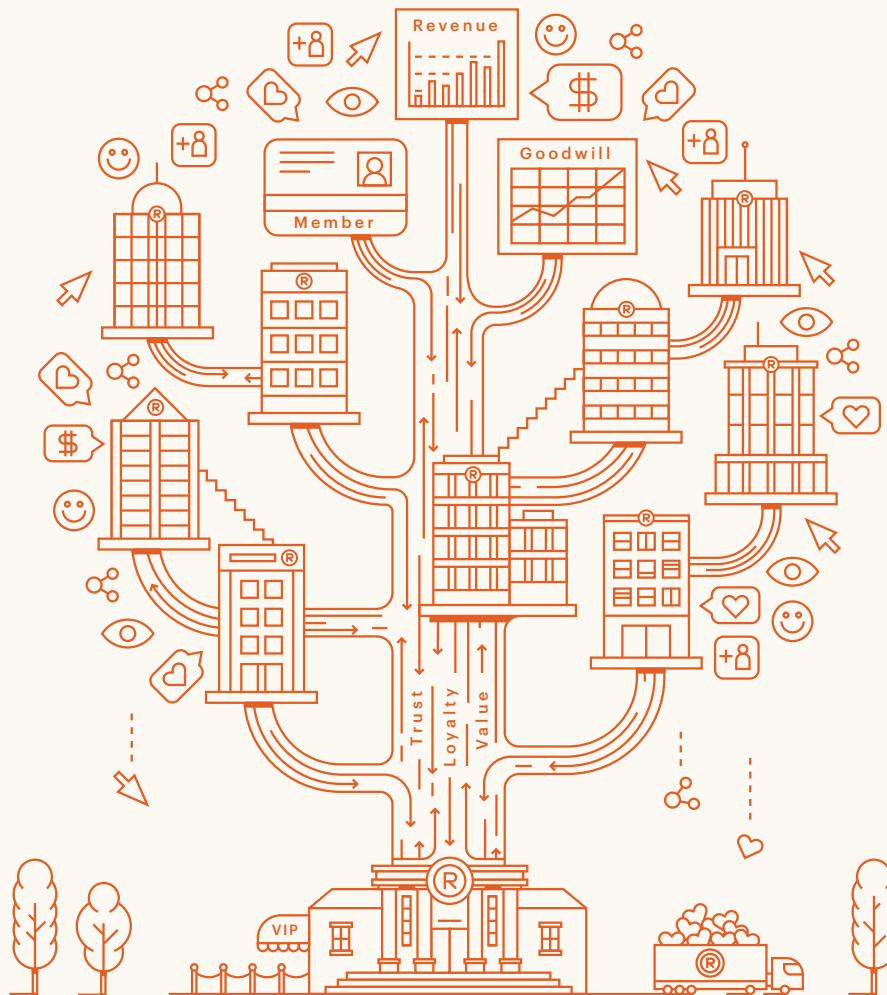


The power of provenance



Shaping brands in a changing world



"A brand's
provenance...

is not about
preserving the past,
it is about preserving
the best of the past for
the present and future."



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Preface: Keith Barr



Keith Barr
IHG CEO

Over the past five years, IHG® has reported on the trends shaping the future of brands and business, delivering insights and actions that bring organisations closer to consumers and high-quality, sustainable growth.

The consumer landscape is constantly evolving, shaped by new attitudes and behaviours, and charged by a sense of empowerment that comes from a proliferation of choice. But boundless choice can also be overwhelming, and so consumers seek common values in brands that can make that selection easier.

The 2018 IHG Trends Report focuses on the increasingly important role of provenance for brands and businesses. We are all customers, all making decisions on a daily basis, and the relationships we hold with brands are built on trust like any other. However, at a time when trust in institutions, experts and leaders is in decline, a brand or business with a distinct and relevant heritage can represent a source of confidence and credibility for consumers.

Whether decades old, or newly formed, this is a valuable asset that businesses are increasingly realising. Brands that are much deeper than a logo or a slogan can gain strength from provenance, turning it into a persuasive competitive advantage, which can lead to customer loyalty and ultimately increased revenue growth.

Whether a single brand or a portfolio of brands, provenance can shape and strengthen a business in many ways, bringing to life company values that increase a consumer's likelihood to purchase, a partner's willingness to invest, or a talented individual's decision to join and give it their all. The trick is not to get stuck in the past, but to use your heritage as a foundation for success today and tomorrow.

