



Strong brands: Ticket to strong performance

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Steef Bergakker, Trend Analyst
Jack Neele, Portfolio Manager

Robeco Global Consumer Trends Equities

Contents	Intro	3
	Executive Summary	5
	How we make decisions	9
	Effective branding	13
	What makes a strong brand?	17
	Strong brands have been strong performers	21
	Strong brands likely to continue to perform well	24

Intro |

- A strong brand counts as one of the most durable competitive advantages that a company can build. Once a brand name becomes embedded in consumers' subconscious minds, where the vast majority of purchasing decisions are made, it becomes extremely difficult to dislodge. Long lasting competitive advantage, crystallized in enduring pricing power, usually follows. Companies with strong brands have historically outperformed the broader equity market. Chances are that strong brands will continue to outperform in the future.

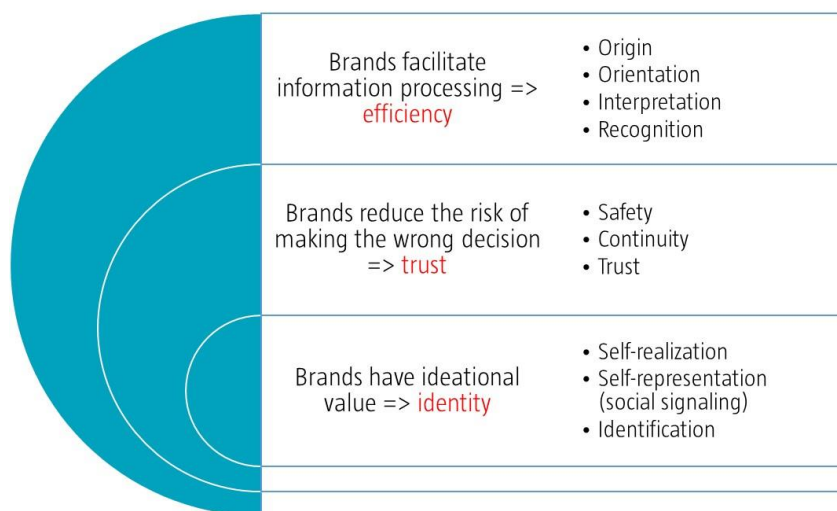


Executive
Summary

In a world of exploding product choice, growing information overload and constant clamoring for attention, consumers increasingly need to cut through the noise to make informed purchasing decisions. Brands can help. They facilitate information processing and reduce the risk of making the wrong decision.

Brands frame our purchasing decisions | Functionally, brands serve three main purposes: 1) facilitating information processing, 2) reducing the risk of making the wrong decision, 3) social signaling.

Figure 1 | The three basic functions of a brand



Source: 'Power Brands'; Perrey, Freund & Spillecke; Wiley 2015

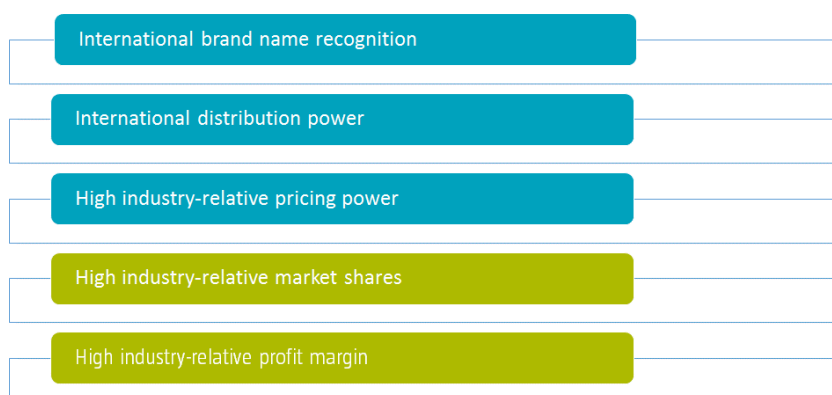
Easy mental and physical availability are the hallmarks of effective branding | People generally do not make purchasing decisions based deliberately and solely on the functional attributes of a brand. Research has revealed that most people in most buying situations make purchase decisions intuitively; that is, they rely on their mental auto-pilot to make quick, effortless and associative decisions that require very little energy. Brands can become part of people's mental auto-pilot if they succeed in becoming embedded in memory structures that are triggered to fire in certain situations. Consequently, in order to be effective brands need to be recalled easily and effortlessly in buying situations. They need to trigger the right mental cues at the right time in the right place. Only then do they stand a chance of being part of the typically small set of product alternatives that is being considered during the buying process.

Being able to easily push the right mental buttons at the right time is not sufficient, however, to achieve success. In addition to the ability to successfully prime consumers' minds, brands must also be easy to buy in a physical sense. That requires presence, relevance and prominence. Easy mental and physical availability are the key attributes of effective brands.

Premium pricing is what makes an effective brand strong | Being effective is one thing, but what makes a brand so special that it can justifiably be called ‘strong’? In addition to easy mental and physical availability, the ability to charge a price premium for essentially the same product in terms of relative functional performance distinguishes strong brands from brands that are merely effective. This pricing premium roughly corresponds to the extra economic value that strong brands generate for their owners.

