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Are You Building Your Brand?
(or just promoting your brand name?)

A Think Piece

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Part of the **Brand Handbook for CEO's** series, provided at no charge to owners, managers and corporate leaders. If you're interested in receiving more information on this series or to discuss your business' brand and how to maximize its value, please contact:

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Brands. Brand Names.

There is a difference.

But the harsh reality is that following the micro-age of the dot-coms – where brands and brand names were made synonymous – the confusion between the two is even more pronounced than ever. Nevertheless, today we now see ad agencies, PR firms and management consultants trying to “build brands” around products and services rather than around visions and values.

As marketers we have ourselves to thank for this mess. For years, the term “brand” also meant “product line.” Packaged goods manufacturers hired marketing graduates and MBA’s to serve as brand managers responsible for advertising, product promotions and distribution.

Automotive manufacturers added “brands” associated with nameplates and then turned them into “divisions” inside the company. Those divisions created products that

competed for market share against other divisions. This eventually led to less and less differentiation between divisions and product lines. Brands became less and less relevant and Oldsmobile has died as a result.

It wasn't until the advertising renaissance of the 1980's that we started to see brand differentiation as we understand it today. This is when manufacturers started introducing products that created true "relationships" with consumers.

Apple computer's Macintosh extended the home IBM's PC "brand" beyond the definitions set by big blue by introducing innovative product breakthroughs like the graphic user interface (GUI) and the mouse.

General Motors' launch of Saturn took the GM brand out of the media and into the showroom by showing the company could eliminate price haggling and bond with customers by inviting Saturn owners to the factory where their car was "born."

By the mid 1990's, mission statements and corporate visions were starting to actually mean something to someone other than the CEO. Front desk staff at the Ritz were being “ladies and gentlemen to ladies and gentlemen” and companies following Don Peppers and Martha Rogers’ one-to-one mantra were starting to consider “share of customer” over “share of market.”

Brands and their value propositions were starting to have a true value to consumers and that stimulated interest on Wall Street.

Packaged goods companies were going into hyper drive creating variations on established products and calling these “brand extensions.” Companies were seeing value assigned to brands as justification for exorbitant acquisition prices and the rise of almost obscene valuations and market caps on the stock market.

Enter the Dot-Coms.

The dot-com phenomenon was, in our view, a logical extension of this brand valuation hype, which arose on Wall Street in the second half of the 1990's.

While many of these businesses were all about a new paradigm of relationships with customers, too many of them failed to make the connection between their brand and their brand name. The consequences were outrageous commercials featuring hamsters shot from cannons, horseback riding monkeys and more.

All of this excitement. All of this buzz. All of this “lift.”

All of this teamed up with a general inability to keep clients.

The dot-coms had done a great job of promoting their brand name, but when it came down to building relationships through all of the interactions with the customer, the dot-coms fell through. The end result was no relationship between customers and the brand, despite

millions of dollars spent on promotion of the company's name and image.

Brand name advertising had failed. Brand building was never given a chance.

So with the demise of the dot-com boom (and the related deflation of egos, bank accounts and marketing budgets) came the forecasts of doom for “branding” and other related disciplines. But to make such a forecast, one has to ignore the value of looking at brands and the utility they bring to communications in business.

The truth is that brands have been around as long as people have been trying to communicate. The first pictographs were symbols that represented things, events, feelings and relationships, just as brands do today. And to understand brands and how they are built leads to a greater appreciation for how people think, learn and act.

The evolutionary problem outlined in these previous examples, and the resulting predictions actually arise from the confusion between **brands** and **brand names**.

The House of Brands and the Branded House.

To understand this point more clearly, let's use the two extremes of how companies can manage their brands.

The Branded House method posits that the company and the brand are one in the same. Products, or lines of products, are presented as subsidiary to the brand.

An example of this would be Compaq computers. The various products under the Compaq brand were subsidiary to the company. In fact, many of the product names were extensions of their catalog numbers or used internal product references.

In every case, everything about the product was subsidiary to the company. Customer support for the iPaq product was provided by Compaq. Packaging for notebook and laptop computers was similar in look and brand identity to packaging for desktop workstations and other products.

Continuity of brand identity for Compaq was reassuring to the customer and provided a high sense of security when

making the purchase and receiving the product – an important value for a relatively high-ticket item.

The perceived value in the brand must have been considerable for Hewlett-Packard to acquire the company. Unfortunately for Compaq, HP's decision to remain a Branded House rather than a House of Brands will probably lead to the dismantling of the Compaq brand and its eventual demise.

The second extreme in the brand management continuum is what is referred to as the House of Brands. In this case, a company owns and manages several independent franchises in either related or unrelated fields. ServiceMaster is a prime example of this brand management strategy.

