reduce brand risk and build the organizational capacity to dispel brand sabotage before it occurs. The seven-step framework includes:

1. **Assess brand risks.** The first step entails identifying all the potential threats to your brand, which can include everything from third-party websites posting scathing reviews of your products to disgruntled employees blogging about how poorly they feel you treated them. While that universe is wide, building brand risk intelligence not only means identifying potential points of attack, but also narrowing those down to the most serious ones that could breach the trust customers have placed in your brand.

2. **Galvanize your brand troops.** Preventing brand sabotage also entails building awareness of the threat and teaching employees to assume personal responsibility for preempting, detecting, and reducing the possibility of its occurrence. For CFOs, this education begins in the finance department by assessing the staff's current brand risk awareness and by developing a targeted training program to help employees identify brand risks and team with marketing to mitigate them.

Brand Resilience offers a seven-step plan for organizations to prevent brand attacks and manage risk recovery.



3. **Deploy brand risk early warning systems.** By establishing reporting programs and channels to measure and track potential threats, a company builds its "sensing" capabilities related to brand risk. These can include leveraging some of the capabilities that are already embedded within social media platforms, building your own feedback generator, or relying on the plethora of third-party solutions focused on reputation management. The point is to listen to the chatter related to your brand across multiple media sources and weigh what is important and what is not.

4. **Repel attacks on your brand.** For attacks that make it past your early warning systems, you have to consider two sets of responses: (a) what to do once you become aware of a brand shock, but before there is widespread public knowledge of it, and (b) what to do once the public starts to become aware of the brand shock. Those responses can require repentance, remediation, rectification, or sometimes a mix of all three.

5. **Learn and adapt your brand defenses.** Each brand crisis actually presents an opportunity to improve internal processes. In *Brand Resilience*, the National Transportation Safety Board's systematic approach to "learn and adapt" —investigate, analyze, report, recommend — is detailed. While most companies will not be responding to a major transportation accident, the NTSB's approach is instructive because it fosters continuous learning. Once a brand attack happens, resist the temptation to just move on. Instead systematically determine the cause, extract lessons learns, and then apply that learning.

6. **Measure and track brand resilience.** CFOs can be instrumental in — and possibly own — this step, which calls for the development of key performance indicators (KPIs) that relate to brand. By setting the cadence for measuring, analyzing, and reporting performance, finance can better understand whether the efforts to manage brand risks are actually working. In addition, boards will demand such information in the case of a brand attack.

7. **Generate popular support.** Finally, it must be noted that without popular support, brand resilience campaigns are unlikely to succeed. To gain that support, start by identifying your brand's current advocates and allies — those who preach the merits of your brand either when prompted or unprompted — and cultivate their loyalty. Admittedly that is a difficult task operationally, but new technology solutions focused on customer engagement are making it easier. In addition, there are smaller steps that can be taken internally, such as celebrating the success stories of finance teaming with marketing to protect the brand, to increase those allies.

Making brand investment decisions

The framework is devised to protect one of a company's most important assets: its brand. In fact, the financial value of the brand often exceeds any single asset class that appears on a corporate balance sheet and is a significant multiple of revenue and cash flow. For that reason alone, CFOs have an obligation to protect it as part of their Steward role, as outlined in the Four Faces Framework.[6]

As with all assets, however, brand has to be maintained and nurtured. Creating strong brand resilience should be part of a company's long-term goals and as such, it should be allocated the appropriate resources. Given that companies often spend millions of dollars on crisis management — funds used to clean up after an attack — it only makes sense to invest in ways to prevent brand sabotage from happening in the first place. While such programs are only in their infancy at this point, it behooves CFOs to assess the size and seriousness of brand threats and allocate resources for the process design, execution, and improvement of brand defenses.

Great brands need to be resilient brands. By teaming with marketing, embracing the seven-step *Brand Resilience* framework, and allocating the appropriate resources, CFOs not only can protect and defend one of a company's most precious assets, but become brand champions in the process.

Endnotes

1 BrandZ Top 100 Most Valuable Global Brands, Millward Brown Optimor; 2009 Study.

2 BrandZ Top 100 Most Valuable Global Brands, Millward Brown Optimor; 2010 Study.

3 "Celebrity Endorsements, Firm Value and Reputation Risk: Evidence from the Tiger Woods Scandal;"Professors Christopher Knittel and Victor Stengel, University of California, Davis; August 2010.

4 "Forbes Fab 40," *Forbes*, October 2011.

5 As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

6 Four Faces Framework: Deloitte U.S. CFO Program, Deloitte LLP, 2009.

Primary contacts

Jonathan Copulsky
Principal, Strategy & Operations
Deloitte Consulting LLP
jcopulsky@deloitte.com

Robert Comeau
Principal, Strategy & Operations
Deloitte Consulting LLP
rcomeau@deloitte.com

Alicechandra Fritz
Senior Manager, Strategy & Operations
Deloitte Consulting LLP
afritz@deloitte.com

This Deloitte *CFO Insights* article was developed with the guidance of Dr. Ajit Kambil, Global Research Director, CFO Program, Deloitte LLP, and Lori Calabro, Senior Manager, CFO Education & Events, Deloitte LLP. Special thanks to Cara O'Connor, Senior Consultant, Deloitte Consulting LLP for her contributions to this article.

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