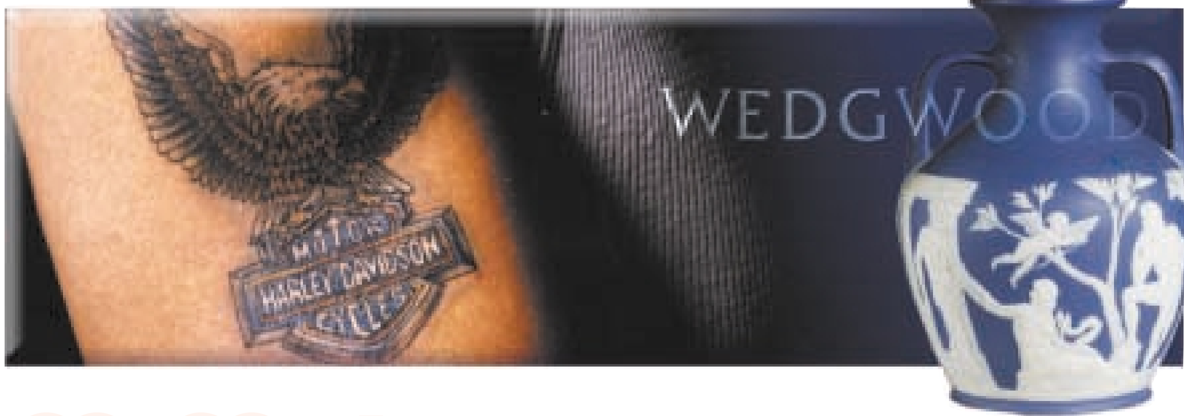
# Mercer Management Journal



Number 12
2000

## The New Brand Strategy: Are You Experienced?

Once, a brand was simply a mark stamped on a product to identify its maker. Its fortunes depended on product quality and advertising. Today, with the explosion of the Internet and the flood of new options for customers, the basis for brand strength has dramatically shifted: Creating a compelling customer experience is increasingly what makes or breaks a brand. Such a challenge involves the entire organization, including senior managers. It requires fresh approaches and quantitative tools that can identify the brand-building investments with the greatest financial returns. At its most successful, this new approach blurs the lines between commerce and community, with customers literally branding themselves—a true mark of experience.

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IDENTITY and
IMAGE management

# *Mercer Management Journal*

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As one of the world's premier corporate strategy firms, Mercer Management Consulting helps leading enterprises achieve sustained shareholder value growth through the development and implementation of innovative business designs. Mercer's proprietary business design techniques, combined with its specialized industry knowledge and global reach, enable companies to anticipate changes in customer priorities and the competitive environment, and then design their businesses to seize opportunities created by those changes.

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# To our readers,

On many dimensions, the task of keeping a business healthy and profits growing is getting harder each year. New competitors—many of them Internet start-ups or new rivals from what were once entirely different industries—appear constantly. A deluge of product and service offerings is flooding the global marketplace, making it more challenging to get your own products or services noticed.

At the same time, you need to spend more time paying attention to Wall Street. You want securities analysts to know exactly how your business design is superior, so that they'll reward you with a more attractive multiple. But analysts are just as bombarded as customers. How can you break through?

To make matters worse, some of your best people regularly walk out the door to new opportunities. Finding new talent is tough, too. Everyone from your traditional competitors to dot-com start-ups seems to be battling for the same people.

Finally, even in this age of apparent deregulation, government and public interest groups seem to be watching your business as closely as ever. Your freedom to operate as you choose is constantly called into question.

These challenges are well known. What may come as a surprise is that brand strategy—or rather, a new approach to brand strategy—is a key tool in addressing each one of them.

This new approach—which addresses brand building in the context of a company's entire business design—is set out in this issue of *Mercer Management Journal*. From the first article, which summarizes our view on brand strategy, to the last, which describes the important role that human capital strategy plays in brand building, the issue argues that a fully integrated approach is the only way to create a powerful brand. As such, the issue is best read in its entirety.

Our thinking on corporate strategy is constantly evolving, and our brand strategy builds on earlier work. A recent Mercer book,

*Profit Patterns,* and the previous issue of *Mercer Management Journal* examine how managers can draw on a library of strategic patterns to anticipate changes in customer priorities and the business environment. One article in this issue looks at nearly twenty "brand patterns" that can help you make educated guesses about your brand's relevance to tomorrow's customers. (For more information on brand and profit patterns, visit our Web site *www.profitpatterns.com*.)

We are uniquely positioned to help clients build and maintain powerful brands. Our proprietary marketing science tools have allowed us to undertake some of the most rigorous and quantitative analyses of brands currently possible. And our strategic approach to brand building ensures that it is not a sterile activity carried out in the isolation of the marketing department, but rather is a rich and multi-layered endeavor that permeates all aspects of a company's business design. We have applied that approach to some of the most significant brands in the world.

We can—and often do—draw on the expertise and capabilities of our sister firm, Lippincott & Margulies, one of the world's premier corporate image and identity consultants. Its brand specialists have made significant contributions to this issue of the *Journal*. And when brand issues intersect with issues of human capital, we turn to another sister firm, William M. Mercer, a leader in human capital strategy, whose research helps inform this issue's final article.

The ability of a company to protect its profit stream from being diverted to competitors is a function of what we call "strategic control." The brand has long represented the most broadly available source of strategic control. But just as business strategy has become more challenging, so too has brand strategy. We hope this issue of the *Journal* will generate new ideas that will help you make your brand a driver of sustained profit and shareholder value growth.

Sincerely yours,

James W. Down
Vice Chairman

# A “mindshare” manifesto

*Common misconceptions squander the power of the modern brand*

By Eric Almquist
and Kenneth J. Roberts

Powerful brands can help firms leave rivals in the dust. But brand building today must encompass a more complex set of activities and target a broader audience than in the past.

As if 200 salsa brands and 7,500 mutual funds weren’t bad enough.

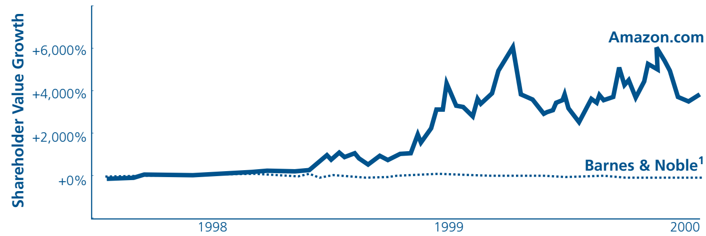
Throughout the industrialized world, there is a growing glut of products and services—including, in the United States alone, a staggering number of mutual funds and varieties of what was once a niche-market hot sauce. That glut has been exacerbated by the Internet, where countless new companies are doing business in entirely new ways. Meanwhile, traditional industries are melding into one another, blurring categories and creating whole new sets of competitors. In this maelstrom, it isn’t surprising that companies find it difficult to differentiate themselves, not only to customers but also to investors and prospective employees.

A winning brand strategy—one that is integrated into a company’s overall business strategy—can make a huge difference in overcoming these challenges. Obviously, a powerful brand can cut through the noisy clutter of the marketplace, heightening awareness of a product or service and shifting demand in its favor.

But a strong brand can do more than simply help companies stand out from the crowd; it can help them break away entirely. Increasingly, we see the winning company in an industry transforming its early lead into a juggernaut of brand-driven “mindshare momentum” that leaves runners-up in the dust (see Exhibit 1).

That same brand—if managed well in the context of a customer- and profit-focused business design—can then help a company protect its lead and enjoy sustained, superior financial performance. Mercer Management Consulting’s research into the drivers of long-term shareholder value growth points to the importance of achieving *strategic control*, the ability to keep profits from

**Exhibit 1** Amazon.com quickly built a brand that catapulted it far ahead of its closest rival.




[1] Barnesandnoble.com, spun off in May 1999, has underperformed Barnes & Noble and Amazon.com
Source: WSJ.com.

migrating to competitors or (through lower prices) to customers themselves. A strong brand—which can forge a durable psychological bond between a company and its customers, investors, and employees—is the most effective form of strategic control available to a wide array of businesses.

The brand has never been so crucial to a company's success. So it is a tragedy that, at most companies, brand strategy is ignored or, at best, governed by a number of serious misconceptions.

## A brief history of branding

The phenomenon of branding has roots running deep into economic history. Stone Age toolmakers undoubtedly had trademark styles that signaled potentially greater success in the hunt. Particularly accomplished Viking shipbuilders may have had valuable brands of vessels. Certainly silversmiths over the centuries, including Paul Revere, the American colonial patriot, included marks on their wares to indicate both the purity of the metal and the craftsmanship embodied in the product.

Indeed, branding—the use of symbols to concisely convey information about a product or service—can be seen as a quintessential human activity. It is also a fundamental building block of commerce: Without information about a producer's or a seller's reputation, trade would grind to a halt. (The seller ratings on the eBay Internet auction site represent just one conspicuous contemporary example.) The real power of brands, however, dates to the time when this indicator of reputation was transferred from the individual to a larger business enterprise. The shift magnified brands' impact, extended their geographic reach, and resulted in wealth creation for numerous employees.

Josiah Wedgwood is often cited as the father of the modern brand. Beginning in the 1760s, Wedgwood placed his name on his pottery and china to indicate their source—his state-of-the-art factories—and therefore their quality. But the Wedgwood

name came to stand for something more. Nearly two hundred years before the advent of mass media, and without using conventional advertising, Wedgwood used royal endorsements and other marketing devices to create an aura around the name of his company that gave the brand a value far beyond the attributes of the product itself. His business design of mass production and distribution enabled him to capture the value created by his calculated association of his product with a rich and famous lifestyle and his exploitation of customers' social aspirations.

In many ways, branding has stepped away from Wedgwood's precepts during the latter part of this century. With the development of new media, particularly television, and the huge post-World War II boom in consumption and birthrates, a mass market was born. Rising demand and standards of living created an era where market share was king: The player with the leading share would have the lowest cost and the highest profitability.

Advertising agencies successfully exploited this situation by creating mass campaigns, primarily for consumer products, that built and shifted share. Anyone older than 40 still remembers the jingles of classic brand advertising from the 1950s and 1960s: "You'll wonder where the yellow went when you brush your teeth with Pepsodent," in the United States; "Bovril puts beef into you," in Great Britain; "Dubo, Dubon, Dubonnet" ("It looks good, it tastes good, it's Dubonnet") in France. Over time, these ads became more sophisticated, appealing to the consumer's intelligence and sense of humor. Today, the Super Bowl in the United States draws its enormous audience in part from

## What is a brand?

The English word "brand" is derived from "burning," a reference, in the word's business sense, to the embers once used to burn the mark of the owner onto livestock, casks, timber, metal, or other goods. By the 19th Century, according to the Oxford English Dictionary, the word had taken on the figurative connotation of a commercial trademark—"the ale was of a superior brand."

Later, in the mid-20th Century, the word grew to encompass the image that a product connotes in the minds of potential consumers or, even more abstractly, the popular conception of some person or thing. The OED somewhat sardonically cites a news report from 1959: "In the jargon of the P.R. trade, there is as yet no 'brand image' for the Prime Minister of Japan."

We define brand as the sum of all the information about a product, a service, or a company that is communicated by a name or related identifiers, such as logos or other visual cues. The brand is not the name itself; a corporate name that does not communicate anything of substance is not a brand. The attributes of a brand exist in the eye of the beholder and reflect an accumulation of both the communications that the person has received concerning the product, service, or company and the experiences that he or she has had with it.

American football fans and in part from people who want to see the latest ad campaigns for such mega-brands as Nike, Budweiser, and BMW.

While the advertising-agency model has dominated brand management and remains the way that many business executives think about brands today, it is rapidly becoming obsolete. During the last twenty years, the advantages of market share have diminished, evident in the number of market share winners who are value growth losers. The mass market has evolved toward greater diversity in customer needs, blunting the relevance of the mega-campaign in many industries. The mass media are being replaced by an array of communications channels that can target increasingly narrow customer segments.

The mass-market, advertising-agency model, still influential in brand management, is fast becoming obsolete.

Furthermore, the service-based economy has stretched the traditional time frame during which brand-building efforts must take place: What once spanned the period between a customer's awareness and purchase of a product, now extends throughout an extended relationship with the company that comprises numerous interactions.

Brands are changing in other ways, too. The traditional role of brand as a proxy for quality has diminished, at least in the developed world, where the risk of getting an unreliable product from an unknown supplier has decreased. One manifestation of this shift is the narrowing of the gap between branded and "private label" quality, which has strengthened the intermediary brand of the retailer at the expense of the traditional product brand.

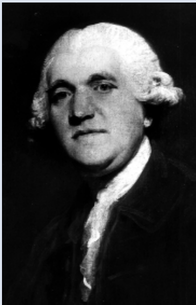
And the longstanding truism that an enduring brand is a strong one has been undermined by the volatility of today's business environment, which can quickly render a winning brand irrelevant. Branding remains crucially important, yet it increasingly finds its power (once again) through a tighter integration with business design.

### Precepts for the last century

As with any broad shift in the basis of competitive advantage, it takes a while before everyone is playing by the new rules. These transitional periods offer exceptional opportunity for players who understand those rules and play the new game first. Overcoming five widespread misconceptions can help executives to win in the brand-building game.

*Misconception #1: Brands are built mainly through advertising.* In today's increasingly service-oriented economy, something has replaced advertising as the key to brand building: the customer experience. This represents the sum of a customer's numerous interactions with a company, each of which is a "moment of truth" that can, to varying degrees, enhance or erode the brand. And a positive customer experience, so crucial to the health of brands in service industries, also plays an increasingly important role in product businesses. The purchase of a product, which used to be the final interaction between company and customer, now is often only the beginning of an ongoing relationship that includes after-market service or the creation of customer "solutions" that incorporate but overshadow the physical product.

## "Common Wedgwood": A most uncommon brand



*Josiah Wedgwood by Sir Joshua Reynolds*

When Josiah Wedgwood was born in 1730, the potters in his native Staffordshire, as elsewhere in England, sold virtually all their wares locally. By the time he died in 1795, Wedgwood products were sold, coveted, and discussed throughout the world. How did Wedgwood build what is often cited as the first modern business brand?*

The supremacy of the Wedgwood brand did not derive primarily from Wedgwood's noted innovations in technology or factory organization, or the quality of his products, or the distinctive visual system he created, including the characteristic "Wedgwood blue." His inventions were quickly copied, and other firms could, with some work, match his quality and color. And while Wedgwood imprinted his name on every piece of jasper-, basalt-, and chinaware, other artisans used trademarks as well.

Wedgwood's brand strategy relied above all on fashionable appeal. "Fashion is infinitely superior to merit in many respects," he wrote in a letter to his partner, Thomas Bentley, "and it is plain from a thousand instances that if you have a favourite child you wish the public to fondle & take notice of, you have only to make choice of proper sponsors."

From the start, Wedgwood courted the sponsorship of the monarchy, the nobility, foreign ambassadors, architects, painters—the arbiters of fashion. Their lead was followed by other classes who bought "common ware"—inkpots, tableware, and the like. Foreshadowing today's common practice of celebrity endorsements, Wedgwood accepted expensive and difficult commissions, such as a table service of 1,282 pieces for Catherine the Great of Russia, in order to gain the favor of the fashionable. Then, to maintain the continuous attention of the middle classes, he gave ceramic expression to current controversies and the latest popular figures. All of these products were elaborately displayed in Wedgwood showrooms and puffed in the press, stimulating demand for common ware, the most lucrative product lines.

Wedgwood's firm thus steadily accreted an economic value that we now call "brand equity"—the ability to command higher prices over comparable goods, or a greater share over comparably priced products. Indeed, Wedgwood regularly sold his goods at double the average price. And the Wedgwood brand came to define the category among the growing numbers of middle- and upper-class consumers worldwide.

*This article draws from "Josiah Wedgwood: Eighteenth-Century Salesman," by Neil McKendrick, *Economic History Review*, Second Series, Vol. XII, No. 3, April 1960.

With the customer experience often paramount in brand building efforts, many great brands are being built these days with little or no advertising at all. Long before it ever ran an ad, America Online created a positive online experience that generated both publicity and word-of-mouth buzz, then bolstered these with a massive direct-mail campaign that gave people a chance to actually try out the service. Pret a Manger, a chain of sandwich shops, has become a cultural icon in Britain ("What is your favourite Pret a Manger sandwich?" is a standard question in the interview feature of a London newspaper) by providing, among other things, an abundance of cash registers to deal with the lunch-hour rush. Harley-Davidson has built one of the most distinctive and powerful brands by fostering an experience—through such things as Harley owner groups and rallies—that goes beyond the attributes of the motorcycle itself.

Designing a winning branded customer experience continues to involve some of the traditional market research used in the old advertising-agency model of branding, but it goes far beyond this. Using sophisticated marketing science tools, brand builders can determine the most valuable customer segments, identify their priorities, and then determine which moments of truth are key to addressing those priorities (see article, page 49).

Designing a branded customer experience requires far more than traditional market research.

*Misconception #2: Brands are used primarily to influence customers.* Although most brand strategies are developed, quite naturally, with the customer front and center, they will fail to generate sustained growth in profitability and shareholder value unless they target not only customers but also investors and current and prospective employees.

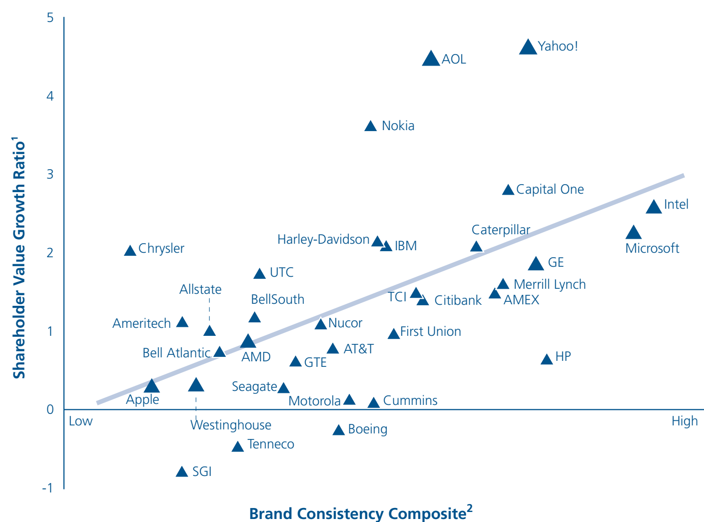
In an era when publicly traded companies are under ceaseless pressure to justify their performance, corporate brand-building efforts must be aimed at the investors and securities analysts who, with their purchases and recommendations, determine a firm's stock price. General Electric has been savvy in managing its brand on Wall Street—for example, by training analysts on how to evaluate a new business—giving GE the ability to easily raise financial capital.

And in the tight job market that exists in many countries today, companies must also use their brand to attract, retain, and motivate top "human capital." Cisco Systems has built a brand that attracts the cream of technology workers. Significantly, it has done this not so much through advertising as by creating a posi-

tive recruiting experience—it does more than half of its hiring exclusively on the Internet—that reinforces its brand image as a leading-edge technology company.

The three primary stakeholders—customers, investors, and talent—vary in importance to different companies at different times. For example, start-ups trying to raise capital initially may care most about investors, and should tailor their brand message accordingly. Still, according to a Mercer study of 40 leading brands, companies that successfully align the communication of their brand promise to all three audiences realize the greatest shareholder value growth (see Exhibit 2).

**Exhibit 2** Brand consistency and shareholder value growth




[1]Company three-year return divided by the industry three-year return (12/98 data).
[2]Average rating on likelihood to buy, work for company, invest in stocks.
Source: 1998 Mercer survey of forty brands in five industries.

There is a fourth constituency that, although it plays no direct role in driving profitability or value growth, is crucial to a company's health. This is the group of regulators, media, and public interest organizations that can affect a company's real or de facto "license to operate." A company that ignores this audience in positioning its brand risks a hostile response when it seeks their support. Microsoft's image of corporate arrogance, for instance, has made it a relatively unsympathetic defendant in the U.S. government's antitrust suit. The nuclear power industry is an example of an entire economic sector that effectively lost its license to operate, in part by underestimating the power of this key brand audience.

*Misconception #3: The key to successful brand management involves understanding the effectiveness of the brand in today's marketplace.* While achieving such an understanding is a worthwhile aim, on its own it risks creating a dangerously complacent view of a brand's health. More important is being able to anticipate a brand's relevance to the most valuable customers of tomorrow. That's because, although brands once had life spans measured in decades and often grew in power over time, in today's business environment a brand can become irrelevant surprisingly quickly. Once-great brands such as Cadillac and Zenith lost much of their power because they became irrelevant to a new generation of consumers. Will brands such as Nike and Starbucks be next?

One way to look over the horizon and glimpse future brand pitfalls and opportunities is through the discipline of pattern recognition. Analyzing a library of brand patterns that have played out in the past can suggest how and when a brand should evolve. This can give a company a jump on competitors who fail to see a brand pattern shift until it is too late to act (see article, page 35).

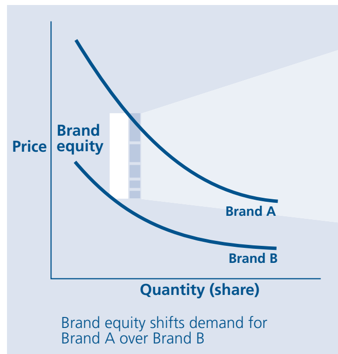
*Misconception #4: Brands are symbolic and emotive and therefore are managed primarily through "creativity" rather than analysis.* While brands appeal to the heart as well as to the head, they can be quantified and analyzed with much the same economic rigor as other business assets. One means of doing this involves a detailed assessment of something we call "brand equity."

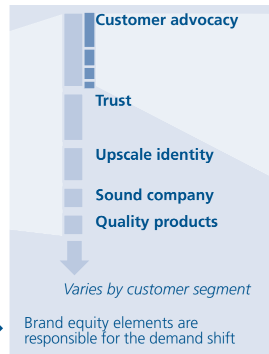
Brands convey numerous meanings and associations that are different in the minds of different audiences. In a flash, the brand "IBM" might communicate such images as "high quality," "high priced," "latest technology," "largest company," "reliable," or "stodgy," depending on the market segment. The sum of these associations is called "brand image."

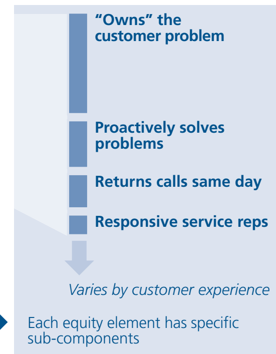
Winning brands target not only customers but also investors and current and prospective employees.

Only certain parts of this overall image, however, actually increase or reduce demand for IBM and its products. The ones that do are brand equity elements, the subset of brand image that, all else being equal, positively or negatively shifts demand for IBM among customers, investors, and the talent market. Positive equity elements allow a company to charge higher prices or win more sales at the same price than a competitor with a similar product and a weaker brand (see Exhibit 3).

Brand equity is most easily measured in the case of consumer packaged goods. Nonetheless, companies as diverse as Eurostar,




*Illustrative*

**Exhibit 3** Brand equity quantification and deconstruction

American Express, Air Canada, and America Online have quantified the abilities of their brands—and particular attributes of those brands—to shift market share and profit margin toward their products and services.