Characteristics of strong brand companies | The combination of excellent mindshare, shelf share and pricing power is the main prerequisite for becoming a strong brand company, in our opinion. In addition, we would argue, the addressable market needs to be large for a strong brand to amount to significant economic value. Therefore, in line with for instance Interbrand, we require companies to be internationally active to a significant degree in order to be included in an investable universe of strong brand companies. Finally, these features should be reflected in high industry-relative market shares and profit margins.

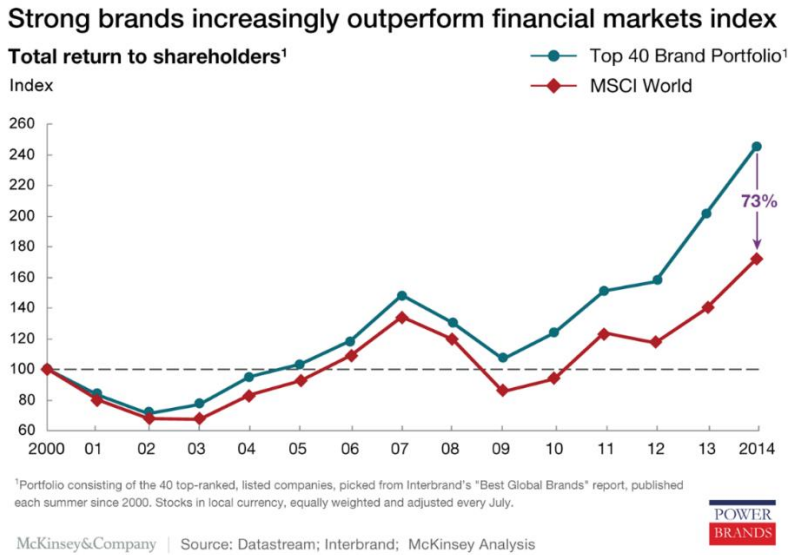
Figure 2 | Characteristics of strong brand companies



Source: Robeco Trends Investing

Strong brands have historically outperformed the broader equity market | In the past investors have rewarded the superior earnings power of strong brands with superior stock returns. Several studies based on Interbrand’s well-known annual list of the world’s 100 most valuable brands have found that investing in strong brands would have outperformed the broader equity markets.

Figure 3 | Strong brands have outperformed historically



Source: Interbrand, McKinsey Analysis

Continued outperformance likely | Will strong brands continue to outperform in the future?

We think chances are they will. Once a brand becomes embedded in a person's subconscious mind and memory structures have formed around it over time, it becomes very difficult to change, let alone erase, those memory structures. That is why we can still remember many of the advertising slogans of our youth. Mindshare is long-lasting and extremely powerful. It is also why brands are the source of some of the most durable competitive advantages that companies can build. Investors tend to systematically underestimate the longevity of this competitive advantage, in our view. In addition, we feel that investors generally underestimate the strategic options, such as line and brand extensions, that flow from having a successful brand. In our view, these two sources of underappreciation should ensure the continued outperformance of strong brands in the future.

How we
make
decisions

Consumer buying behavior does not conform to the postulates of rational economic decision making. We seldom make our choices based on a careful consideration of all the pros and cons when buying a product. Instead, in the vast majority of cases, our intuition decides. Brands frame our intuition.

Consumers screen out most choices and satisfice rather than optimize | Suppose you want to buy some washing powder. You go to the store and find yourself standing before an immense rack of shelves displaying a bewildering variety of washing powders and fluids. How will you make your choice? Will you examine each brand, carefully weigh the pros and cons of the different product specifications while mentally adjusting for the different prices and, finally, choose the combination of product performance and price that maximizes your utility function?

Classical economic theory says you do. Most people, however, will only consider a small subset of the total set of product choices. That is, we screen out a large part of the information that is available to us. Also, in contrast to what classical economic theory presumes, we are generally not looking for the optimal product choice, but will settle for a product that is good enough for our purposes. That is, we show ‘satisficing’ rather than optimizing behavior.

Figure 4 | Dealing with overwhelming product variety



Source: Robeco Trends Investing

Thinking fast and slow | Why do we make these ‘suboptimal’ choices; not only when we buy products, but in many situations where we need to make a decision? According to Nobel-prize winner Kahneman¹ our brain uses two systems for processing the signals that we perceive through our senses. The first is our intuition or, as Kahneman prosaically labeled it, System 1. It has a very large capacity to absorb external signals, works extremely fast and

