

BRANDWEEK

Report: Starbucks, Wells Fargo Surge in Customer Loyalty

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- Noreen O'Leary

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As consumers continue to rein in spending, brands have become a surrogate for value. The increasing importance of those brands, in a world overrun by commodities, has reached their highest level of consequence since the 1960s.

At least that's how Robert Passikoff, the founder and president, Brand Keys, sees it. He came to the conclusion after delving into data from the New York-based consultancy's 2010 Customer Loyalty Engagement Index. In January, Brand Keys polled 33,500 consumers of 518 brands in 71 industry categories. Brand Keys asked consumers detailed questions about how they relate to brands, both emotionally and rationally.

Passikoff said that although the economy didn't improve much, consumers expect more for their money. That means they want a strong brand for a good price. "With increased standardization and decreased product differentiation," he said, "a real brand can serve up the value consumers expect."

One brand that hit the mark in that regard is Hyundai, which moved from the bottom third of the loyalty list to the very top this year thanks to its Assurance plan, which let consumers return their car if they lost their jobs. (Brand Keys found that

one of the primary drivers of that consumer loyalty was the feeling Hyundai was the "right brand for me." That paid off in a year when U.S. auto sales hit a 27-year low; with Hyundai among the few to report an increase of 8 percent.) On the other hand, Chrysler and General Motors, which received taxpayer bailouts in 2009, came in at the very bottom of the Brand Keys list at No. 18 and 19, respectively.

In another troubled industry, Bank of America, No. 1 in the bank category in 2009, slid to the bottom in the 2010 results, following the tumultuous acquisition of Merrill Lynch and its acceptance of federal bailout funds. Wells Fargo, which had been ranked No. 3, climbed to the top spot with poll respondents citing "brand trust" and "confidence," among other factors.

"In a year with so much pain in the marketplace, we stayed focused on the fundamentals," said Sylvia Reynolds, Wells Fargo's CMO. "We're doing so much proactive outreach to struggling customers trying to stay in their homes and to those struggling to manage their debt. We're actively lending to small and medium-sized businesses to help them increase the number of jobs out there."

1 | **NEXT PAGE** » As consumers continue to rein in spending, brands have become a surrogate for value. The increasing importance of those brands, in a world overrun by commodities, has reached their highest level of consequence since the 1960s.

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Starbucks had ranked No.1 for many years on the Brand Keys Index in the coffeehouse category before slipping into second place in 2007 behind Dunkin’ Donuts and third place in 2008, trailing McDonald’s. After company founder Howard Schultz rejoined Starbucks as CEO in January 2008 and brought back some of the coffeehouse vibe, Starbucks has been rising again on consumers’ radar, coming in at No. 2 this year. Last month, Starbucks said its fiscal first-quarter profit rose fourfold, topping Wall Street expectations.

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Big Movers

In a tough economic client, some brands thrived, while others got hit hard.

BRAND	2009 Ranking	2010 Ranking
Ford	15	4
San Pellegrino	n/a	1
IHOP	6	1
Samsung (laptops)	n/a	3
American Express	4	1
Chili's	2	10
InterContinental	4	1
Gain	8	4

Source: Brand Keys

That was related, Passikoff emphasized: “Loyalty-based metrics is a leading indicator of how people will behave. Satisfaction is a lagging indicator of

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previous behavior. Look at the correlation between loyalty and profitability.”

Elsewhere on the list are telling indicators of the economy. Among bottled-water companies, upscale carbonated San Pellegrino—which didn’t even make the list last year—tied with incumbent still water, Aquafina. “San Pellegrino is a small luxury during the recession,” Passikoff speculated.

Interestingly, changing loyalties toward consumer paper towels suggests the growing entrenchment of green alternatives to more conventional brands. Seventh Generation, which did not appear on last year’s index, tied with Bounty for first place, despite the environmentally friendly brand’s higher price point and more limited distribution. “We are seeing a continuing transition, a revolution going on in the marketplace. What was once a fringe category is now becoming much more mainstream,” said Dave Kimbell, svp, marketing, Seventh Generation.

Such shifts hint at the predictive value of Brand Key’s data, Passikoff contends. He summed up the 2010 results as the kickoff of the “decade of the brand.” He said, “This particular swing, with real brands becoming more valuable to consumers, is showing up in how they view, compare and, most importantly, buy in key categories.”

A complete listing of the 71 category rankings can be found at www.brandkeys.com/awards

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