A detailed understanding of what causes customers in different market segments to choose or reject a particular product or service can guide a company in its brand-building investments. For example, if one positive brand equity element of an airline is "business-class comfort," the company may choose to further enhance that element by improving seat configuration; if a negative equity element is "unfriendly service," it may choose to improve its training and management of front-line employees. Each of these equity elements can be further deconstructed to target investments even more precisely.

*Misconception #5: Brands are the responsibility of the marketing department.* Just as advertising has been eclipsed as the key brand-building tool, so has advertising's main purpose: generating awareness and positive feelings about a company, product, or service. Although this is still an important aim of brand building, something else is even more important: delivering on the brand promise. Because brands derive their power from the value that they symbolically represent, there must be real value in the branded products or services. Otherwise, a brand will simply create false promises—a surefire way to erode its strength.

It has long been true that a *product* must deliver on the brand promise. PalmPilot became a powerful brand not only because of strong marketing but because the personal organizer was a "killer" product that delivered to the customer the promised performance. But in an increasingly service-intensive economy, employees, not just the product, determine a company's success

in delivering on the brand promise. Giving employees the tools and leeway to satisfy the customer across the entire customer experience can tremendously protect or enhance a brand's strength (see article, page 61).

For example, American Express's service-oriented brand is embodied in the top-notch service that customers receive in their interactions with employees. This has allowed American Express to survive the onslaught of literally hundreds of thousands of competing credit card offerings over the past two decades.

Delivering on the brand's promises requires the involvement of virtually every employee in all areas of the organization, even those who have no direct customer contact. Inaccurate monthly account statements from banks, prepared by back-office workers, can diminish the brand equity of an institution whose brand is based on the notion of trust. A company's brand can even be tarnished by the performance of workers *outside* the company—employees of a company's sales channels, for example.

Brands can be quantified and analyzed with much the same rigor as other business assets.

To be effective, brand-building activities need to be integrated into a company's overall business strategy. The brand is directly linked to the company's value proposition—the type of product and service it offers—and the type of customers it plans to target. The brand will have an impact on activities ranging from the development of new products to the design of customer service operations to the creation of a Web site.

Overseeing how a brand affects—and is affected by—nearly every aspect of a firm's business clearly extends beyond the job description of the typical vice president for marketing. The issue needs to have a place on the desks of the most senior managers, including the CEO.

### The new branding

Overcoming the aforementioned misconceptions calls for a new approach to brand strategy, one that in many cases recognizes and embraces the counterpoints to those misconceptions. Managers using the new approach should:

- Target four constituencies—customers, investors, employees (prospective and current), and those who affect a company's ability to do business—in their brand-building efforts

## Surviving in a world of 200 salsa brands

A growing glut of product and service offerings is flooding the global marketplace, making it ever more challenging to get customers to notice, and buy, a company's products or services. A strong brand can create a clear signal that overrides the static.

The examples of the glut are everywhere. Some 25,000 new consumer product SKUs (stock-keeping units) were introduced in the United States in 1998, compared with 4,400 in 1980, according to a recent study by the Federal Reserve Bank of Dallas. For evidence, just wander down the aisles of your local supermarket. Colgate, which sold two types of toothpaste in the early 1970s, today offers 17. There are now more than 200 brands of salsa, once a niche gourmet product in most of the U.S. (There's even the "Green Mountain Gringo" brand from Vermont.)

The credit card industry, which offered a handful of cards in the 1960s and 1970s, has become a value proposition machine, churning out tens of thousands of distinct card offers daily. The number of mutual funds available to investors in U.S. markets rose from 160 in 1960 to 560 in 1980 to more than 7,500 today. And the proliferation isn't limited to packaged goods and financial services. It's occurring in automobiles, telecommunications equipment, magazines, amusement parks, fast food—even, according to *Adult Video News*, in X-rated films, where new releases have gone from fewer than 2,000 just 10 years ago to more than 10,000 last year.

On the face of it, these examples look like a healthy expansion of supply, and presumably demand, in a robust economy. But things look less rosy when we examine another trend—stable or slowing population growth rates in the United States and other nations of the developed world. In recent years, for example, the U.S. population has been growing at just under 1 percent, a rate that in a decade or so likely will fall to about 0.5 percent, the Census Bureau says.

France and Japan are experiencing nearly zero population growth. Russia's population has been in decline since 1990, and Italy's will begin to decline next year. China, the country with perhaps the most potential for economic growth, nonetheless has a nearly flat growth rate of 0.8 percent. And in the many developing countries with faster-growing populations, consumers still have a hard time affording the basic necessities of life, much less a vast array of new products and services.

Put these two trends together and you get a sobering statistic, something we might call "value propositions per capita." Although no economic agency tracks the VP/C ratio, it is undoubtedly rising at a significant rate every year in the industrialized world. As just one conspicuous example, the number of U.S. mutual funds per million people rose from two in 1980 to nearly 30 today.

What implications does this ratio—with its exploding numerator and stable or shrinking denominator—hold for managers? For one thing, securing and holding onto customer "mindshare" for any particular company's products and services will be increasingly hard to achieve. It should not be surprising that total advertising spending in the U.S. rose to $78 billion in 1998 from an inflation-adjusted $5 billion in 1977, a reflection of companies' efforts to buy their way into people's brains.

Grabbing customer "timeshare" will also become increasingly difficult, as consumption itself becomes more time-consuming in a world of shrinking spare time. The availability of more products and services, each with a growing number of complicated features, means that more time must be spent actually evaluating, selecting, and using them. That is occurring as many Americans work longer hours and, in their declining spare time, watch more television, play more video games, or spend more time on the Web. The time for buying and using new products will continue to shrink. And if the Internet will help people shop more efficiently, it also will extend the clutter of choices available to them.

A powerful brand can help managers to thrive in this cluttered world, one in which a stable number of consumers have nearly infinite choices in their economic lives—but time and attention that are distinctly finite.

*—Eric Almquist*

- Systematically try to anticipate their brand's *future* relevance with tomorrow's most valuable customers

- Use sophisticated marketing science tools that can help them make sound brand-building investments based on where—and how—brands shift customer demand

- Create a customer experience that reinforces the brand across the multiple moments of truth that can make or break a brand

- Ensure that their entire business, and particularly customer-facing employees, delivers on the promise implicit in the brand

With some luck, executives who follow these new precepts will build brands as powerful and enduring as the one that Josiah Wedgwood created more than two centuries ago.

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# Ready for the next move?

*Understanding a brand's potential requires a new set of metrics*

By Andy Pierce
and Suzanne Hogan

A dispassionate analysis of a brand can uncover opportunities for a company to expand into new profit zones. It also can reveal signs that the brand is becoming irrelevant to changing customer priorities.

American Express contemplates a bold partnership with Visa that would eliminate a major source of customer dissatisfaction by dramatically increasing the number of establishments accepting the Amex card. Will it erode the profit-generating prestige of the American Express brand?

TotalFina hopes to achieve the necessary scale to compete in the consolidating petroleum industry through its acquisition of longtime rival Elf Aquitaine. What name should be chosen for the merged enterprise, and how should it relate to the brands of the numerous operating companies?

Kmart creates a stand-alone Internet site, BlueLight.com, in response to the threat posed by new online retailing rivals. Is it correct in concluding—in contrast to discount retailing competitor, Wal-Mart—that its existing brand wouldn't translate well to the Internet or might limit its options in the online environment?

Each of these moves clearly raises high-level strategic issues for the companies involved. But in a world where brand strategy can no longer be separated from business strategy, key brand issues must also be addressed. To do this, a company needs a deep understanding of its current brand status. Without this knowledge, managers can neither anticipate the impact a business move will have on their brand nor gauge the brand's potential to drive a business move. A formal brand assessment thus becomes a crucial prerequisite to most major strategic initiatives.

Business moves are not the only reason to stop and take stock. Early signs of change in customer priorities or the competitive environment also call for a self-evaluation. Indeed, smart brand builders are constantly reassessing their brand, identifying areas of strength and weakness, asking themselves whether their brand

strategy needs to be adjusted or overhauled. Do the brand's strengths provide the company with the license to extend its business to new profit zones? Do the weaknesses indicate that the brand may soon become irrelevant?

In business-to-business settings, where brand has often played a subordinate role, a single competitive move can make a brand suddenly relevant.



That self-assessment process has become increasingly complex. The shift toward a service- and Internet-based economy has upended the time-honored rules of brand building, making traditional yardsticks, if not obsolete, inadequate. The changing rules of branding call for new approaches to evaluating a brand's status.

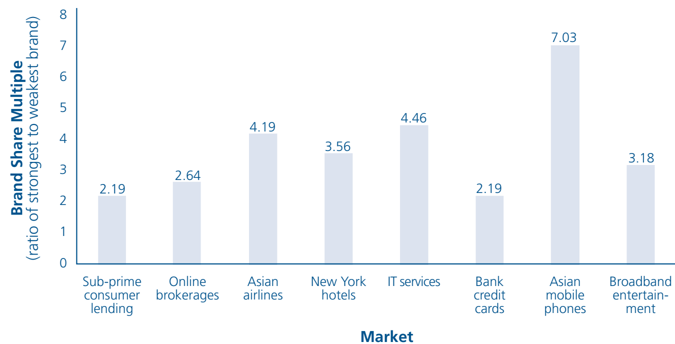
## Does brand matter?

Before a company undertakes a comprehensive self-assessment of its brand—not to mention major brand-related investments—it makes sense to determine the importance of brand in the industry. In a relatively few cases, brand plays virtually no role in shifting demand. For example, in a new industry or product category, the product rather than the brand will be the dominant connection to the customer. Or in certain business-to-business situations, the personal relationships that salespeople develop with their accounts may make the brand less relevant.

In most categories, however, the brand does make a significant difference, increasing to varying degrees the likelihood of a customer choosing one product or service over another. For example, strip away everything besides brand—for example, differences in price, schedules, in-flight amenities, and on-time performance—and customers are four times more likely to choose the Asian airline with the strongest brand than the airline with the weakest (see Exhibit 1). The first question for many executives thus becomes *how much* does brand matter in their industry, and are they devoting an appropriate level of time and resources to brand building?

Even in situations where brands have less impact, things can quickly change. In a new product category, where brands initially may not be important, managers need to anticipate when and how they can seize the opportunity to create a powerful brand out of a strong product—as, for example, Palm Computing did with its PalmPilot personal digital assistant. In business-to-business settings, where brand has often played a subordinate role, a single competitive move can make brand suddenly and powerfully relevant. Intel's "Intel Inside" campaign leapfrogged the company's immediate customer—personal computer manufacturers—and targeted the end consumer. By creating recognition and

**Exhibit 1** A strong brand can make a dramatic difference in the likelihood of a customer choosing one product or service over another (all else being equal)




Source: Mercer Strategic Choice Analysis® studies, 1995-1999.



value around the microprocessor inside the PC—a prominent example of so-called ingredient branding—the chipmaker made itself an indispensable supplier to manufacturers.

Given this power of a brand to strengthen a company's "strategic control"—its ability to lock in customer relationships and protect profits from being diverted to competitors—smart business-to-business companies are always looking for signs of the latent or emerging importance of brand. For example, if brand isn't important to immediate customers, could it be important to end consumers? Do opportunities exist to create a branded "service wrap" around a commodity that would enhance consumers' use of the product? While the brand may not immediately support a price premium or directly influence a customer's choice, it can lead a customer to consider a product or service—a valuable first step even when buying decisions are ultimately based on personal relationships.

Of course, in gauging the importance of branding to their company, managers must also keep in mind that customers are only one of a brand's potential audiences (see previous article). A powerful brand also influences investors and helps attract, retain, and motivate talented employees. These two constituencies, as much as customers, help drive a company's profit and shareholder value growth.

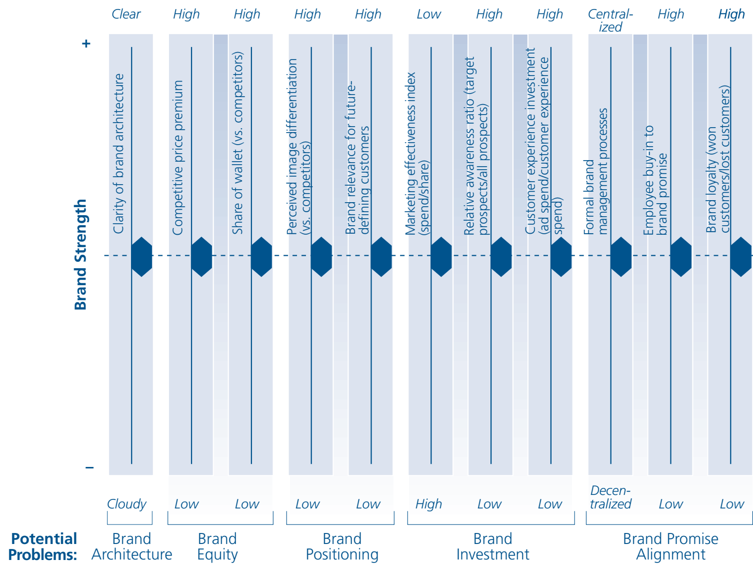
## The brand report card

Assuming that a strong brand can make a difference for a company, managers need a strategy to capitalize on that potential. That begins with an understanding of the current status of their brand.

Marketing science tools are indispensable in helping to understand which elements of a company's brand actually drive

customer choice and shift demand for products and services. But companies can get started with a self-assessment. We have found that the dispassionate use of a simple diagnostic (see Exhibit 2) can provide a broad overview of a brand's health, identify potential problem areas that would benefit from deeper analysis, and suggest ways to make the brand more robust today and in the future. As you read, use the diagnostic to assess your firm's brands.

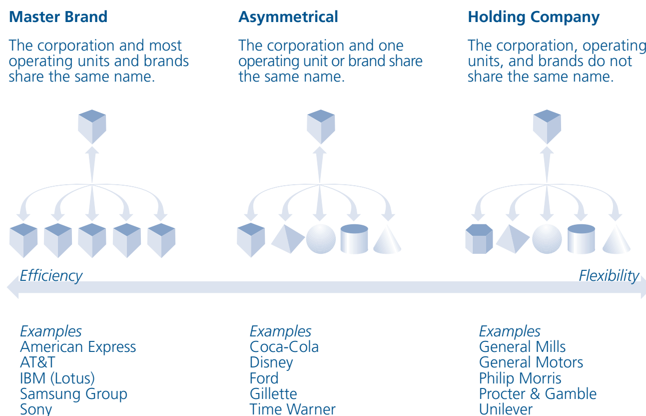
**Exhibit 2** A brand self-assessment can identify areas where a company's brand needs to be strengthened




*How well thought out is my brand architecture?* Many companies with a portfolio of brands have given little thought to how they relate to one another or to the corporate brand. When they diagram that portfolio, they find that it not only has little rationale, creating confusion among customers, distributors, and investors, but also that it may be undermining their strategic goals. Thus, a company's first task is to determine the appropriate brand architecture.

There are three basic types of brand architecture—master brand, holding company, and asymmetrical (see Exhibit 3). In the master-brand model, a single brand is dominant throughout an entire corporation. The economic benefits are clear: Every marketing dollar benefits each one of the divisions or operating companies, which themselves provide multiple exposures of the brand in the marketplace. IBM had aggressively pursued a master-brand strategy until it acquired Lotus in 1995. Because the software maker had a strong product brand that was flourishing under a different business model, culture, and operating style

**Exhibit 3** Different situations call for different brand architecture models.






from IBM, Lotus was allowed to retain its name. Over time, however, IBM recognized that the stability and financial clout of its own brand enhances the Lotus brand and reverted to a modified master-brand architecture, connecting Lotus to the parent through a simple endorsement—thus, "Lotus, an IBM company."

At the other end of the spectrum is the holding-company model, in which none of a company's businesses share the corporate name. This model provides a company with brand flexibility, enabling it to target diverse audiences. For example, the variety of brands offered by automaker General Motors or the luxury goods firm LVMH allows those companies to build loyal customer relationships with different customer segments. The holding-company model also gives a company greater flexibility in buying and selling other companies: Acquisitions can be made with the promise that the acquired company will be able to operate independently, while divestitures generally won't result in negative repercussions for the corporate brand. But with this flexibility comes the cost of supporting more than one brand. A company must be able to analyze the economics of its brand portfolio to ensure that the incremental brand management costs are outweighed by the benefits of having an array of brands.

The asymmetrical model generally emerges from a historic base. A company starts with a strong master brand but, as it outgrows its core business, it finds that this restricts its efforts to expand into new customer segments or market areas. For example, as Disney began to grow beyond its core business of wholesome, family-oriented movies and theme parks into potentially more profitable areas, it found itself limited by its definition of the Disney brand. Consequently, it created and invested in sub-brands, such as Touchstone, Miramax, and Buena Vista, that

produced under separate identities a wide variety of films and videos for a broad audience. The asymmetrical model also may serve as a way to deal with the rapid changes wrought by evolving customer priorities and the Internet. As companies increasingly are forced to redesign their businesses every few years, they may find that their master brand isn't malleable enough to withstand quick and easy repositioning. Keeping pace with the changes may require the creation of sub-brands.



Different business situations call for different brand architecture models. But managers can't determine whether theirs is appropriate until they have mapped it out. An architecture that includes a profusion of unrelated brands will need to be justified economically, given the efficiencies of the master-brand model.

*How strong is my brand equity?* There are numerous tools used by companies and advertising agencies to estimate the economic value of corporate brands. They range from calculations of a brand's balance sheet value to assessments based on image-related research. While well designed, few of these quantify what we call brand equity: the value to customers (or employees or investors) of the attributes embedded in a brand name, reflected in the choices they make in a competitive marketplace.

Understanding which attributes of a brand actually cause people to choose it over competing brands allows a firm to make informed strategy moves.

The distinction is important. By failing to take into consideration the value of the brand from the constituency's point of view, most brand valuation methods give executives little guidance on how to more effectively manage their brands. By contrast, understanding which attributes of a brand cause people to choose it over competing brands—or, conversely, to choose a competitor's brand instead—allows a company to make informed brand strategy moves. For example, what should be emphasized or downplayed in the brand promise to customers? Where should investments be made in the delivery of that brand promise? What opportunities exist to extend the brand into new customer segments or product categories? Where are the opportunities to attack competitor's brands?

Particularly powerful equity assets—for example, "trust" for GE, "innovation" for 3M, "family entertainment" for Disney—can carry a company into new opportunities with little risk of brand equity dilution. Relatively weak brand assets may foreclose such opportunities for brand extension. Knowledge of a brand's equity has become particularly important as the rise of the Internet has created tremendous opportunities and pitfalls for companies trying to extend their brand into this new space.

Strategic Choice Analysis® (see article on the next page) enables managers of major brands to assess in detail the critical components of their brand's equity. But they can get a start through a "back-of-the-envelope" perspective derived from more easily accessible data—for example, the brand's relative price premium or "share of wallet" compared with competitors.



*How effectively is my brand positioned?* An organization that cannot articulate its corporate brand positioning, or brand promise, hasn't found its soul. And if it hasn't found its soul, its audiences certainly won't make the emotional connection necessary for a brand to have an impact. Thus, the first step for some companies is to create a detailed positioning statement for their brand or brands. Then, with a clear understanding of the positioning, they can assess whether it is effective, using updated definitions of some traditional benchmarks.

For years, basic marketing principles have asserted that a brand must be differentiated in the eyes of customers. But that is only part of the story: A differentiated brand that doesn't also affect a customer's choice of a product or a service may help a company to become well-known or well-liked, but it won't drive profit or shareholder value growth. A brand also must be relevant to what the customer wants. That, however, begs an important question: "Which customers?"

Clearly, one group must be a firm's most profitable customers. Becoming the brand of choice with customers who cost more to serve than they contribute in revenue is a hollow victory for the brand strategist.

Winning brands are those that are highly relevant to today's—and tomorrow's—customers.

But perhaps the major flaw in traditional brand positioning yardsticks is their shortsighted focus on the present. While it is reassuring for managers to ascertain that their brand is relevant today, much more important is how relevant it will be to what customers want in the future. One resource that can help in positioning a brand for the future is an understanding of brand patterns, described in the following article.

Another is the identification of "future-defining customers." These are typically not a company's biggest or most profitable customers. Instead, they are a subset of those customers who act differently from others, who make what seem like odd demands. The challenge lies in distinguishing between those in this group who foreshadow the future—and those who simply have unique

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Deconstructing brand equity

# Rigorous analysis provides a platform for action

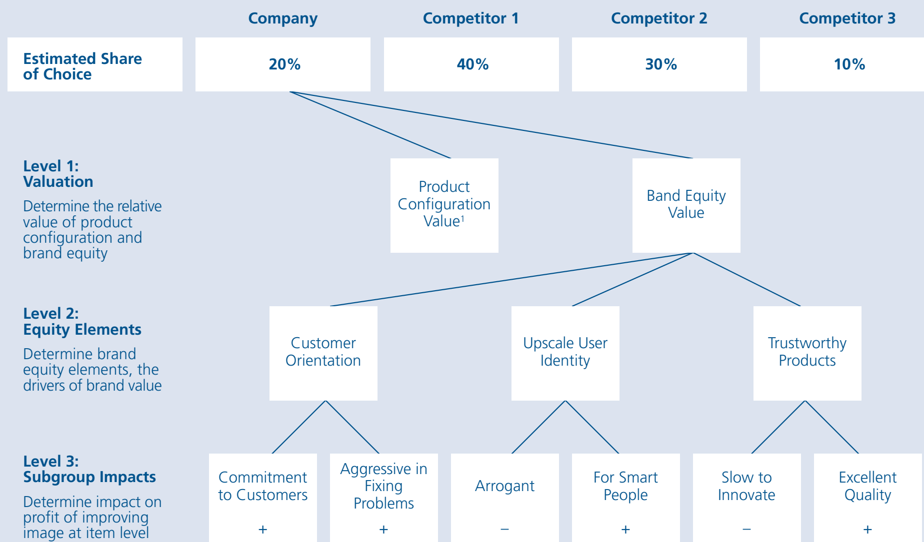
The power that comes from understanding, at a deep and detailed level, how a brand actually shifts demand among different customer segments can't be overestimated. Such an understanding, reached through quantitative analysis, helps executives confidently plan and execute a brand strategy that will drive profit and shareholder value growth.

The key to achieving this understanding lies in the quantification of a brand's "equity" through the isolation of its equity elements. Brand equity is the total value of all attributes implicit in a brand that convince a customer to purchase a particular product or service over competing offerings, all else being equal. (It also influences where employees choose to work and where investors choose to put their money.)

Unlike brand image, which includes all of a brand's positive and negative associations, brand equity represents only those attributes that affect actual customer choices. The equity can have a positive or negative value, depending on whether it makes a customer more or less likely to buy. And, because it represents the value of a brand in the eyes of the customer, it will vary depending on the customer segment.

The different attributes of a brand that influence customer choice are known as equity elements, and they will vary from brand to brand. One means of identifying them and assessing their relative value is a marketing science tool, Strategic Choice Analysis (SCA)®. The information that flows from this analysis is rich and detailed, providing a basis for marketplace actions (see Exhibit 1):

**Exhibit 1** Brand equity analysis quantifies the drivers of customer demand for each competitor and each customer segment.