Working once again with our partner, Arcature, IHG has identified *The Provenance Chain*, which defines the link between a strong provenance and high quality revenue growth. Building on this, we explore the actions needed to unlock the power of provenance in today's complex and competitive world.

Executive summary

Introduction

Previous IHG Trends Reports discuss achieving brand and organisational success in The Kinship Economy through creating meaningful lifetime relationships. There are two critical influences in The Kinship Economy:

- The Age of I: the desire for both individuality and inclusivity without compromise. The uncompromising customer prefers brands that satisfy conflicting needs during stay occasions, such as a desire for luxury to be both scarce and available.
- Maximising the forces of global coherence, local relevance and personal differentiation.

Another outcome of The Kinship Economy is the increasing necessity to establish meaningful, memorable connections with customers, and potential customers. In a dynamic and uncertain world, people seek familiar touchstones of expertise, authenticity and trust.

Trust is an increasingly important factor in customer decisions. A strong, trustworthy business reputation contributes to high quality revenue growth.

Provenance

The provenance of a business is its consistent, motivating, relevant, distinctive heritage, based on its past theme. The power of provenance is not about preserving everything from the past; it is about preserving the best of the past for the present and the future.

Provenance – whether historical or newly formed – acts as a foundational source of confidence. It is uniquely past, present, and future. Provenance emphasises a past of authenticity, a present of genuine customer engagement, and a robust, trustworthy foundation for the future.

Businesses continue to increase their focus on building strong customer relationships, and demand for trusted sources is driving the importance of provenance. Powerful brand relationships derive strength from provenance: a brand's heritage and history.

A strong and relevant heritage helps to build credibility. A brand's history and heritage provides customers with richer, authoritative information, giving credence to a brand's message. Provenance provides continuity and consistency across all platforms.

Whether a corporate brand, a single product brand, or a corporate portfolio of brands, a potential customer wonders... *"why should I believe the promise you are making to me?"* Provenance is a direct answer to this question.

The rise of ubiquitous information, ratings and rankings allows small independent brands to gain credence and customers: Online reviews can provide smaller brands with a "revenue bump".¹ A brand's provenance is a persuasive, trusted way to maintain and gain competitive advantage.

Role of trust

Trust is fundamental in building and maintaining long-term relationships: personal and brand-business. It enhances the quality of a relationship, and minimises perceived risk. However, trust in institutions, experts and leaders is in decline. This trust deficit presents enormous opportunity for brands to become the "trustworthiest" sources of relevant and differentiated promises.

Provenance is trustworthy evidence of a brand's authentic character, expressing what the business stands for internally and externally. It is a brand's principled foundation of trustworthiness.

Businesses are expected to act like trusted partners, and a brand-led business culture that puts customers at the heart of all actions, helps embed trust building.²

When it comes to customer loyalty, trust is essential. Being a trustworthy source acts as a multiplier with regards to customer-perceived value.



Strong, unified brands in a changing world

A powerful brand is the consistent identity of a trusted source. Its provenance reflects its trusted reputation for quality, leadership and integrity, underpinning all stakeholder relationships.

A strong brand provides a single, unified voice that speaks to the brand's vision, values and strategy around the world.

A brand is more than a trademark; it is a trust mark. A trusted brand influences customer consideration and preference, and increases willingness to invest by franchisees and other stakeholders. It is a hedge against uncertainty.

Brand provenance invests brands with legitimate authority. This allows brands to emphasise their relevant differentiation and areas of expertise, while appealing to specific customer needs, helping to forge meaningful lifetime relationships.



Crowne Plaza JFK Airport
New York City, New York, US

Role of loyalty

Customer loyalty is especially important in a fractured world. When an environment is uncertain, familiar brands are touchstones of trust. Brand loyalty creates feelings of belonging, which are important in a world of individuality.

Customers, especially loyal customers, will be more likely to visit the website/app of a strong brand, generating more revenue and increasing cash flow.

Growing loyalty is the key to high quality revenue growth. Loyal customers are more profitable customers.

Role of operational excellence

A sustainable business must be both effective and efficient. It must consistently deliver on its promises. How you run your brand is how you run your business, and vice versa.