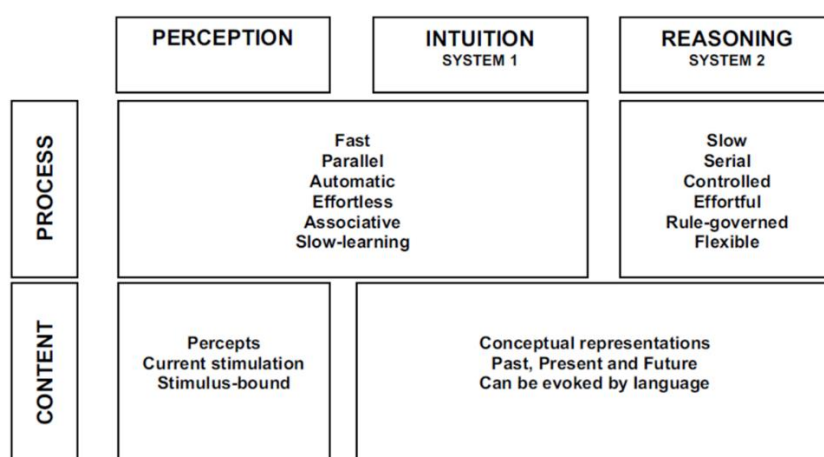
¹ Daniel Kahnemann; ‘Maps of Bounded Rationality: A Perspective on Intuitive Judgement and Choice’; Noble Prize Lecture, December 2002

forms connections in an associative way. System 1 cannot be turned off; it is always 'on'. Those qualities combine to make us experience it as automatic and almost completely effortless.

System 2 embodies our capacity for reasoning, solving problems and theorizing. It is very flexible and, in contrast to System 1, can be controlled; we can and often do shut it off. Flexibility and control come at a price, though. System 2 works very slowly and using it requires a lot of energy.

Using System 1 is very much akin to flying on auto-pilot while using System 2 requires our inner pilot to take control.²

Figure 5 | Thinking fast (System 1) and slow (System 2)



Source: Kahneman (2002)

To illustrate the difference between System 1 and System 2 in terms of information processing speed, it is estimated that System 1 has the ability to process approximately 11 million bits per second while System 2 can only handle about 40-50 bits per second. That makes System 1 roughly 220,000 times more powerful than System 2!

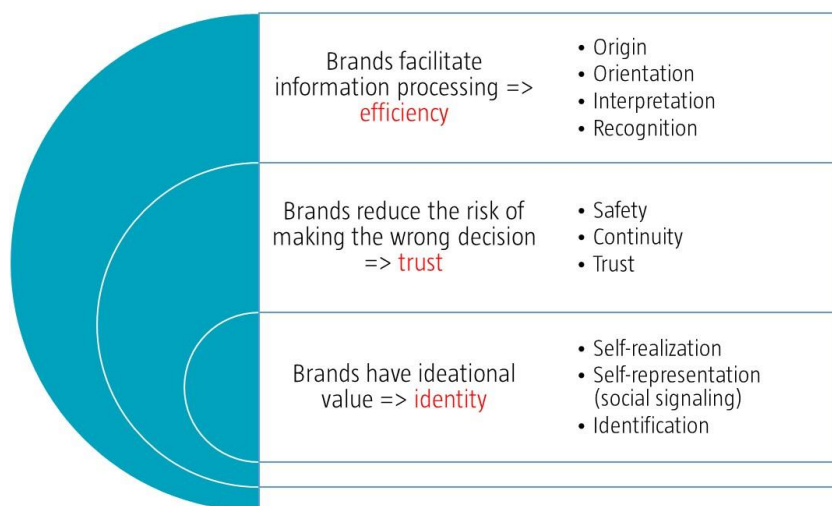
The auto-pilot manages the vast majority of our purchase decisions | Given its vastly superior processing power, System 1 manages the vast majority of our everyday activity. Whenever the outcome of our decisions isn't crucial to our well-being or survival, we tend to rely on our auto-pilot to guide us through the decision process. It simply takes too much time and effort to actively take in and deliberately process all available information with which we are constantly bombarded. Our capacity to make reasoned and well-informed 'rational'

² This metaphor was borrowed from Phil Barden; 'Decoded – The Science Behind Why We Buy'; Wiley, February 2013

choices is bounded. Therefore, in most situations where a decision is required, we rely on mental shortcuts like stereotyping, rules-of-thumb and intuitive snap judgements. In contrast to what many marketers like to believe, the vast majority of our purchasing decisions are made without much conscious effort; our auto-pilot takes charge.

Brands frame our purchasing decisions | Functionally, brands serve three main purposes: 1) facilitating information processing, 2) reducing the risk of making the wrong decision, 3) social signaling.

Figure 6 | The three functions of a brand



Source: 'Power Brands'; Perrey, Freund & Spillecke; Wiley 2015

Our auto-pilot, however, doesn't consciously process these functional attributes of brands. It learns, very slowly, not by understanding causation but by building associations between different sensory stimulations. Over time, specific associations are built into specific memory structures. When the right sensory stimulations occur, these memory structures are activated and provide the background against or context within which we make our decisions. In other words, it frames our decision making without us even being aware of it. Call it intuition, gut feeling or inner inspiration, everybody is susceptible to it. In this way brands can implicitly influence the perceived value of products and product experience.