[1] Product configuration preferences (features, price, channel, etc.) can be similarly decomposed and assessed to identify product-specific improvement opportunities.

*Illustrative*

- At the first level—*valuation*—the relative values of product or service configuration and brand equity are measured, by customer segment, for the company and its competitors. This analysis provides a high-level, segment-by-segment view of competitive opportunities and threats directly tied to brand strategy.

- At the second level—*equity element identification*—brand equity is disaggregated to reveal its key drivers. This analysis reveals points of possible leverage for increasing brand equity, as well as brand elements that currently have unrealized potential or that represent negative value.

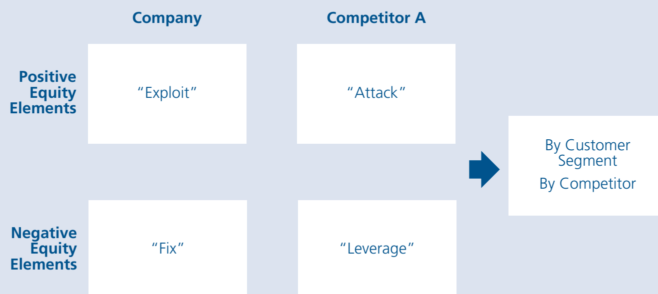
Once managers understand brand equity and its drivers (both positive and negative), they can use it to take action (see Exhibit 2):

- A company should above all *exploit* its core equity elements, those that drive positive equity in a given segment.

- It should *fix* its negative equity elements, those that undermine its brand strength and represent lost share.

- It should *attack* its competitors' positive equity elements, in an attempt to neutralize competitors' brand advantage.

**Exhibit 2** The analysis will suggest an array of possible moves.




- At the third level—*subgroup impacts*—the diagnosis becomes even more detailed, revealing how individual elements of brand image drive each equity element. This analysis provides the information needed for companies to take action.

Unlike other common methods for estimating brand value, such as standard market research surveys or balance-sheet analyses of goodwill, an SCA-based approach directly ties brand image to customer behavior, helping companies to attract and retain the loyalty of the most attractive customer segments.

- It should *leverage* its competitors' negative equity elements, taking full advantage of these weaknesses.

This data-driven approach to brand management can unlock insight and innovation in a way never before possible. It will shed light on previously unrecognized opportunities and help managers make smart decisions concerning marketing and customer experience investments, new product development, geographic expansion, and merger and acquisition strategy. The end result will be significant growth in profits and shareholder value.

*—Eric Almquist*

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current needs. The sales force will be best positioned to recognize these future-defining customers: They will be the ones whose unusual needs are being met by new, edge-of-the-radar-screen competitors.

"Future-defining" customers can help determine if a brand will continue to be relevant.



Clearly, these customers cannot be pinpointed with certainty; though they may be younger than average, representing the next generation of customers, it is their behavior rather than their age that defines them. But the process of trying to identify them forces managers to think about their brand's future relevance. The ultimate goal is to determine whether the current brand has the necessary equity to address the emerging priorities of these customers, while not alienating today's customers.

In the online brokerage business, for example, well-established brands such as Fidelity, Schwab, and Merrill Lynch are threatened by new entrants such as E*trade and Ameritrade, which have a younger image than their established rivals. The incumbent companies must determine whether their brands can be repositioned so that they will be relevant to both today's and tomorrow's prime customers, or whether it will be cheaper and less risky to create a new brand or a sub-brand for their online businesses. In one of the most interesting examples to date, Schwab launched a separate online business under the name E-Schwab, only to conclude after several years that combining its offline and online businesses under the Schwab brand would be more effective.

*Am I making the right investments in my brand?* Traditionally, investing in a brand meant spending money on advertising. But over time, brand strategists have realized the limitations of an advertising-only strategy. For one thing, determining the return on an advertising investment with any rigor has proved an elusive goal. More ominously, spending on advertising alone may squander the greatest opportunities to strengthen a brand.

Because brand value is created or destroyed in each interaction a customer has with a company, managing these multiple "moments of truth" can have a decisive impact on a brand's value. For example, in retail banking, a frustrating interaction with a bank teller can erase, in one encounter, any positive feeling attributable to the brand. Investing to improve the branch experience can produce a much higher return on a brand-building investment than incremental product advertising.

Clearly, knowing when, where, and how customers interact with a company and what will affect their perceptions of the brand are critical to making wise brand-building investments. The good news is that, unlike with advertising, the relative brand impact of different moments of truth can be measured, allowing managers to determine which brand-building investments will yield the greatest return (see the discussion of "structural equation models" on page 52). This will help guide decision making on whether to invest in, say, training for customer-facing employees or training for call-center employees.

In addition, the effectiveness of brand-building investments can be assessed by comparing a company's performance against competitors on some conventional measures: "marketing effectiveness ratio" (marketing spend/market share) and "relative awareness ratio" (awareness among target prospects/awareness among all prospects). More enlightening still may be a comparison of investments in advertising and investments in brand-building programs that directly affect the customer experience. The disproportionate spending on advertising, with its uncertain returns, will surprise many managers.

Each interaction a customer has with a company can create or destroy brand value.

*Is my entire business aligned with my brand promise?* Brands need to be built and managed from the top down. All too often, however, corporate strategy is developed in the chief executive's office and brand strategy is developed in another part of the firm. This mutual isolation often results in business decisions—for example, those involving cost-saving measures or the introduction of new products—that either destroy brand equity or don't capitalize on the opportunities presented by a brand.

A formal brand management process—with a "brand czar" who has CEO backing to stop business initiatives because of their impact on the brand—can protect long-term brand equity. The brand management function can also institutionalize assessments, such as the one described in this article, through the creation of an ongoing brand health monitoring system. And it can establish guidelines for managing the brand that go beyond traditional identity guidelines to include rules on how, when, and where to use brands in the development of new products and services or in moves to new types of business. Companies with the most successful brands—for example, Disney, American Express, and IBM—typically have this type of formal brand oversight (see interview next page).

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# "Brand is really about the customer relationship"

*Laurie Lang was until recently the senior vice president responsible for brand management at Walt Disney Company, a position she held for nearly a decade. Disney, a diversified entertainment company based in Burbank, California, had revenue of $23.4 billion in the year ended September 30, 1999; the company has 117,000 employees. Ms. Lang, who now oversees the company's philanthropic initiatives, spoke with* Mercer Management Journal *about brand building and management.*

### Disney is one of the world's best-known brands. How do you manage such an asset?

Fundamentally, what we try to do is maintain a course for what the brand is—and what the brand should be in the future. In the decentralized company that we are, we try to ensure that the divisions have that kind of shared understanding, in terms of product development, in terms of marketing and promotions, certainly in terms of business extensions or expansions. We want to be sure that whatever we do, our activities are consistent with the brand. Early on, there was little control over the level and quality of brand exposure, especially that of the Disney characters like Mickey Mouse or Donald Duck. As a result, it often looked like we were selling out the core assets of the company.

### For example?

People would make licensing decisions, marketing decisions that were driven solely for financial gain, with very little sense of what was right for the brand. And that's where the rub comes in, where you just have to bite the bullet sometimes and say, "We can't do that." Over the history of my time with the company, we have looked at potential acquisitions, for example, where there were certainly business reasons to do it, but which would not have been appropriate for the Disney brand.

### How does a brand manager exercise such power?

[Chairman and chief executive officer] Michael Eisner made it clear from the get-go that the brand was very important. However much the core objective is shareholder value, and however interested he was in growing the company, he was not going to do it at the expense of selling out what is one of the core attributes of the company. In addition, besides those individual decisions, he has talked publicly about the importance of the brand. People working in the company take notice of that, and it makes a difference. If senior management, and specifically the CEO, is not behind brand-building efforts, you might as well forget about it.

### What do you mean when you talk about the Disney brand?

The definition has evolved as brand management has evolved in this company. It really started with protecting an asset called Mickey Mouse. And then you realize that, in order to project a consistent image, it isn't just about ensuring consistent usage of Mickey and the other characters in licensed products. It is really about all of your products and your retail presence, about what you look like in the theme parks and how your movies are perceived. If you are within the Disney family of brands, that really requires you to live up to a consumer expectation for the brands. And it has to be delivered right across the product mix. Finally, every customer exposure to the brand, every interface with the brand, has to be a brand-building experience. It's totally integrated. Like many companies, I think we had an under-

standing on an academic level of the importance of the brand, because people are bright enough to know that the brand influences customers and Wall Street. But there wasn't a real appreciation that the brand is really about the customer relationship.

### How does a global company like Disney maintain that consistency around the world?

We found that the further away you are from the core, not surprisingly, the less understanding there is of the brand. So you have to focus on creating that understanding, and this involves more than a cursory: "Here's a brand usage manual. Read it. Follow it." At the same time, you do have to take into consideration market and local differences because, remember, it's about the consumer. You have to see it from a consumer perspective. And I do believe that there are differences between people in the U.S. and Japan and France. There has to be an understanding of how far you can bend the brand before it breaks.

### Looking beyond Disney, what are some examples of firms with successful brands?

Well, there are the classic brands like Coke and Marlboro and Kellogg's Corn Flakes, brands that have stood the test of time and continue to have strong consumer relevance. I might add Microsoft as another brand that, while not as long-lived, has certainly become a brand leader, just as it is the business category leader. Then there are some powerful newer brands that have yet to prove themselves over time. Some that come to mind are Virgin Atlantic, Yahoo!, and Nickelodeon.

### In highlighting these as successful brands, what criteria are you using?

Well, for one thing, there's a cohesive and shared identity and imagery from a consumer perspective. There may be some semantic differences in how customers describe the brands. But overall, they have a strong understanding and image of what these brands are. And this image is consistent across a broad population. Second, that imagery and that identity is not only known but also believable; it's consistent with the product delivery. People don't just buy the product or service; they buy into it. Finally, wherever customers are in their lifecycle, the brand still makes sense to them. Even if I decide not to eat Corn Flakes anymore because of nutritional reasons or some other reason, they're still in my mental basket of goods. I consider it more than other cereals because I immediately identify it when I'm walking down the cereal aisle.

### So how does this apply to, say, Virgin?

Well, the consistency begins with Richard Branson and his personality: kind of out there, risk-taking, adventurous. And then it's played out through their advertising and it's provided through their service—for example, the airline's willingness to break rules and change some of the paradigms that exist within the airline business. It's interesting, because Virgin's two areas of business—the music business and airlines—do seem to work together. They are both anchored in a similar kind of sensibility of what they're about and what they offer in terms of a consumer experience. Both the sales clerk in the music megastore and the flight attendant on the plane project this sensibility.

### Do these same principles apply to the Internet?

Most of them, certainly. For example, dot-com companies starting out in the past couple of years were able to be edgy and cool and out there, because that's who the user base was. I think that's changing and these companies are being forced to become more mainstream. And as you become more mainstream, and your audience is more mainstream, you have to be relevant to them as well. Again, it's about the consumer.

### Is it becoming easier or harder to build a strong brand?

It's becoming much more difficult. The marketplace is so complex and competitive. Every time we turn around there's a new company. There is so much clutter. And the media environment is so complex. It used to be that you could establish your identity through a limited number of means: your product itself and its placement within the retail environment, and then your media outlets—TV, radio, and print. Now there are far more choices. Just look at the revolution created by the Internet, with users hit by many, many more messages, many, many more names, and many, many more product choices. It's mind-boggling.

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But the powers of a "brand czar" to protect a brand promise has limits. Also critical are customer-facing employees, the "brand ambassadors" of an organization. A brand self-assessment needs to gauge how well employees understand the brand promise and how willing and able they are to deliver on it at key moments of truth. Their success in doing so will be reflected in measurements of customer loyalty—for example, the ratio of new customers to lost customers. That's because a customer whose experience with a company is consistent with what was implicitly promised by the company's brand will return again and again.

## A springboard to the future

A brand self-assessment helps to identify areas of strength and weakness in a company's current brand strategy. This provides a baseline of information with which to make smart decisions about the next business moves.

American Express's fabled understanding and appreciation of its brand equity has informed its planned partnership with Visa, which the two companies are rolling out cautiously in a few European countries. TotalFina, itself with a name that reflects a recent merger, determined that the equity in the Fina and Elf brands merits keeping them at the corporate level and chose to name the combined enterprise TotalFina Elf. Kmart's BlueLight.com—a reference to the retailer's in-store-only special offers—plans to expand beyond the sale of Kmart products to offer customers continual bargains and such services as free Internet access.

While an analysis of a company's present brand status is a requirement for planning future moves, it may not be sufficient. With customer priorities and the competitive environment changing so rapidly, companies must try to anticipate where tomorrow's brand opportunities will be. This type of analysis, described in the next article, draws on a library of brand patterns that catalogs different ways in which brands can evolve. It uses the past to help make sense of what often seems to be a chaotic present and elusive future.

*Andy Pierce is a vice president of Mercer Management Consulting based in Boston. Suzanne Hogan is a vice president of Lippincott & Margulies based in New York.*

# What ever happened to Burma-Shave?

*Pattern thinkers can outsmart brand rivals in a changing marketplace*

By John Kania
and Adrian J. Slywotzky

A static brand can quickly become irrelevant. But brand innovation also has its risks. Patterns that have played out in other industries can help managers anticipate when and how a brand must change.

ANTICIPATING Brand Opportunities

Leo Burnett, founder of the agency that bears his name and *Time* magazine's "Advertising Titan of the 20th Century," built his reputation as the champion of the "long, enduring idea." For advertising executives of the Burnett school, nurturing brand images such as the Marlboro man, the Pillsbury Doughboy, and the Michelin Man was essential to building the brands. Once a brand achieves strong relevance and awareness, it serves to create longstanding barriers to entry even when newer competitors' products are superior or much cheaper. Marlboro, for example, has successfully staved off numerous market share attacks from comparably tasting generic cigarettes priced at half of Marlboro's price. For countless brand managers, then, consistency over time has been the hallmark of a well-managed brand.

Yet while consistency still has value, a static brand can become dangerously irrelevant in the face of shifting customer priorities and changes in the competitive landscape. Burma-Shave, an advertising icon famous for its rhyming roadside signs, disappeared as a major brand in the 1960s with the spread of the U.S. interstate highway system, where advertising signs are prohibited. But Burma-Shave's demise also reflected the shift in brand building away from advertising jingles and toward the customer experience—for example, the ritual aspect of shaving so successfully exploited by Gillette. Other once-powerful brands such as Oldsmobile, Maxwell House, and United Airlines all suffered a sharp decline because they stood still while their customers were moving to different wants and needs.

A brand positioned around "Fly the friendly skies of United," for instance, worked well in the 1970s and 1980s when safety—embodied in the idea of "friendly skies"—had a high value for air travelers. But the message had become obsolete by the early 1990s, as travelers cared far more about service at the gates, better meals, and more room on the plane. Partly as a result of its

weakening brand, United's revenues, profits, and market value suffered. While the airline industry as a whole experienced 18 percent annual growth in market value from 1990 to 1998, United Airlines attained just 3 percent growth. Responding belatedly to shifting customer priorities, United has for the past several years focused capital and brand-building investments on consumer concerns such as flight schedules and seat room. Repositioning the brand for greater relevance has not been easy, however. "United Rising," the ad campaign that replaced "Friendly Skies," has already been replaced by one with slogans such as "United for a better journey."

The dilemma: When to abandon consistency in favor of reinventing the brand?

Although letting a brand go stale is a constant danger, brand innovation also has its risks. In 1985, Coca-Cola's taste tests indicated that most consumers (and particularly young people) thought Pepsi tasted better than Coke. To attract younger consumers, Coca-Cola chose to change its venerable secret recipe to make the product taste better than Pepsi, and attached the new taste to a new brand image: New Coke. The outcry against the new product quickly taught Coca-Cola that most of its customers, even many younger drinkers, didn't care about the actual taste of Coke so much as about the emotional heritage of this classic brand. While New Coke exists today in a few regional markets, it has been renamed Coke II and plays a minimal role in Coke's continued brand success.

So brand builders are faced with a dilemma: In a world where business models are being reevaluated and reinvented continually, when is it time to throw consistency to the winds and reinvent the brand?

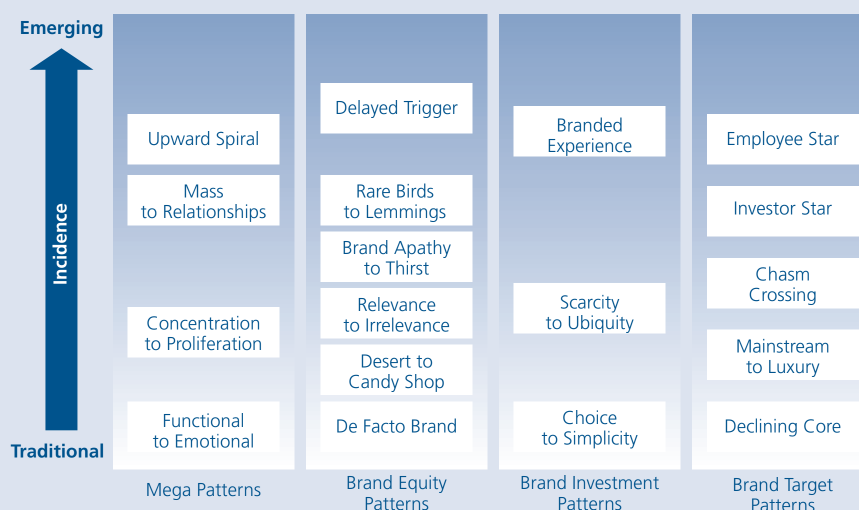
Past Mercer research* has demonstrated that pattern recognition—a discipline useful in such disparate fields as seismology, medicine, and chess—can help business leaders identify and capture new opportunities faster than the competition. Current research suggests that pattern thinking can also help to anticipate how and when a brand must evolve.

*Profit Patterns* discusses thirty patterns of strategic change. One of these patterns is "product to brand," in which customers, confronted with too many options and seeing too little differentiation, rely on brand as a proxy for quality, causing value to flow to branded players. Beneath this broad pattern, we have

*See *Profit Patterns: 30 Ways to Anticipate and Profit from Strategic Forces Reshaping Your Business* (Times Business/Random House, 1999); *Mercer Management Journal,* Number 11, 1999.

# Brand patterns: a catalogue of the ways brands evolve

*These eighteen patterns, arrayed by type and by incidence, describe how market shifts affect brand strategy. Additional patterns and variants will be catalogued as they emerge. For elaboration and examples of these brand patterns, visit www.profitpatterns.com.*




## Mega Patterns

*Functional to Emotional* Customers elevate the intangible benefits over product functionality.

*Concentration to Proliferation* As customers demand greater product choice at multiple price points, companies move from a single brand to multiple brands.

*Mass to Relationship* Customers' desire for tailored offerings leads to greater dialogue between company and customer, with more attention paid to the many points of customer contact.

*Upward Spiral* Companies with the most consistent, clear messages to customers, employees, and investors realize higher shareholder value.

## Brand Equity Patterns

*De Facto Brand* The first entrant in a new category benefits from tying the brand intrinsically to the category's main benefit.

*Desert to Candy Shop* As the number of choices in a category proliferate, customers jump to the hot brand of the moment.

*Relevance to Irrelevance* Customer priorities change, which reduces the relevance of established brand messages.

*Brand Apathy to Thirst* As customers become more discriminating among competing products, they place a higher value on certain brands as a guarantee of process quality.

*Rare Birds to Lemmings* In categories with rapid change, first-mover brand positionings spawn significant imitation.

*Delayed Trigger* Business design success stays ahead of brand development.

## Brand Investment Patterns

*Choice to Simplicity* Customers desire simplicity in selecting and purchasing products, and the brand becomes defined by how consistently it delivers convenience.

*Scarcity to Ubiquity* As a company expands its offerings across multiple products or channels, the brand becomes overexposed, and equity erodes.

*Branded Experience* As customers expect involvement with a product or service, the brand begins to stand for an ongoing experience, not just a product or transaction.

## Brand Target Patterns

*Declining Core* Brand equity remains strong, but among a smaller and smaller population.

*Mainstream to Luxury* As some customers migrate upmarket from core offerings, a brand is repositioned to capture these higher-value customer segments.

*Chasm Crossing* As a company's target consumer moves from the early adopter to a mass audience, the brand equity evolves or is stymied.

*Investor Star* Courting the investor community helps establish the brand as well as raise capital.

*Employee Star* In businesses where customer interaction with employees is frequent or critical, a focus on employee understanding of the brand promise strengthens customer loyalty.

*—John Kania and Andy Pierce*

recently catalogued nearly twenty specific brand patterns that have caused value to migrate from one set of players to another (see box, previous page), and identified leading indicators of when a particular pattern might emerge. Exploring three of these patterns in depth offers lessons for managers who must walk the fine line between dangerous irrelevance and ruinous innovation.

### Concentration to Proliferation: VF sews up the jeans market

Successful brands are expensive to build. A typical consumer mass-market brand in the United States requires tens of millions of dollars to achieve moderate brand awareness among a targeted customer base. Because of these challenging economics, it often makes sense for a company to concentrate its resources behind one brand.

Sometimes, though, concentrating resources on a single brand is far less effective than supporting multiple brands. Among the leading indicators that signal an environment conducive to the Concentration to Proliferation pattern are a maturing industry, growing customer heterogeneity, and increasing customer sophistication.



Levi Strauss was late to recognize what customer heterogeneity meant for its core brand.

Even when those signals are clear, it can be difficult for a company to act on this pattern, particularly when it's the custodian of a leading brand. A case in point is the U.S. casual jeans market, where VF Corporation has stolen a march on Levi Strauss.

From the 1870s, when Levi Strauss created the first blue jeans, through the late 1980s, relatively little changed in this market. Going into the 1990s, Levi's dominated, with almost one-third of jeans sales, and reinforced its position and brand equity with a major advertising campaign behind 501 Blues. Having noticed the expanding girth of its baby boomer customers, the company resisted diluting the Levi's brand and instead successfully introduced Dockers casual dress pants.

Several trends were converging, however, to upset the stability of the market and erode the value of the Levi's brand. The U.S. population became more racially heterogeneous during the 1980s, as minority populations grew twice as fast as the overall population. In addition, the population of mercurial teenagers grew almost three times as fast as the U.S. average, and teens were also spending relatively more of their families' discretionary income.

Many apparel retailers, Levi's direct customers, recognized the importance of these shifts and responded accordingly. The Gap created several new retail concepts, from high-end Banana Republic to discount Old Navy. As retail options expanded, teenagers did more of their shopping at the newer specialty shops, which didn't carry traditional brands.

These leading indicators of change were also apparent to Levi's main competitor, VF Corporation, based in Greensboro, N.C. VF anticipated the need to multiply its brands (see Exhibit 1). While Levi's had modestly expanded its portfolio with the launch of the Dockers brand, VF in the early 1990s used its vintage brand, Wrangler, to spawn Wrangler Hero, Wrangler for Women, and Wrangler Western. A few years later, VF created new brands such as Riders, Riveted, Pipes, and Dungarees, targeted at narrow niches of the teen market. The latest brand, Raylz jeans, appeals to boys under age 14 who like extreme sports. This aggressive strategy resulted in VF's share of the jeans market rising from 18% in 1990 to nearly 26% in 1998, primarily at the expense of Levi's, and strong market value growth from $1.5 billion in 1990 to $3.7 billion at the end of 1999.