Operational excellence decreases costs, improves stakeholder satisfaction and ensures consistent quality. Marketing moves people to the door; operational excellence motivates people to come back for more.

Unifying benefits of a strong brand

- Developing a foundation of trust that increases intent to purchase and loyalty
- Aiding customer-perceived brand quality
- Reducing customer-perceived risk
- Reinforcing alignment with customer values
- Galvanising and aligning stakeholders around provenance
- Generating trust capital; balance sheet value based on goodwill
- Attracting talent; creating a desirable place to work
- Creating meaning and purpose for employees
- Supporting expansion, while strengthening all channels

A healthy business relies on four 'must-haves':

- 1 Be a credible source: Provide stakeholders with confidence that its information is true, and that its promises are delivered.
- 2 Have an excellent reputation for quality and leadership: Behave in the same way, every time.
- 3 Be a pillar of integrity: Keep stakeholders' best interests at heart.
- 4 Have a responsibility ethic: Be an effective global citizen.

Provenance is a brand's legitimate source of expertise, authenticity and authority: It is familiarity, quality, leadership and trust.

The Provenance Chain

Synthesising external research, journal articles, internal IHG research, and other studies, IHG has defined *The Provenance Chain*, which links building a strong, provenance-based business to high quality revenue growth.

The Provenance Chain has five stages:

- 1 **Provenance**, which influences
- 2 **Perceived value**, contributing to
- 3 **Increased preference**, which generates
- 4 **Trust capital**, leading to
- 5 **High quality revenue growth**.

Provenance is a brand's legitimate source of expertise, authenticity and authority: It is familiarity, quality, leadership and trust.

Perceived value is the customer's assessment of the trusted quality and worth of the branded offer. Trust is a critical element of *perceived value*.

Trust plays a value-driving role in digital leadership. Today, customers make business, brand and personal decisions without ever seeing the relationship partner. Engineering trust *into* the digital experience is essential for building usage, perceived value and profitability.

Preference means that customers will choose a brand over equally priced available options. As preference strengthens, customers will choose that brand even if it is premium-priced. Preference is built by consistently delivering a relevant

differentiated promise. Preference leads to increased purchase frequency and loyal customer relationships. Preference is not the same as repeat behaviour, which lacks emotional bonding and can be a result of mere convenience or habit. Preference is a result of commitment, not just convenience.

Trust capital is a form of organisational wealth, along with financial, intellectual and human capital. Goodwill is the part of *trust capital* that appears on the corporate balance sheet. Goodwill is the excess of the price paid for a company over its fair market value. Trust capital is the confidence stakeholders have in the goodwill of an organisation to consistently deliver promises of value. Trust capital leads to high quality revenue growth.

High quality revenue growth means increasing both quantity of sales and quality of sales. It comes from having more customers who purchase more often and are more loyal. This leads to increased market share and lower price sensitivity, and helps grow revenues, profits and shareholder value.

Provenance chain leadership

All brands have a provenance. For some, that provenance is centuries or decades old. For others, the provenance is newly created. Provenance is defined by the past, but is important for engaging in the present and preparing for the future. Provenance chain leadership means taking focused actions that build a strong foundation for the present and a basis for a future of high quality revenue growth.

In 1868, Henri Nestlé used his family's coat of arms as inspiration to protect his milk foods from imitation. Since then, hundreds of global and local products carry the "little nest" logo as an endorsement of the Nestlé provenance.

Be the strongest leader in the markets in which you choose to compete

Market leadership is profitable. Not all leaders are the same: Be the dominant force. Identify markets and market potential: Segmentation is key for leadership. Needs and occasions change as people age. Focusing on specific markets and the potential of these markets allows businesses to be meaningfully relevant to customers.

Be consistent

Consistency defines quality. Customers engaged with a brand expect consistency. Consistency is a driver of quality perceptions, creating credibility and a foundation for trust. People prefer to do business with businesses they trust. If the business has a portfolio of brands, customers expect consistency across the portfolio, regardless of brand.

Generate goodwill

A strong provenance helps to build goodwill. Goodwill is an asset that makes a business more valuable. Goodwill derives from a provenance of credibility, reputation, integrity and responsibility.