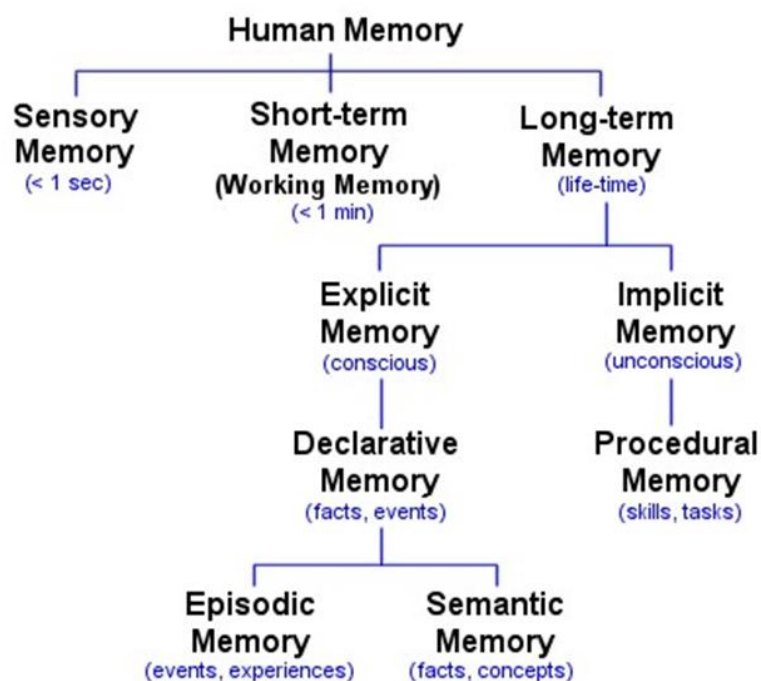
Effective branding | Mental and physical availability of the product that companies are trying to sell are the two key factors that determine whether branding is effective or not.

Big implications for marketing and branding | The implications of the central role of the mental auto-pilot for marketing and branding are huge.³ Brands can become part of people’s mental auto-pilot if they succeed in becoming embedded in memory structures that are triggered to fire in certain situations. Consequently, in order to be effective brands need to be recalled easily and effortlessly in buying situations. They need to trigger the right mental cues at the right time in the right place. Only then do they stand a chance of being part of the typically small set of product alternatives that is being considered during the buying process.

Mental availability or mindshare | Auto-pilot learns slowly and associatively which means that effective branding only works by evoking the right associations at the right time and by building and constantly renewing specific memory structures.

According to one of the most popular models of human memory⁴, one can distinguish the following types of memory:

Figure 7 | Atkinson - Shrifin memory model



Source: www.human-memory.net; Atkinson - Shrifin (1968)

³ This chapter draws heavily from Byron Sharp, Jenni Romaniuk; 'How Brands Grow – Part 2'; Oxford University Press 2016:

⁴ Atkinson R.C., Shiffrin, R.M.; 'Human Memory: A Proposed System and its Control Processes'; Psychology of Learning and Motivation, Volume 2, 1968

Our buying behavior is encoded in and directed by the long-term – implicit – procedural memory tree node at the right side of figure 7. This is the place where learned skills and tasks, like driving a car, playing the violin or making a trip to the super market are stored.

Cued retrieval | Memory retrieval requires revisiting the nerve pathways the brain formed when encoding the memory. The strength of those pathways determines how fast the memory can be recalled. Typically, the retrieval process is helped along and triggered by cues that are associated with the item that is being retrieved. These cues can be sensory (e.g. smells, colors, sounds), semantic (e.g. slogans, concepts) or episodic (e.g. personal experiences, events) in nature. Usually, a memory is made up of a mixture of these three categories of cues.

Category entry points (CEPs) - looking for cues | For building mental availability it is vital for brand managers to:

- Know what cues buyers use in which situation when they think of options to buy
- Build strong, fresh links to these cues

To address the first bullet point marketers employ so-called Category Entry Points (CEPs) to identify cues that come from common experiences that buyers share when confronting a certain situation that could prompt them to consider buying from a certain product category. Sharp and Romaniuk (2016) put it this way: *“CEPs represent the buyer’s thoughts or influences at the start of buying from the [product] category, pre-brand. They can be purchase situations (e.g. at the mall), consumption situations (e.g. for a birthday party), the environment the buyer is in (e.g. at the beach), who else is present (e.g. with the kids), needs (e.g. something refreshing) or core benefits that the [product] category can offer (e.g. filling snack).”* The trick is, of course, to link one’s brand to as many potential buying situations as possible.

The battle against fading memories | Memories fade with the passage of time and other brands compete for memory structures all the time. The longer the time passed since the last encounter with a brand, the larger the chance that memory structures have faded or have been dislodged by competing memory structures and the smaller the chance that the brand will be selected. The challenge for brand managers is to keep the brand salient by preserving memory freshness. This can only be accomplished by constant presence through persistent, innovative yet consistent advertising.

How music can influence our choice of wine

In a classic study by North, Hargreaves, & McKendrick (1997) French and German music was played in a supermarket. Shoppers were not told that the music was French or German, but by using either accordions (French) or an oompah band (German) this nonetheless primed notions of ‘Frenchness’ or ‘Germanness’. Consistent with this priming, French music led to French wine outselling German by five bottles to one, whereas German music led to German wine outselling French by two bottles to one. Music primed certain thoughts and people reacted accordingly. A similar study (Areni & Kim, 1993) played classical music and top 40 music in a wine cellar. The stereotype that people hold concerning classical music meant that it primed thoughts of sophistication and affluence. Consequently, classical music led to customers buying more expensive wine than did top 40 music.

