

Humanize Brands for Better Brand Equity

Companies can enhance brand equity by developing personalized customer relationships

Customers develop relationships with brands in the same way they develop connections with people. Brands have to build true relationships with customers by exhibiting warmth, worthy intentions and competence to enhance brand equity.

Chris Malone, an expert on customer loyalty says relationships are two types such as transactional and communal. We are habituated to think customer relationships as transactions but they actually look for communal relationships.

Brand equity is the combination of assets and liabilities associated with a brand that enhances or depreciates its value. The brand equity of a product or service is determined by the awareness of the customers, quality perception, loyalty, patents, and trademarks. Companies often use brand equity of established brands to enter other categories of products.

- **Transaction-oriented:** These companies act in their own interest to generate more profit such as raise prices, close branches, cut services. Customers' response to these changes is limited due to switching costs and contracts. For example, Netflix shocked customers by raising prices too high which attracted customers' outrage. The company subsequently lost 800,000 subscribers and stock price went down steeply. Now Netflix is working on repairing the damage. Netflix would have saved its reputation if it had informed price changes in a warmer and humane way.
- **Communal-oriented:** These companies display warmth and take interest in developing personal relationships. A drycleaner owner greets majority of customers by name as soon as they enter the shop. The owner cares about the customers and surprisingly they have come to care about her in return. This communal relationship stops customers from switching

Her research proves that two drivers are very crucial for customer loyalty:

1. Warmth and Communal relationships:

- Customers punish or take revenge on transaction-oriented companies. Customers share on social media how they have been wronged and reveal true intentions of the company. Social networks have rebalanced the power relationships between big companies and customers.
- Customers pardon mistakes of companies if happened unintentionally. In a research, 87% customers said, they remain loyal to a company that handles a product recall honorably and behave more responsibly. But, intentional ill acts towards customers are poisonous.
- Companies can appear warm by doing simple acts of concern for customers. For example, a bike shop owner increased customer loyalty by not costing tiny parts such as nuts, bolts and ball bearings. It is a simple thing which doesn't cost him much but surprises customers and increases customer loyalty. Customers reward worthy intentions.

2. Competence:

- Good intentions alone are not sufficient but the product needs to be competent. The research shows majority of companies are lacking warmth more than competence.

Companies have to become more conscious of how their actions are perceived by customers from a warmth and competence perspective to attract more customer loyalty.

Topic	Course
Brand equity: Branding and Packaging:Unit 14.5	Marketing Management

Source: *The Human Brand: Our Relationships with Companies*, Knowledge@wharton, Oct 24, 2013