

January 2009

The Brand Scorecard

Successfully managing the customer experience is the ultimate goal

By Lawrence A. Crosby and Brian S. Lunde



In their pioneering HBR articles and book *The Balanced Scorecard: Translating Strategy Into Action* (Harvard Business School Press, 1996), Robert Kaplan and David Norton introduced a framework for a strategic measurement and management system. The scorecard "balances" short- and long-term objectives, financial and nonfinancial measures, lagging and leading indicators, and external and internal performance perspectives. The balanced scorecard serves to communicate and align the organization around the business strategy. Companies

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around the world have adopted some version of the balanced scorecard as a means of organizing their corporate KPIs (key performance indicators).

One of the more recent developments in performance measurement / management is the concept of the "brand scorecard" — which is narrower in scope than the balanced scorecard. The brand scorecard views performance through a customer-focused "brand lens." Highly appropriate for companies that are managing multiple brands, it also applies to single brand companies. Its premise is that favorable business outcomes accrue to companies whose brands have strong demand pull. This scorecard aligns business functions around creating an exceptional (i.e. differentiated and relevant) "branded experience" across the entire landscape of customer touchpoints to drive higher levels of brand attraction and loyalty. In effect, the brand scorecard integrates performance, brand, and customer experience management.

Whirlpool Corporation, a leading manufacturer of appliances, has rolled out a version of the brand scorecard concept to all of its appliance brands around the world. Whirlpool heralds this as a major step forward in its strategy of brand-focused value creation.

A brand scorecard should be expressed on one page. This creates organizational focus around a limited set of strategic goals, key indicators, and the drivers of brand success with the most impact. In most companies, the scorecard will be deployed via a secure portal using a dashboard-- and it may even feature real-time data streams.

The scorecard represents a layered causal model of performance metrics from Level 4 up to Level 1 (see the graphic). Lower level measures tend to be leading indicators of change, while those at the upper end tend to be lagging indicators.

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Brand Promise Statement

The brand promise statement serves as the unifying strategic principle that holds the brand scorecard together. The brand promise is a succinct expression of how customers can expect to experience the brand across all touchpoints.

Marketplace and Financial Outcomes

If the brand promise is compelling and consistently reinforced and delivered, results will be reflected in measures of key marketplace and financial outcomes. Commonly sought-after brand outcomes include: distribution coverage; size of the customer base; market share; price premium; total revenue; gross profit; operating income and so on.

For each of these outcome metrics (and all others in the brand scorecard), there should be at least four pieces of performance data: previous period actual, current period target, current period projected, and next period forecast (the definition of "period" will vary by company).

Demand Pull

Positive business outcomes are best assured when there is a strong customer franchise for the brand. "Push" strategies can be effective, but (in the long run) it is much easier to secure favorable distribution, maintain margins, and protect / grow share when the ultimate buyers want your brand, seek it out, and accept no substitutes. For manufacturers, demand pull is necessary to preserve a "balance of power" in channels of distribution.

Key indicators of demand pull are customer attraction and customer loyalty. Attraction has traditionally been assessed using so-called "brand health trackers," which gauge the percentage of the market evidencing brand awareness, consideration, preference, and choice (and the conversion

rates across adjacent categories). But the validity of this hierarchy has been challenged, and more companies are relying on scaled and / or relative measures of brand attraction such as attitudinal equity. Non-survey measures of customer attraction could include traffic counts and trial rates, for example.

On the loyalty side of the equation (where loyalty implies the strength of the bond with existing customers), survey metrics also abound. And each has its corporate adherents. The three most popular appear to be a customer satisfaction index, a customer loyalty index or a Net Promoter Score. Generally, these measures gauge behavioral intentions such as the customer's willingness to continue buying, expand the relationship, and advocate for the brand. Non-survey measures of loyalty might include actual buying history, retention / defection rates, share of wallet, and number of referrals.

Touchpoint Improvement Priorities

The next layer of metrics in the brand scorecard concerns touchpoint improvement priorities. Common touchpoints include such things as: advertising, Web site, point of purchase, salesperson, product / core service, order and delivery, billing, customer service / call center, repair, and sponsorships. While there is no agreement on the number of priorities a brand should have, three to five is a rule of thumb-- so that effort and investment are not too diffused to compromise effectiveness.

Consistent with the outside-in view of the scorecard, the best source of touchpoint priorities is the customer. Using various "listening posts" (e.g., focus groups, surveys, complaints, blogs, database mining, and observation) and often adding sophisticated statistical analysis, the objective is to identify weak performing touchpoints that are critical to customer attraction / loyalty. For each of the priorities "matched," performance metrics are identified that reflect the external customer perspective and the internal process perspective. Touchpoint improvement is gauged by

changes in performance scores over time.

Appropriate internal metrics for assessing touchpoint performance are those having a causal influence on the external metrics. This requires that the brand does its homework to test the linkage between external and internal metrics-- first on a cross-sectional basis, and then longitudinally.

Improvement Initiative Pipeline

The bottom layer of the brand scorecard deals with the improvement initiative pipeline. The objective is to put metrics around the level of effort and steps being taken to improve priority touchpoints. There's no such thing as a "silver bullet" that will cement customer relationships once and for all. Competitor actions and rising customer expectations require companies to continuously innovate. They need to constantly fill the pipeline with new ideas to create the exceptional customer experience.

There are several options for initiative pipeline metrics. One is to report the top projects, their funding levels over time, and expected impacts on the touchpoint priorities. Another is to express the total funds allocated to customer experience projects as a percent of selling, general, and administrative expense. A goal would be to increase that ratio over time, as an indicator of relative investment in customer experience management. Yet another option is to report the number of initiatives in the pipeline, at various stages of development. In this case, the goal is to keep the pipeline full.

Delivering the Promise

The creation of a brand scorecard is just the tangible manifestation of a more complex customer experience management process. The power of the concept is the transparent manner in which it integrates activities around a brand promise, helping to ensure the consistent delivery

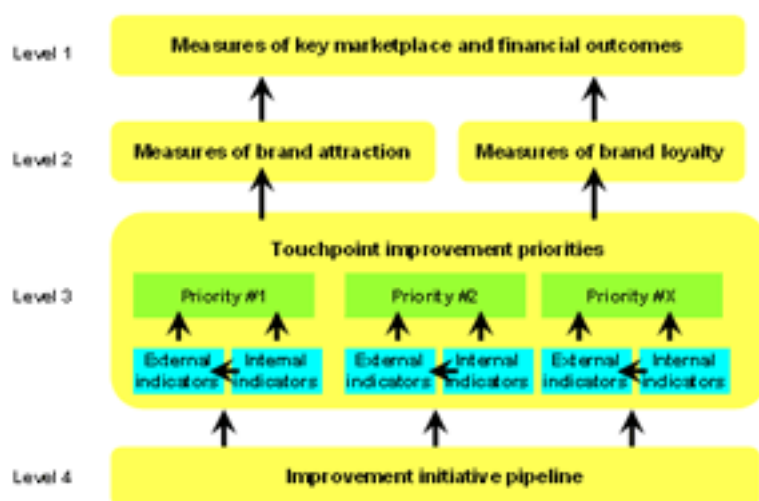
of a differentiated and relevant customer experience.

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Form of a Brand Scorecard



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