Physical availability or shelf share | Being able to easily push the right mental buttons at the right time is not sufficient, however, to achieve success. In addition to the ability to successfully prime consumers' minds, brands must also be easy to buy in a physical sense. If I get primed to think about a certain brand when shopping for, among many other things, washing powder but find the product to be out of stock, I will simply buy another brand of washing powder from a nearby shelf. I will not go to another store to buy the out-of-stock brand that I thought of first. Physical availability is about making the brand easy to find and buy. That requires presence, relevance and prominence.

- **Presence.** Is the brand present at the places where consumers for the product category are most likely to shop? This involves making decisions about distribution channels (e.g. online, offline, both), locations (e.g. out-of-town hypermarkets, inner city convenience stores, both) and desired coverage (e.g. distribution center density). A thorough understanding of shopping behavior is paramount to getting product presence right.
- **Relevance.** Physical availability is also about creating a product range across a product category's different buying segments to capture as many potential sales opportunities as possible. Product range options include different sizes (e.g. family-size, single-use packs), price-point variety (e.g. gift items versus personal use items) and payment options (e.g. instalment plans, mobile payment optionality). In many cases product relevance boils down to taking away reasons *not* to buy one's product.
- **Prominence.** Easy to buy also means easy to find. To stick out from the competition, a brand needs to be distinctive. Colors, packaging shapes or materials, company logotypes are all elements that can help products stand out from the crowd. Consistency through time is important though. Regular changing of visual cues merely confuses people.

Effective branding thus boils down to managing availability: mental availability to become part of the typically small set of product alternatives that is being considered during the buying process and physical availability to make the product easy to find and buy.

In the next section we take a look at what makes a brand strong in addition to merely effective.

A secret about big brands

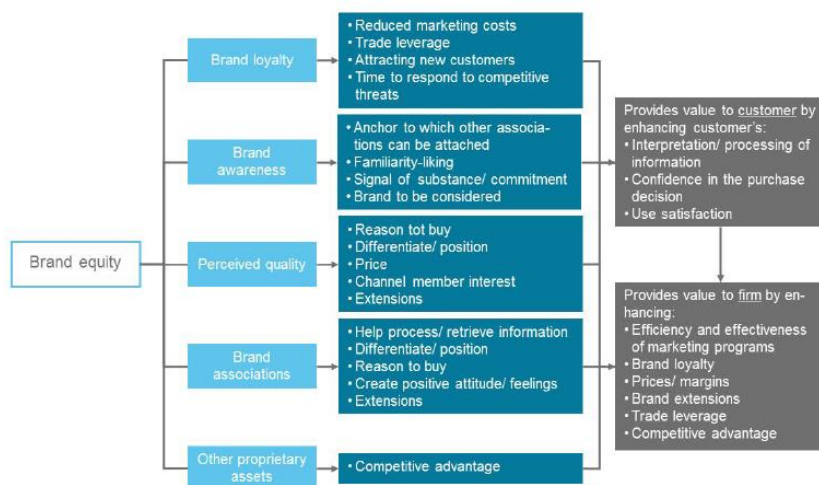
"Large share brands are linked to a broader range of CEPs than smaller brands... Big brands have fresher memory structures for more category buyers across more CEPs - which is the big (mental) difference between big and small brands."

Sharp & Romaniuk (2016)

What makes a strong brand? Pricing power or lack thereof is what distinguishes a strong brand from a run-of-the-mill brand.

Elements of brand equity | Being effective is one thing, but what makes a brand so special that it can justifiably be called ‘strong’? Marketing literature has produced many studies and models of what is commonly called ‘brand equity’; which signifies the commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the functional aspects of the product or service itself. In the seminal work⁵ that launched the concept of brand equity onto a broader audience, David Aaker (1991) developed a model that linked brand equity to five dimensions as shown in the following figure:

Figure 8 | Aaker's brand equity model



Source: Aaker (1991)

Most of the elements that make up brand equity are of an intangible nature. The main channel through which these intangible qualities translate into tangible benefits is product pricing and, as a consequence, company profit margins. The higher the brand equity, the higher the price a company can charge for its products and the higher the profit margin it can realize. Consequently, one would expect to find a positive relation between brand equity and profit margins. In fact, that is what academic studies tend to find. Smith, Gradojevic and Irwin⁶, for instance, find that of various variables considered, gross profit has the largest correlation with brand equity, suggesting that high brand equity leads to pricing power.

Premium pricing is what makes a brand strong | Based on these academic findings and the opinions of valuation experts like Aswath Damodaran⁷ we conclude that the ability to charge a price premium for essentially the same product in terms of relative functional performance

⁵ David Aaker; 'Managing Brand Equity'; The Free Press 1991

⁶ David Smith, Nikola Gradojevic, Sean Irwin; 'An Analysis of Brand Equity Determinants: Gross Profit, Advertising, Research, and Development'; Journal of Business & Economics Research, November 2007

⁷ Damodaran, Aswath, 'Dealing with Intangibles: Valuing Brand Names, Flexibility and Patents'; SSRN paper #1374562, April 2007

distinguishes strong brands from brands that are merely effective. This pricing premium roughly corresponds to the extra economic value that strong brands generate for their owners and should be reflected in relative profitability. Industry characteristics usually limit the discretion that companies have in setting prices. Price ranges in status-sensitive luxury goods tend to be much wider, for example, than in more functionally oriented staples. Pricing power should therefore be judged on an industry-relative basis, in our opinion.

