The Value Of Being Known

Firms that are known significantly outperform the competitors that wait to be found.

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This paper boils a century or so of marketing science, dozens of books, scores of case studies, and a dozen or so ways of measuring marketing success down to one simple idea: the single most valuable marketing achievement is making your brand *known before it is needed*. It then quantifies the value of reaching this goal. When you see the payoff, odds are high that you'll start thinking a little more each day about how well-known your business really is.

Brand-Building, Simplified

Brand marketing (branding) is a rich and, sometimes, complex discipline. Dedicated marketing professionals spend years in understanding its many facets and are always refining their understanding to keep up with consumer trends and marketing technology. Working with scores of these professionals, we've learned a lot ourselves -- enough to know that most local business owners need a simplified framework for understanding their brand's strength and how to increase it cost-effectively.

This framework, which drives the marketing success of exceptional local businesses across the country is: ***Be Known Before You Are Needed.***

You don't need to be a marketing expert to use this framework to put significant daylight between your business and competitors. If you can just understand the basic nature of customer 'need' in your market and what it takes to be 'known,' you're well on your way to profitably building your business. Just use the ideas outlined below as a very simple and effective test for your marketing decisions. If you already pass these tests, you're to be commended. If not, it just means you need to focus more on what it takes to become known.

If you can boil a century or so of marketing science down to one simple principle, it's this: *Be known before you are needed.*

What It Means To Be "Known"

In the context of building a business, being "known" simply means having potential customers remember; 1) who you are (your name), 2) what you do, and 3) why you're better than competitors. The more prospects that understand these three things, the more 'known' you are.

As simple as that answer is, there are a several points that need a little more explanation.

First, when you think about your potential market, try to think broadly -- well beyond the definition that shapes your customer base today. To gauge this potential, you need to consider all the consumers in your general area (within reason) that patronize you, your direct competitors, or who spend money on products/services that serve similar needs to yours. In other words, if you operate a sandwich shop, your potential customers include those who patronize other sandwich shops, as well as those who buy their lunch at quick serve franchises, burrito joints, soup & salad outlets, and other nearby restaurants.

The test here is simple. If you had to guess, how large is this group? How many of them are current customers today? *Do you sense potential for significant growth?*

Next, honestly consider how well this group knows you. Knowing your name is important, but do they also know all that you do and what makes your business special? Are these expectations accurate? Many consumers make lasting judgments based on cues that they take from appearance, the qualities displayed in advertising, or even the business name itself. Sometimes this is a good thing, other times it's not. There are thousands of businesses out there that are viewed as too expensive, low quality, or that are even miss-categorized based on simple things like name, signage, or store location/appearance.

When you compare the size of your potential market to the size of your current customer list, ***Do you sense the potential for significant growth?***

Most importantly, do potential customers remember your name, what you do, and your unique qualities? In our experience, most businesses significantly over-estimate the degree to which they are accurately remembered. It's a well-researched fact that most consumers can only remember the names of about three businesses/brands in the product categories that they use frequently. Among categories that they infrequently or never use, most consumers can't accurately remember any providers within a year of their last purchase. If you've ever had to look through old receipts, check stubs, or phone books to find the name of someone who trimmed your trees, painted your house, or fixed your brakes, you know what we're talking about.

So let's rephrase the first test: how many potential customers really know your business?

The Definition of "Need"

The second part of the "be known before you're needed" test pertains to need – the real measure of market potential at any given time. We all look at ads, surf the Internet, and talk to friends about products and services that we're interested in, but how often do we actually go out and buy that item of interest? Probably a lot less often than we'd like. The reason? There's a big difference between interest and need. Most consumers live on budgets and, given that limit, most don't spend until they really need something.

And what makes this interest a true need? Consumer science tells us that most true "activated" need – the level of interest that leads to an actual purchase – is usually the result of a "triggering event." This trigger is most often some type of problem (things wear out, we run out of things, or we need things for specific occasions). Triggers can also be based on a positive factor like having a little budget left over at the end of the month. Triggering events for things like groceries (nothing in the fridge for dinner) are common and predictable, while triggers for things like auto repair (a breakdown) or doctor visits (a sore throat) can be infrequent and quite unpredictable.

Now, think about your business again. What triggers drive purchase intent among your current and potential customers? How often do they occur?