Create lifetime loyalty

Provenance enhances the perceived value of a customer loyalty programme. These programmes can provide continuity, authenticity, and strengthen brand beliefs – creating true lifetime customer loyalty. Data continues to show that loyal lifetime customers are more profitable customers.

Build employee pride

Employees play a powerful role in shaping business perceptions through positive communications with all stakeholders. Proud employees communicate well beyond their place of work. Proud employees' advocacy of the business enhances perceptions among external and internal stakeholder audiences. Employee pride translates into higher job satisfaction. Employee pride and satisfaction contribute to customer satisfaction.

Grow franchisee loyalty

Franchisees – a special group of stakeholders – invest money, time and effort in brands, as well as the corporation behind them. A meaningful relationship with franchisees is critical.

Develop stakeholder confidence

Stakeholders such as media, opinion leaders, online influencers, customers, franchisees, investors, analysts, vloggers, bloggers and employees have different expectations, needing different outcomes from communications and actions. Strong provenance-based brands build confidence that the brand will do what it says it will do. All stakeholder relationships are valuable resources for superior competitive performance.

Be a good global citizen

Responsible business practices influence customers' brand preferences. Providing and communicating social good and generating positive reputation can "significantly impact" business performance. Responsible business actions go beyond sustainability and community out-reach to include improved employee treatment. Treatment of employees around the world influences purchase decisions.

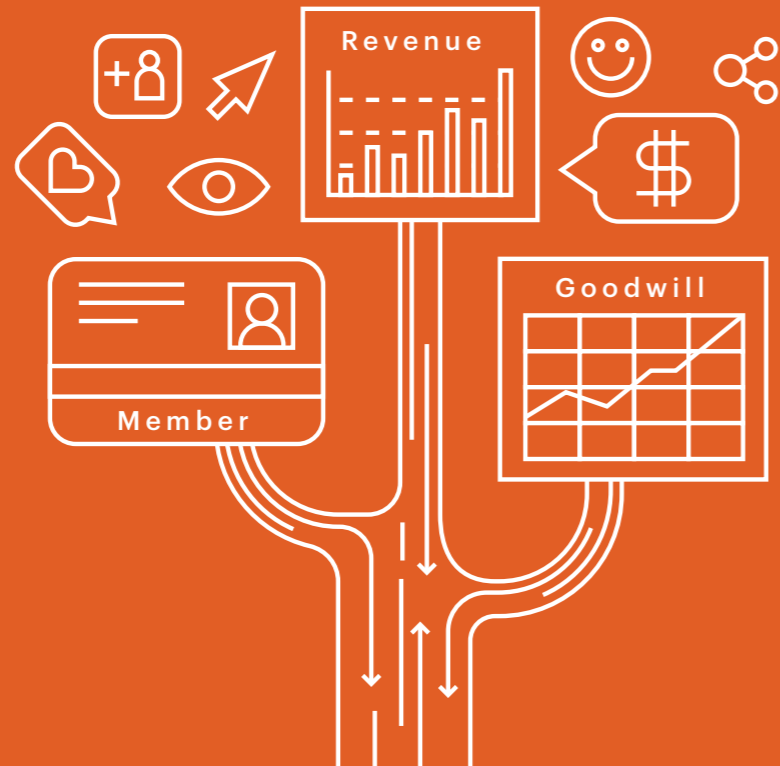
Conclusion

A strong, powerful provenance is an advantage against competitive actions. Provenance is a signal of authenticity for all those engaged with, and invested in, product and service brands. Brands provide a common, credible, authoritative connection across all stakeholder relationships. Provenance provides a foundation for enduring brand success.

Given the number of business stakeholders – customers, employees, shareholders, the financial community, neighbourhood community leaders, opinion influencers – it is more important today than ever before to build a consistent, powerful, provenance-based brand business.

A brand is more than an identity: It reflects a culture, and the culture's values. A brand is a seal of permission to believe. Provenance provides the permission to believe, based on a heritage of credibility, integrity and responsibility.

Whether an unbranded product or service, a corporate brand, a single product brand, a single service brand, or a corporate portfolio of brands, a potential customer wonders... "why should I believe the promise you are making to me?" Provenance is a direct answer to this question. Provenance is a direct answer to that question. It is this that provides a strong foundational building block for generating trust capital, leading to high quality growth.





For more information please visit [IHG.com](https://www.ihg.com)

