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How to brand the new value equation

by Denise Lee Yohn * • 15 Jan 2010

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It used to be providing good value to consumers was easy. You offered a good quality product at a fair price and people bought it. It was a simple equation — what you delivered divided by what you charged equaled your value.

Then the recession hit and challenged the commonly accepted value equation. Consumers closed their wallets and opened them only for the lowest priced products.The explosion of dollar stores and private label brands over the past 18 months attested to consumers' singular focus on price and their willingness to accept lower product quality in return.

But now we find ourselves in a recovery period, and it seems consumers' expectations of value are changing once again. Many companies are struggling to understand how to meet these new expectations.

Take Sonic Corp. as an example. The company is looking to get its business back on track by providing value "the Sonic way." In the company's recent earnings call, Sonic chairman-CEO Clifford Hudson explained the approach:

> Thinking about this value equation and the two different ways to affect the value equation from a consumer standpoint is either to improve the experience, so grow the numerator, or reduce the price, thus reducing the denominator — or do both. ... Moving into calendar 2010 our focus will be a good bit more on the numerator.

Sonic plans to move away from price messaging in order to emphasize its products and services that differentiate the brand's dining experience — carhops and made-to-order food — and introduce new products and make service improvements. All are really smart moves. The chain clearly enjoys important brand differentiators, so promoting them now as consumers are re-thinking their brand decisions makes sense.

But approaching brand experience and price promotion as an "either/or" proposition doesn't. Price isn't separate from customer experience – it's actually an integral part of the customer experience. Think about it. The high prices on the menu at New York's Masa restaurant are part of the restaurant's appeal — some people seek out the status of paying top dollar for an extraordinary experience (even during an economic downturn.)

Pricing as brand experience

Closer to home, the 59/79/99¢ value menu that Taco Bell rolled out during the last recession wasn't simply a pricing move — it was a brand experience strategy. That company took its brand differentiators — being an alternative, serving smaller items that people buy multiples of to make the meal of their own choosing, and having a cool and snappy brand personality — and leveraged them in a new kind of value offering.

Because the prices contributed to a distinctive overall brand experience, the chain drove dramatic growth with its pricing approach while imitators weren't as successful.

Today, price once again plays a central role in the brand experience. The post-recession consumer value equation is less about making trade-offs and more about making holistic decisions. Consumers have found that defaulting to the lowest priced product may not be the smartest purchase decision. Instead, they want products and services that offer value that delivers more, is more meaningful, that lasts longer and/or has more integrity.

Low price is still a strong motivator, but it's now one of several criteria a purchase must meet.

So Sonic would do well to think about how the chain can meet consumers' full value expectations by integrating its brand experience and its pricing strategy. Fortunately, Sonic's unique format and distinctive brand positioning as a 1950s style drive-in lends itself well to such innovations.

A few thought-starters:

- **Forego ending prices in "9¢"** — Today's custom of ending prices in 49, 99, or any other -9 for all products, not just for sale items, is commonplace — but it wasn't always so. Perhaps Sonic should get back to offering their regular items for even amounts (i.e., ending in -0) and reserve the 9¢ designator for sales and special promotions. This would allow the chain to draw attention to price in a distinctive, memorable way while eschewing direct competitive comparisons.
- **Value menu of 1950s products at 1950s prices** — Instead of offering a run-of-the-mill value menu, Sonic might switch to one that features basic burgers and other 1950s fare at prices similar to those of that era. Such an approach would reinforce the brand identity — and by keeping the menu selection very limited, the low prices might be sustainable.
- **Family offerings** — Ever since their introduction, drive-ins have been ideal for serving families and groups. So why not offer multiple meals at special pricing? Sonic recently ran a "Two of Everything" promotion which offered 2 burgers, 2 sides, and 2 drinks for $7.99. Specials like this make the price part of the unique Sonic experience.

The current market presents a great opportunity for all brands to re-define value for consumers. Focusing on either price promotion or brand experience reinforces a trade-off that doesn't speak to consumers' new value sensibilities. But by linking price to key brand differentiators, Sonic and others can present a value equation that makes saving money part of a remarkable brand experience.

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