

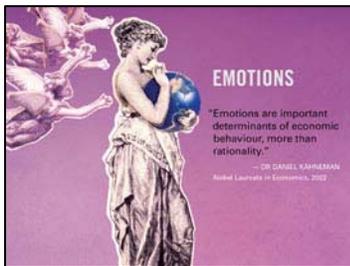
Module 2 - Teaching Notes:

LOVEMARKS: DELIVERING THE BOTTOM LINE

Estimated Duration: 60 minutes (33 slides)
 Suggested Discussion and Class Activities: 5



Slide 1
 This module illustrates the correlation between Lovemarks and influence on purchase behavior, preference, repeat purchase, intention, margin and ROI, and brand value.



Slide 2
 Consumers have reframed value, through power, frugality and connectivity. Shoppers are no longer on autopilot and have learned to maneuver like fighter pilots. They spend less while saving and sharing more. People are re-evaluating, comparing and switching brand allegiance day-by-day, hour-by-hour. The mass market has died. We're in a new economy – the market of the masses.

Discussion: Ask students to name some items they have purchased based on emotion.



Slide 3
 We have moved from the Attention and Attraction Economy, to one where people are their own medium, their own creation. In this Participation Economy, measurement is shifting to “Return on Involvement” rather than “Return on Investment”. It’s not about a market, it’s about a movement.

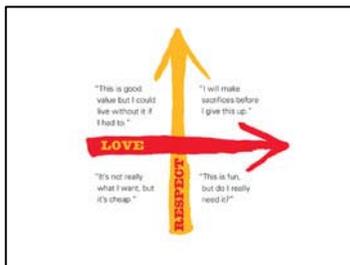
Attention Economy	Participation Economy
Inform	Inspire
One-to-many	Many-to-many
Distraction	Interaction
Return-on-Investment	Return-on-Involvement
Market	Movement
Brand	Lovemark
Price	Priceless Value

For those interested in further exploring the Participation Economy, two blog posts and one video by Kevin Roberts are available with this Teaching Module.



Slide 4

Price is what companies put on the tag. Value is what consumers feel they get out of the experience. Consumers are redefining value constantly. It is price plus authenticity, sensuality, community and connectivity. Instead of putting a demographic at the heart of everything you do, put yourself at the heart of everything the customer does. This is priceless.



Slide 5

The Love/Respect Axis is the single most powerful way to show why Lovemarks matter and why Lovemarks status is the only goal to aspire to.

In the old days, Volume and Margin wrote the rules. Low Volume/ High Margin = Luxury; High Volume/Low Margin = Mass. Dry formulas with no connection to the emotional reality of the marketplace. In the new era of Lovemarks, Love and Respect track the realities of the human heart first.

Low Respect, Low Love. Classic commodities. Public utilities. Low value transactions. Essential but going nowhere. Zero brand heat.

High Respect, Low Love. Here's where most brands sit. Highly respected and fixed on the "e-r" words: cleaner, leaner, smoother,

faster. But the pressures of commodification have eroded the value of Respect on its own. Respect is now table-stakes. You've got to have it, but it is no longer enough. Competition, fast-cycling innovation, rapid imitation, rising standards and expectations have seen to that.

High Love, Low Respect. Fads, trends, infatuations. Last month's gotta-haves. Next month's has-beens. Hairstyles and pop stars. A fad has too little Respect to juice a long-term relationship however much it delivers in the short-term.

High Love, High Respect. Lovemarks. This is where new value lies. Here we can create deep emotional connections with customers by gathering Respect and aiming for Love.

You can find a detailed description on the creation of the Love/Respect Axis in 'Lovemarks: the Future Beyond Brands' by Kevin Roberts (powerHouse, 2005), and 'Start with the Answer: And Other Wisdom for Aspiring Leaders' (Wiley, 2009) by Saatchi & Saatchi Chairman, Bob Seelert.

Class Activity: Select five brands from the same product category and place them on the Love/Respect Axis. For an example of this exercise, refer to the video 'How to Use the Love/Respect Axis' available with this Teaching Module.

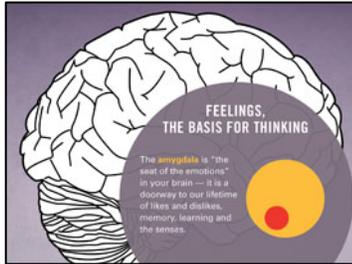
Class Activity: Plot the journey of a well-known brand on the Love/Respect Axis. For example, Nike. Where did it start, where did it progress to, what were the factors influencing the changes in movement? Where is it now?



Slide 6

Example: For his 360 degree tour, Bono put his band at the center of the stadium, in the center of the audience. With a 360 audience, U2 was able to achieve a 20% increase in ticket sales. Emotional and financial premiums.