ServiceMaster owns several different entities in the home finance, home improvement and related fields – however several of those businesses would not benefit from a direct relationship with each other. For example, very few

customers would see a direct benefit to the relationship between Terminix and Merry Maids.

A third group of companies follow a brand management strategy that blends the two extremes. General Electric, for example, manages a Branded House when it comes to their technology-driven product lines (aircraft engines, Profile® white goods, etc.) but has established brands that are independent of the GE name as well (e.g. NBC and Hotpoint).

In the case of NBC, General Electric recognizes the value of the brand and its long-standing relationship with advertisers and viewers. NBC has created a Branded House of its own, as well, with services like CNBC and MSNBC.

Hotpoint, the appliance line of products, is a different sort of brand management strategy. In this case, the brand has been created to target a specific consumer market, leaving the higher income and (we assume) higher margin market to the GE Profile line of products.

Most companies, however, have created a confused mishmash of brands and brand names that they treat as brands. While for many consumers this may not be a problem (do we really know or care what the brand values of Cocoa Puffs or Lucky Charms are?), it can create greater confusion with other important target markets.

Brands Speak. Brand Names Sell.

The underlying confusion results from a basic misunderstanding of the purpose of a brand and that of a brand name. While a brand name represents a product or product line, a brand is supposed to represent some kind of promise to the consumer that influences his or her behavior. In a best-case scenario, a consumer's relationship with a brand's promise is so strong they start to "advocate" for the brand.

Outside the realm of consumer relationships, brands still represent something deeper. When employees buy into a company's "vision" they begin to see the role they play in keeping the brand's promise to the customer. The resulting empowerment can directly impact the bottom line. Vendors who understand the unique values a customer's brand represents can find new ways to partner with their customer and drive value through the enterprise often improving margins and increasing volume as a result.

None of this happens with a brand name, however. No customer (that we know of) has ever felt so moved by a Fiesta that they've given up their career to go work at Ford. In all likelihood, there aren't any General Mills assembly line employees who think about how to make Cap'n Crunch's cereal any crunchier.

Businesses of all shapes and sizes get confused between their brand and their brand names. We usually see this confusion manifested in vague and meaningless corporate mission statements; a focus on production over product that tries to drill down costs rather than create value and a "price for product" attitude with vendors that is based on adversarial relationships rather than partnerships.

Achieving Brand Enlightenment.

So, how do you address these business problems through more aggressive management of your brand? Here's where you can start (either with or without a consultant):

1. Clarify who your end-user customer really is and what's important to them. This can be done formally (through a third party survey) or informally (regular breakfast meetings with customers). Just do it. Start the conversation, then shut up and listen.
2. Identify where your company/brand can be a real value to the customer. What can your company do to make that customer's life easier, more productive, more enjoyable?
3. Once you've determined what you have to offer your customers, you next need to determine how you deliver it. What are your company's internal values that make your product or service possible?

4. Once you've identified your brand's value proposition to your customers as well as your own, internal values and principals, it's time to share that "vision" with other leaders in your company. This is the process we call "Strategic Visioning" and it involves quite a bit of consensus building among top managers first, then sharing of that vision with everyone inside the organization.

5. As a result of this sharing, it's possible to define the customer's experience on a department-by-department level. This helps managers and employees develop an understanding of what the brand's "promise" is and their role in helping the company keep that promise.

Companies often start seeing benefits of this process even if all they do is just create and share a strategic vision for their company and brand.

One of the first things to happen is the company achieves a higher state of brand definition, internally. People start to recognize where different products and services fit in the internal “mix.”

Eventually, the confusion between brands and brand names starts to fade. Stakeholders start focusing on the things that really matter: the promise of their brand as it is reflected in the strategic vision.

As more customer relationships are created, they are managed more effectively. Opportunities are weighed against the brand and its value to customers. Decisions start getting made for the right, long-term reasons rather than for short-term gains.

Return on Investment.

The impact a focused brand can have on a company can be dramatic.

The first signs that people understand the promise and vision of a brand usually manifests itself in improved customer satisfaction and retention. Raising customer retention rates by just 5% can increase the customer's lifetime value to the company by as much as 25%.

A better understanding of a company/brand's vision and promise results in improved employee retention rates, as well. Slowing employee turn-over can yield dramatic improvements in training effectiveness and employee productivity.

And finally, stronger brand definition can also help cement vendor partnerships that can produce long-term productivity gains and advantages over the competition.

By example, our study: *Business and Brands – A Management Study* indicates that larger, higher margin businesses tend to favor vendors with more clearly defined and better understood brands. Loyalty and a commitment to long-term relationships ranked very high with these companies who indicated a willingness to pay up to 33% more for a product or service versus a competing vendor with a similar product or service but an unknown brand.

Clearly brand value counts for something. Now make it count for you.

If you have any questions regarding the information in this white paper, please feel free to contact us here at Brand Central Station:

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