Cult Brands

Diane Brady in New York, with Robert D. Hof in San Mateo, Calif., Andy Reinhardt in Paris, Moon Ihlwan in Seoul, Stanley Holmes in Seattle, Kerry Capell in London, and bureau reports

The BusinessWeek/Interbrand annual ranking of the world's most valuable brands shows the power of passionate consumers

Casey Neistat, 23, is a self-professed Apple junkie. Along with his brother, Van, he is building his filmmaking career with the company's iMac computers and editing software. He usually leaves his Manhattan apartment with a sleek iPod plugged into his ear. So last year, when the Neistat brothers discovered the digital music player's batteries were irreplaceable and lasted just 18 months, they made a film called iPod's Dirty Secret and launched a protest Web site. Apple Computer Inc. (AAPL) addressed the problem. Now Neistat insists that the protest was an act of love: "We made that film because we believe in the brand so much." Advertisement

Such loyalty flies in the face of conventional marketing wisdom. A customer spurned, the logic goes, is a customer lost. But these days the relationship between brands and their customers has become much more complex. For one thing, consumers simply know more than they used to. The Internet opens up a wealth of information, allowing for instant price and quality comparisons. But consumers demand more from the brands they love than simple reliability; passionate consumers want their brands to become a form of self-expression. Increasingly, consumers are customizing products and services to achieve that -- whether it's tailoring colors on a pair of sneakers from Nike Inc. (NKE) or adding items to their personal to-watch list on eBay (EBAY). Instead of arms-length customers, they're beginning to act like and feel like owners or members of a community. They no longer passively consume. Through the Internet, they can talk back and talk to one another. They can ignite a groundswell of positive buzz or spawn a revolt. As Peter Weedfald, senior vice-president for strategic marketing and new media at Samsung Electronics North America, puts it: "Consumers are empowered in a way that's almost frightening."

This seismic shift in clout from companies to their customers is creating opportunities, especially for younger brands that grew up with the Internet and have become adept at building user communities. Meanwhile, some traditional brands, such as Coca-Cola (KO) and Microsoft (MSFT), are struggling to retain their mammoth leads in a market where consumers increasingly resist what they see as bland ubiquity and a surfeit of power.

There have always been cult brands, mostly smaller labels unknown to the masses. But these days, building cults or at least strong communities, is a widespread strategy. No wonder companies that are able to instill a sense of ownership in near-fanatical customers showed the biggest gains in our fourth annual ranking of the 100 most valuable global brands. The loyal, if sometimes nagging, band of true believers behind No. 43 Apple -- combined with tremendous success of the iPod -- helped the dollar value of the brand jump 23.7%, to $6.9 billion, over the past year. That was the biggest increase in this year's ranking, which is compiled in partnership with leading brand consultancy Interbrand Corp. (OMC) A dollar value is calculated for each brand using a mix of publicly available data, projected profits, and variables like market leadership.

Apple was hardly alone in enlisting recruits. EBay makes its debut at No. 60. Fellow hot property Samsung Electronics, No. 21, jumped 15.7% in value to $12.6 billion -- a move that Seoul-based global marketing chief Eric B. Kim attributes to "building communities around our brand." Along with honing a high-end image with its feature-packed cell phones and flat-panel TVs, it nurtures loyalty with events for users. Yahoo! (YHOO) and Amazon.com (AMZN), Nos. 61 and 66, respectively, also made significant gains. But success isn't limited to the young. Cult icon Harley-Davidson (HDI), No. 41, climbed despite having been founded more than a century ago. While the value of those brands is a fraction of the top-ranked $67.4 billion Coca-Cola brand or No. 2 Microsoft, with $61.4 billion, those behemoths have lost brand value over the past year. And they, too, have started to recognize the need to nurture stronger ties with consumers. Witness moves by Microsoft to hold mini trade shows in airport lounges for

consumers and the soda giant's creation of hip "Coke Red Lounges" for teens in suburban malls.