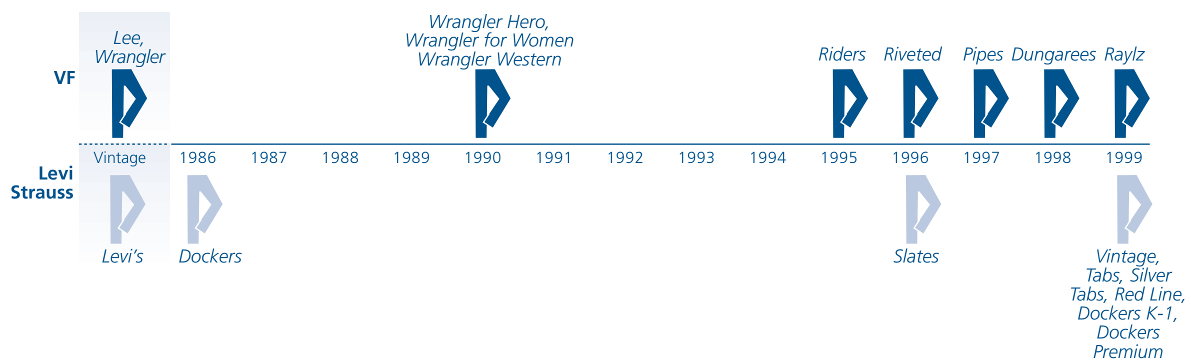



**Exhibit 1** VF steals a march on Levi Strauss

By staying with a concentrated brand throughout most of the 1990s, Levi's missed a chance to tap into the irreverence for the past displayed by young consumers. Teenagers were clearly signaling that Levi's single brand was, by definition, irrelevant to them. As late as 1998, amidst declining market shares and profit margins, Levi's made another effort to maintain the concentrated brand approach with a major ad campaign that declared, "The world has changed much since 1873. But little has changed about Levi's jeans."

By 1999, Levi's finally recognized the lethal pattern at work and began to multiply its brands, creating Silver Tabs (affordable), Tabs (high end), and Red Line (elite). Imitating VF's strategy,

Levi's has also been sub-branding traditional lines such as Dockers Premium and Dockers K-1. Although Levi's has realized its mistakes and is attempting to connect with younger, more diverse consumers, the firm remains shackled by business and image problems and has yet to return to profitable growth. *Fortune* magazine estimated that Levi's market value had shrunk from $14 billion in 1996, when the company executed a leveraged buyout, to a first quarter 1999 value of $8 billion.

When the target set of customers changes, a company must reposition its brand.

## Chasm Crossing: Motorola misses the call

Effective brands match their market position and communications with the targeted customers' priorities. But sometimes a company has to shift to a different set of customers, and then it must reposition the brand.

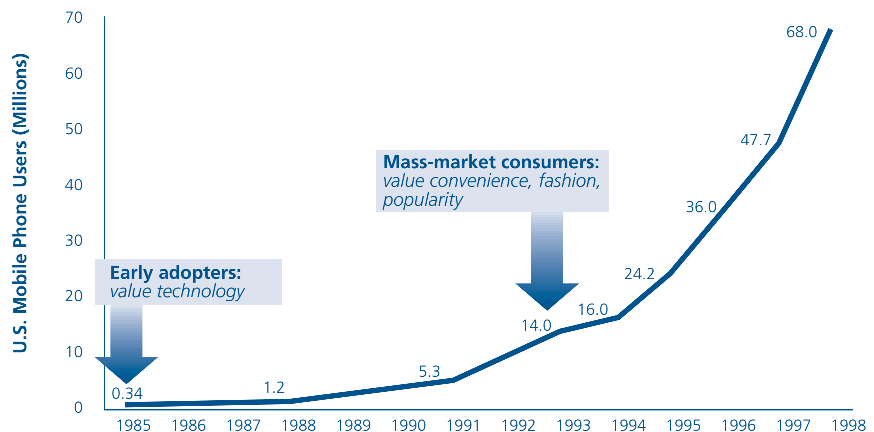
The Chasm Crossing pattern describes a shift that many new products and brands experience. The name alludes to Geoffrey A. Moore's *Crossing the Chasm*, a book describing the challenges that high-tech firms face when they broaden their customer base from early adopters to a mass audience. Mass-market consumers care little for technology itself, but rather for how effectively a product suits their everyday needs.

This challenge resonates outside the high-tech world as well, as the pace of new product introductions has accelerated across most industries. When moving from a few early adopters to a mass market, a product must become easier to use, and the benefits associated with the brand typically must shift to being ones that are simpler and more broadly applicable.

In the cellular phone industry, two players had the same opportunity to anticipate and respond to this pattern. Motorola missed the crossing, while an off-the-radar-screen competitor, Nokia,



**Exhibit 2** Emergence of the mass market for cellular phone




Source: *PC Week, Cellular Business, Wireless Week, Network World.*

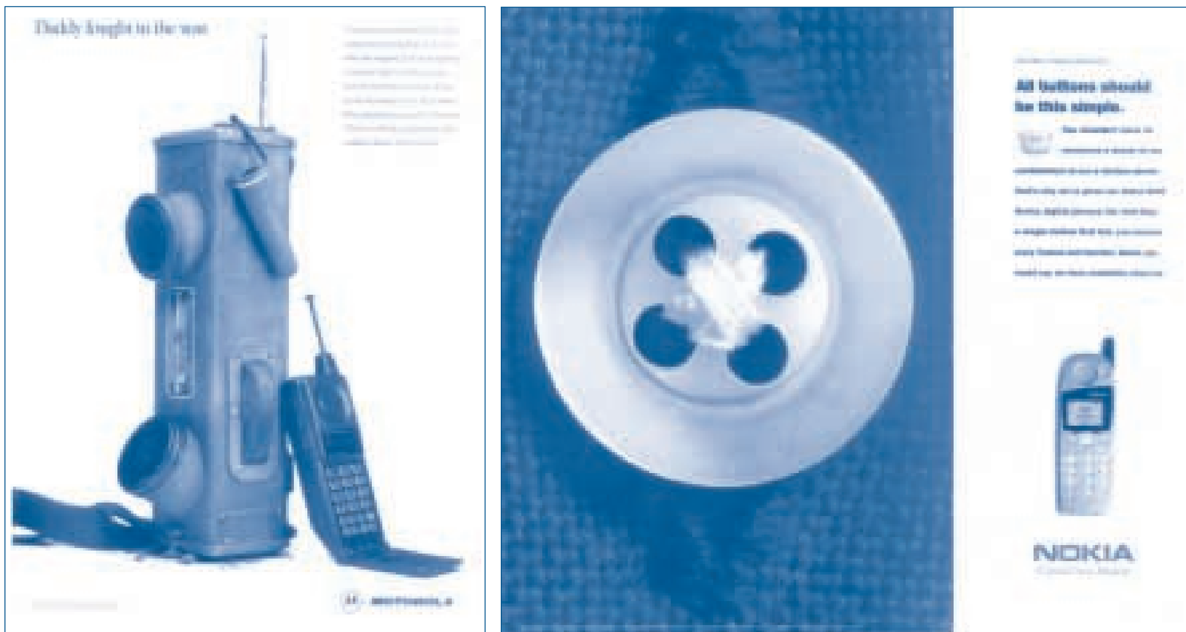
crossed the chasm with aplomb and built a strong brand position that Motorola has yet to crack.

In the late 1980s, Motorola led the world in the design and production of analog cellular phones and infrastructure. While cell phones had been sold for decades, the customer set remained relatively narrow—senior executives and salespeople who traveled a lot. Then, between 1988 and 1991, cell phone penetration increased fivefold, causing industry journals to herald the coming of mass-market services. Penetration rose another fivefold between 1991 and 1995, and with 10% of the population by then using cell phones, it was clear that a mass market had formed (see Exhibit 2).

That would have been the perfect time for Motorola to help its brand position evolve from being the technological and sales leader in cellular phones to one more attuned to the priorities of a broader set of customers. Motorola made several strategic mistakes, including the failure to recognize that the expanding worldwide infrastructure for digital transmission—which offered better functionality and range than analog—needed digital handsets. But its brand strategy also was flawed: Motorola decided to stay with its technology-driven brand image, when most of the new customers cared less about technology than about style and reliable coverage.

A 1996 ad from Motorola missed this point. With the headline, "Daddy fought in the war," the ad portrayed Motorola's rich technology heritage in wireless radio—a fact of little relevance to

**Exhibit 3** Technological vs. easy—a contrast in ad themes




ANTICIPATING Brand Opportunities

personal, non-business users. In 1999, Motorola still focused on technologies and features of little interest to a typical teenager or U.S. "soccer Mom." The brand remains rooted on the early adopters' side of the chasm.

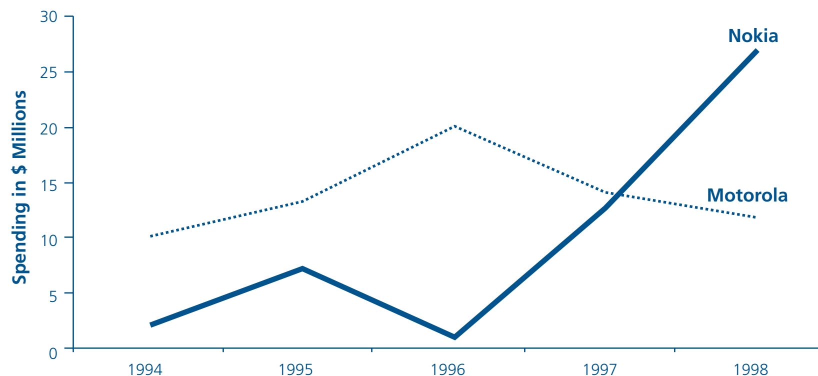
Nokia, by contrast, staked out a relaxed, hip brand position early on, tagging its ads with the theme, "Nokia, Connecting People," and emphasizing the product's ease of use (see Exhibit 3). The company backed up this position with the development of its product, which included creating a huge palette of available colors and a built-in phone directory, calendar, and games. For Asian markets, Nokia developed a more compact phone with curved, ergonomic design, a longer operating time, Asian languages interface, and special ringing melodies. Similar innovations strengthened the brand in marketing campaigns targeted to Hispanics and African-Americans.



While Motorola was busy developing and touting the latest technology, through the overused traditional branding medium of advertising, Nokia was securing movie tie-ins, sponsoring sports events, and carving out a position in the fashion world by hiring supermodel Nikki Taylor as a spokesperson and advertising in upscale trend magazines. Nokia invested heavily in advertising, going from $2 million in media spending in 1996 to $28 million by 1998. Motorola's mass-market presence, meanwhile, had withered as media spending dropped from $20 million in 1996 to $13 million in 1998 (see Exhibit 4).

By 1998, Nokia's mastery of the Chasm Crossing pattern had paid off: A decade after entering the mobile phone market, Nokia had secured a market-leading 30 percent share, while Motorola's share had fallen to 23 percent. Market value had shifted as well. From 1989 to 1998, Nokia saw its market value grow from $1 billion to $73 billion, while Motorola's market

**Exhibit 4** Media spending on cellular communications




Source: Leading National Advertisers.

value, which had been six times that of Nokia in 1989, was barely half Nokia's by 1998.

### Branded Experience: Harley goes to H.O.G. heaven

When did coffee cease to become coffee? When Starbucks brought European flair to the traditional, utilitarian coffee shop. Whereas traditional brands such as Maxwell House played up the product itself—"Good to the last drop"—the Seattle firm has positioned its brand around the experience to which the product is central. This pattern typically unfolds when people make a "statement" by consuming the product, or when users enjoy or closely identify with the experience created by the product. To capitalize on this pattern, a company must invest in, promote, and associate itself with areas that go well beyond the actual product. The payoff can be new ways to capture value, as profitable sales extend to new products and services.



When customers get passionate, they're willing to pay a premium for the brand that fuels their passion.

Nike in athletic shoes ("Just Do It"), Home Depot in home improvement ("Low Prices are Just the Beginning"), and Saturn in autos ("A different kind of company. A different kind of car.") have excelled in creating the branded experience. However, not all brands can capitalize on this pattern. Customers must demonstrate (or at least be capable of) a high degree of passion about the experience in question. Nike could exploit a branded experience because its initial target customers—serious athletes—were passionate about their sports. Parkay margarine would be hard-pressed to do the same, because few people feel passionate about eating toast.

In motorcycles, Harley-Davidson provides an intriguing example of how a flagging brand was revived by creating an intense branded experience. In the late 1970s, Harley-Davidson fell on hard times. Due to sharply increased foreign competition, lapses in product quality, poor relationships with its dealers, and miscalculations in new products, Harley faced bankruptcy. Unit sales dropped from a high of 54,000 bikes in 1980 to 23,000 in 1983, and the company's share of the U.S. heavyweight motorcycle market fell from over 17% to 12.5%.

Confronting this bleak situation, a handful of Harley executives who led a management buyout in 1981 set about to reinvent the company. Along with reconstructing Harley's obsolete manufacturing and management systems, a crucial part of their reinvention involved the Harley brand. As they traveled around the country talking with customers and dealers, it became clear to

the management group that the Harley brand represented more than just a product—it represented American romance and prestige. Consequently, over the past decade, the company has shifted its resources from focusing primarily on motorcycles to the broader experience of riding the roads. Consider this passage from the 1997 annual report, aptly titled: "Have you experienced Harley-Davidson?":

> "For every rider there are magical moments . . . our motorcycles exude freedom and adventure. They are the center of a Harley lifestyle that offers riders as well as non-riders a multitude of different ways to experience the passion of Harley-Davidson."



A central investment has been Harley's sponsorship of the Harley Owners Group, or H.O.G. As the largest motorcycle club in the world, H.O.G. organizes rallies and events that promote the Harley experience to potential new customers and strengthen the relationship between members, dealers, and Harley-Davidson employees. By 1999, H.O.G. had more than 300,000 worldwide members, 900 dealer-sponsored chapters, and 70 worldwide rallies.

Harley complements H.O.G. with other non-product investments such as Harley-Davidson Cafés in New York and Las Vegas, the Harley-Davidson charitable foundation, motorcycle racing sponsorships, and cultivation of its "anti-Web site" that encourages visitors to get offline and onto their Harleys. The firm understood the importance of its dealerships in creating the right sales experience and maintaining customers' intimate connection to the brand. Harley spends significant time and resources promoting dealer adherence to standards of consistency while still allowing dealers to create their own rebellious identity—the essence of the Harley brand.

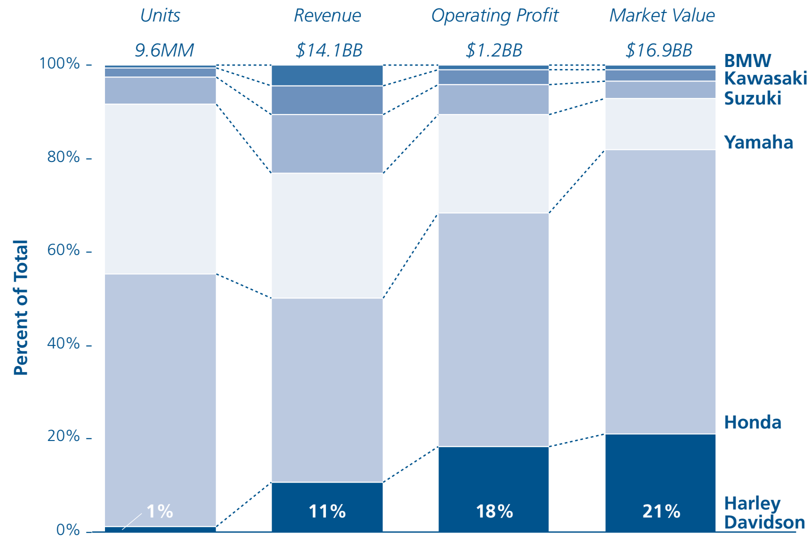
Harley motorcycles remain central to the Harley brand, but the Harley experience transcends the product itself.

Harley's attention to branding the experience has allowed the company to expand the ways in which it can capture value beyond motorcycle sales. Harley now profitably merchandises a full line of clothing, is expanding its parts and accessories business, and offers a Harley-Davidson chrome Visa card.

Of course, the motorcycle remains central to the Harley brand, but the experience transcends the product itself. Harley motorcycles, in most direct performance comparisons, are not superior to those of competitors. Yet after its near brush with

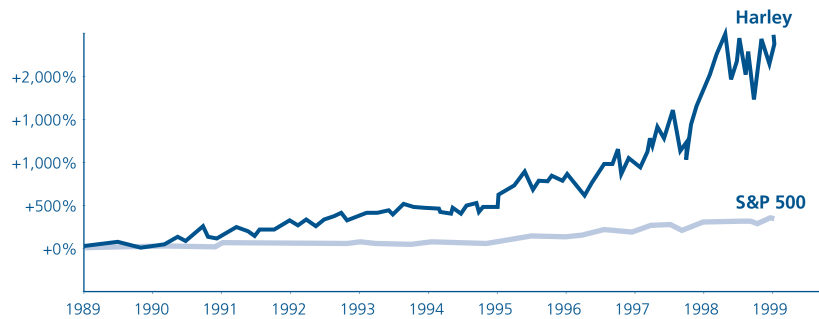
bankruptcy in the 1980s, Harley-Davidson by 1996 enjoyed a profit and market-value share of the industry well in excess of its unit and revenue share; and its market value continues to grow (see Exhibits 5 and 6). In 1999, Harley outpaced Honda to take the lead in U.S. motorcycle sales. The company accomplished all this with virtually no advertising except the occasional owner's Harley-Davidson tattoo.

**Exhibit 5** 1996 global shares of top six motorcycle manufacturers




Source: Annual reports; analyst reports; Harley-Davidson; 1996 MIC Retail Sales Report.

**Exhibit 6** Harley-Davidson's stock compared with S&P500




Source: WSJ.com.

## The strategic shortcut

Levi Strauss, Motorola, and Maxwell House didn't see the early warning signs of change in their businesses until it was almost too late to respond. VF, Nokia, and Harley, by contrast, seemed to "get it," to spot the brand patterns reshaping their industries and capitalize on them early. In turn, investors have rewarded them with a disproportionate share of industry value.

# Brand patterns in action

*Where are the next brand patterns about to unfold? What follows provides a glimpse of three industries in which we expect to see significant shifts in how brands are built—shifts that can be described by patterns that have already played out in other industries. Each example is followed by questions to help managers determine whether the pattern might play out in their industries.*

## Bottled water: Functional to Emotional

No product is more utilitarian than water. To date, purveyors of water have based their brand campaigns on functional attributes such as purity and mineral content.

That may change soon. The two major marketers in beverages, Coca-Cola and Pepsi, have only dabbled in water, concerned that lower-margin sales of water might cannibalize their profitable soft drink businesses. Recently, however, Coke has acknowledged that the bottled water market is a growth opportunity in which the company must participate. And Coke, a master of emotional themes, will undoubtedly use an emotional sell in water. The Web site for Coke's fledgling bottled water brand, Dasani, offers little on the functional attributes of the product, and instead expands on the brand's theme of "Life Simplified."

***How important are emotional factors vs. product feature factors in your customer's purchase decision?***

***With which brands in your industry does the customer have the greatest emotional connection?***

***If there are no emotionally driven brand positions in your industry, what opportunities exist to create one?***

## Electric power: Mass to Relationships

Electric utilities have long stood for one thing to most customers: reliable power provision. As the industry deregulates, utilities will have to reinvent their brands to mean different things to different customer segments.

For example, residential energy plans will evolve based on the lifecycle of each customer: The offering might change as a young couple ages, raises children who later move away, and then retires. Some households will demand "green" energy from renewable sources; others will want low-cost budget plans. Utilities thus will need to tailor their brands to small segments of customers. Such mass customization, and the potential for individualized relationships, already exists in industries such as cellular phones.

***How much of your branding investment should go to individual vs. mass markets?***

***How does segmenting your brand messages to customers impact your brand's overall equity?***

***How do you track brand connection at an individual or segment level vs. a mass level?***

## Internet and electronic commerce: Delayed Trigger

Most early successful Internet businesses such as Amazon.com built relevance with their core audiences first, then built broad-based awareness through advertising later. This mirrors a pattern that has also played out in the bricks and mortar world, where companies such as Wal-Mart and Starbucks similarly delayed the trigger on increasing brand awareness until loyalty was well established with core customers.

Many dot-com businesses currently are doing the reverse, advertising before they have established relevance with core customers and spending unprecedented amounts to build new brands. More than half the venture financing for many dot-com start-ups is going into brand development. E*trade, for example, spent close to $300 million on advertising in 1999.

This approach is both strategically and economically unsustainable. While some dot-com brands will build enough scale and revenue to support ongoing brand-building efforts, many others will burn through cash without having established customer relevance and will be unsuccessful at raising subsequent funding. After a shake-out, expect this pattern to again become the norm for Internet brand building.

***Is your dot-com offering highly relevant with any particular set of customers?***

***What business and brand-building elements of your dot-com business will keep customers returning?***

***Given the current "land grab" mentality, how many sustained dot-com brand investment efforts can your company effectively support?***

*—John Kania*

As these cases illustrate, in today's dynamic markets, new opportunities unfold quickly and upstart competitors can appear from nowhere. Managers need a strategic shortcut to make sense of the overwhelming amount of data they're receiving about their brand and their business. Pattern thinking is a structured process that helps managers glean meaning from beneath the surface chaos, in part by learning to recognize the leading indicators of emerging new brand patterns.

This requires a different mindset from traditional brand management, one that moves beyond a focus on advertising and marketing to master other brand-relevant areas such as customer service and channel management. The process of brand positioning—currently an activity that uses snapshot analysis to position a brand in today's environment—must become more forward looking. Managers must ask how relevant their brand position will be three years from now, as the priorities of their target customers change—or the target customers themselves change. Anticipating which brand patterns are likely to unfold gives managers a critical head start in crafting the next winning moves for their brand.



*John Kania is a vice president and Adrian J. Slywotzky is a vice president and director of Mercer Management Consulting; both are based in Boston. Slywotzky is also the author of* Value Migration, *and a co-author of* The Profit Zone *and* Profit Patterns.

# How Conoco broke the convenience store mold

*Building brand equity through many "moments of truth"*

By Kathryn H. Feakins
and Michael Zea

Brands are enhanced or eroded during countless interactions between customer and company. The challenge is to design a customer experience in harmony with the brand, then allocate investment to the areas of greatest potential return.

As the oil industry consolidated in the mid-1990s, Houston-based Conoco faced a major brand challenge. One of the world's leading energy companies and a prominent petroleum retailer in U.S. markets, Conoco saw an opportunity to accelerate profit growth through the convenience store format. But in order to build a powerful convenience store brand, the company knew that it would have to break away from the generic "mart" approaches adopted by other major petroleum retailers. It also would need to differentiate itself from new offerings, such as upscale coffee bars, that were encroaching on the edges of the convenience store market.

In this competitive field, creating a new convenience store brand from scratch was a risky proposition. It would involve a mixture of creative insight and a deep knowledge of customers. And it would require a broader definition of brand than was typically used in the industry. Given these challenges, how would Conoco go about building a new brand that would enhance its bottom line?