Figure 9 | Examples of premium pricing



Source: Damodaran; Robeco Trends Investing

Popular rankings of strong brands all use relative profitability as a gauge of brand value |

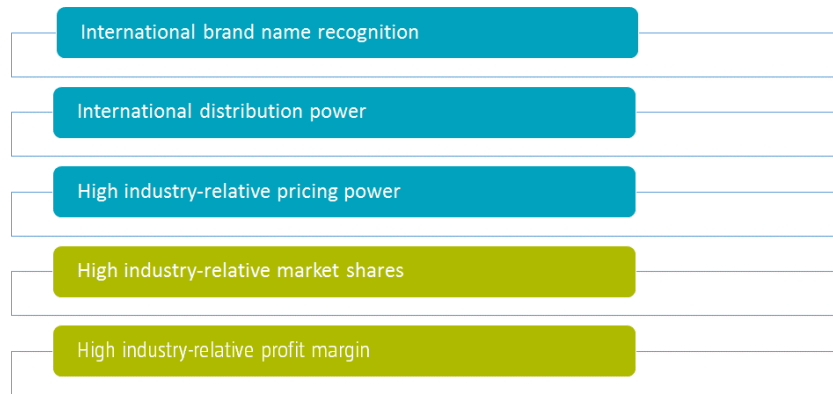
Several brand consultancies and media outlets publish regular rankings of the world's strongest or most valuable brands. Interbrand, Millward Brown⁸ and Forbes Magazine are some of the most well-known. Despite differences in methodologies, relative profitability and, by extension, relative pricing power is a common element in all approaches.

Characteristics of strong brand companies |

The combination of excellent mindshare, shelf share and pricing power is the main prerequisite for becoming a strong brand company, in our opinion. In addition, we would argue, the addressable market needs to be large for a strong brand to amount to significant economic value. Therefore, in line with for instance Interbrand, we require companies to be internationally active to a significant degree in order to be included in an investable universe of strong brand companies. Finally, these features should be reflected in high industry-relative market shares and profit margins.

⁸ Interbrand is a division of Omnicom, Millward Brown is part of WPP.

Figure 10 | Characteristics of strong brand companies



Source: Robeco Trends Investing

In the next section we examine whether the power of strong brands leads to powerful stock returns as well.

Strong brands have been strong performers

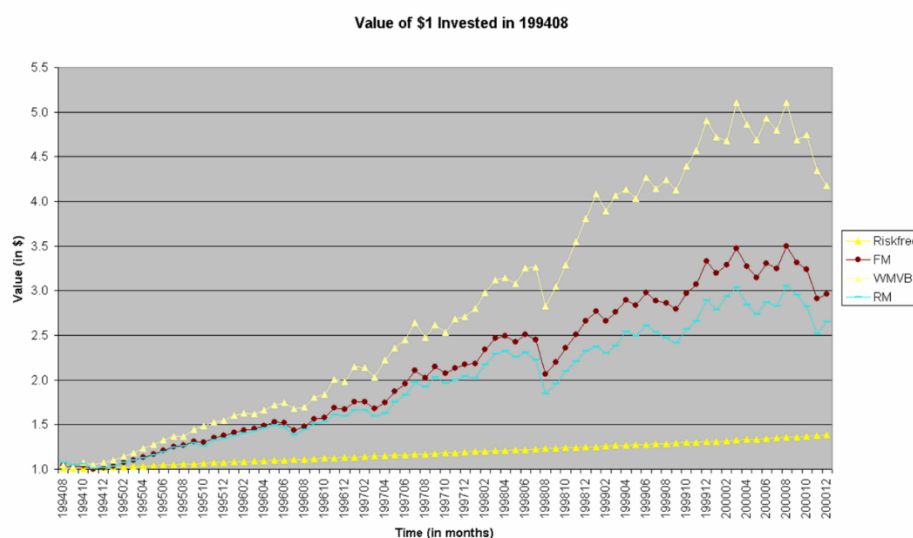
Various studies have found that strong brands historically outperformed the broader equity market.

Academic studies overwhelmingly find a positive relation between brand value and stock market performance | Since the mid-nineties there has been a raft of academic studies⁹ examining the question whether there is a link between the reported brand value in the popular lists published by consultancies like Interbrand and stock market performance.

Despite the lack of a generally accepted method to value brands and, consequently, a host of methodological challenges¹⁰, these studies have overwhelmingly found a positive relation between brand value and stock market performance.

One of the most robust ones is a 2006 paper by Madden, Fehle and Fournier¹¹ which used Interbrand’s list as a source for strong brands and covered the 1994 – 2000 period. They used the standard Fama – French methodology to correct for risk factors¹².