Group think

The goal: to foster a sense of shared experience and of belonging. Starbucks (SBUX)Chairman Howard D. Schultz balks at the notion that his brand, which ranks 98th in our survey and jumped 12% in value this year, is about selling various iterations of coffee. Says Schultz: "The product is the experience." His shops may sell latte, but what people really crave is the hip, relaxed ambiance, the music, even the baristas who remember the regulars' favorite concoctions. Sounds crazy? Not to student Amy Berkman. Approach her at her favorite New York City outlet and she lets forth a stream of opinions on everything from ideal chair configurations in the store to the type of mustard they should use on their ham-and-cheese sandwiches. "Something more tangy and grainy would work better," she says, sipping on her daily chai latte. She cares because this is where she hangs out with her friends. Berkman doesn't like coffee; she likes the experience of being at Starbucks.

The brands that have managed to build cultlike followings have done so by being, well, cultlike, at least in some aspects. They are self-consciously different from rivals. They're bound by a set of clearly defined and rigorously enforced values. And they fulfill a range of needs for their members -- er, customers. The fastest-growing ones often project a an aura, an attractive group identity. Conjure up an image of an Armani customer or a Porsche (PSEPF) driver and it will evoke a set of personality characteristics as much as it evokes a product preference. They also beget proselytizers -- customers who will chat up the brands to their buddies, set up Web sites, attend events, and proudly identify themselves as adherents, according to strategist Douglas Atkin of ad agency Merkley & Partners, who recently wrote The Culting of Brands. Nobody has to pay them. They are owners as well as customers.

The classic example of a cult brand is Harley-Davidson. The 101-year-old brand gained 4% in value this year to $7.1 billion. Sure, there are new models like the sleek V-Rod line and fresh features aimed at wooing women, but the real buzz comes from the 886,000 members of the company-sponsored Harley Owners Group. They're the ones who organize rides, training courses, social events, and charity fund-raisers. They pore through motorcycle magazines and wear the Harley-branded gear to feel more like rugged individualists and outlaws when they hit the road on weekends. A quarter of a million of them descended on Milwaukee last Labor Day to celebrate the brand's centennial. No wonder more than half of new Harley sales are to current customers who are trading up. The brand is self-reinforcing.

It doesn't take a cool category like motorcycles to yield a cult brand. Some are found in far more mundane sectors -- like furniture retailing. In Shanghai, Wang Jian Shuo runs a Web blog that, among other things, delves into his likes and dislikes with No. 40 Ikea, the Swedish furniture chain that offers modestly priced, ready-to-assemble furniture with cute names. He writes about everything from the 12 cents ice cream cones in the store cafeterias to how, as a newly graduated student in 1999, he spent his first month's salary on a "Billy Bookcase." Notes Wang: "Ikea seems to know my life better than any other furniture brand." Among those posting responses to his musings are a Malaysian fan who started his own Ikea forum and another who makes jokes about Swedish meatballs.

Such exchanges underline a key aspect of brand communities in the modern age: They evolve in ways that the head office often can't control. Newly empowered consumers can appropriate and manipulate the brand in whatever way they want. The Neistat brothers' anti-iPod Web site has generated 1.4 million hits from around the world. And it's not just brand fans who can make a difference -- or inflict damage. Witness the success of Super Size Me, in which documentary filmmaker Morgan Spurlock chronicled his decline in health while eating meals at McDonald's (MCD) for 30 days in a row. Although it denies any link, McDonald's Corp. recently did away with the Super Size meal option. They called it a menu simplification.

