

Brands: why we trust them

Written by Lawrence Castillo Host of "Safe Money and Income Radio"
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Trust is loyalty earned. — Lawrence Castillo

A short while ago, an internationally known brand-builder, Wally Olins, passed away after a long and brilliant career. He was one of the first to recognize the value that a “brand” is worth more than the value of its product. We are constantly embraced by brands everywhere we go, from the movie theater to the ballpark, to our children’s schools. Brands are positioned everywhere to influence and encourage us.

The same is true in the annuity business; brands are well-positioned and well-financed. New York Life, The Hartford, AXA, and Northwestern Mutual, to name a few. This year Northwestern Mutual sponsored the NCAA men’s basketball tournament, The Road to the Final Four. Did Northwestern ever talk about a product or a financial plan? No, they talked about how associating with them means safety and security.

NML has worked hard to make sure their brand actually means safety. So, we buy their products after being convinced that safety and security are also included in their products? We buy them because we trust the brand.

Why? Why do we automatically believe the brand product is better than a product from a company we wouldn’t necessarily know? State Farm sells auto and home insurance, and yet we automatically assume their life and annuity products are also the best. Maybe they are, and maybe they aren’t, but the assumption is always positive; that is the goal of brand building: making the brand greater than the actual product.

Years ago, Donald Sterling, then the Los Angeles Clippers NBA team owner, made remarks negative to African Americans, and what happened almost immediately? Brands who had

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associated with him suddenly departed and disavowed any connection to him and his team. He now is no one any brand wants to be connected to in any way, shape, or form. He is poison to their brand.

Brands want to spin positive news, and anything that can help establish the brand as positive gets the play. An example is the Boston Marathon. A few years ago, the terrible bombing placed the future of the race in jeopardy, but what happened, the new brand appeared: Boston Strong. Now hundreds of companies have jumped on board with their brands paying to be associated with the positive brand (Boston Strong).

Brands paid a lot of money to be positioned with the marathon. Why? Because it enhances them. It is good business, and it is smart marketing.

But does that mean the brand associated with the marathon has better products? No, it is about the image and how the consuming public perceives the image.

In the annuity world, brands are important, but that doesn't necessarily mean their rates are the highest or their products are the best. For example, a small company based in Louisiana that you have probably never heard of has very high-interest rates. Why don't more people buy an annuity from them? Brand recognition is one reason.

It is also the fear of buying from an unknown company or one that is possibly not trustworthy. It is a basic human fear of the unknown and nothing more. There are dozens of very wonderful companies with products offering benefits that make them stand alone at the top in our industry. But instead of brand building, these companies invested in technology, people, and correct portfolios to offer the best products.

American Equity, Guggenheim, Allianz, Great American, AVIVA, North American, Phoenix, F&G, National Western, Athene, could be included here. Ever hear of one of them? Generally, these companies build their brands by offering great products, services, and benefits, not by continually sponsoring anything and everything. After all, isn't Coca Cola just carbonated sugar water?

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Brands are important, I suppose. But as consumers, we need to look a little closer at exactly what is being offered and how it will benefit us as the end-use consumer.

Frankly, I would rather have a little extra interest earned than to see my annuity company sponsoring an NFL stadium.

***Send your financial questions to Lawrence Castillo at
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