GIBBONS | PECK

How a brand mindset can protect you in a changing world.

Consider these brands

"A good name is better than precious ointment." Ecclesiastes 7:1

King Solomon understood the value of a brand 3000 years ago, and he probably wasn't the first. Developing and managing a brand is as simple and as complex as identifying a set of core values, putting your name on them, inviting people to identify you by them, and then living by your commitment.

Some marketing professors go so far as to say that a well-managed brand is *the only source of sustainable competitive advantage.* Other sources of advantage will erode. Location ceases to be an advantage as populations shift. Patented processes cease to be an advantage when the patents expire. Cutting edge technology is only cutting edge for a few years (months? weeks? days?). Low price strategies are only an advantage until someone comes along with a lower price. Services can be emulated by competitors. Things change. And when they do, it generally works to the disadvantage of existing businesses. Unless, of course, you've been prudent about your brand.

If you doubt the financial value of a strong brand, consider these:

BMW, Bayer, The Beatles, Brooks Brothers, Cadillac, Charmin, Cheer, Coca-Cola, Crest, The Dallas Cowboys, Draino, Disney, Elvis, Exxon, General Electric, General Motors, IBM, Kleenex, Marlboro, Mont Blanc, The New York Yankees, Nike, Porsche, Rolex, Rolls Royce, Tide, Tylenol, Wal-Mart, Windex, Xerox, ...

The list could go on for a long, long, long, time. Nobody takes and holds a category leadership position unless they have a strong brand. Nobody. Ever. Period.

A Brand is…

Ecclesiastes expresses the brand idea as "a good name." That's the crux of it, but for marketing management purposes, there's a little more to it. Thousands of books have been written on the subject. But let's give ourselves this working definition:

1. **the sum of all *internal and external attitudes* toward a branded entity (company, product, service, or organization)…**

2. **the *policies, procedures, and internal processes* that support those attitudes…**

3. **the *relationships* that reflect those attitudes in the marketplace (including staff, vendor, competitor, consumer, general marketplace, and media relationships)…**

4. **the *cumulative communications* throughout the lifetime of the entity (including all advertising, PR, news coverage, sales force communication, word of mouth, … all communication in which people learn about the branded entity, and by which opinions are shaped)…**

5. **and all *aesthetic elements*, such as corporate identity elements, by which these components are shaped, managed, and packaged.**

Why is a brand so valuable?

Just look at successful businesses over the last couple hundred years and the value of a brand becomes obvious. Here are some specific circumstances in which a brand helps you win:

To support price/profitability. The best predictor of profitability is market share. A category's market-share leader is almost always a well-established brand and is almost never the lowest priced (with the possible exception of Wal-Mart although even they are undersold on specific items by liquidators such as Big Lots). Well-established brands are more profitable than less established brands because the activities you do to maintain the brand enable it to command a higher price (and a higher volume).

Price is a function of product cost, competitive pricing, and perceived value. Of these, product cost is only somewhat controllable (by purchasing and manufacturing process controls). Competitive pricing is only indirectly controllable (and only to the degree that your competitors mimic your prices). But *perceived value is directly related to brand equity*. That doesn't mean that a strong brand is a license to gouge, but a strong brand does merit a higher consumer price.

In hard economic times. When money is scarce, consumers are less inclined to take risk. When people are not inclined to try new things, they will gravitate toward the category leader or a tried and true *brand* they trust. Investing in your *brand* gives consumers something in which to invest their trust.

In good times. When times are great and people are inclined to try new things, they will be inclined to seek out the product within a category that precisely fits them. By positioning your *brand* properly, you distinguish yourself from your competitors in a way that makes your strengths stand out, thus making yourself attractive to the appropriate consumers.

When you want to introduce new products or new technology. A *brand* reputation gives you the leverage of consumer trust, which gives you a distinct advantage over non-branded category entrants. This becomes more significant as you get into avant garde technologies (like the Gillette Trac II razor and its next generation descendant, the Mach 3).

When you're competing for distribution channels. When a store is deciding how many and which peanuts to carry, you can bet that two of the brands will be the store brand and the Planters brand. If they only carry two, the Planters wins big and all others lose.

When things go wrong. Consider the Tylenol scare a few years ago. They masterfully leveraged their *brand's* perceived dependability and responsibility to orchestrate an aggressive, high-profile move (immediate recall of all product), introduce a visible remedy (the tamper-proof package), and increase the trust the public had for their product. A less trusted (and trustworthy) brand would have been killed by such a crisis.

