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BREAKAWAY BRANDS

How ten companies, making products from drills to waffles, took good brands and made them much, much better. **BY AL EHRBAR**

What do Gerber, Google, and Eggo have in common? They're all selling familiarity, trust, and quality—those intangible traits summed up by the word "brand." Right now that word is more important than ever before, because competitors are more instantly reactive and consumers more sophisticated than ever before. The Model T Ford was in production for 18 long years with little change; Sony's Cyber-shot digital cameras go out of production while the packaging is still crisp. And once upon a time shoppers pretty much believed the hype; these days Internet-powered bargain hunters are armed with accurate pricing and product information—and brutal in their search for value.

In this cutthroat marketplace, which brands have been most successful? To find out, FORTUNE turned to Landor Associates, a brand and design consultant in San Francisco. Landor mined a huge database of brand perceptions called the BrandAsset Valuator, or BAV, to identify ten products that scored the largest increases in brand strength from 2001 to 2004. (Landor is part of WPP Group's Young & Rubicam division, which owns the BAV.) Landor's partner, the New York consultancy BrandEconomics, then calculated the pop in economic value each of these breakaway brands gave their parent companies.

Here's how it works. First, Landor and BrandEconomics asked consumers—9,000 of them—what they thought of 2,500 U.S. brands. Then they looked at brand strength. This is a combination of two properties: differentiation and relevance. Differentiation is the degree to which a brand stands out. Relevance is the degree to which consumers believe a brand meets their needs. That all sounds rather obvious, but what's surprising is that the two factors don't necessarily go together. Rolls-Royce has stellar differentiation but hardly any relevance, since few people can pay $300,000 for four wheels. Kleenex is highly relevant but undifferentiated: Most tissues feel alike. The brands that do best are those that deliver on both counts.

In addition, the BAV measures a brand's stature, which can also be broken down into two components—esteem and knowledge. Esteem is how well regarded the brand is, while knowledge refers to whether the consumer understands it. And once again, those two qualities don't operate in lockstep. A high-esteem, low-knowledge profile may be a sign of a brand on the rise—the consumer's curiosity is piqued. A high-knowledge, low-esteem profile, on the other hand, is the consumer's way of dissing a brand: We know it, and it's nothing special (think Dodge or Coor's Lite).

Weakening brands tend to depend more on coupons and discounts; muscular ones can command a premium. How much does that matter? A lot. The intangible value of a company is its market value minus its tangible capital (i.e., property, plant, equipment, and net working capital). A BrandEconomics analysis found that companies with strong, well-regarded brands had an intangible value of 250% of annual sales; companies with listless brands had one of only 70%.

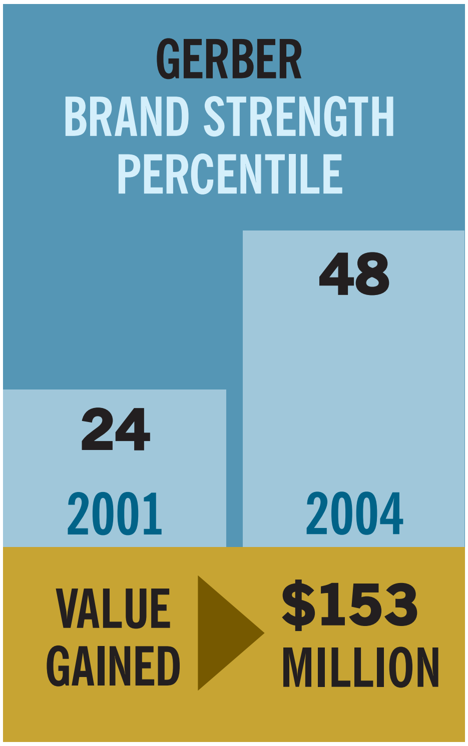
In important ways, though, the value of a brand is incalculable. A rising brand secures more customer loyalty, higher margins, greater pricing flexibility, and new opportunities for growth. And brands on the way up, BrandEconomics research shows, ride through economic downturns with less trauma. "The combination of faster growth with less risk," says Hayes Roth, vice president for global marketing at Landor, "is business nirvana." Here's a look at ten brands that are pretty close to paradise right now.

GERBER

LESSON: EXPLOIT YOUR EXPERTISE.

Just about everyone born in America is a Gerber baby. The tot-targeted leviathan owns 80% of the $890 million baby-food market. The brand has been so strong for so long that it seemed there was little the company could do to tweak it. But it did, primarily by focusing on a strong nutritional message and by establishing itself as a pediatric nutrition and feeding authority.

In 2000, Gerber analyzed the results of an eight-year study it had commissioned on kids and food. “We saw that early eating habits are really important in affecting later health,” says Kurt Schmidt, president and CEO of Gerber Products Co. (the company that became Novartis acquired Gerber in 1994). “That brought out our drive to be an innovator in nutrition.”



So in 2002, Gerber launched an intensive two-year study of baby and toddler eating habits. The results were shocking. “We found that as early as 15 months, French fries were the most commonly consumed vegetable,” says Dr. Kathleen Reidy, the company’s director of nutrition science and regulatory affairs. Gerber swung into action. It teamed with the American Dietetic Association to establish an advisory panel of pediatric nutrition experts who set new feeding guidelines for tots. It changed its advertising and direct-mail educational materials to parents to include the number of servings of fruits and vegetables each item contains. And it launched a new range of nutritious products.

Then Gerber boosted its marketing budget to promote its “Start Healthy, Stay Healthy” nutrition program. Since 2000 the company has quintupled the amount of health information on its website and has registered half a million parents for its regular newsletters, which discuss everything from breastfeeding to patience in introducing babies to new foods.

It has also allied itself more closely with pediatricians. Gerber-branded brochures on healthy eating and common baby problems are sent to waiting rooms around the country. “They give useful advice on things other than just food—on how to keep children healthy,” says Dr. Susan Roberts, a professor of nutrition at Tufts University. “So you feel like Gerber is for one-stop shopping.” —*Julia Boorstin*