Figure 11 | Performance of strong brands portfolio corrected for Fama-French risk factors



Source: Madden, Fehle & Fournier 2006

The graph shows the cumulative performance of the World’s Most Valuable Brands portfolio (WMVB) relative to two broad equity market benchmarks (RM and FM) and the risk-free rate. Clearly, the results show that strong brands delivered outperformance to stockholders over

⁹ The seminal work on the relation between brand value and stock returns is David Aaker & Robert Jacobsen; ‘The Financial Information Content of Perceived Quality’; Journal of Marketing Research (Spring 1994)

¹⁰ For an overview of methods used to value brands see, for instance, Fernandez, Pablo; ch. 25 ‘Valuation of brands and intellectual capital’ in ‘Valuation and Common Sense’; IESE Business School 2015

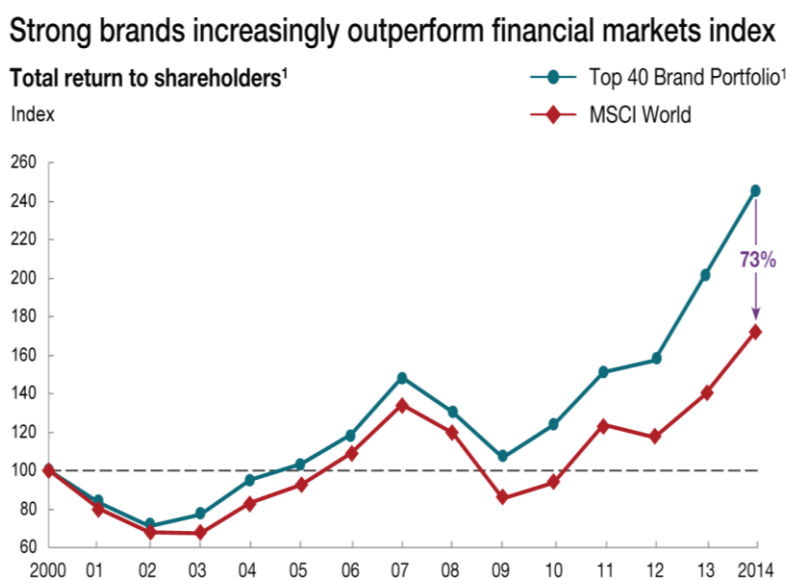
¹¹ Madden, Fehle & Fournier; ‘Brands Matter: An Empirical Demonstration of the Creation of Shareholder Value Through Brands’; Journal of the Academy of Marketing Science; March 2006

¹² The Fama – French methodology distinguishes three risk factors: market risk, size, and market-to-book value.

the test period. Not only did the WMVB-portfolio produce greater returns, it also did so with less risk.

The figure below shows a much more recent finding by McKinsey, also based on Interbrand’s annual ranking of global brands.

Figure 12 | Strong brands have outperformed historically



Source: McKinsey Analysis

It shows a 73% cumulative outperformance of a portfolio consisting of the 40 top-ranked listed companies picked from Interbrand’s “Best Global Brands” report, published each summer since 2000¹³, thus confirming research covering earlier periods.

Summarizing, we conclude that there is persuasive statistical evidence that strong brand companies have historically produced superior stock returns. Still, the track record is not very long and transitory factors may have played a role. In addition, the methodological difficulties in untangling brand value from overall firm value do warrant caution in extrapolating these results into the future. In the next chapter we therefore examine the case for continued outperformance.

¹³ Stock returns in local currency, equally weighted and adjusted every July.

Strong brands likely to continue performing well

We think that the outperformance of strong brands will continue in the future. In our view investors underestimate both the durability of the competitive advantage that strong brands convey and the strategic options they spawn.

Past performance is not necessarily an indicator of future performance | The strong historical performance of strong brands has certainly been boosted by factors that are unlikely to persist. Investors' love affair with defensive, low-volatility and high-quality stocks since the Great Financial Crisis has been a huge performance tailwind for the many strong-brand stocks that populate these categories. It is bound to end someday and what has been a multi-year tailwind may fall away or even turn into a headwind. So, are the last few years as good as it gets for strong brand stocks?

Brands among the most durable competitive advantages that companies can build | We think there are sound reasons to believe that the outperformance of strong brands will continue in future. Once a brand becomes embedded in a person's subconscious mind and memory structures have formed around it over time, it becomes very difficult to change, let alone erase, those memory structures.¹⁴ That is why we can still remember many of the advertising slogans of our youth. Aaker (1991) cites research by the Boston Consulting Group that most brand name leaders identified in 1925(!) maintained their industry leading position in 1985. Indeed, many of the names featured in the BCG study still are among the world's leading brands today: Coca-Cola, Gillette, Kellogg's, to mention a few. In short, mindshare is long-lasting and extremely powerful. It is also why brands are the source of some of the most durable competitive advantages that companies can build.

Long-term information tends to be under-discounted | DellaVigna and Pollet¹⁵, among others, have presented persuasive evidence that predictable information about the more distant future, that is, beyond four to eight years into the future, tends to be under-discounted by investors. As evidenced by the BCG study alluded to earlier, and the relatively low turnover of Interbrand's Best Global Brands list, most strong brand names tend to survive much longer than four to eight years; in many cases four to eight *decades*. That is one reason why we think that investors tend to systematically underestimate the longevity of this competitive advantage.

