4 What makes brands great

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In a global economy subject to changing market dynamics and heightened competition, the role of brands has never been greater. They serve as a route map for purchasing behaviour and, when managed properly, generally accrue significant value to their owners. But how do you evaluate a brand and evaluate what makes it special?

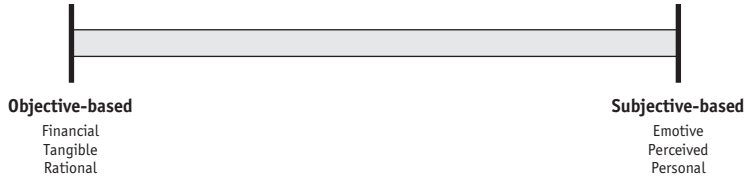
Chapter 2 dealt with brand valuation. This chapter examines what makes brands great, but first it is helpful to briefly review valuation and evaluation approaches. For years, most brand owners relied on marketing-oriented measures such as awareness and esteem. Today they use more innovative and financially driven techniques to better quantify the value that brands represent.

These new techniques draw from a mix of traditional business valuation models and economic tools that measure brand performance in terms of monetary quantification, historical benchmarking, competitive assessment and return-on-investment analyses. This has enabled companies to evaluate their brands more rigorously and to establish criteria with which to govern their development in the future.

But what is the right answer for evaluating brand performance? Some would argue that financial models in isolation are unreliable, given fluctuations in corporate profitability. Some would contend that marketing measures alone are unsuited to the realities of today's management needs. Others would argue that no single methodology is credible enough to encompass all the dimensions and complexities of a full evaluation of a brand. These different points of view mean that today there is a proliferation of measurement approaches that attempt to bridge the traditionally separate considerations of finance and marketing needed to provide a more holistic view of brand performance.

For the purposes of this chapter, 23 models that assessed the value and benefits of brands were examined (see list at end of this chapter). Some were more financially driven and others employed traditional marketing techniques. Many offered brand rankings based on their methodologies. From those rankings, the brands that repeatedly appear at the top of the different list of rankings (see Table 4.1) were identified

The range of brand ranking systems **4.1**



in order to determine why they come out on top regardless of the criteria used to rank them.

That they do is perhaps no surprise, as they are widely recognised as being leaders in best practices in brand investment and management. These "usual suspects" among brand leaders appear to perform consistently well against a broad range of factors, including tangible equity, customer purchasing habits and market stature. The reason is that they share certain characteristics and approaches that contribute to their success as a brand and as a business.

What great brands share

There are five notable qualities that leading brands share.

Three principal attributes ...

1 A compelling idea. Behind every brand is a compelling idea, which captures customers' attention and loyalty by filling an unmet or unsatisfied need.

2 A resolute core purpose and supporting values. These remain in place even though the business strategy and tactics have to be regularly revised to address and take advantage of the circumstances of a changing, and in the detail often largely unanticipated, world and business environment.

From the 7 Series to the Mini, the BMW brand stands for "the ultimate driving machine". The target audience for each BMW model differs and the communications about them project different expectations, but the core purpose remains the same: to deliver an outstanding experience through superior car performance. The Mini represented an opportunity to sell to a new market segment and to introduce people to the BMW experience. The company set out to accomplish this by marrying the

Table 4.1 **Brands most often cited as leading or great**

Coca-Cola	Disney
American Express	FedEx
BMW	Hewlett-Packard
IBM	Kellogg's
Microsoft	Sony
Nike	Starbucks
Pepsi	Intel
Toyota	Kodak
Colgate-Palmolive	Nokia

values and aspirations of a younger, hipper demographic to the experience promised by owning a Mini. The imagery, typography and tone of the communications identify who is a "Mini" kind of person. This strategy illustrates an opportunity captured by connecting with a wider market without eroding the core purpose and positioning of the parent company.

3 A central organisational principle. The brand position, purpose and values are employed as management levers to guide decision-making. This becomes so ingrained in leading organisations that they consciously ask themselves, "How will this decision impact upon the brand?" or "Is this on-brand?" According to Shelly Lazarus, chairman of Ogilvy & Mather, "Once the enterprise understands what the brand is all about, it gives direction to the whole enterprise. You know what products you're supposed to make and not make. You know how you're supposed to answer your telephone. You know how you're going to package things. It gives a set of principles to an entire enterprise."