A white paper on Priceless Value is available with this Teaching Module.



Slide 7

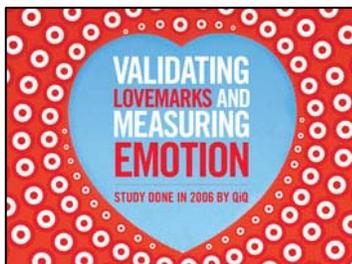
The amygdala, “the seat of the emotions”, is the doorway to our lifetime of likes and dislikes, memory, learning and the senses. Amygdala damaged patients lose all interest in interaction, have no recognition of people or feelings, and find it impossible to make decisions.

“The amygdala, takes control over what we do even as our thinking brain, the neo-cortex, is still coming to a decision” - Professor Joseph LeDoux, Neuroscientist and Psychologist, New York University



Slide 8

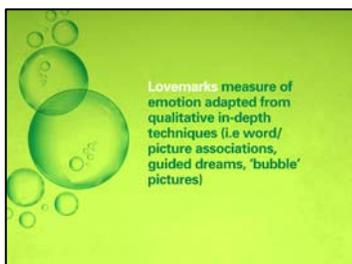
What is the research?



Slide 9

In a study carried out by QiQ International, it was found that growing Love and Respect can increase buying intention by as much as seven times. Once Respect is high, you can double volume by increasing Love and becoming a Lovemark.

An extract of the QiQ study from ‘The Lovemarks Effect: Winning in the Consumer Revolution’ by Kevin Roberts (powerHouse, 2006) is available with this Teaching Module.

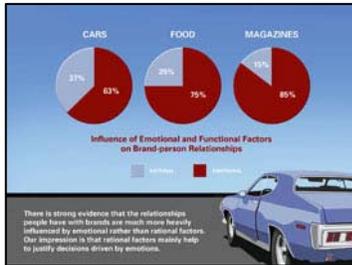


Slide 10

The participation of consumers is fundamental in the theory of Lovemarks. On www.lovemarks.com, more than 22,000 registered users have submitted 13,894 stories about 4,016 brands (October 2010).

Discussion: Name five product categories that you would describe as having a great emotional connection to. Discuss why.

Discussion: Is frequency of use a key attribute of a Lovemark?



Slide 11

There is strong evidence that the relationships people have with brands are much more heavily influenced by emotion rather than reason. Rational factors mainly help to justify decisions driven by emotions.

CARS: 37% of purchases are based on rational factors, and 65% are based on emotional factors.

FOOD: 25% of purchases are based on rational factors, and 75% are based on emotional factors.

MAGAZINES: 15% of purchases are based on rational factors, and 85% are based on emotional factors.

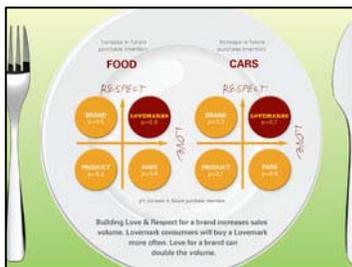


Slide 12

Consumers use their Lovemarks more often than those brands with which they don't have an emotional connection.

Use (days a year)

- Lovemarks: 119
- Brands: 26
- Fads: 41
- Products: 5



Slide 13

High levels of Respect and Love can increase a brand's sales. In some cases, Love for a brand can double the volume of sales.

Increase in future purchase intention - FOOD:

- Lovemarks: 0.8
- Brands: 0.5
- Fads: 0.6
- Products: 0.2

Increase in future purchase intention - CARS:

- Lovemarks: 0.7
- Brands: 0.3
- Fads: 0.6
- Products: 0.1



Slide 14

Key findings of the QiQ study.



Slide 15

In partnership with Albermarle Marketing Research (AMR), Saatchi & Saatchi has undertaken qualitative and quantitative surveys.



Slide 16

The purpose of these surveys is to:

- Plot key brands on the Love/Respect Axis.
- Place a brand relative to other major and minor players within the same category.
- Indicate the extent to which brands in the category are Lovemarks.
- Evaluate the type of relationships consumers have with brands/Lovemarks in the category selected.
- Identify the emotional ties associated with a brand and suggest directions in which these can be strengthened and/or improved.



Slide 17

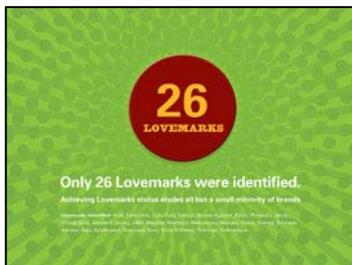
These surveys have been conducted across 29 product categories in 24 countries.