DESIGNING the Branded Experience

### Experience required

For commodity products such as gasoline, brand building traditionally has focused on advertising and promotion. In today's service-intensive economy, however, a company's ongoing relationship with its customers can be more important. This total customer experience, which often extends beyond the purchase of a product or service, is composed of multiple "moments of truth." Each of these interactions to varying degrees helps build or destroy a brand's "equity"—that is, the sum of positive and negative elements that drive actual customer behavior, such as paying more for a service, remaining loyal to a product, or trying a related product with the same brand.

Brand-defining moments for customers may cluster at critical points in a company's evolution. Mergers can create confusion among employees and customers about the new brand promise, as well as a deterioration of the customer experience (see article, page 54). And in a world where the half-lives of business designs are growing ever shorter, managers must regularly reassess which customers to target and what to offer them. This analysis, too, may lead to changes in a customer's experience and, hence, his or her perception of the brand.

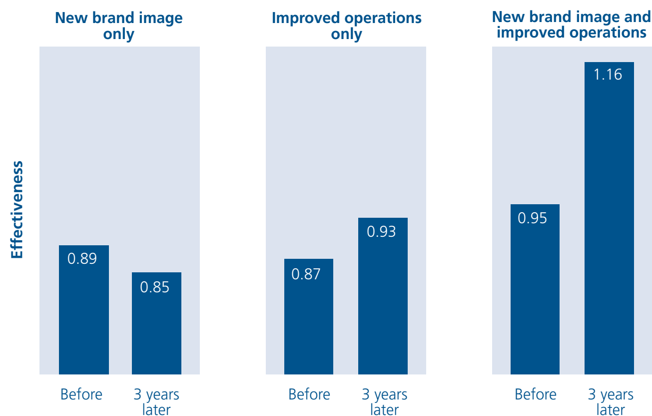
Because each customer moment of truth is so important in the building or destruction of a brand, advertising becomes only one brand-building tool and may, in fact, not be used at all. Indeed, launching a new image campaign without synchronizing the customer experience to the new brand promise risks eroding the value of the brand (see Exhibit 1).

## Conoco's bold move

In deciding to create a branded convenience store experience, Conoco had recognized that there was an opportunity to drive gasoline pump sales by other means than competing on gasoline quality or price. Drawing on its European retailing background with the Jet gasoline brand and its insight into emerging consumer trends, the company saw that this might be accomplished through the creation of a new kind of convenience store. Conoco understood, however, that for a new brand to flourish, the company would need to design a complete customer experience that supported the brand. This process begins by anticipating the evolving requirements of customers.



**Exhibit 1** In gasoline and convenience retailing, launching a new brand image campaign, in tandem with changing the site operations to support the brand, is far more effective than doing either one in isolation.




Note: Profit margin effectiveness for an average retail site, with 1.0 being the industry average
Source: Mercer Management Consulting benchmarking of over forty competitors and markets.

*Identify target customers.* The first step is identifying the most valuable customer segments, which often are three to four times more profitable than the average customer. In many cases, customers in this segment will be dissatisfied with current offerings and will be open to trying a new (or repositioned) brand that better suits their needs.

Conoco identified the key customer segment as convenience store "connoisseurs," who are demanding but loyal.

Conoco's research identified eight possible customer segments for a new offering, with the key segment being convenience store "connoisseurs." While this group represented just 18 percent of all convenience store customers, it represented 24 percent of gasoline sales and 33 percent of convenience store purchases. Market research showed that these customers viewed the convenience store as a destination in its own right, and stopped in an average of 14 times a month. Eleven of those visits did not include a gasoline purchase, but rather entailed stopping for a drink or to pick up something the customer had forgotten at the supermarket. And while these customers were not necessarily affluent, they liked to be recognized as regular customers and thus were loyal to certain stores and willing to pay a premium.

*Understand their priorities.* Once the target customers have been identified, the brand builder must develop a deep understanding of their priorities as well as their underlying economics. The greatest opportunity for a new brand lies where those priorities intersect with the company's highest-value products and services.



Of all the customer segments that Conoco identified, the connoisseurs were the most demanding. But Conoco's research indicated there was nothing that would satisfy their needs that would displease another segment. Their priorities included safe and efficient shopping, a familiar feeling from one store to another, an inviting environment, and respectful, friendly service. Further cementing Conoco's decision to create a new brand, connoisseurs didn't think oil companies have much credibility in the market, or that regular convenience stores necessarily sell good gas. Clearly, the opportunity existed for Conoco to create a premium brand if it could create an experience that satisfied these priorities.

*Determine which interactions matter.* Along with understanding the priorities of the target customer, it's important to learn which of their interactions with the company will have the greatest effect on buying behavior and brand enhancement. A rigorous analysis of what drives customer behavior will help winnow the

right investments from the wrong ones in order to funnel capital to achieve the highest possible returns.

For example, consider the different ways in which customers experience a bank. They may write checks through a Web site, seek mortgage counseling at a branch, or try to get problems resolved on the phone. But all experiences may not be equally important to the customer—well-trained telephone representatives may matter far more to customers than a jazzy Web site does—and the firm's investments should be directed accordingly. Several quantitative tools can be employed to determine which moments of truth matter most to customers; one particularly effective tool is the structural equation model (see box below).

In focus groups and consumer panels, Conoco heard customers articulate certain product and service characteristics that would drive their buying behavior in a new convenience store. Many of those characteristics focused on neo-traditional values; for instance, customers wanted modern amenities such as an ATM, but service delivered "the way it used to be," with a courteous and helpful demeanor. The challenge was to translate these research results into a compelling design, which, because of profit targets, could cost only 10 percent more than the existing Conoco convenience stores.



## Assessing brand investments

Which elements of the customer's experience have the greatest effect on brand strength? How does the return on an investment in one customer interaction stack up against other investments?

These questions can be answered with the help of structural equation models, or SEMs, quantitative research tools that allow a company to understand the potential investment returns of different initiatives aimed at improving the customer experience. Conventional regression analysis measures the effect of multiple factors on a single dependent variable. SEMs, by contrast, capture the relative impact of the multiple factors that simultaneously affect the numerous interrelated elements of the customer experience. SEMs are run using simple, user-friendly PC software that allows users to conduct "what if" analyses. For example, they can provide detailed information about the relative return of investing in shortening a customer's wait time on the phone versus improving some other part of the complaint resolution process.

One computer company, for instance, had been devoting substantial resources to ensuring that the computer arrived on the customer's doorstep on the day promised, even if that meant that one component, such as the printer, might have to arrive later. Using SEMs, the company learned that customers would tolerate receiving the computer a day or two late, but they most wanted the package delivered complete and with every piece functioning. The brand was being tarnished before customers even used the product, and SEMs provided the evidence with which to reconfigure the delivery process in a way that would enhance the brand.

*Design from the ground up.* Armed with a deep understanding of customer priorities and which moments of truth are most important in affecting buying behavior, the brand builder is ready to design the various elements of the customer experience so that it reinforces the brand promise and generates a healthy return on investment. Conoco devoted significant resources to creating an experience that would delight its target audience, convenience store connoisseurs. Instead of advertising, it concentrated its marketing on local distribution of coupons, with the objective of convincing consumers to try its new store once and see first-hand how unusual and appealing the experience is. The design elements all reinforce the brand.

- *Drive by.* The name of the store on the sign out front is perhaps the most conspicuous branded element to the passerby, an element that plays an important role in getting a customer to stop in for the first time—and the 101st. Conoco had determined that the new concept it was pioneering should be branded with neither a typical petroleum company name (including its own) nor a generic convenience store-sounding name. It sought a name that broke with industry convention, yet was functional and not limiting. In tests, one name fragment customers liked was "break," which struck a positive chord and made them think of good coffee. The

To help drive gasoline sales, Conoco chose to create a separate brand, *breakplace,* rather than a generic convenience store "mart."

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# The risks in "getting the deal done"

*By Suzanne Hogan and Ken Hodge*

The handling of brand-related issues can make or break a deal. Why? Because brand moves send messages, intended and unintended, to the companies' stakeholders. Wrong or inconsistent moves—or, more typically, no moves at all—can confuse customers, discourage employees, and signal a lack of will and forethought to investors. Furthermore, the failure to sort out the combined company's brand portfolio can saddle the firm with an unnecessarily high marketing cost structure that delivers no demonstrable benefit.

Unless a company is acquiring or merging solely to increase capacity or to gain access to a new technology, management will have to deal with brand issues. For example, if a company is making an acquisition to:

- *Fill out the product line*, should the new offerings carry the existing brand or a different one?
- *Expand its geographic footprint*, what are the relative merits of the marketing economies achieved through brand consolidation vs. the strength of each brand's local franchise?
- *Augment its value proposition with new capabilities*, do the strengths of either of the predecessor brands support the new positioning or is a new brand required?
- *Cut costs through consolidation,* should one of the existing company names prevail or should a neutral name be chosen?

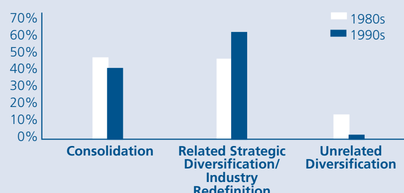
Mercer research has found that mergers and acquisitions in general have been getting smarter, driven increasingly by strategic reasons—such as the diversification of products, geography, and capabilities—rather than simple consolidation and cost-cutting. But even with the shift in focus, nearly half of all mergers are unsuccessful in shareholder value terms (see exhibit).

One of the reasons for this failure, the research found, is the lack of pre-deal planning about post-deal management. This includes issues involving brand, which creates one of the first post-merger impressions that customers, employees, and investors have of the combined company.

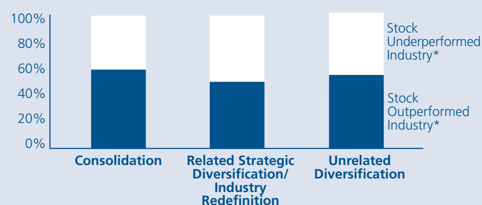
Brand issues arise at three critical stages of the M&A process: screening, pre-announcement, and integration. In our experience, addressing the right issues at the appropriate time increases the chances for a successful transaction.

**Screening**. Brand issues can play important roles in the screening of potential acquisition candidates or merger partners. For each candidate under consideration, managers must compare their brand(s) with those of their target, assessing such things as each brand's equity elements and its relevance to "future-defining" customers (see pages 26-27). Then, looking across all potential targets, managers can ask: Which combinations would best achieve the company's strategic objectives? Of these, which offer the post-combination brand moves with the greatest potential? To realize that potential, should one or the other brand predominate? Should a new brand be created?

In the 1990s, deals were likelier than in the past to be driven by strategy . . .




. . . but strategic intent does not correlate with success




* Acquirer's 36-month post-deal return relative to industry average

Source: S&P's Computstat, *Mergers and Acquisitions* magazine, and public data

DESIGNING the Branded Experience

Thinking through these issues, particularly when supported with quantitative analysis, is invaluable in ranking candidates. Furthermore, it provides a dispassionate, fact-based framework for the potentially emotional discussion of brand in exploratory meetings with merger partners.

**Pre-announcement**. Stakeholders' first impressions of a potential merger or acquisition are hard to change. Within moments of an announcement, investors will bid the share prices up or down, the most talented employees may dust off their resumes, and competitors will start calling on both companies' best customers. It is therefore imperative to think through the brand implications of the merger and develop a convincing brand strategy.

In this phase, management must definitively answer several crucial questions. The most conspicuous one involves the name of the combined entity. Different approaches offer different potential benefits. Creating a new name—such as Cendant, which arose from the merger of HFS and CUC International—can signal both a clear break from the past and the seamless integration of the two companies. Using a combined name—such as DaimlerChrysler or ExxonMobil—can leverage two brands that are powerful in different industries, geographic areas, or customer segments. Retaining the name of one of the companies—for example Honeywell, after its merger with Allied Signal—can extend the strong equity of that brand to the other company and signal a direction for the new entity. Retaining both names—for example, IBM and Lotus, after the Lotus acquisition—can allow two strong brands representing very different cultures to flourish independently.

Apart from the corporate name, management must decide which product and division brands it will retire, which it will retain, and what investments it will make in each one. Retaining existing brands, while often having some initial appeal, particularly to the executives of a company being acquired, can be surprisingly costly. A large healthcare company acquired some 25 regional firms and retained each of the acquired brands in its local market. Although the company estimated that the total marketing costs for those divisions was several million dollars, on close analysis it learned that the amount was actually more than $100 million. The marketing efficiencies that can be realized through a single, nationwide brand are why United Healthcare and Humana, for example, have adopted a single-brand strategy after acquiring several regional healthcare companies.

Many times, tough decisions on naming or on brand consolidation are deferred or avoided in favor of "getting the deal done." This can result in cumbersome compound corporate names such as those that have proliferated in professional services. Worse, it can send mixed signals to the marketplace. Brand decisions, along with facility closings and layoffs, are the most visible decisions in the early stages of a business combination. Just as cost-cutting decisions are clear statements of economic intent, brand decisions offer a window on strategic intent. When that window is cloudy, stakeholders typically react quickly and negatively.

**Integration**. After the transaction is announced, management must quickly and flawlessly communicate to each stakeholder group the rationale for the brand strategy that has been developed during the pre-announcement period. This is particularly important where one or more brands may be eliminated, which will cause concern among employees and customers whose emotional tie to a company was based in part on the now-absent brand.

But an explanation is not enough, particularly for employees. Programs and processes must be implemented to ensure that employees from both companies become effective "brand ambassadors" for the new brand promise. For example, incentives must be reviewed and revised in light of the new business and brand strategies.

And the brand strategy of the new business must be constantly monitored, with clear metrics established to assess the progress against brand objectives: Are equity elements changing as intended? Are brand investments bearing fruit?

Given the need for companies to constantly reinvent themselves in a world of rapidly changing customer priorities, the accelerating pace of mergers and acquisitions across the industrial world is likely to continue. The ability to identify merger or acquisition targets, negotiate agreements, and integrate combining companies will become an even more important management skill. A fundamental aspect of this skill will be understanding the key role brand plays at each of these stages.

The green, oval logo and the vaulted entryway suggest a friendly designation.



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word "place" also rated high, because consumers liked to think of having a regular destination. Putting the two together created "*breakplace*,"® a name that resonated with the connoisseurs and stood out in a category dominated by "mart," "quick," "speedy," and "stop."

- *Pull up.* The external store looks nothing like the ubiquitous box style associated with other convenience stores. A green, oval logo suggests a friendly restaurant, as does the store's brick, vaulted entryway, and green awnings—appropriate for signaling what's intended to be a destination.

- *Over the threshold.* Upon walking in, customers are immediately engaged with pleasant sights, smells, and textures, such as the coffee grinder at the front door, "retro" pictures on the walls, warm wood fixtures, and corrugated metal drink coolers. To promote a feeling of safety, an expanse of glass windows lets customers see in and out of the store. A related innovation is the development of a retractable curved, bulletproof glass partition around the checkout counter, which provides security for cashiers during the night shift and slides into the wall during the day, allowing more personal customer contact.

- *Navigation.* Sub-brands in the same oval format signal the stores' specialty areas—"coffeebreak" (a coffee bar with 14 selections), "thirstbreak" (drink coolers), and "freshbreak" (displays of baked goods, fresh fruit and salads, and a deli counter). An adjacent but separate grocery area has a vaulted ceiling, bright lighting, and even warehouse-style bulk merchandise.

  At a total of 3,300 square feet, *breakplace* is twice the size of the typical Conoco convenience store. But there are limits to what *breakplace* offers. "We initially thought we'd give them lots of products and choices," said Bill Gover, Conoco's general manager of branded marketing in North America. "But we found that customers didn't want it to be overloaded with extra things, such as a dry cleaner."

- *Service.* The *breakplace* brand position demands very high execution standards. Restrooms and floors are kept meticulously clean. Bread is baked fresh on the premises at many *breakplace* stores; sandwiches are made to order, a departure from the prepackaged food in most convenience stores. Old coffee is thrown out and new coffee brewed every thirty minutes, to guarantee a fresh cup. From an operational standpoint, these procedures cost more money, but doing

The mix of textures, from wood to corrugated metal, give a warm, retro feel to the stores. Sub-brands such as "freshbreak" signal specialty areas.

> them meets the priorities of the convenience store connoisseur.
>
> Intensive training ensures that employees deliver on the brand promise in every interaction with customers. Conoco set up a training facility, the Center for Excellence in Marketing, at its home office in Houston. Conoco's *breakplace* managers must complete training at this facility, which includes an actual *breakplace* store for role-playing. Conoco also requires that each manager in the branded marketing organization spend time in the field, working behind the counter of a *breakplace* store to understand how store employees do their jobs.

*Test, execute, and assess.* Conoco minimized its investment risks by learning from a prototype store in Chattanooga, Tennessee, which opened in January 1997. The company has since rolled out 45 more stores. Dubbed in the press "Starbucks meets warehouse shopping," *breakplace* has set a new standard in the convenience store industry.

Designing a customer experience in harmony with the brand is critical in a service-intensive economy.

Financial results have been impressive. While the *breakplace* initiative still contributes only a fraction of Conoco's total revenue, both convenience store and gasoline sales have grown rapidly at *breakplace* stores. In Denver, where *breakplace* has built a critical mass of stores, the independent rating firm MPSI in 1998 ranked *breakplace* as number one in effectiveness compared to other gasoline convenience store brands.



## Service, please

Designing a customer experience in harmony with the brand is critical in a world where intangible services constitute a growing share of economic value, and where firms are rewarded for making the right brand investment decisions—those that have the greatest influence on customer behavior and thus drive return on assets and net income. Many manufacturing firms, for example, are finding new profitable positions beyond the factory gate—mastering the "downstream" environment of after-sales, value-added activities and services. Exploiting these emerging downstream opportunities requires that a manufacturer understand the customer's priorities across those activities and then design a service experience that enhances the manufacturer's brand.

Repositioning or extending an existing brand may be somewhat trickier than a situation such as Conoco's, where one starts from

scratch. But the principles and the basic process remain the same. Powerful tools exist to understand and help shape the customer's many moments of truth. Rigorous analysis can allocate investment to the areas of greatest potential return. And whether repositioning a brand or starting from scratch, employee interactions with customers can make or break the quality of the customer's experience. In a crowded marketplace, designing and delivering a compelling experience to the right customers is the surest method of differentiating the brand in a way that generates high returns and can't easily be imitated by competitors.

*Kathryn H. Feakins is a vice president of Lippincott & Margulies based in New York. Michael Zea is a vice president of Mercer Management Consulting based in Washington, D.C.*

# Making every employee a brand manager

*Aligning human capital strategy with brand strategy*

By Carla Heaton
and Rick Guzzo

Employees are a critical yet underemphasized element in delivering the positive customer experience necessary to build a strong brand. A strategic approach to human capital will enable employees to deliver to their fullest potential.

Many companies fail to deliver on the promise that their brand, implicitly or explicitly, makes to customers. Automakers promise a whole new experience in car ownership, but perpetuate the same old sales pressure and haggling at the dealership. Banks promise one-stop shopping, then require multiple conversations and handoffs for different products. Airlines tout their kid-gloves treatment for business travelers, then put them through the overbooking and lost-baggage circles of hell, with the "customer service representative" either powerless or otherwise engaged. Computer software makers promise to raise office productivity, then understaff their technical support teams.

This brand "bait and switch"—the raising of customer expectations that are then dashed—seriously erodes the power of a brand over even short time periods. It certainly does more harm than simply delivering an unsatisfactory experience without having promised something better. Internet firms, in particular, are learning the dangers of delivering to customers an online experience that falls far short of the one they expect (see article, page 68).

A brand promise can be unmasked as a hollow boast at almost any point during a customer's experience with a company, product, or service. Each interaction represents a "moment of truth" that can enhance or erode the brand, heighten or undermine customer loyalty, and affect business results for better or worse.

End-to-end customer management recognizes that when the customer needs a solution, he or she cares about the result, not the messy process of getting there. Consumers and business customers alike expect fast service, convenience, appropriate cross-selling, and solutions to their problems. And they want consistent treatment across all the sales channels through which they interact.

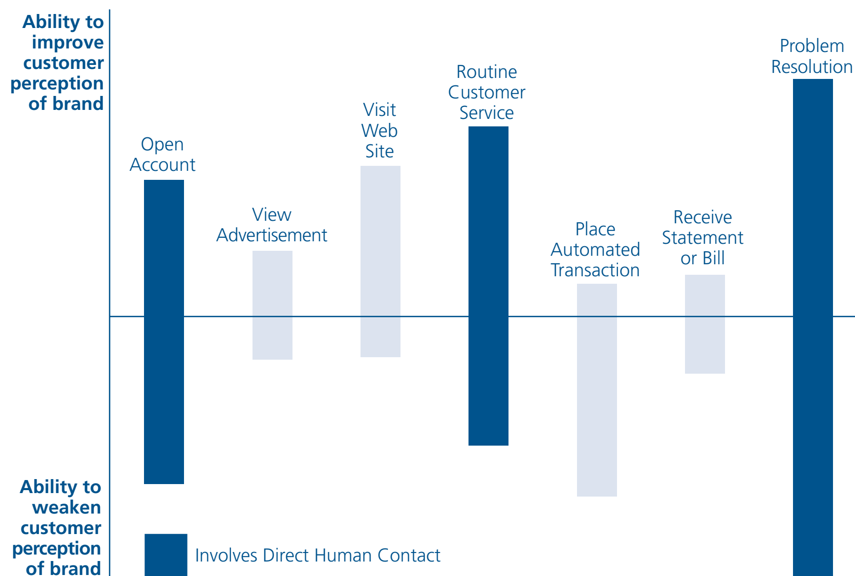
Delivering a seamless experience that pleases customers, however, is becoming increasingly difficult. Customer satisfaction has been declining in many industries for the past decade, in part because the bar is rising—customers have higher service expectations, expanded options, more cross-industry benchmarks, and lower switching costs. At the same time, execution challenges are intensifying, due to product and channel proliferation, cost pressures, heightened M&A activity, and talent scarcity in most sectors.

Companies that succeed in this challenging environment can distinguish themselves and reap significant rewards. Because consistent delivery of the brand promise tends to be costly and time-consuming for competitors to replicate, it reinforces the ability of a brand to serve as a potent source of strategic control.

## The hidden jewels

Bringing a well-designed customer experience to life requires aligning every point of customer contact with the brand promise, from the storefronts to the call centers to the Web site, from the first contact to ongoing service interactions. The most important factor in creating a successful customer experience, however, is a company's workforce. The moments of truth involving human interaction often have the greatest impact on how a customer feels about the brand (see Exhibit 1). So it is crucial for companies to ensure that their employees continually reinforce the brand.