... and two characteristics

1 Most leading brands are American. Of the 20 leading brands, 15 are American. Does this mean that although a leading brand can originate from anywhere, the United States is better at the practice of branding than other countries? Its dominance of the list of leading brands may be attributed to the nature of American society. Its entrepreneurial culture recognises and rewards those successful in business, and encourages risk-taking and the kind of innovation that produces the big idea from which a leading brand may develop. In effect, the United States has an

established and natural incubator for business innovation rooted in the core purpose and values of the country.

There is also the fact that Americans are credited if not with inventing the practice of branding, certainly with embracing it as a management discipline. The rise of consumer-product brands in the United States after the second world war was simultaneously a response to prosperous times and a signal to consumers to spend because times were indeed better. Goods were plentiful, and choice, in the form of brands, was apparent on shelves across the country.

Brands and branding practices within the United States became more sophisticated through product and line extensions, corporate identity programmes and pitched advertising wars that were waged throughout the 50 states and the world. American companies recognised that to succeed in business they needed to differentiate themselves in ways that could not be copied by other companies. Management books of the last 30 years reflect this primary tenet. Whether it is a differentiated strategy, product, service, technology or process, it will have been based on "what we have" versus "what they don't have" or the fact that "we just do it better".

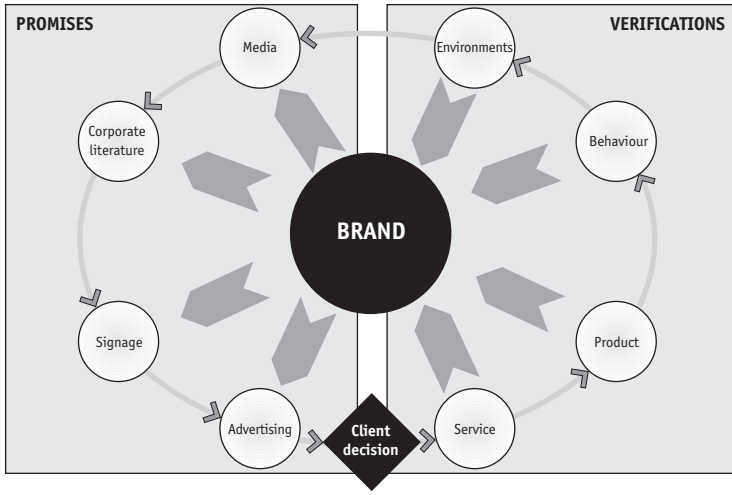
If differentiation is the goal, branding is the process. And if a brand is a major source of value, it requires investment and dedicated management. This is precisely what the mostly American firms that own the leading brands do: they nurture the brand, grow its value and evaluate its performance like any other holding.

2 Most leading brands are commodities. Coca-Cola, Pepsi and Starbucks products and services are easily substituted; BMW, Toyota and Harley-Davidson face plenty of competition; and there are many cellular phone alternatives to Nokia. Brands are about choice, and these brands have to compete in a crowded and noisy space. They have therefore had to continually search out what makes them special to so many people and how they can continue to innovate and meet these people's needs. They know that customers have a choice, and that if the benefits of their product or service are not readily apparent and consistently delivered, people will choose something else.

What makes brands great

Leading brands have three attributes and two common characteristics as described above. They also reflect five distinctive traits.

The promises and verifications of a brand **4.2**



1 Consistency in delivering on their promise. Leading brands communicate their promise to the market, encouraging customers to purchase the product or service. At the time of customer decision, they must do everything within their power to deliver on the promise. Everything the customer experiences in the process of evaluation, trial, purchase and adoption is a verification of the original promise (see Figure 4.2).

By observing the habits of the 20 leading brands listed earlier in Table 4.1, it is clear that to deliver on their individual promises requires taking a stand and not wavering for short-term benefit. It demands consistency and clarity within the organisation to succinctly articulate benefits. Nike has consistently delivered on its promise with healthy doses of innovation along the way. In the process it has achieved near legendary status as a company and a brand. Nike represents a destination never fully reached in the pursuit of individual fitness and wellness goals. The idea is inspirational and aspirational, appealing to a wide audience seeking personal betterment.