If your product is not needed/purchased regularly, it's likely that *most consumers do not accurately remember the businesses available to serve their needs.*

Why is this important? Because your frequency of need dictates how you use marketing to be known before you're needed. If your product or service is purchased daily or weekly, odds are that competitor advertising saturates the market and consumers have a degree of loyalty and know what they like/don't like. To grow, you have to change minds (buying preferences) and become known as a better option. It's difficult work, requiring significant advertising and often a significant incentive to give your business a try.

For most businesses, potential customers have much less frequent need occurrences. Winning their patronage doesn't require a constant battle to change behavior. It requires a constant effort to be remembered. If the purchase/need cycle is seasonal, or spans more than a five or six months, this is often long enough for consumers to forget about all but the most-often used providers or important details about these providers' businesses.

For some businesses, where need occurs on an annual or semi-annual basis, this problem is even more pronounced. And if the business serves a need that doesn't really exist until a triggering event occurs (many health care and legal specializations fit this model) potential customers rarely have a good understanding of where they should turn when that need occurs.

For businesses where need occurrence is not frequent, being known before you are needed among a broad group of potential customers can be a huge competitive advantage.

Why Firms Use Mass-Market Advertising

The marketing challenge that makes advertising important, if not a requirement, is that in most circumstances, we know that need exists everyday and would like to make these consumers aware of us. Unfortunately, we don't know exactly who these people are or where they can be found. Our best alternative is to make a relatively large number of consumers know about us, so they turn to us when they are in need.

Let's look at an example; in this case, the oil change/quick lube business, which has a relatively constant and predictable need. These businesses have a need cycle of 4 months (on average). This means that need occurs about three times per year, so that in any given month, about 1/4 of the market will need this service and, on any given weekend (where the bulk of this buying takes place), about 1/16th of the market needs the service (about 6%).

These are just approximations, but we know that there's a regular market of some size any given time. The problem is we don't know much about who these needy customers are or where we can reach them. This creates a challenge that quick lube companies deal with every day.

If a quick lube business does something like coupons or direct mail marketing, where the shelf life of the marketing is very short, they have a 6% chance of just finding people with active need. You must then factor in the .5%-2% 'open' or 'redemption' rates of these media and factor in that some of these in-need consumers already have a regular destination or brand loyalty for oil changes (often about 25%-40% of the market). The potential to bring in a new customer is now reduced to hundredths of a percent. The Quick Lube would have to send (at a significant cost) over 1000 offers to customers just to get one new trial customer.

> Businesses don't know exactly who will need them or when they'll need, but by ***advertising their brands, they can make sure that consumers know where to turn when they are in need.***

Becoming Known

The eye-opener here is that all of this low-odds marketing doesn't do anything to make or keep the lube service known. First of all, the low open rates mean that a 5,000-home mailing is only really reaching 25-100 potential consumers. But the bigger issue that this is a 'low-frequency' campaign: any marketing that is only exposed to a consumer once in a week, a month, or a year, does not establish itself in the consumer's memory – what we call their 'mindshare'. Advertising research tells us that mindshare requires about three exposures per week over a month or so to build meaningful awareness and take full advantage of the 'known before needed' effect.

The 'known before needed' effect is based on a large body of advertising research and says that, for most business types, about 80% of consumers know of a good option at the time of need. They start their purchasing process by turning to the known company(s). Alternatively, if you're not a business that comes to mind, your odds *start* at 4:1 against your being a considered for purchase. Of course, your odds of actually getting this business are much smaller, because if you're not known, you have to be found in a marketplace full of other viable competitors.

Consider this one more time: If you are known to satisfy a particular need, there's an 80% probability that you'll have a chance at winning the business. You'll never get all 80% due to existing loyalties, but this is much better than if you are unknown, where you have a very slim chance, if any, of winning the customer when need occurs. Being known is critical!

Staying Known – A Case Study

The payoff for being known: ***About 80% of consumers in most categories turn to a company that they are familiar with prior to need occurring.***

To understand the process of becoming known, and then staying known, let's look at a real case from the same quick lube/oil change business we discussed earlier. If you recall, about 6% of the market needs lube service each weekend. LubeCo couldn't predict exactly who would need their service and market to those consumers directly, which is why they'd given up on direct mail and coupon distribution. They needed to reach a much larger percentage of their potential market to become known among many of those 6% who bought each week. LubeCo decided to advertise with their local Cumulus radio group, whose stations reached about 40% of the total consumer population (the largest local media reach in their market).