**Exhibit 1** Analysis of customer "moments of truth" in retail banking shows how human interaction magnifies, both positively and negatively, a customer's feelings about a brand

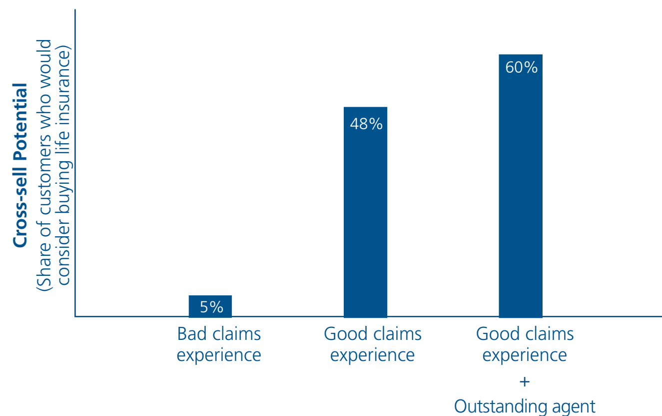



Source: Mercer research

DELIVERING on the Brand Promise

A major U.S. insurance company came to this realization in the early 1990s. The company wanted to stem attrition of auto and homeowners insurance customers to competing brands, and it also hoped to cross-sell life insurance. Customer research revealed that by far the most critical driver of retention, and ultimately brand equity, was how customers were treated in the claims process, in which customers interact with several employees, notably their agent. That experience represents a "day of reckoning" for a product that a customer has long been paying for—but is only now tangibly benefiting from. Consequently, the quality of the experience has a dramatic impact on customer retention, on word-of-mouth communication about the brand, and on the insurer's ability to cross-sell (see Exhibit 2).

**Exhibit 2** A U.S. property/casualty insurer found that delivering a good claims experience led by an outstanding agent created a sizable advantage in cross-selling life insurance




Source: Mercer research.

Delivery on the brand's promise may even involve employees outside of the organization. The brand of Furniture.com, an online furniture retailer, is highly dependent on the experience a customer has in selecting, ordering, and receiving merchandise. Indeed, the company's brand hinges on the premise—and promise—that the ease of buying a sofa without leaving the living room will outweigh the value of testing the softness of the cushions at a showroom. The only face-to-face interaction that a Furniture.com customer has during the buying process, however, is with one of the independent truckers on contract to deliver and assemble its products. If that driver is rude, scratches walls, or has difficulty setting up the sofa, the company's brand will suffer.

Providing superior, consistent service across the many moments of truth represents a major challenge. Yet despite the importance of delivering a customer experience that supports the brand, most companies don't understand what enables and what hinders

employee effectiveness at the key moments of truth. As a result, employees often cannot deliver to their fullest potential.

Senior executives can't simply mandate that employees support the brand promise. It takes a deep understanding of what employees value, how *they* experience the brand, and how they contribute to delivering the customer experience in order to convert them to a new approach. Most executives acknowledge the economic rationale of improving employee effectiveness and the rationale for improving customer loyalty. What's not well recognized is that the two are linked. Employee commitment and capability have a significant, quantifiable impact on the customer experience, which in turn has a major impact on brand equity and shareholder value.

Consistent delivery of the brand promise is difficult for competitors to replicate, reinforcing the brand as a source of strategic control.

### Barriers to delivery

When human interactions undermine a company's brand promise, the problem often is not bad intentions or lack of interest among employees. Rather, employees on the front line tend to misunderstand the priorities implied by the promise or don't have the wherewithal—the training, tools, time, or latitude—to deliver. They often face severe gaps between what customers expect and what they are able to do for customers. In our experience, among the most prevalent organizational barriers to delivering on the brand promise are:

- *Inadequate staffing and training.* Clearly, employees who are poorly trained or whose numbers are insufficient to do a job properly will deliver an inferior experience. This is particularly true if they are in a key customer-facing position. Such a situation can occur as part of a downsizing move, when cost-cutting tends to be done across the board. Wholesale staff cuts can destroy brand equity if they undermine customer service or other important aspects of the customer relationship.

  Staffing and training issues have become more pressing as the ongoing shift to a digital economy, where customers engage in transactions over the Internet, is changing the skill set required of many front-line employees. Where once they were order-takers, increasingly employees add value by being effective advisors, or even advocates, for the customer. To perform this role, they must thoroughly understand how to mobilize other parts of the organization to deliver a unified experience to the customer.

- *Inefficient business processes.* Unresponsive back-office staff, departments that operate in silos, or computer systems that don't mesh well tend to generate time-consuming, morale-sapping "workarounds." Call centers at many firms, for example, require that customers fax a change of address to another department, because the call centers don't have the technology that allows customers to make the change on the phone.

  A related problem is when employees lack the authority to solve the customer's problems themselves. For all the buzz about flatter hierarchies, top-down bureaucracy remains entrenched at many organizations. Only a minority of companies give front-line workers appropriate leeway to exercise their own judgment in serving customers.

Employees often face huge gaps between what customers expect and what the organization empowers them to do for customers.

- *Lack of information.* Without detailed information on individual customers, accessible in real time, employees are shackled. If a customer calls with a problem, the phone representative can't respond quickly. The single phone call, possibly the only human interaction the customer has with the firm over the course of a year, represents a source of irritation for the customer, who must wait for a solution to his or her problem. It also represents a missed opportunity for the customer service representative to move from solving the problem to making the customer aware of other services.

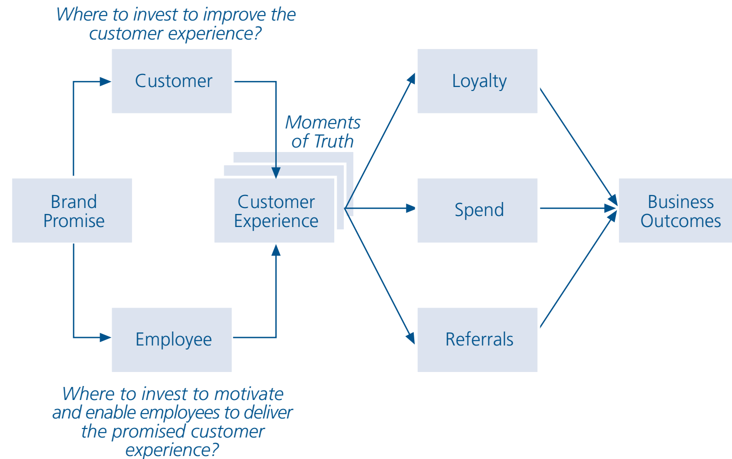
- *Misaligned incentives.* Company cultures and reward systems may emphasize sales over service, or servicing as many customers as possible rather than solving a customer's problem. Many dot-com companies have taken this tack because their growth is outpacing their capacity to provide decent service. Another problem is poor responsiveness by back-office staff, who often have different incentives from front-line employees.

- *Poor communications.* This applies both within the company and between employees and customers; in fact, the two are often linked. Management sends mixed signals about the brand promise or never articulates the standards designed to reinforce the promise. So employees feel isolated, confused, and improvise as best they can—in turn jeopardizing their ability to deliver on the promise.

## An effective human capital framework

Some of the leading brand builders have found ways to remove these barriers to delivery. They recognize that aligning human capital practices and investments to improve the customer experience leads to a stronger brand, more enduring customer relationships, higher profits, and a platform for growth (see Exhibit 3).

**Exhibit 3** Delivering the branded customer experience



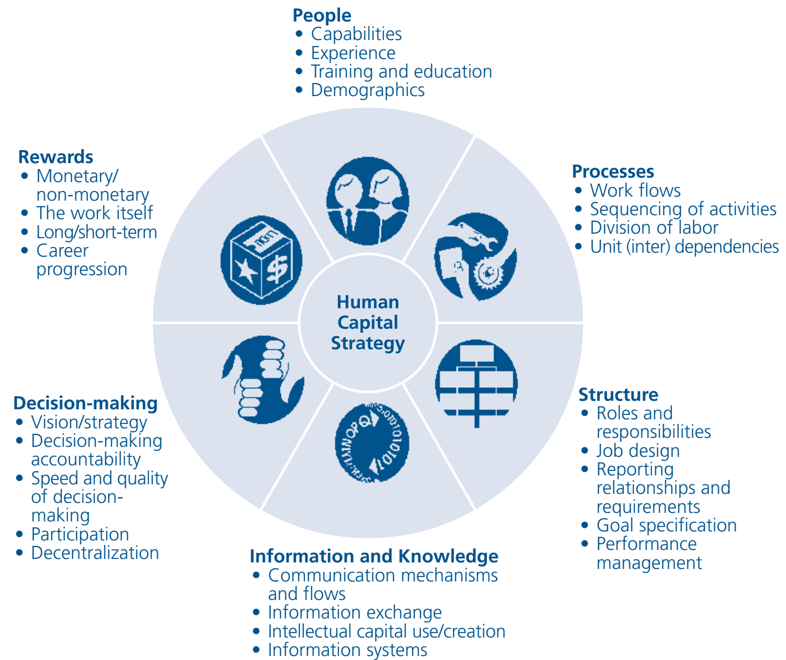

A fact-based, scientific process is a powerful way to measure the impact on brand equity of different customer and employee investments, and then allocate finite resources to areas that will generate the greatest return on investment. This process should first reveal which moments of truth matter most to customers—which have the greatest impact on brand equity, and where the company currently falls short. It then highlights where the gaps are on the employee side, and which investments will provide the greatest leverage. With employees, the important investments go beyond monetary compensation. Pay may be enough to get people in the door, but it's not enough to keep them, let alone to create true "brand ambassadors."

Companies seeking to align their human capital practices and investments with the brand must address six interrelated areas that together determine the kind of customer experience employees deliver (see Exhibit 4):

- *People*—the experience and competencies of employees, and specific policies aimed at selecting or developing them

- *Processes*—how the work gets done

**Exhibit 4** Human capital should be aligned with the brand in six areas




- *Structure*—how management assigns roles and responsibilities

- *Information and knowledge*—the availability and timeliness of critical business information

- *Decision-making*—how decisions get made that affect the customer

- *Rewards*—the motivation of people through pay and other incentives

This model grew out of more than 300 studies that examined how performance is affected when a company changes its management of one or more of the six areas. The model operates implicitly in all businesses, often without any coherent guiding strategy or metrics. It becomes a powerful tool when used deliberately to develop and align the human capital strategy with the brand.

Making changes in one or two of the areas can create operational improvements and marginal increases in productivity. The most effective strategies, however, employ all six simultaneously on an integrated rather than piecemeal basis. An integrated human capital strategy, linking each area to a common and coherent purpose, can create enormous value for the brand among customers and employees alike. This creates a virtuous cycle of

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## Brand building on the Internet

# Retool your brand for the Web—or rethink your business?

*By Eric Almquist and Andy Pierce*

For most traditional offline companies, the next 18 months will determine whether they can build a strong Internet brand. One issue facing them will be whether to take their current brand online or to create a new or modified brand for the Internet. Whichever route is chosen, however, two things are clear. The current blitz of advertising by dot-com companies is an inadequate model for those who hope to create an enduring brand in cyberspace. And as senior managers seek to create a branded presence on the Internet, they may need to think beyond the brand itself to the *kind* of branded business they will be building.

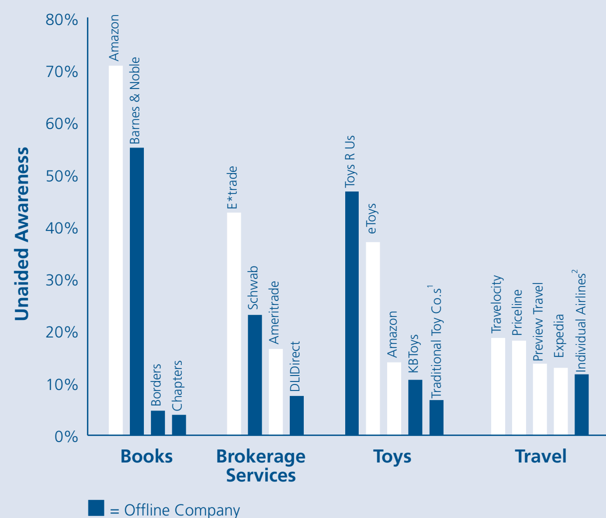
Brand strategy will remain a powerful means of creating value in the next economy. Already, the Internet represents the most crowded and confusing marketplace the world has known. As they always have, brands will serve as symbolic shortcuts, helping customers make sense of a crowded market, while sustaining profits for vendors. In fact, with customers' choices rising while their time and attention remain constant at best, the brand will likely play an even more prominent role.

A window of opportunity still exists for offline "incumbent" companies to create strong online brands. Although a recent Mercer Management Consulting survey on the subject of Internet brand building indicates that offline companies haven't been successful in transferring their brands to the online world, the survey also suggests that powerful and familiar offline brands could enjoy some advantages on the Web (see Exhibit 1). But in the "land grab" world of the Internet, in which the early mover can quickly build a significant lead, the window of opportunity closes quickly (see Exhibit 2).

### An incumbent's dilemma

As they endeavor to build strong brands online, incumbent companies face an apparent dilemma: Should they use their existing brand, marking themselves as a relic of the "old" economy, or should they launch a new brand, jettisoning valuable brand equity that took years to build? The dilemma is not as stark or simple as that, of course, and that's what makes the decision about online branding particularly difficult. To help with this decision, managers need to undertake an assessment of their brands in a number of areas:

**Exhibit 1** In several key categories, only a few offline companies have succeeded in establishing strong top-of-mind awareness online. . .




[1] Fisher Price, Mattel, Disney, etc.
[2] American, United, Delta, etc.
Source: Mercer Internet Consumer Brand Survey.

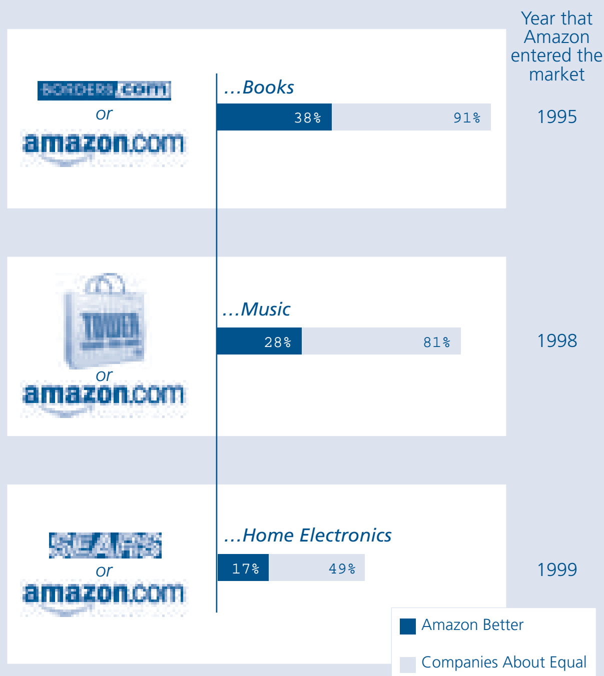
. . .but users' willingness to go directly to company sites suggests that well-known offline brands could enjoy some advantages on the Web.

*I use a search engine such as Yahoo!, Lycos, or Alta Vista* 42%

*I go straight to the company Web site by entering its address* 53%

*I use a portal, click on the category (e.g., books) and link to the site from there* 5%

**Exhibit 2** In each category it has entered, Amazon.com has quickly secured significant customer "mindshare."




Source: Mercer Internet Consumer Preferences Survey.

- *Current brand equity*. Managers need to determine whether their firm's brand equity is strong enough and has the proper attributes to support an online business. In many cases, the drivers of brand equity with offline customers may not immediately translate to an online business. For example, Tower Records' powerful brand is defined largely by the retail experience it creates in its stores: the informed staff, the hip displays, the piped music, the fellow customers who are themselves part of the scene. The challenge is to take the attributes of that offline experience and recreate them for online customers who currently value browsing ease, hassle-free ordering, and speedy delivery.

- *Types of products or services*. Incumbent brands—with their familiarity and track record—are more likely to prevail with products and services where the stakes are high for the customer. Like catalog retailers and travel agents, online businesses typically require customers to put their money down some time in advance of getting what they paid for. Customers take on faith not only the quality of the product, but the speed and reliability of the delivery and the ease of follow-up transactions such as returns or servicing. This means that big-ticket items—cars as opposed to CDs—may benefit from a well-known incumbent brand. Someone booking an upscale family holiday is more likely to use a trusted brand like American Express than an untested TravelBargains.com.

- *Channel conflict*. For many incumbents, taking an existing brand online puts them in the position of competing with their existing sales channels. Managers need to assess the risk of alienating these traditional partners and the opportunities for cooperation in the new online venture. For example, when Ethan Allen furniture decided to sell furniture directly via the Internet, it had to contend with the independent licensees who own and manage the majority of the company's bricks-and-mortar stores. Ethan Allen agreed to share a portion of the revenue from online sales with the stores in exchange for their accepting returns and providing routine customer service. It also passes on to local stores online requests from customers for personalized interior design advice, creating opportunities for additional in-store sales.

Such an assessment may lead a company to stick with its current brand as it moves online. Certainly incumbent brands—with their existing brand equity and customer base—bring some advantages to cyberspace. Indeed, despite the price transparency of the Internet, researchers at MIT's Sloan School of Management are finding that many consumers would purchase from a trusted, branded online retailer even if its price were higher than that of a no-brand alternative. (A draft of their paper can be found at http://ecommerce.mit.edu/papers/ude/.)

But the assessment may also point toward the creation of a new online brand. Although building a brand from scratch is no easy task, in the fast-changing world of the Internet this may in some cases be more economical than trying to reposition an offline brand. Bank One concluded it needed to create a new brand, Wingspan.com, to be relevant to online customers. In creating Brandwise.com, appliance maker Whirlpool reached a similar conclusion primarily for another reason: It didn't want to alienate its existing network of dealers.

Other alternatives for incumbents include partnering with an existing online brand, as retailer Wal-Mart is doing with AOL, or creating a modi-

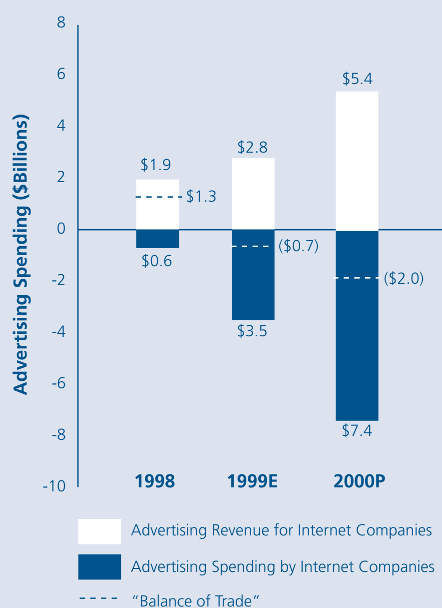
fied online brand, as brokerage house Schwab did with E-Schwab before determining that its hybrid "clicks-and-mortar" business design required a single brand. Another "modified" brand is Kmart's BlueLight.com, which capitalizes on one of the discount retailer's most popular programs—"blue light special" sales that are only announced in stores—while giving the site license to move beyond simply selling Kmart products online.

## The online experience

Incumbents building a brand online will find themselves subject to the same rules and misconceptions about brand that apply in the physical world. The barrage of advertising that dot-com firms have unleashed in the last six months is a case in point. Although advertising can help to create awareness, it is less effective at building the brand equity that helps to attract and retain customers. Many of these multi-million dollar bets are huge misallocations of resources, yielding eyeballs not enthusiasts, sightseers not supporters.

Skepticism about the quality of customer visits to a site is reflected in the fact that, while many online companies are spending big in traditional media, relatively few companies, whether players in the last economy or the next, have shown much interest in advertising online (see Exhibit 3).

**Exhibit 3** Internet companies' enthusiasm for advertising as a brand-building tool has not been reciprocated, reflecting concerns about users drawn to Web sites by advertising alone.




Sources: Mercer analysis; Competitive Media Research; Internet Advertising Bureau; *Advertising Age*; Forrester Research

Besides being ineffective, advertising spending crowds out other, potentially powerful brand-building investments aimed at enhancing the customer experience. Building and sustaining a compelling customer experience is particularly challenging online. Although a company may have more direct control over a customer's online than offline experience, the Internet and its current technological complexity offer more opportunities to destroy brand equity than to create it. Customers go to the Internet to save time through a hassle-free experience, so any bump in the road—slow response times, poor navigation, inaccurate information, unresponsive customer service, difficulty in returning items—can seriously weaken the brand. This is particularly true where a massive advertising campaign has raised customer expectations that are then undermined by the experience.

The serious consequences of failing to deliver on the brand promise is why successful Internet brand builders, such as AOL, Yahoo! and Amazon.com, have followed what we call the "delayed trigger" brand pattern (see page 46). Before building broad-based awareness through advertising, these companies have designed an experience that is relevant and attractive to their core customers and worked out most of the bugs. Their success is proof that brand differentiation on the Internet will come not from conveying the coolest advertising message but from designing and delivering the most compelling customer experience.

## Rise of the aggregators

As incumbents wrestle with Internet brand building issues, they mustn't forget that moving online also is likely to have business design implications. Many if not all companies will be affected by the new class of powerful "aggregator" brands, which offer at a single site a variety of branded products and services from different sources. In markets where these brands exist, they represent a potent challenge even to strong incumbent brands seeking entrance to the online environment. Where they are absent, they represent an opportunity for powerful brands to leverage their offline equity to seize the online advantage. Although many Internet customers still go directly to their favorite Web sites, Internet aggregators

are bound to emerge as an increasingly powerful business model.

In one sense, aggregators perform the same function as brands do: By reducing search costs and time, they serve as a shortcut to decision making. That makes them, like brands, highly valuable to consumers. A recent Mercer survey on the subject of Internet consumer preferences found that, while just 49 percent of users value the Internet because it saves them money, 82 percent value the decision-making information it provides and 75 percent value its time-saving benefits. Aggregators are in the unique role of offering both.

The Internet aggregators are evolving much as bricks-and-mortar retailers did, building great brands of their own by bringing together a wide selection of branded merchandise to satisfy particular customer needs. Out of a landscape of small, locally owned stores in the late nineteenth century, aggregators emerged first as mail-order catalogs and general department stores, then in the form of suburban malls. More recently, there have been "category killers," such as Toys R Us and Home Depot, offering under one roof a broad array of products in a particular category; these have been followed by "power centers," suburban clusters of stand-alone category killer stores.

Aggregator brands are evolving in a similar fashion online. The first generation includes portals such as AOL, which after building a strong brand in the mid-1990s began pursuing an aggregator strategy, providing a variety of content from different sources. Recently, a slew of category killers, including Point.com (cellular phones) and Drugstore.com (health and beauty products), has appeared online. And one early category killer, Amazon.com, is expanding beyond its category of books to become a portfolio of category killers, the virtual equivalent of a suburban "power center."

In determining how a business will be affected by the branded aggregator phenomenon, managers should first determine whether they have an opportunity to build one themselves. Does someone else already have the momentum that precludes new entrants? If not, does their company's brand have the necessary equity to support an aggregator business? Does it have a broad enough product and service line, or will it need to partner with other firms? If everything else is in place, are there sufficient resources to build an online aggregator brand?

If creating a branded online aggregator doesn't seem possible, a company should determine how it could use its brand to take advantage of someone else's aggregator. For example, in the mutual fund industry, a small fund family such as Janus lacks the scale to challenge Fidelity or Charles Schwab in a battle for customer awareness. But Janus's reputation for investment performance may make it an attractive addition to an online mutual fund aggregator, countering aggregators' pressure to select funds based on the lowest delivered price.