2 Superior products and processes. Brand leaders are well aware of the sources of brand value. To attract customers and maintain their loyalty, brand leaders must offer them products or services that are superior to others, thereby reducing the risk that the customer will not be

satisfied. Nokia has taken the view that it cannot rely solely on suppliers to deliver the components that comprise the products, so it is buying up its suppliers in order to have control of the whole process.

3 Distinctive positioning and customer experience. Brand leaders capture what is special about their offering, convey it to the desired audience and allow customers to experience it. Ikea has opened up the furniture showroom to touch like no other retailer. Chairs are pounded with machinery to demonstrate durability, displays are elaborate and constantly changing, and customers are invited to stay by means of a restaurant, events and product-knowledge sessions.

Unlike many retailers, Ikea has developed an emotional connection with its customers. The offering is elevated above the mundane and functional while being competitive on price and selection. The shopping experience is highly customer-centric and personal. Most large retail environments are confusing, noisy and impersonal, yet Ikea has managed to customise the experience even though the product is mass-produced. The ability to deliver a wide range of well-designed, functional products at a low cost has paid off; Ikea's turnover tripled between 1994 and 2002, from €4 billion to €12 billion.

4 Alignment of internal and external commitment to the brand. Marketing and branding managers focus their strategies on the customer. In general, employees have been the last to know about the latest marketing campaign or have not been appropriately trained in the brand values. Leading brands understand that an internal culture supportive of the brand strategy has a far better chance of delivering a consistent yet differentiated experience. The internal values are aligned with brand values to shape the organisation's culture and embed the core purpose. The true test of a leading brand is whether employees' commitment to the brand is high, as that will help keep customer commitment high. If those who make and sell the brand are not committed to it, why should anyone else be? In other words, those who live the brand will deliver the brand.

Harley-Davidson has created a cult following because of the consistency between its internal beliefs and practices and what it communicates and delivers externally. Both Harley customers and Harley employees embody the basic attitudes of freedom, individualism, enjoyment, self-expression and self-confidence. This has resulted in a enviable loyalty rate where 45% of current owners have previously

owned a Harley. The brand is also popular with non-bike owners as a significant component of revenue is derived from the licensing of merchandise and clothing.

If branding is about belonging to a club, then Harley-Davidson has established an active and loyal membership largely because of the connection that employees and customers make and maintain. John Russell, vice-president and managing director of Harley-Davidson Europe, says:

> *We actively engage with our customers; we encourage our people to spend time with our customers, riding with our customers, being with our customers whenever the opportunity arises.*

This marriage of the internal employee experience and the external customer experience strengthens brand loyalty, as Russell confirms:

> *If you move from being a commodity product to an emotional product, through to the real attachment and engagement that comes from creating an experience, the degree of differences might appear to be quite small but the results are going to be much greater.*

5 An ability to stay relevant. Leading brands constantly maintain their relevance to a targeted set of customers, ensuring ownership of clear points of difference compared with the competition. They sustain their credibility by increasing customers' trust of and loyalty to them.

However, for every great brand there are scores of failures. Even once-successful brands lose their way, and in most cases the causes are obvious but are recognised too late.

What makes brands leaders lose their way

The most common cause of lost leadership is taking the brand for granted. This can happen when the brand owners treat the asset as a cash cow. This causes erosion of the original brand idea as it marginalises the customer experience. There is a popular story told in business schools around the world. For many years a man ran a successful roadside restaurant. Word-of-mouth recommendations from regular customers were so effective that the restaurant itself became the destination, rather than a passing stop, for its good value, high-quality

home cooking and its smart, well-trained and well-paid staff. It was not a showy place but standards were high. It was a decently profitable business.

The owner was proud when his son got a place at a good business school and he gladly paid for the education he had never received. Following his studies, the son joined his father in the business, perhaps with the goal of franchising the concept. Following a detailed analysis of the restaurant, he recommended reducing the number of staff and bringing in more junior people who could be paid less, and buying lower-grade food which would be cheaper. The father was wary of the changes and concerned for his current staff, but he went along with them.