Categories surveyed:

Banks, beers, biscuits, bookstores, cars, car hire, cigarettes, chocolate, coffee, convenience stores, cough lozenges, energy suppliers, fashion retail, hi-fi audio systems, ice-cream, insurance (general and motor), internet providers, laptops, medicines and ointments, mobile phones, lottery and gaming, opticians, property developers, soft drinks, spirits, supermarkets, travel agents, watches, water.

Countries surveyed:

Argentina, Australia, Belgium, Brazil, China, Denmark, Finland, France, USA, Germany, Greece, India, Italy, Mexico, Netherlands, Norway, Poland, Romania, Russia, Spain, Sweden, Switzerland, UAE, UK.



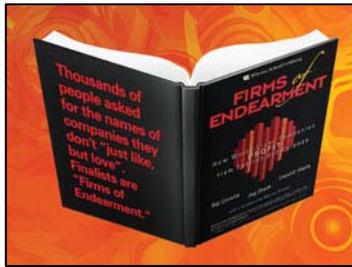
Slide 18

Since 2008, 26 Lovemarks have been identified, thereby proving that achieving Lovemark status eludes all but a small minority of brands.



Slide 19

Firms of Endearment: How World Class Companies Profit from Passion and Purpose (Wharton School Publishing, 2007)



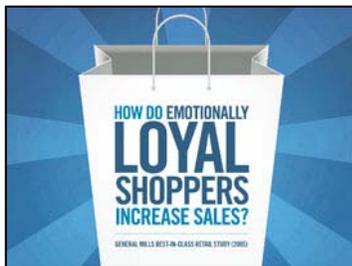
Slide 20

Thousands of people were asked for the names of companies they don't "just like, but love".



Slide 21

The performance of the finalists were looked over a ten period that ended in June 2006 and it was found that these Firms of Endearment returned 1,184% to their investors, compared to the 122% earned by S&P 500 companies.



Slide 22

General Mills Best-In-Class Study (2005)



Slide 23

General Mills spoke to 60,000 shoppers across 120,000 shopping trips in 50 countries as part of their *Best-in-Class Study (2005)*.



Slide 24

Only 57% of non-loyal shoppers will recommend a retailer to their friends. This compared to 95% of loyal shoppers.



Slide 25

65% of non-loyal shoppers will continue to shop at a retailer whom they do not consider a Lovemark. 98% of loyal shoppers will return for business.



Slide 26

Findings of the study revealed that emotionally loyal shoppers were driving traffic and increasing sales, with loyal shoppers ringing in baskets 30% higher than other shoppers.



Slide 27

By increasing its brand's base of loyal shoppers by even 5%, a retailer can expect up to a 10% increase in sales.



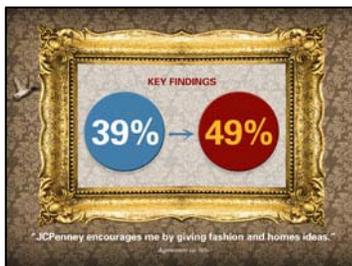
Slide 28
Hall & Partners for JCPenney (2008)



Slide 29
When JCPenney hired Saatchi & Saatchi to transform its brand into a Lovemark, Hall & Partners undertook monthly research monitoring that was customized around Lovemarks language and measures. It showed a 90% improvement in factors associated with Mystery, Sensuality and Intimacy, specific improvements in “understands my life and priorities”, with increase intent to shop at JCPenney in the next 90 days (September 2008).



Slide 30
10% more customers agreed with the statement “JCPenney is a store I love” over the time sampled.

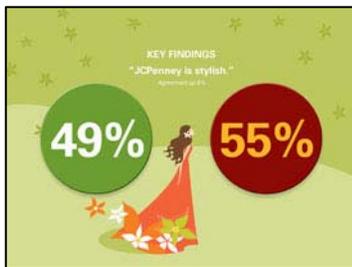


Slide 31
10% more customers agreed with the statement “JCPenney encourages me by giving fashion and home ideas”.



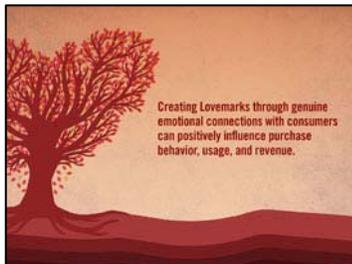
Slide 32

Agreement with the statement “JCPenney understands my life and what is important to me” was also up by 10%.



Slide 33

There was a rise in agreement of 6% with the statement “JCPenney is stylish”.



Slide 34

Creating Lovemarks through genuine emotional connections with consumers can positively influence purchase behavior, usage and revenue.



Slide 35

Please visit www.lovemarksacademic.com for more Lovemarks and Saatchi & Saatchi material. Invite students to view and/or send in their Lovemark stories to www.lovemarks.com.

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