The key for brand builders is to give empowered consumers a great product and the tools to use it however they want. Jeffrey P. Bezos, chief executive of Amazon.com, whose brand value grew 22%, believes there is a distinct community built around his brand, even though it's now

used by more than 30 million people worldwide. For him, community is defined as "neighbors helping neighbors make purchase decisions." That means allowing negative customer reviews, even if it sabotages a possible sale. It meant halting spending on conventional advertising last year to funnel money into cutting prices and improving service in the belief that the community itself would spread the word. What Bezos does control is the range and quality of his site's offerings. "The thing that we did early on is that we made it very easy for people to find very obscure products," notes Bezos. "If you're not doing something that people will remark on, then it's going to be hard to generate word of mouth."

Mass customization

Some companies are using mass customization to bind their customers ever more tightly to their brands. The efforts extend beyond the individualized Web pages that characterize Web sites like Amazon.com and eBay. It means allowing customers to set up fan sites on the Web or personalize items. Some companies, like No. 18 Honda Motor (HMC) and Nike, offer tools to help customers put their imprint on a product -- such as choosing unique color combinations and messages for their sneakers. But relinquishing control has proved to be hard for some marketers. No. 6 Walt Disney (DIS) and No. 82 AOL (TWX) have famously chased down fans for unauthorized use of copyrighted material. As brand "futurist" Andrew Zolli argues: "When you get to the point where you're suing your customers over their use of your brand, it's time to change your business model."

Even brands that have largely grown through acquisitions and smart pricing understand the importance of building a distinct image and fan base. As Peter Stringham, group general manager of HSBC Holdings PLC (HBC) bank in London notes: "Nobody needs a new anything anymore." Instead, what has allowed No. 33 HSBC to jump 15%, to $8.7 billion, this year is clear differentiation as "the world's local bank" with a flavor that varies by location. On Jan. 28, for example, it kicked off the rebranding of newly acquired Mexican bank GF Bital with a free live concert in Mexico City for 10,000 people by pop singer Luis Miguel. In New York, it grabbed attention by offering free taxi rides in a cab emblazoned with the bank's red and white logo to any passenger with an HSBC bank card.

In contrast, some old-line brands seem to be coasting on sheer size rather than an ability to forge a unique relationship with customers. Even brands that have enjoyed decades of success and have instant recognition with consumers can lose some sparkle. Over the past year heavyweights like Microsoft, Coca-Cola, and Walt Disney saw their brand values erode. Others, like Finnish mobile-phone giant Nokia Corp. (NOK), No. 8, are struggling to regain momentum. "Nokia used to differentiate but I don't think people would know what to associate with it now," argues Jan Lindemann, Interbrand's global director of brand valuation. Nokia's head of global branding, Tapio Hedman, admits that "some young people may find Nokia too everyday, too middle of the road." But he disputes the notion that his brand could plummet 18% over 12 months, as it did this year in our ranking, arguing that brand equity takes years to win and lose. "Once you have it, it's a bit like insurance," says Hedman. "It's not likely to be eroded very fast unless you make one mistake after another."

That may be a dangerous point of view to take. Just ask Royal Philips Electronics (PHG)' new chief marketing officer, Andrea Ragnetti, who blames the lack of buzz around the Dutch electronics giant, which dropped 2% in the rankings, to No. 65, on years of underinvesting in the brand. "It's seen as a dull, solid, reliable brand but nothing really special, nothing sparkling," says Ragnetti, who is currently trying to narrow the brand's target demographics and recast its message.

That doesn't mean big brands can't connect with customers. Even massive players like No. 4 General Electric Co. (GE), which saw its brand value gain 4%, to $44.1 billion, can adopt a fun, flirty style. The most popular section on the company's Web site is the "GE Pen," which allows users to doodle in a variety of colors and styles before e-mailing their handiwork to a friend. Since launching last year, it has received more than 43 million impressions. When the site went down for a few days to upgrade, the company was deluged with e-mails that asked where it had gone. Does it help the company sell more ovens or advertising on NBC? Probably

not. But it certainly gives users a warmer feeling about GE. These days, anything that makes fans out of fickle consumers can be priceless in building a brand.

Business Week online – acesso em 19/8/2004