Since they were just starting to advertise, LubeCo didn't win much new business at first. As with all brands, it took some time for their advertising to be heard with enough frequency (repetition) to establish mind-share.

After about a month, LubeCo started to generate much higher traffic. By week six, they had more business during peak times than they could even serve. The same happened the next weekend. To the owner, things were great!

At this point, LubeCo's owner thought, "I've built mindshare. I'm getting more business than I can even serve. It's probably time to take a break from advertising." The next Monday, the owner called his Cumulus rep and, despite the rep's warnings, canceled his ad campaign. Now LubeCo had more customers, less marketing expense, and higher overall profits. Things were really great!

The following weekend, something clearly changed. Traffic was higher than average, but nowhere near where it had been the prior weeks. The following weekend, traffic declined more. Four weeks after cancelling, traffic was exactly where it was before LubeCo started advertising. Somewhat embarrassed, LubeCo's owner called his radio rep the following Monday to resume his advertising schedule.

The weekend after advertising had resumed, nothing much changed. In fact, LubeCo experienced about three weeks of normal traffic after restarting their ad campaign. Then, on the fourth weekend, they experienced a spike in traffic. The following week, even more traffic. Things were great again.

What happened to LubeCo happens to businesses across the country every week. It illustrates what it takes to get known, as well as the second challenge of brand-building, which is staying known.

> The lesson from LubeCo? ***It's far more profitable to invest once to get known, and then invest a little more to stay known, than it is to start, stop, and start advertising over and over.***

LubeCo went through the very normal (but somewhat nerve-wracking) process of building mindshare during their first month of advertising. But with 40% of their market becoming familiar with their brand, whether the consumers needed oil changes that week or not, LubeCo was building strong mind share. With each succeeding weekend, more of the market built increasing familiarity with their business and became more likely to LubeCo for their oil change needs.

When LubeCo decided to stop advertising, they learned how fragile this valuable mindshare really was. Once the repetition of their ads ended, the awareness that they'd invested months to build quickly started to erode. Within four weeks of stopping, their newly created mindshare had all but vanished. Again, this is somewhat typical for a business like Quick Lube where a number of other competitors are usually advertising, offering discounts, and using their location advantages to win customers. When LubeCo resumed advertising, they had to rebuild their mindshare from scratch. Though they did this successfully, they did it for a much higher cost than was needed.

Had LubeCo chosen to stick with their advertising plan, they would have continued to grow and certainly could have avoided the cost of rebuilding their mindshare. Over time, they could probably have decreased the frequency of their campaign a bit (though generally not a good idea in the first year of advertising) to attain a level of traffic that matched their capacity. But instead of cutting back again, LubeCo invested (with confidence) to handle higher volume. First, they offered coupons to new customers to return at off-peak hours for a discount. Later, they expanded their service bays and hired more technicians to handle the capacity. They eventually established a "VIP" priority service for regular customers to receive no-wait service at select times of the day. Through these changes, LubeCo's revenues and profits more than doubled over three years.

Conclusions

This should raise an obvious question: do you need to market continuously to become a 'known' company? The answer is yes. If you want to grow your business, you have to invest to maintain your 'known' stature. Over time, 'known' will turn into 'well-known'. Eventually, it may turn to 'loved,' which is the type of mindshare that every brand covets. But even with strong awareness and brand loyalty, the experienced marketers continue to invest in their awareness. Some leverage awareness to launch related products or services, while others use advertising just to fight the natural customer turnover that every business faces.

Are you going to become known or are you going to wait to be found?

The challenge that most businesses face, when it comes to maintaining their awareness, is affordability. This is where radio can help. Radio ads, which reach more consumers than almost any other media, are also the most affordable local media. In fact, the cost of building awareness and advertising year round is just a fraction of other local options. Your local Cumulus Radio office can help you understand this in more detail, or you can return to www.cumulusradio.com and download articles from How Do Other Media Stack Up? or The Four Practices Of Exceptional Marketers which explains the cost/benefit issues in greater detail.

The payoff of being known is significant. The cost of maintaining awareness is covered many times over by the growth the awareness creates. When 80% of the market uses a brand that's top-of-mind, and your awareness positions you solidly in a large number of consumer minds, you have a very strong competitive advantage that is worth maintaining. For the businesses that don't invest in being known – the ones that 'wait to be found' – success, and even survival, is far less certain.

Now, are you going to be known or are you going to wait to be found?

For more information on the value of being known, please visit www.cumulusradio.com or contact your local Cumulus Media office.