Conversely, in industries where no notable performance differentiation exists, only price will serve to win a place on the aggregator's roster. The brand might help to secure "shelf space," but not to sustain profitability. Again, think of the offline retail world: The strongly branded home electronics companies (JVC, Panasonic, Sony, Zenith) enjoy relatively low profitability compared to the far better economics of category killer retailers (Best Buy and Circuit City in the U.S., Dixons in the U.K.).

## New challenges

The online aggregator isn't the only Internet phenomenon that will have an impact on a company's brand. The Choiceboard$^{SM}$ model—which allows the customer to design his own product or service by choosing from a dynamic menu of attributes, components, prices, and delivery options—presents another opportunity for an incumbent to carve out a powerful branded position on the Internet.*

New types of "Shopbots" may soon roam the Web seeking products not only with particular features or with the lowest prices but also of the highest quality; these new tools—mixing the attributes of Alta Vista and *Consumer Reports*—could seriously undermine the power of many online brands. With these and other developments constantly remaking the online environment, the brand builder's imperative of regularly assessing the relevance of and opportunities for a brand will be even more crucial on the Internet.

*See "The Age of the Choiceboard," Adrian J. Slywotzky, *Harvard Business Review*, January-February 2000, pp. 40-41.

continued from page 67

engaged, committed employees who deliver what customers want, leading to higher customer satisfaction, spending, and improved business results, which in turn makes the company a more attractive place to work and raises its status in the marketplace for talent.

There are no aisle numbers at Home Depot, a design feature meant to encourage employees to escort customers and talk about the project at hand.

Putting this model to work can best be understood by looking at the experience of two companies—Home Depot, which built its brand from scratch, and Continental Airlines, which successfully repositioned an ailing brand.

### Inside Home Depot's big orange box

Home Depot, the home maintenance and renovation retailer, created one of the most successful business designs of the 1990s, with the company enjoying 42 percent combined annual market value growth. Founders Arthur Blank and Bernard Marcus recognized that employees were as important as products and systems in delivering the company's brand promise: "Low prices are just the beginning." Before Home Depot was founded, homeowners typically had to visit a number of stores for the tools and materials necessary to complete a project. It also was difficult to find good advice for the entire project from stores offering products that addressed just one aspect of the project.

Home Depot targeted the unmet needs of do-it-yourselfers seeking value, convenience, and advice. The chain never aspired to the lowest price, but focused instead on being the single destination store. To capture a larger share of the customer's business required generating the confidence and excitement in customers that would encourage them to try new projects. The company relied heavily on its human capital to support this brand promise:

- *People.* Many of the employees in the stores have expertise in a building trade.
- *Processes.* Employees work throughout the store, not just in designated areas. There are no aisle numbers, a feature meant to encourage employees to escort customers from plumbing to paint—raising the likelihood the customer will buy multiple products.
- *Structure.* Home Depot offers hassle-free returns, any time, for any reason. To make this happen, Home Depot has minimized paperwork and given employees authority even in unusual situations such as when the customer lacks a receipt.

- *Information and knowledge.* Employees have data on all the products within their specialty division. The company sponsors frequent, department-specific training on products and building techniques.

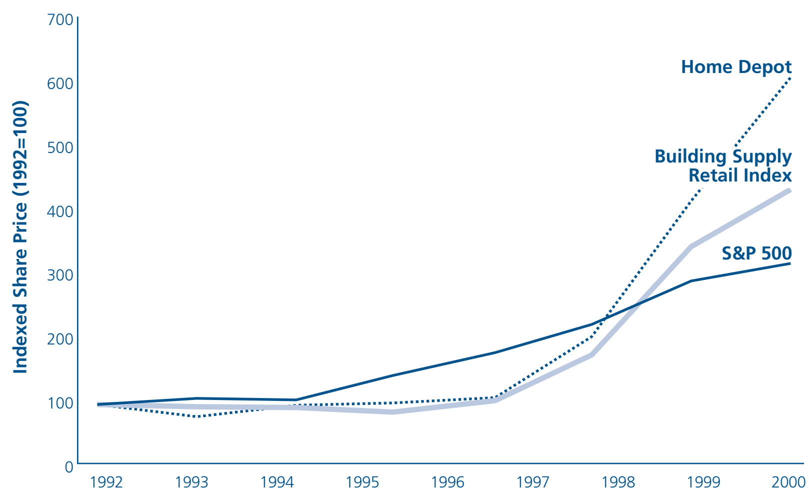
- *Decision-making.* Senior management hammers home a key message in workshops, surprise store visits, and other encounters with employees: We're in the customer relationship business, not the transaction business. To deliver on that vision, the company gives associates and managers discretion in choosing the product mix, ordering, in-store signage, and layout.

- *Rewards.* Pay-for-performance plans apply to store and assistant managers, who can earn up to 50 percent of base pay in a bonus that's based on improvements on historical results.

By developing a strong corporate culture around the customer experience, Home Depot has created a powerful brand and delivered superior financial results and shareholder value (see Exhibit 5). Wall Street has recognized these efforts. As the investment house BancBoston Robertson Stephens put it, "Home Depot's associates are trained to value the customer first and foremost, and we believe it is this essential element that has enabled Home Depot to grow as quickly as it has and still be recognized as one of contemporary retail's premier service providers."

Delivering a superior customer experience did not happen overnight for Home Depot, and the process requires continual vigilance, especially as a company reaches Home Depot's current

**Exhibit 5** Home Depot's branded experience has produced superior value for shareholders




Note: Fiscal year data.
Source: Computstat.

DELIVERING on the Brand Promise

size of nearly 200,000 employees. Arthur Blank acknowledged recently that Home Depot associates have been lax about escorting customers to the right aisle rather than simply pointing where to go. That's a problem he vows to fix.

### Continental soars again

Perhaps even tougher than building a new brand is the challenge of turning around an ailing brand. Even a brilliant plan can be stymied by existing business processes, residual ill will among customers, and creditors who are reluctant to embark on a totally new course.

In 1990, Continental Airlines was faced with reviving its brand—indeed, its entire business. On the verge of bankruptcy, the airline decided to reposition itself from serving low-margin, price-sensitive "backpack and flip-flop" leisure travelers to serving higher-margin, service-sensitive business travelers.

Continental wanted to reposition itself to serve business travelers, but that meant rethinking the company's business design to enable employees to create the desired customer experience.

But repositioning the brand would require something more fundamental than changing the advertising message: Continental needed to create an entirely new customer experience. Business travelers have completely different priorities from leisure travelers. Often under tight deadlines, they value on-time arrival, seamless service at the counter and on the phone, and rapid resolution of problems. Creating an advertising message that promised to address these needs without doing so in practice would further erode, rather than enhance, the Continental brand.

Continental had few internal capabilities to execute the new strategy. For years, Continental's on-time arrivals, baggage handling, and customer complaints had ranked among the worst of the major airlines. Employee morale had plummeted, as reflected by high absenteeism, turnover, and workers compensation claims. The customer experience, and by extension the brand, were in disarray. So what was Continental to do?



The company first embarked on a comprehensive identity and image redesign effort—starting with intensive research among employees, customers, and travel agents to determine prevalent perceptions of the airline and opportunities for change. To reinforce Continental's desired image as the airline of choice for business people, all aspects of the company's identity were totally redesigned, including the logo, aircraft exteriors and interiors, employee uniforms, tableware, airport facilities, signage, and marketing collateral.

While these changes, implemented over several years, were a critical foundation for improving the airline's image (in the eyes of employees as well as customers), transforming the customer experience would require Continental to rethink the employees' role in creating that experience.

Gordon Bethune, who took the helm as CEO in 1994, recognized that Continental needed to develop new organizational capabilities to support the new brand promise targeted at business travelers. "Cash problems, reliability problems, marketing problems ... they all have at their base the people who are doing things that don't make sense," Bethune wrote in his book about the turnaround, *From Worst to First*. Viewing employees as value-creating assets—rather than as expenses to be minimized—he understood that human capital changes were essential to realize the full potential of Continental's significant investment in identity redesign.

Bethune and his management team were able to push through an integrated plan to align and enable employees to deliver on Continental's new promise of excellent service for the business traveler. The company reinvented the organization along each dimension to reinforce the new promise:

- *People:* A new emphasis was put on employees being advocates for the Continental brand. For example, Bethune has lunch with each new class of flight attendants to communicate their role in the brand's success. At least one corporate officer sits in on the final interview of each flight attendant.

- *Processes:* Continental refocused employees on the customer experience and customer service. Executives, too, began to work differently, symbolized by spending time alongside baggage handlers and gate agents. Executives were no longer permitted to take vacations during peak travel times.

The airline gave employees far broader leeway to make decisions and shifted the focus from rules to performance.

- *Structure:* The 800-page manual was ceremoniously burned in a parking lot and replaced by an 80-page document mailed to all employees. Employees wrote the new corporate manual and were given broader leeway to make amends with upset customers and make operational decisions.

- *Information and knowledge:* Hundreds of bulletin boards throughout the system give a continuous update of performance on key criteria. A CEO voicemail to the firm each week

discusses the state of the company and efforts to keep operations aligned with the brand strategy. Upper management hosts a monthly open house for employees to ask questions and give feedback. And a telephone hotline is staffed around the clock to take employee suggestions.

- *Decision-making:* The old emphasis on individual compliance with rules was replaced with a focus on raising overall airline performance—fewer late arrivals, customer complaints, luggage snafus, and involuntary denied boardings—and each employee's contribution to that performance.

- *Rewards:* Employees receive a $65 bonus each month that Continental ranks in the top three airlines for on-time ratings. This program is self-funding because of decreasing payouts to other airlines to accommodate missed connections. Perfect attendance is also rewarded by the chance to win a Ford Explorer (more than fifty have been won). Performance-based rewards were also put in place for sales and customer service employees.

Continental's new strategy of focusing on business travelers and helping employees to satisfy this demanding segment has been successful on many fronts and over a sustained period. Employee productivity and retention have sharply improved, with turnover down 45 percent, workers compensation claims down 51 percent, and revenue per employee up 20 percent from 1994 through 1998. Committed, enabled employees have driven higher customer satisfaction, as reflected in several awards by independent rating firms, including in the critical business traveler class. And

**Exhibit 6** Continental's turnaround

Note: 1993 net income included extraordinary gains of Chapter 11 proceedings.
Source: Computstat.

greater employee and customer loyalty have dropped directly to the bottom line (see Exhibit 6). These results attest to Continental's success in realizing the vision articulated in a strategy statement back in 1990: "Our success depends on our customer experiences with and perceptions of our service. We will invest to ensure superior personal service. Our employees will have the tools they need to achieve the status we seek."

Aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise.

## Connecting with customers

You can brilliantly position a brand to appeal to the most valuable customers—today's and tomorrow's. You can identify those elements of the brand that drive customer choice. You can design a customer experience that should enhance those brand equity elements in all the interactions between customer and company. But if the entire business doesn't deliver on the brand promise made to customers, brand-building efforts go for naught. And because such an effort hinges on the commitment and capabilities of employees, companies must learn to unleash the full force of their human capital.

Developing employees into enthusiastic, knowledgeable brand ambassadors is not easy to do. It requires internal marketing that is as sophisticated as external marketing. It requires metrics that trace and quantify the linkages between customer/employee interactions and the brand promise. It requires a constant reassessment of employee skills and tools so that workers are equipped to anticipate changing customer priorities and how the brand must evolve in response.

Indeed, this approach to aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise. The needs of key customers shape the brand promise, which in turn determines how the company invests in its human capital and what tasks employees do each day. At Home Depot, customers have suggested a majority of the items that the company eventually has stocked. The main reason for any firm to deploy technology and other physical assets is to enable employees to deliver a customer experience that drives brand equity ever higher.

* * *

Human capital strategy and tactics are not usually included in most discussions about brand building. Yet as the sum of the articles in this issue makes clear, brand-building activities need

to be integrated into a company's overall business strategy in order to capture mindshare among customers, employees, and investors.

The successful brand today is embedded in every aspect of the business design, starting with customer selection and moving right through to a company's organizational systems—in particular, how employees interact with customers. This integrated approach ensures that the brand will be a powerful tool for achieving sustainable competitive advantage.

In the end, the Wedgwood imprint and the Harley-Davidson tattoo represent more than the memory of a product transaction; they celebrate a cherished experience. Achieving that visceral connection between customer and company is the essence of a successful brand strategy.

*Carla Heaton is a vice president of Mercer Management Consulting based in Boston. Rick Guzzo is a principal of William M. Mercer based in Washington, D.C.*

# Executive Summaries

*The new brand strategy: Are you experienced?*

ENGLISH

## Rethinking Brand Strategy

*By Eric Almquist and Kenneth J. Roberts*

As never before, brand management has become a crucial element of corporate strategy. In today's cluttered marketplace, a powerful brand creates a clear signal that cuts through the static. It can help a company break away from the pack in creating shareholder value. It can protect profits from being diverted to competitors or to customers. But at most companies, brand management is governed by a number of serious misconceptions. Too many executives believe that brands are built primarily by advertising, that brands are used primarily to influence customers, that brands can't be quantified and analyzed. Overcoming these misconceptions calls for a new approach to brand strategy, one that integrates branding into a company's overall business design. This approach targets a wider set of constituencies for the brand campaign and uses sophisticated marketing science tools to help make sound brand-building investments. It creates a customer experience that embodies the brand across the multiple "moments of truth" that can make or break a brand. And it ensures that the entire organization, particularly customer-facing employees, delivers on the promise implicit in the brand.

## Assessing A Brand's Health

*By Andy Pierce and Suzanne Hogan*

Different business moves—extending into new product categories, acquiring another firm, expanding onto the Internet—raise distinct brand issues. To address those issues requires a deep and dispassionate understanding of one's current brand status. Without such knowledge, managers can neither anticipate the impact a business move will have on their brand nor gauge the brand's potential to drive a business move. A formal brand assessment thus becomes a crucial prerequisite to most major strategic initiatives. Marketing science tools can determine with precision whether and exactly how much brand matters—or could soon matter—in a given industry. These tools also help answer a number of key questions about a company's brand: How effective is my brand architecture? How relevant is my brand now and likely to be in the future? Is my brand positioning strong and consistent across all of the key audiences? What elements of my brand actually affect customer choices about my product or service? Am I making the right investments in the brand? A comprehensive self-assessment of the brand helps to identify areas of strength and weakness, creating a baseline of information with which to make smart decisions about the next business and brand moves.

## Anticipating Brand Opportunities

*By John Kania and Adrian J. Slywotzky*

A strong and longstanding brand has traditionally created barriers to entry even when new competitors' products were superior or cheaper. While consistency still has value, a static brand increasingly risks becoming irrelevant to customers' shifting priorities. Yet brand innovation has its risks, too, as Coca-Cola discovered when it created a new brand image with New Coke. In a world where business models are being reevaluated continually, when is it time to

reinvent the brand? Pattern recognition can help managers anticipate how and when a brand must evolve. Mercer has recently catalogued some twenty specific brand patterns that reflect the migration of value from one brand or set of brands to another. It has also identified leading indicators of when a particular pattern might emerge. Exploring three of these patterns in depth—"Concentration to Proliferation," "Chasm Crossing," and "Branded Experience"—offers lessons for managers. Companies that spot emerging patterns and capitalize on them early on will be rewarded with a disproportionate share of the brand value in an industry.

### Designing the Branded Experience

*By Kathryn H. Feakins and Michael Zea*

For many products, brand building traditionally has focused on advertising and promotion. In today's service-intensive economy, however, a company's relationship with its customers often extends beyond the purchase of the physical product. Customers are more likely to have an ongoing experience with a company, an experience composed of multiple "moments of truth," from negotiating a financing package to getting technical support or training. These interactions drive actual customer behavior—for example, paying more for a service or trying a related product under the same brand. The relative return on investments in different customer interactions can be measured using rigorous marketing science tools. The successful effort by the U.S. petroleum company, Conoco, to create a new convenience store brand provides some lessons in designing an effective branded experience. Conoco identified its target customers—convenience store "connoisseurs"—undertook a sophisticated assessment of their priorities, and determined which customer interactions really mattered in building the brand. From the layout of the stores to the coffee brewed fresh every 30 minutes, every aspect of the customer experience supports and enhances the brand.

### Delivering on the Brand Promise

*By Carla Heaton and Rick Guzzo*

Many companies fail to deliver the great experience that is promised by their marketing campaign. Especially difficult is aligning the brand promise and the human interactions between employees and customers, interactions that can bring a well-designed customer experience to life. In order to make employees effective "brand ambassadors," managers need to understand what employees value and how they experience the brand. And managers need to overcome the barriers, from inefficient business processes to misplaced incentives, that typically impede even the most capable and committed employees. Smart brand building involves a fact-based, scientific process to measure the impact of different employee investments on brand strength. It employs six organizational "levers" to align human capital practices and investments with the brand promise. The experiences of two companies illustrate how successful such an approach can be. Home Depot built a successful brand by getting employees to become involved in customers' home renovation projects, rather than merely selling them products. Continental Airlines revived an ailing brand by targeting business travelers and empowering employees to deliver the experience that such travelers expect.

## FRANÇAIS

### Repenser la gestion stratégique de la marque

*Par Eric Almquist et Kenneth J. Roberts*

La gestion de la marque est devenue plus que jamais un facteur crucial de la stratégie d'entreprise. Dans le contexte d'un marché de plus en plus saturé, une marque forte est comme le signal lumineux d'un phare à travers le brouillard. Une marque puissante peut permettre à une entreprise d'être en tête du peloton en termes de création de valeur pour l'actionnaire. Elle peut empêcher la migration des profits vers les concurrents ou les clients. Toutefois, dans la plupart des entreprises, la gestion de la marque est l'objet d'un certain nombre d'idées erronées. Trop de

dirigeants sont convaincus qu'une marque est avant tout créée par la publicité, qu'une marque sert surtout à influencer le client, et qu'une marque ne peut être ni quantifiée ni analysée. Pour vaincre ces idées reçues, il faut une nouvelle approche de la gestion stratégique des marques intégrant la notion de marque dans le business design global de l'entreprise. Cette approche cible une audience élargie pour la campagne de communication de la marque et utilise des outils sophistiqués de marketing conduisant à des investissements solides dans le domaine de la marque. Elle crée une expérience du client relative à la marque lors de tous les "moments de vérité" qui peuvent faire ou défaire une marque. Et elle assure que l'organisation tout entière, et notamment les employés en contact avec le client, est à la hauteur des engagements inhérents à la marque.

### Evaluer la santé d'une marque

*Par Andy Pierce et Suzanne Hogan*

Introduire de nouveaux types de produits, acquérir une autre entreprise ou intégrer l'Internet dans sa stratégie, sont autant de décisions qui soulèvent des questions relatives à la marque. Pour appréhender ces questions, il est nécessaire de comprendre de façon approfondie - et dépassionnée - l'état actuel des marques de l'entreprise. Sans cela, les dirigeants ne peuvent pas anticiper l'impact de telle ou telle stratégie sur la marque, ni mesurer à quel point la marque pourrait devenir un levier stratégique potentiel. L'évaluation préalable du capital marque devient ainsi une condition impérative à la réussite de la plupart des stratégies. Les outils de la marketing science peuvent permettre de déterminer avec précision l'importance de la marque aujourd'hui - et à l'avenir - dans un secteur donné. Ces outils aident également à répondre à un certain nombre de questions clés sur les marques d'une entreprise : La construction de mes marques est-elle pertinente ? Mes marques sont-elles adaptées au marché d'aujourd'hui et le seront-elles demain ? Mes marques sont-elles bien positionnées de façon cohérente pour chacun des grands segments ciblés? Quels éléments de mes marques influencent réellement les choix des consommateurs vers mon offre ? Est-ce que je fais les bons choix en termes d'investissement marque ? Une évaluation exhaustive des marques permet d'en identifier les forces et les faiblesses et de réunir des informations clés pour la conception de son prochain business design et la mise en oeuvre de ses stratégies de gestion de la marque.

### Anticiper les opportunités liées aux marques

*Par John Kania et Adrian J. Slywotzky*

Une marque forte et pérenne a longtemps créé des barrières à l'entrée d'un marché même quand les produits concurrentiels étaient meilleurs ou moins chers. En revanche, si la cohérence a toujours de la valeur, une marque statique risque de plus en plus de devenir inadaptée à l'évolution des priorités des clients. Pourtant, innover n'est pas sans risques quand il s'agit des marques, comme l'a découvert Coca-Cola en créant une nouvelle image de marque avec "New Coke". Dans un univers où les modèles commerciaux sont sans cesse réévalués, quel moment est-il le plus opportun pour réinventer une marque ? La reconnaissance des patterns peut servir aux dirigeants à anticiper comment et quand une marque doit évoluer. Mercer Management Consulting a récemment catalogué une vingtaine de patterns spécifiques aux marques qui reflètent la migration de la valeur d'une marque - ou d'une série de marques - vers une autre. Les indicateurs clés pour déterminer quand un pattern donné est susceptible d'apparaître ont également été identifiés. Les dirigeants peuvent tirer des leçons de l'étude approfondie de certains de ces patterns, notamment : "De la concentration vers la prolifération » et "L'expérience marque". Les entreprises qui savent identifier et capitaliser avant les autres sur les patterns émergents se verront attribuer une part disproportionnée de la valeur des marques dans leur secteur.

### Concevoir l'expérience marque

*Par Kathryn H. Feakins et Michael Zea*

Pour de nombreux produits, la construction d'une marque s'est longtemps focalisée sur la publicité et la communication. Cependant, dans le contexte économique actuel très axé sur le service, la relation d'une entreprise avec ses clients s'étend souvent au-delà de l'achat du produit lui-même. Les clients sont plus susceptibles d'avoir une expérience prolongée

avec une entreprise, c'est-à-dire, une expérience composée de plusieurs "moments de vérité", allant de la négociation d'un financement à l'obtention d'assistance ou de formation. Ces interactions sont les vrais leviers du comportement du client qui conditionnent, par exemple, sa volonté de payer plus cher un service donné ou d'essayer un produit de la même marque. Le rendement relatif des investissements dans différents types d'interactions client peut être mesuré à l'aide d'outils marketing rigoureux. Des leçons intéressantes sur la conception efficace d'une expérience de marque peuvent être tirées de la réussite des efforts de Conoco, une société pétrolière, pour créer une nouvelle marque de petites boutiques de distribution, « convenience stores », aux Etats-Unis. Après avoir identifié ses clients cibles, c'est à dire, les « connaisseurs » de ce type de magasin, Conoco a réalisé une évaluation sophistiquée de leurs priorités et a identifié lesquelles étaient vraiment prioritaires pour bâtir la marque. Ainsi, de la disposition des magasins au café frais préparé toutes les trente minutes, la marque est valorisée et renforcée par chaque aspect de l'expérience client.