Observed competitive advantage periods well in excess of market-implied competitive advantage periods | Another way to approach this is to look at the market-implied competitive advantage period ("MICAP") that can be estimated from plugging market prices into a discounted cash flow model and solving for the number of years it would take to earn enough economic profits to get to the current market price.¹⁶ Typically, MICAPs range from 10 to 15 years for the US stock market as a whole. Individual company MICAPs can vary from

Neglecting long-term information

"...investors are short-sighted and neglect information beyond a 4- to 8-year horizon."

DellaVigna & Pollet

¹⁴ Although memory structures are very difficult to erase, they do fade with the passage of time and need regular stimulation in order to remain salient and readily available.

¹⁵ Stefano DellaVigna and Joshua Pollet; "Demographics and Industry Returns"; American Economic Review, December 2007

¹⁶ See, for instance, Michael Mauboussin & Paul Johnson; "Competitive Advantage Period "CAP"- The Neglected Value Driver"; Credit Suisse First Boston, Frontiers of Finance, January 1997.

0-2 years to more than 20 years.¹⁷ Strong brand companies typically carry MICAPs of more than 20 years, reflecting the market's appreciation of the durability of their competitive advantage. Yet, these relatively high MICAPs still fall well short off the observed competitive advantage periods of strong brand companies. While MICAPs will fluctuate over time as investor expectations change and contracting MICAPs could result in temporary underperformance, one would expect the longevity of strong brand competitive advantage to reassert itself over longer time periods and result in excess returns.¹⁸

Strong brands tend to spawn strategic options such as line and brand extensions | When companies launch new products, they need to think about promotion, including branding. Creating a new brand tends to be costly and it takes time for new brands to become embedded in memory structures. However, when companies already have strong brand equity, they usually have the much cheaper and safer option to use an existing brand for the new product. Using an existing brand name for a new, usually complementary product category, is called a brand extension. Examples are Gillette shaving foam, Virgin Airlines or Apple TV. A variant of this strategy is sub-branding: using a new brand name in conjunction with a family brand name; e.g. Levi's Dockers, Courtyard by Marriott or Technics by Panasonic.

Line extensions as a strategic option to increase market penetration | As a means of achieving optimal physical availability, another strategic option made possible by having an established strong brand is line extension. In a line extension the parent brand is used to brand a new product that targets a new market segment within a product category currently served by the parent brand. A line extension often adds a different flavor or ingredient variety, a different form, size or application for the branded product. Examples are low-calorie varieties (e.g. Diet Coke), family-size packaging or heavy-duty applications (e.g. triple-layered, extra absorbent paper towels). In all these cases the objective is to increase the penetration of the targeted product category.

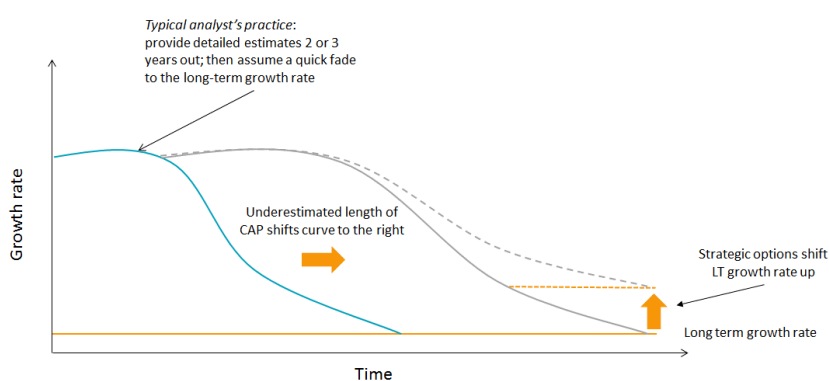
Power of mindshare and strategic options systematically underestimated | We strongly feel that investors generally underestimate the long-lasting power of mindshare that strong brands convey. In addition, the strategic options, such as line and category extensions, that can be spawned by having a successful brand are also systematically underestimated by investors. In our view, these two sources of underappreciation should ensure the continued outperformance of strong brands in future.

¹⁷ Mauboussin & Johnson, *ibid.*

¹⁸ We implicitly assume here that strong brand companies will be well-managed to earn returns on invested capital in excess of the cost of capital.

Investment thesis in one picture | Figure 13 shows a stylized representation of our arguments:

Figure 13 | Underestimated growth opportunities from strong brands



Source: Robeco Trends Investing

Common practice for equity analysts is to provide detailed estimates for two or three years into the future; typically assuming a growth rate in excess of the long-term, steady-state growth rate. Subsequently, the growth rate is assumed to fade to the long-term growth rate in a few years' time; five to ten years being a commonly used timeframe.

In our view, these timeframes substantially underestimate the length of the competitive advantage period of strong brand companies. This is represented in the figure by the shift to the right of the period of high growth and subsequent fade. Finally, strategic options have the potential to lift the long-term growth rate, thus providing an additional source of underappreciated growth and bolstering the case for continued future outperformance of strong brand companies.

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Steef Bergakker
Trend Analyst



Jack Neele
Portfolio Manager

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