In short, if you've taken care of your brand:

You *can* charge more

You *should* charge more

And consumers *expect* you to charge more

Brands live inside the minds of consumers.

Being a Successful Brand is about:

- having values on which your company or product are based
- developing measurable procedures for reflecting those values in everything you produce
- communicating those values consistently—visually, verbally, and aesthetically

Brands do not live in the stock exchange, the board room, or the corporate identity program. They live in the minds of the "brand community." All of the controllable components—relationships, policies and procedures, product attributes, press relations, communication, corporate identity—are symbols which are used to help constituents remember brands accurately and positively.

The cognitive file. The basic reason brands work is because of the way people remember things. In general, when people perceive sensory information about something unfamiliar, they create a memory file (in short-term memory at first), which they use to compare that data (a smell, a sound, a color, the name of someone they just met) to other similar information. In this way, people give context to their experiences.

Just like a physical file folder, these cognitive files are labeled. The labeling system is based on the order of the information received, and the perceived importance or urgency of the information. Each person's labeling is unique to him or her. The files are based on sensory information, and a file may be labeled with a sound (Intel Inside), a color (IBM blue), a picture (golden arches, or Marlboro cowboy), or a type style (Coca-Cola).

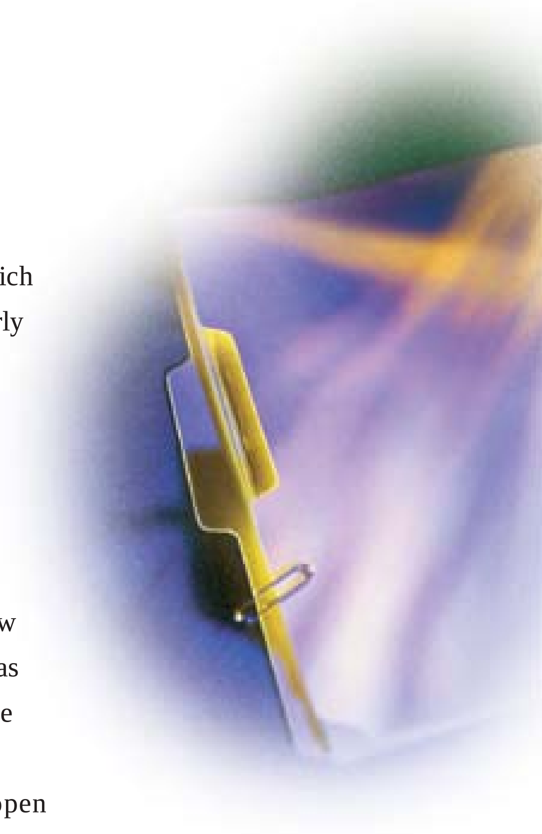
Over time, we return to our existing cognitive files to retrieve remembered information in order to interpret daily events. The most-frequently retrieved files (like "how I brush my teeth") are cut more and more deeply into our long-term memory. A few files actually become benchmarks by which all other information is interpreted (which is one reason an early childhood experience can shape your perceptions and behaviors as an adult).

The leader and all others. As new files are opened, they're placed *inside* broader *benchmark* files to provide order and context. Inside your file labeled, "the smell of coffee," might be subsequent files like "mom's cotton dress," "the sound of frying pans on the stove," "cold feet," "blue ceramic mug," "red Folgers can"…. Inside the "red Folgers can" file might be the song "the best part of waking up is Folders in your cup," and another file called "Folgers and all other coffee cans," inside of which might be "Maxwell House," "Hills Brothers," "Chase & Sanborn," etc.

If your brand appears inside the consumer's memory files, it will appear in the context of the earliest, or most significant experience with which it is associated. In general, cognitive files specific to brands will appear inside a larger, category file labeled "________ and all others." For example, "Folgers and all others."

Because consumers remember products in terms of the leading brand (or the first brand with which they have an experience), it's nearly impossible to unseat a category leader in a mature category—you simply can't make somebody un-remember.

You can, however, redefine your category in a way that opens a new file. For example, Lean Cuisine was able to leapfrog over its diet entree and frozen entree competitors by enticing professional women to open a file labeled, "slender, sexy, good tasting, easy, food" and just inside that, one labeled, "Lean Cuisine and all others." Suddenly the shape of the category had changed from "the frozen compromise for when I'm in a hurry, " to, "good food that works with my life in every way." And Lean Cuisine was in the leadership position.



Your Brand is remembered by standing for something.

