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Brand Trumps Price in Consumers' Purchasing Decisions

by Nancy Pekala

With consumers tightening their belts during this last Great Recession, the assumption is that price always trumps brand strength. But are consumers truly buying on price alone?

In its Global "Value D" report, a ranking of the top global brands based on how consumers perceive the value of the brand (measured by desire) combined with its price, or value to the consumer, Millward Brown found that only 7 percent of consumers truly buy on price. Eighty-one percent of consumers consider 'brand' an important reason to purchase.

The report, "Value-D: Balancing Desire and Price for Brand Success," found that Amazon.com led the Value-D ranking both globally and in the U.S.



"The Value-D report clearly indicates that despite an economic environment that has bred a cautious consumer, price alone is not enough to attract shoppers--brand strength is just as important as ever," said Eileen Campbell, Global CEO of Millward Brown. "Value-D is a great indicator of which brands can realize a 'justifiable premium,' and it's clear that Amazon is doing a great job of balancing its brand perception with its pricing strategy."

"Too many brands fail to fully optimize their power and instead overemphasize Price and downplay Desire. The consumer usually desires a brand first and then considers the price to determine whether to purchase or not. Amazon.com has mastered the art of being a trusted brand that consumers want to buy from. Its pricing is perceived to be great value, but it is its brand power that attracts customers in the first place," noted Peter Walshe, Global BrandZ Director, Millward Brown.

Global Top 10 Value-D Brands

Brand	Country of Origin	Value-D score*	Brand Type
1. Amazon	U.S.	146	Great Value
1. Colgate	U.S.	133	Great Value
1. Nokia	Finland	128	Great Value
1. Pampers	U.S.	126	Justified Premium
1. Visa	U.S.	125	Great Value
6. Coca-Cola	U.S.	125	Justified Premium
7. Microsoft	U.S.	125	Justified Premium
8. McDonald's	U.S.	124	Great Value
9. Nescafé	Switzerland	120	Great Value
10. Lidl	Germany	118	Great Value

Source: Millward Brown

*The Value-D Score is an index based on consumers' desire for a brand minus the perception of a brand's price (taken from rating it "expensive," "cheap," or "about right"). A score that exceeds 100 is considered positive, as it indicates a balance towards desirability which overcomes a high price or adds value to a low price.

Brand Types

The Top 10 Global Value-D Brands are dominated by those that are categorized as "Great Value" and "Justified Premium." "Great Value" brands combine high desirability scores with price scores that indicate consumers feel the brand is priced less expensively or reasonably. Brands categorized as "Justified Premium" are so desirable that consumers are willing to pay more for them.

In some price-sensitive categories like fast food some brands that generate strong desire and are priced higher are seen as "Great Value." Subway is a great example of this. Any score over 100 is considered to be strong, as it indicates the brand has a favorable value 'gap' that can sustain value or even demand a greater price premium to lift profitability.

"In the current economic climate many brands worry about their prices being perceived as too high, leading to lost business. Others are concerned that prices are too low, leading to profit loss. What is needed is a balance between consumers' desire for a brand and the price they are prepared to pay for it," said Walshe.

Top 10 Value-D Brands in the U.S.

Brand	Value-D score*	Brand Type
1. Amazon.com	157	Great Value
2. Crest	136	Great Value
3. Coca-Cola	134	Great Value
4. Folgers	133	Justified Premium
5. Bud Light	133	Great Value
6. Walmart	132	Justified Premium
7. Microsoft	131	Justified Premium
8. Colgate	130	Great Value
9. Dell	130	Great Value
10. HP	129	Great Value

Source: Millward Brown

Emerging in the U.S. Top Value-D brands list was Crest, edging out Colgate, which ranked 8th in the U.S., as the top Value-D toothpaste brand in the U.S.; Folgers, the U.S. coffee brand that replaced Nescafe from the global list; Bud Light; Wal-Mart; Dell and HP. Interestingly, McDonald's, which ranked 8th among the top Global Value-D brands, did not appear within the Top 10 Value-D U.S. brands.

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