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“What’s the Value of the Brand Story I Just Bought?”

Measuring the ROI of Brand-Building Investment

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Introduction

Like all brand strategists, we labor to express the value of our work in quantifiable terms. This challenge has nothing to do with the actual value, often game-changing, that we deliver, but with the complexity of arriving at a metric—a metric that is causal and not co-incident, and that succinctly summarizes the value of what we've delivered in dollars and cents.

Yes, formulas have existed for some time that show the value of brands at a macro level (as in "Apple is the world's most valuable brand"). And certainly, that kind of value is worth the investment, wisely made, over the course of years. But that's not the kind of value we're talking about, or the kind of value our clients are mostly interested in knowing about. They want to know a version of: "What is the delta our brand has delivered, given the way we've activated it, in service of this or that strategic objective?"

We've set out to arrive at a way of answering this question definitively. In this white paper, we present a pro forma financial model that quantifies the monetary and time-saving value of brand strategy as it aligns with broader strategic goals. This model takes both tangible and intangible benefits into account. Spoiler alert: the value can be striking.

After laying out this model for brand strategy generally, we then consider the various ways that a story-based approach to brand-building can enhance it. As it turns out, the enhancements can be compelling.

In closing, we will lay out a plan for how we are planning to use this model, how you can begin to use it, and how we envision developing it further for digital and AI-based applications.

Note: You are reading a “light”, partial work-in-progress version of this white paper, which we are working to complete in full over the next 24 hours. If you would like to receive a copy of the full version as soon as it is ready, please contact us at https://appliedstorytelling.com/contact/.

What Factors into the Formula?

Before we turn to the specific benefits of a story-based approach to brand strategy, let's consider brand strategy in general. Our pro-forma formula assumes that a brand strategy delivers value in multiple ways, including: (1) revenue impact, (2) cost efficiencies, (3) time-to-market acceleration, (4) employee productivity gains, (5) customer retention and LTV (Lifetime Value), and (6) risk mitigation. In principle, all of these can be estimated or measured outright (although, yes, some are easier to factor than others).

Before turning to the formulas themselves, let's summarize the kinds of measurable results we might look for:

	Benefit
Revenue Impact	Revenue Growth: Incremental gains from enhanced brand equity and market positioning.
Cost Efficiencies	Cost Savings: Lower operational and marketing expenses due to greater efficiency.
Time-to-Market Accleration	Faster Execution: Shortened timelines for product launches or initiatives.
Employee Productivity Gains	Lower Employee Burnout: Reduced friction in decision-making and alignment, boosting morale and productivity.
Customer Retention & LTV	Sustained Value Creation: Increased customer loyalty and advocacy lead to long-term profitability.
Risk Mitigation	Enhanced Resilience: Stronger brand reputation mitigates risks and reduces long-term costs.

Expressing these objectives, the overall formula is the sum of the following:

	Formula
Revenue Impact	Projected Revenue = (Base Revenue + Revenue Growth Due to Brand Strategy) × Premium Pricing Factor
Cost Efficiencies	Cost Savings = (Marketing Efficiency Gain + Operational Efficiencies) – Brand Investment
Time-to-Market Accleration	Time Savings Value = (Revenue Gained from Faster Launches + Cost Avoidance from Delays)
Employee Productivity Gains	Productivity Savings = (Hours Saved Per Employee × Average Hourly Rate) × Number of Employees
Customer Retention & LTV	LTV Impact = (Increase in Retention Rate × Customer LTV)–Churn Reduction Costs
Risk Mitigation	Risk Mitigation Savings = (Average Crisis Cost Without Strategy–Average Crisis Cost With Strategy)

So, the net value of a brand strategy equals: Revenue Impact + Cost Efficiencies + Time Savings Value + Risk Mitigation Savings – Investment in Brand Strategy.

A pro forma example. So what might the total pro forma benefit look like for a company doing, say, $50 million in annual revenue?

	Value ($M)
Revenue Growth	5.0
Premium Pricing Impact	0.25
Marketing Efficiency Gains	10.0
Operational Efficiency Savings	1.0
Time-to-Market Value	0.5
Employee Productivity Savings	0.75
LTV Increase	0.025
Risk Mitigation Savings	0.2
Total Benefits	**17.725**
Investment in Brand Strategy	2.0
Net Gain from Brand Strategy	**15.725**

The net gains shown here are assumed to be realized incrementally over a 3-5 year period, as is the brand strategy spend. Of course, specific gains would likely occur within different time windows over the period in question. In terms of total benefit at the end of this period, however, the hypothetical company that invested in this brand strategy realizes an estimated ROI of approximately 786.25%—a highly favorable return.

Looked at another way, assuming a moderate growth scenario with a 5% CAGR over five years that equals $290.1 million in total net revenue earnings, the net benefit of the brand strategy as a percentage of total revenue earnings is 5.42%— a significant contribution.

Incidentally, for a $500 million company—ten times the size of the company discussed here, we would generally assume the total net benefit to scale proportionately. Some factors, such as economies of scale and the existence of a mature business infrastructure, would translate to greater efficiencies. However, other factors, such as entrenched silos and bureaucratic inertia, would translate to countervailing inefficiencies.

Where to From Here?

The pro forma model we've introduced makes a solid case for the value of a brand strategy investment in the most general terms. To understand the model better, and to make it more relevant to clients setting out to achieve specific business objectives, let's look at how the benefits might apply to the specific B2B business scenarios, including: (1) entering a new market, (2) migrating from a consumer to an enterprise offering, (3) driving internal culture and alignment, (4) launching a new product line, (5) rebuilding reputation post-crisis, (6) partnering for co-brand initiatives, and (7) scaling globally.

All of these scenarios can benefit from the application of brand strategy: Applied Storytelling has been engaged to develop brand strategy solutions for all of the scenarios noted above. For a snapshot of additional brand-relevant business scenarios, go to https://appliedstorytelling.com/services/ and scroll down.

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