For example, within the broad category of shoes, there are lots of non-leading brands that get their fair share by standing for something:

- Rockport = walking (not hiking)
- Timberland = rugged hiking (not just walking)
- Johnston & Murphy = serious, solid, expensive, conservative business

You can only trust so many brands. That the best predictor of profitability within a category is market share is pretty easy to explain when you think about consumers and brands. A consumer will only attach loyalty to a limited number of brands. And rarely will this include more than one brand within a category.

For high-commitment categories (like cat food) consumers instill a great deal of emotion and self worth in their brand choice. It is very hard to get them to change brands. In such a category, where brand loyalty is like gold, a well-established brand can command a higher margin (even if the product has a higher cost). So brand loyalty points directly to the bottom line.

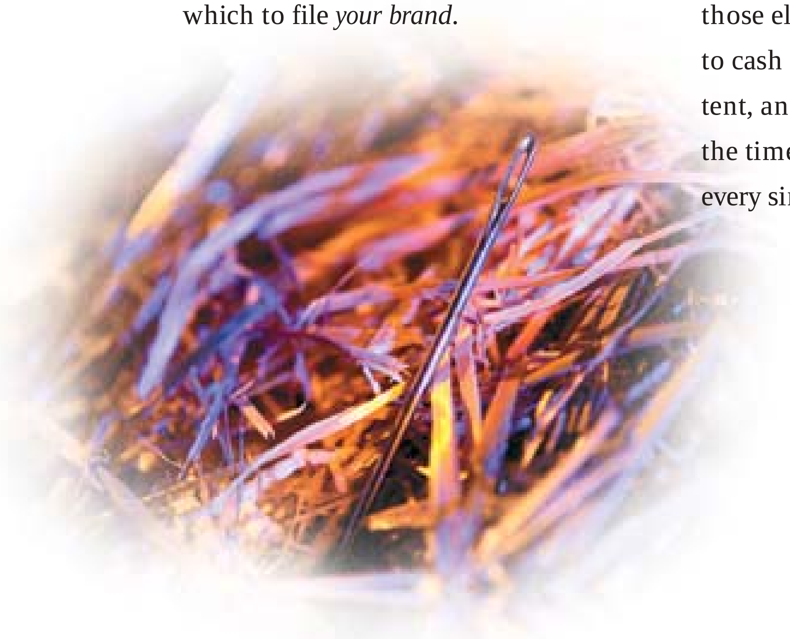
For low-commitment categories (such as sandpaper), consumers simply want to be able to depend on a product to consistently meet minimum performance expectations. For this dependability, a large percentage of consumers will simply *default* to the established or familiar brand. Even if the margins for low-commitment categories are high, the established brand still wins, because in a *no-brainer* decision the established brand is the default choice.

How do I remember you? Not everyone buys the category leader. In fact, in a healthy category, the leader will have a market share of 35 to 45 percent. If you're not lucky enough, rich enough, or old enough to be the leading brand, how do you get your fair share of the rest of the category? How can you be remembered?

Your brand is remembered by standing for something.

How do I recognize you when I see you again? A friend of mine once told me a story about going to work at a Chicago ad agency on the Keebler account. A kid right out of school, he naively declared that his goal was to "get rid of those stupid elves." His creative director wisely replied, "If we get rid of the elves, how will all our fans recognize us?"

When you invest in things like brand identity programs, aesthetics research, sensory research, package designs, and long-running ad campaigns, a lot of what you are buying is the ownable vehicles by which your fans will recognize you. You're giving *your consumers* sensory reminders by which to file *your brand*.



Within the total range of brand components, there needs to be plenty of room for adjustment to market forces (remember when the Pillsbury doughboy became a rapper, back in the 80s?). But this adjustment must stay within your brand parameters (the Pillsbury doughboy never became tough, or skinny, or a girl).

A good brand is all about the things you do to run your company, the products your company's culture yields, and all the things you do to communicate your value proposition accurately and consistently to your consumers, suppliers, and competitors. Once you've defined your basic brand elements, the time to abandon those elements is when you're ready to cash in your brand, roll up your tent, and retire to the lake house. And the time to invest in your brand is every single day.

- **Florsheim = perfectly adequate, conservative, but not expensive business**
- **Keds = casual, fun, but not really athletic sneakers**
- **Nike = athletic shoes with attitudes**
- **Berkinstock = comfort above all**

If your brand can't be the category leader, you can still be the leader of a *cause* such as *comfort* or *attitude*. By doing so, you redefine a larger category into smaller ones, in which you are the leader. Rockport can probably never hope to be the leading brand of the shoe category. But it can be the leading brand of the comfortable walking shoe category.

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