The result was that standards of food, service and cleanliness all went down and staff turnover became a big problem. Regulars deserted their once-favourite restaurant and word-of-mouth recommendations stopped. The son decided to advertise on billboards in the city and along the road to the restaurant, and to run special promotional offers. At first, there was a small lift to the business, but the new customers were quick to decide that their expectations were not met. The restaurant limped along until it was forced to close.

This story is used to encourage business students not to be rigid in their approach and to be sure to include employees and customers in any changes. But the tale also has brand lessons. The son saw a cash cow that could be manipulated for greater profit. He did not recognise that if he disturbed what made the "brand" great in the first place, he ran the risk of breaking its promise. It also shows that a good product is only as good as the accompanying service. This issue is being faced today by McDonald's. As *The Economist* wrote on April 10th 2003:

> *McDonald's, once a byword for good service, has been ranked the worst company for customer satisfaction in America for nearly a decade – below even health insurers and banks.*

The current management is endeavouring to return to the basics that once made the concept and the chain great.

There is no magic formula for creating a successful brand. However, brands that lose their shine should compare their past with their present and look to the future with regard to three things: relevance, differentiation and credibility. Once a brand loses touch with its customer or ignores a potential new audience, it has lost relevance. Successful

brands understand the wants and needs of their stakeholders and tailor their offering to maintain its relevance. Differentiation is a critical component of the branding process. And, because brands are based on promises and trust, they must be credible. Customers grant companies the right to provide them with what they need. As Adam Smith wrote many, many years ago in *The Wealth of Nations*: "Money is merely a claim on goods and services." Today we know that customers who experience a breach in trust will take that claim elsewhere.

Recovering lost ground

Jim Collins, a business author, says in his book *Good to be Great* that to build a great company you "have to have a strong set of core values" that you never compromise.

> *If you are not willing to sacrifice your profits, if you're not willing to endure the pain for those values, then you will not build a great company.*

Brands that lose direction often do so because they depart from their core values. Thus it follows that they can recover by returning to them and by asking and answering such questions as: what is our lasting influence? What void will exist if we were to disappear? A frank appraisal of what made the brand great in the first place, coupled with an innovative reinvention of it, can make it as relevant and great as it used to be.

IBM is an example of a great brand bouncing back. The company dominated the mainframe computer market but was outflanked in the personal computer age by companies such as Compaq and Dell. It has since reinvented itself as an IT services provider. It was a high-risk strategy and a challenging journey, during which IBM invented and pioneered large-scale brand management. It centralised brand strategy and focused the marketing spend for overall leverage. It used the brand as a central management tool to drive behaviour internally and communicate consistently. It provided enough flexibility to be nimble in the fast-moving technologies segments but maintained control and discipline to ensure integrity. Brand equity was measured to gauge performance and ensure a brand-driven culture, which would never again take the customer for granted.

As a result, IBM has become the largest IT service provider in the world, and the brand communicates both innovation and reliability.

Table 4.2 **Great brands: summary of attributes, observations and practices**

The three attributes of the great brands	*Three observations of the great brands*	*The five great practices of the great brands*
Built from a great idea	Largely American	Continually deliver on the brand promise
Holds true to core purpose and values	Predominantly commodity businesses and industries	Possess superior products, services and technologies
Employs brand as the central organising principle	Represent clear choices	Own a distinct position and deliver a unique customer experience
		Focus on "internal" branding
		Improve and innovate

When it claims that it can provide "deeper" services to clients, IBM comes across as highly credible.

Brand-building skills

Anyone with responsibility for building a brand needs to be creative, intelligent, innovative, venturesome, nurturing, disciplined and service-focused. They must also master three primary tasks:

- Embody the brand itself. This is the most important task. The communications and the actions of the individual must align with the core purpose and values reflecting the brand. The organisation looks to brand managers as role models who portray appropriate behaviour and act in the best interests of the brand and company. Conversely, they must also challenge convention to keep the brand fresh by questioning what has become the status quo.
- Understand the underlying sources of brand value and protect and build on them.
- Continually search out what makes the brand unique. Customer preferences, competitive frameworks and market conditions are incredibly dynamic. Renewing and refreshing the brand to ensure continuing relevance, differentiation and credibility are the most strategic tasks and perhaps the most consuming tactically. Brand

managers must determine what cannot change and what must change.

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