### Respecter la promesse de la marque

*Par Carla Heaton et Rick Guzzo*

De nombreuses entreprises ne parviennent pas à donner à leurs clients l'expérience merveilleuse qu'elles leur promettent à travers leurs campagnes de marketing. Il est particulièrement difficile d'aligner l'engagement de la marque et la totalité des échanges entre les employés et les clients de l'entreprise, alors que ce sont justement ces interactions qui permettent de faire vivre une expérience client bien conçue. Pour transformer les employés en « champions de la marque » efficaces, les dirigeants doivent comprendre ce que les employés valorisent et quelle est leur propre expérience de la marque. Ils doivent modifier tout ce qui peut freiner même les employés les plus compétents et motivés, qu'il s'agisse de processus commerciaux inefficaces ou de systèmes d'incitation inadaptés. La bonne construction d'une marque requiert un processus scientifique, et fondé sur les faits, destiné à mesurer l'impact des différents investissements relatifs aux employés sur la force de la marque. Ce processus implique six « leviers » d'organisation conçus pour aligner les pratiques de ressources humaines et d'investissement avec la promesse de la marque. Les expériences de deux sociétés illustrent clairement la force potentielle d'une telle approche. Home Depot a construit une marque forte en persuadant ses employés de s'impliquer réellement dans les projets de bricolage des clients au lieu de se contenter simplement de leur vendre des produits. Continental Airlines a revitalisé une marque en difficulté en ciblant les voyageurs d'affaires et en responsabilisant les employés qui répondaient aux attentes de ce type de voyageur.

## DEUTSCH

### Markenstrategien im Wandel

*von Eric Almquist und Kenneth J. Roberts*

Effektives Markenmanagement ist heute ein wesentlicher Bestandteil jeder erfolgsorientierten Unternehmensstrategie. Ziel dieser Strategie muß es sein, auf dem „vielbevölkerten, geräuschintensiven" Markt mit einem unüberhörbaren Signal durch die Geräuschkulisse zu dringen, sich von der Masse abzuheben und so den Unternehmenswert zu steigern. Eine wirkungsvolle Markendifferenzierung ist darüber hinaus ein probates Mittel, um dafür zu sorgen, daß die zu erzielenden Gewinne nicht von Konkurrenten oder Abnehmern vereinnahmt werden. Dennoch gehen viele Markenmanager von falschen Vorstellungen aus und lassen sich noch immer von der Überzeugung leiten, daß man eine starke Markenpersönlichkeit in erster Linie durch Werbung aufbaut, daß sich dadurch vornehmlich Einfluß auf den Kunden ausüben und daß sich eine Marke weder quantifizieren noch analysieren läßt. Um diese Mißverständnisse auszuräumen, muß das Unternehmen seine Marketingstrategie revidieren und das Markenmanagement als festen Bestandteil im übergeordneten Business Design verankern. Als

Folge dieses neuen Strategieverständnisses erweitert es das Zielgruppenspektrum der Markenkampagne und bedient sich ausgefeilter wissenschaftlicher Marketinginstrumentarien. Die für die erfolgreiche Etablierung einer Marke notwendigen Investitionen werden dadurch erst nachvollziehbar. Effektives Markenmanagement setzt auf den Faktor Markenbindung, der darüber entscheidet, ob der Kunde auch in den zahlreichen „Stunden der Wahrheit", die über Wohl und Wehe einer Marke entscheiden, seiner Marke treu bleibt oder nicht. Außerdem wird dadurch das Gesamtunternehmen— und insbesondere jeder Mitarbeiter mit Kundenkontakt - verpflichtet, das mit der Marke vermittelte Nutzenversprechen tatsächlich einzuhalten.

### Wie gesund ist meine Marke?

*von Andy Pierce und Suzanne Hogan*

Geschäftspolitische Entscheidungen, wie die Einführung neuer Produktlinien, die Übernahme eines anderen Unternehmens oder die Digitalisierung durch den Einstieg ins Internet, nehmen zwangsläufig Einfluß auf spezifische Aspekte der Marken- und/oder Marketingpolitik. Eine gründliche und objektive Analyse des jeweiligen Markenzustands ist deshalb die unerläßliche Voraussetzung für eine vorausschauende strategische Planung. Der Markenmanager muß im Vorfeld einschätzen können, wie sich eine bestimmte Entscheidung auf die Marke auswirken wird bzw. inwieweit ein bestimmtes Markenpotential unternehmerische Entscheidungen anstoßen kann. Ein effektives strategisches Management baut daher zwangsläufig auf der formellen Beurteilung des aktuellen „Gesundheitszustands" der Marke auf. Die Marketingwissenschaft verfügt über fundierte Instrumentarien, mit deren Hilfe relativ präzise eingeschätzt werden kann, ob und wie bedeutsam eine Marke innerhalb einer speziellen Branche tatsächlich ist—bzw. in Kürze sein wird. Darüber hinaus bedienen sich die Unternehmen dieser Werkzeuge, um Antworten auf die für den langfristigen Geschäftserfolg entscheidenden Kernfragen in puncto Markengesundheit zu finden: Verfügen wir über eine effektive Markenarchitektur? Wie wichtig ist die Markenpersönlichkeit jetzt, und wie wichtig wird sie in der Zukunft sein? Ist uns eine einheitliche Markendarstellung in bezug auf alle wichtigen Zielgruppen gelungen? Welche Markenmerkmale sind im Hinblick auf unsere Produkte und Serviceleistungen tatsächlich für die Kaufentscheidung des Kunden ausschlaggebend? Machen unsere Investitionen in diesem Bereich überhaupt Sinn? Diese Fragen sind Teil der Selbsteinschätzung eines Unternehmens, was seine Stärken und Schwächen im Markenmanagement anbelangt. Ziel und Zweck dieser Methode ist die Schaffung eines Informationspools, der als Vergleichsbasis bei Entscheidungen zur Marken- und Geschäftspolitik herangezogen werden kann.

### Markenchancen erkennen und nutzen

*von John Kania und Adrian J. Slywotzky*

Eine bekannte und seit langem etablierte Marke ist selbst für die unter Umständen qualitativ höherwertigen oder günstigeren Produkte von Konkurrenzunternehmen oftmals eine schier unüberwindliche Marktzutrittsschranke. Kontinuität hat für viele Kunden bei ihrer Kaufentscheidung zwar noch immer Gewicht, aber eine statische Marke läuft zunehmend Gefahr, von den Kundenprioritäten abgehängt zu werden. Andererseits hat z.B. der gescheiterte Versuch von Coca-Cola, sich mit New Coke ein neues Markenimage aufzubauen, aufgezeigt, daß auch Innovationen Risiken bergen. In einer von Wandel und Vielfalt geprägten globalen Wettbewerbsstruktur wird jedes Business Design immer wieder hinterfragt und auf seine Effektivität und Effizienz hin abgeklopft. Angesichts der rasanten Entwicklungen am Weltmarkt kommt es auf den richtigen Zeitpunkt an, um eine bereits eingeführte Marke wieder „neu zu erfinden". Das Erkennen von repetitiven Mustern ist hierbei ein wichtiges Hilfsmittel. Mercer Management Consulting hat erst kürzlich etwa zwanzig verschiedene Markenmuster—brand patterns - katalogisiert, um die Wertverlagerung von einer Marke zur anderen zu verdeutlichen. Außerdem identifizierte Mercer wesentliche Indikatoren, die auf sich herausbildende Muster frühzeitig hinweisen. Eine interessante und

informative Lektüre für jeden Markenmanager sind hierbei die detaillierten Analyseergebnisse von drei identifizierten Markenmustern: „Von der Konzentration zur Expansion"—„Brückenschlag"—„Markenerlebnis". Durch eine frühzeitige Mustererkennung und die geschickte Nutzung dieses Zeitvorteils kann sich ein Unternehmen ein größeres Stück des Markenkuchens innerhalb einer bestimmten Branche sichern.

### Wie ein Markenerlebnis entsteht

*von Kathryn H. Feakins und Michael Zea*

Für viele Produkte galten Werbung und Verkaufsförderung lange Zeit als die traditionellen Werkzeuge für den Aufbau einer neuen Marke. In der heutigen Dienstleistungsgesellschaft geht jedoch die Geschäftsverbindung zwischen Kunde und Unternehmen oftmals über den Kauf des physischen Produkts hinaus. Der Kunde tendiert heute stärker zu einer langfristigen Geschäftsbeziehung, die von einem Finanzierungspaket bis hin zu Support und Schulung reicht und vielfältige „Stunden der Wahrheit" durchläuft. Der Erfolg oder Mißerfolg dieser Interaktionen bestimmt das weitere Kundenverhalten. Hier entscheidet sich, ob der Kunde gewillt ist, einen höheren Preis für eine Serviceleistung zu akzeptieren oder ein ähnliches Produkt derselben Marke zu testen. Mit Hilfe strenger marketingwissenschaftlicher Kriterien läßt sich die relative Investitionsrentabilität verschiedener Interaktionen bewerten. So hat die US-Mineralölgesellschaft Conoco durch die Einführung einer erfolgreichen Marke für die von ihr betriebenen Convenience Stores gezeigt, wie ein wirksames Markenerlebnis entsteht. Conoco hat zunächst die Personengruppe definiert, an die sich ihr Angebot primär richtet—an die „Connaisseurs", die gerne solche Convenience Stores aufsuchen –, dann deren Prioritäten mittels einer ausgefeilten Bewertungstechnik eruiert und schließlich festgelegt, welche Interaktionen mit dem Kunden für die Markenetablierung tatsächlich von Bedeutung sind. Vom Architekturdesign des Ladens bis zum alle 30 Minuten frisch aufgebrühten Kaffee—jeder einzelne Aspekt trug entscheidend zum Gelingen des Markenerlebnisses bei.

### Vom Umgang mit dem Markenversprechen

*von Carla Heaton und Rick Guzzo*

Viele Unternehmen können nicht halten, was ihre Marketingkampagne verspricht. Außerdem erweist es sich oft als besonders schwierig, das Markenversprechen einerseits und die Wechselbeziehung zwischen Mitarbeitern und Kunden andererseits in Einklang zu bringen. Ob eine Marke zum Verkaufsschlager avanciert oder nicht, hängt neben der sorgfältigen Markengestaltung eben auch von der ge- oder mißglückten Interaktion zwischen Mitarbeiter und Kunde ab. Versierte Markenmanager versuchen deshalb zu verstehen, was ihren Mitarbeitern wichtig ist und was sie selbst von der Marke halten, die sie verkaufen sollen. So werden aus Mitarbeitern erfolgreiche „Markenweggefährten". Außerdem gilt es, ineffiziente Geschäftsprozesse und falsch gesetzte Anreize abzubauen, die als typische Motivationshemmer auch den besten und engagiertesten Mitarbeiter auf Dauer entmutigen. Zur geschickten Markenetablierung gehört ein auf Tatsachen basierendes, wissenschaftliches Bewertungsmodell, mit dessen Hilfe sich präzise Angaben zum Einfluß der verschiedenen investiven Maßnahmen im Personalbereich auf den Markenerfolg machen lassen. Dieses Modell bedient sich sechs organisatorischer „Hebel", die eine Verknüpfung des Markenversprechens mit entsprechenden personalpolitischen Maßnahmen und Investitionen zum Ziel haben. Zwei Unternehmen haben bewiesen, daß dieses innovative Konzept funktioniert: Die amerikanische Baumarktkette Home Depot legt ihre Mitarbeiter nicht einseitig auf den bloßen Verkauf eines Produkts fest, sondern bindet sie vielmehr in die Renovierungs- und Umbauprojekte ihrer Kunden ein. Und der US-Fluggesellschaft Continental Airlines ist es gelungen, ihrer etwas flügellahmen Marke neuen Auftrieb zu geben, indem sie ihren Mitarbeitern mehr Handlungsspielraum bei den Serviceleistungen für Geschäftsreisende einräumt und dadurch die Markenidentifikation sowohl bei der Zielgruppe als auch bei den Mitarbeitern stärkt.

## Replantearse la estrategia de marca

*Por Eric Almquist y Kenneth J. Roberts*

Nunca antes la gestión de marca había sido un elemento tan crucial de la estrategia empresarial. En el saturado mercado de hoy día, una marca poderosa emite una señal clara que acalla las demás. La marca puede ayudar a una empresa a destacar de la masa creando valor para los accionistas y puede impedir que los beneficios se desvíen hacia a la competencia o hacia los clientes. Sin embargo, en la mayoría de empresas, la gestión de marcas se rige por una serie de graves conceptos erróneos. Muchos directivos creen que las marcas se crean principalmente mediante la publicidad, que se emplean sobre todo para influir en los clientes y que no pueden cuantificarse ni analizarse. Superar estos conceptos erróneos implica desarrollar un nuevo planteamiento de estrategia de marca que integre la creación de marcas en el diseño de negocio de la empresa. Este planteamiento tiene por objetivo un conjunto más amplia áreas en el desarrollo de la campaña de marca y emplea sofisticadas herramientas de marketing para ayudar a realizar inversiones acertadas en creación de marca. Ésto origina una experiencia de cliente que muestra la marca en todos los "momentos críticos" que pueden crear o destruir una marca, asegurando que toda la organización, especialmente los empleados que atienden a los clientes, cumple la promesa implícita en la marca.

## Evaluar la salud de una marca

*Por Andy Pierce y Suzanne Hogan*

Las diferentes medidas comerciales (entrar en nuevas categorías de producto, adquirir otra empresa, expandirse a través de Internet) plantean cuestiones de marca diferenciadas. Abordar estas cuestiones exige una comprensión profunda y objetiva del estado actual de la marca propia. Sin este conocimiento, los directivos no pueden prever el efecto que una medida comercial tendrá en su marca ni medir el potencial de ésta para impulsar una iniciativa comercial. Una evaluación seria de la marca se convierte así en un requisito esencial para la mayoría de las iniciativas estratégicas principales. Las herramientas de marketing pueden determinar con precisión la importancia, si la tuvieran o pudieran tenerla en un futuro, de los asuntos de marca en un sector determinado. Estas herramientas también pueden ayudar a responder a una serie de preguntas clave sobre la marca de una empresa: ¿Hasta qué punto es eficaz mi arquitectura de marca? ¿Qué importancia tiene mi marca ahora? ¿Cuál será su importancia en el futuro? ¿Se está posicionando mi marca de manera firme y consistente en todos los ámbitos clave? ¿Qué elementos de mi marca inciden realmente en las elecciones del cliente respecto a mi producto o servicio? ¿Estoy invirtiendo correctamente en mi marca? Una autoevaluación exhaustiva de marca ayuda a identificar los puntos fuertes y débiles y a establecer con ello una base de información para tomar decisiones inteligentes sobre las próximas medidas comerciales y de marca.

## Prever oportunidades de marca

*Por John Kania y Adrian J. Slywotzky*

Las marcas fuertes y consolidadas han creado tradicionalmente barreras de entrada incluso cuando los nuevos productos de la competencia eran superiores o más baratos. Aunque la coherencia sigue siendo importante, las marcas estáticas se arriesgan cada vez más a perder su relevancia ante las prioridades cambiantes de los clientes. Aun así, la innovación de marca también tiene sus riesgos, como descubrió Coca-Cola cuando creó una nueva imagen de marca con la Nueva Cola. En un mundo donde los modelos comerciales se reevalúan constantemente, ¿cuál es el momento oportuno para reinventar la marca? El reconocimiento de modelos puede ayudar a los directivos a prever cómo y cuándo debe evolucionar una marca. Mercer ha catalogado recientemente unos veinte modelos concretos de marca que reflejan la emigración del valor de una marca o conjunto de marcas a otra. Asimismo, ha identificado los indicadores principales del momento en que podría surgir un modelo determinado. Para los directivos podría resultar interesante explorar a fondo estos tres modelos ("Concentración frente a Proliferación," "Cruce del Abismo," y "Experiencia de Marca Creada"). Las empresas que divisan modelos emergentes y les sacan partido con anticipación se verán

recompensadas con una cuota desmesurada de valor de marca en un sector.

### Diseñar la Experiencia de Marca Creada

*Por Kathryn H. Feakins y Michael Zea*

Para muchos productos, la creación de marca tradicionalmente se ha centrado en la publicidad y las promociones. No obstante, en la economía basada fundamentalmente en los servicios de hoy día, la relación de una empresa con sus clientes a menudo trasciende de la simple compra del producto físico. Los clientes son más susceptibles de tener una experiencia continua con una empresa, una experiencia compuesta de múltiples "momentos críticos", desde negociar un paquete financiero hasta recibir asistencia técnica o formación. Estas interacciones dirigen el comportamiento real del cliente, por ejemplo, pagar más por un servicio o probar un producto relacionado con éste y de la misma marca. La rentabilidad relativa de las inversiones en diferentes interacciones con clientes puede medirse usando rigurosas herramientas de marketing. El esfuerzo que realizó con éxito Conoco, la compañía petrolera estadounidense, para crear una nueva marca de supermercados de barrio debería servir de ejemplo sobre cómo diseñar una experiencia eficaz de marca creada. Conoco identificó a sus clientes objetivo ("expertos" en este tipo de tiendas), llevó a cabo una compleja evaluación de sus prioridades y determinó las interacciones con clientes que realmente importaban para crear la marca. Desde el diseño de las tiendas hasta una máquina que prepara café cada 30 minutos, cada uno de los aspectos de la experiencia del cliente sostiene y mejora la marca.

### Cumplir la promesa de marca

*Por Carla Heaton y Rick Guzzo*

Muchas empresas no logran ofrecer la gran experiencia que prometen en su campaña de marketing. En especial, resulta difícil alinear la promesa de marca y las interacciones humanas entre los empleados y los clientes, interacciones que pueden lograr materializar una experiencia de cliente bien diseñada. Para hacer que los empleados sean unos "transmisores de marca" eficaces, los directivos deben saber qué valoran los empleados y cómo experimentan la marca. Asimismo, deben superar las barreras: desde procesos comerciales ineficaces a incentivos mal asignados, que normalmente desaniman incluso a los empleados más competentes y comprometidos. La creación de marca inteligente implica un proceso científico, empírico, que consiste en medir el efecto que tiene en la fortaleza de la marca la inversión realizada en los empleados. Este proceso emplea seis "palancas" organizativas para alinear las prácticas de capital humano y las inversiones con la promesa de marca. Las experiencias de dos empresas ilustran lo satisfactorio que este planteamiento puede ser. Home Depot creó una marca de éxito haciendo que sus empleados se implicasen en proyectos de reformas del hogar solicitados por clientes, en vez de simplemente venderles productos. Continental Airlines revivió una marca en decadencia orientándola a las personas que viajan por motivos de negocios y autorizando a los empleados a ofrecer la experiencia que esos viajeros esperan.

## PORTUGUÉS

### Repensar a Estratégia de Marcas

*Por Eric Almquist e Kenneth J. Roberts*

Agora e como nunca, a gestão de marcas tornou-se num elemento crucial da estratégia das empresas. No mercado desordenado de hoje, uma marca poderosa emite um sinal claro que sobressai na confusão. Pode ajudar uma empresa a diferenciar-se das restantes na criação de valor accionista. Pode ainda impedir que os lucros sejam desviados para os competidores ou para os clientes. No entanto, na maioria das empresas, a gestão de marcas é dirigida por uma série de falácias. Um elevado número de executivos têm a opinião que as marcas são em grande parte construídas através da publicidade, que são usadas para influenciar os clientes e que não podem ser quantificadas nem analisadas. Para ultrapassar estas falacias é

necessária a utilização de uma nova abordagem à estratégia de marcas, que integre a gestão de marcas no modelo geral de negócio da empresa. Esta abordagem recorre a um conjunto mais alargado de elementos da gestão de marcas e utiliza sofisticadas ferramentas de marketing para ajudar as empresas a realizarem investimentos sólidos no desenvolvimento da marca. Cria uma experiência para os clientes que personifica a marca nos vários "momentos da verdade" que se podem traduzir no sucesso ou no fracasso de uma marca. Adicionalmente, assegura que toda a organização - particularmente os empregados que contactam com os clientes - forneçam o serviço de acordo com a promessa implícita na marca.

### Avaliando a Solidez de uma Marca

*Por Andy Pierce e Suzanne Hogan*

Diferentes iniciativas de negócio—expandir-se para novas categorias de produto, adquirir outra empresa, entrar para a Internet—suscitam questões distintas relacionadas com a gestão de marcas. A abordagem dessas questões requer um entendimento profundo e imparcial do estado da sua própria marca. Sem este conhecimento, os gestores não poderão antecipar o impacto que uma iniciativa de negócio poderá ter na sua marca nem avaliar o potencial da marca em incentivar essa iniciativa. Assim, uma avaliação formal da marca é um pré-requisito crucial na maioria das grandes iniciativas estratégicas. As ferramentas de marketing podem determinar com precisão se a marca tem importância—ou se poderá vir a ser importante—e o grau exacto dessa importância num dado sector. Estas ferramentas ajudam também a responder a uma série de perguntas chave sobre a marca de uma empresa: Qual a eficácia da minha arquitectura de marca? Qual a relevância da marca hoje e no futuro? O posicionamento da marca da minha empresa é forte e consistente para todas as audiências chave? Quais os elementos da minha marca que realmente afectam a escolha dos clientes nos meus produtos ou serviços? Estarei a realizar os investimentos certos na marca? Uma auto-avaliação extensiva da marca ajuda os gestores a identificar as áreas de vantagem e desvantagem, através do desenvolvimento de informação de base com a qual poderão tomar decisões acertadas sobre posteriores iniciativas de negócio e de marca.

### Antecipando as Oportunidades de Gestão da Marca

*Por John Kania e Adrian J. Slywotzky*

Tradicionalmente, uma marca forte e com uma longa existência cria barreiras à entrada de competidores, mesmo que estes possuam produtos superiores ou mais baratos. Embora a consistência ainda tenha valor, uma marca estática corre, cada vez mais, o risco de se tornar irrelevante face à mudança das prioridades dos clientes. Contudo, a inovação das marcas tem igualmente os seus riscos, como descobriu a Coca-Cola quando criou uma nova imagem de marca com a New Coke. Num mundo onde os modelos de negócio estão em constante reavaliação, qual será a altura certa para reinventar uma marca? O reconhecimento de padrões pode ajudar os gestores a antecipar a forma e o momento em que uma marca deve evoluir. A Mercer catalogou, recentemente, cerca de vinte padrões específicos das marcas que reflectem a migração de valor de uma marca ou de um conjunto de marcas para outra(s). Identificou igualmente os principais indicadores que nos levam a reconhecer quando é que um determinado padrão poderá emergir. A análise em profundidade de três destes padrões—"Concentration to Proliferation," "Chasm Crossing," e "Branded Experience"—frequentemente proporciona lições para os gestores. As empresas que identificam padrões emergentes e que desde o início os capitalizam serão recompensadas com uma desproporcionada quota de valor de marca no seu sector.

### Desenhando a "Branded Experience"

*Por Kathryn H. Feakins e Michael Zea*

Para muitos produtos, a construção de marcas tem-se focalizado tradicionalmente na publicidade e na promoção. Contudo, na actual economia intensiva em serviços, a relação de uma empresa com os seus clientes ultrapassa frequentemente a mera compra de um produto físico. É mais provável que os clientes tenham uma experiência contínua com uma empresa, uma experiência composta de múltiplos "momentos da verdade", desde a negociação de um pacote finan-

ceiro à obtenção de suporte técnico ou formação. Estas interacções determinam o comportamento efectivo dos clientes—por exemplo, pagar mais por um serviço ou experimentar um produto relacionado pertencente à mesma marca. O retorno relativo dos investimentos nas diferentes interacções com os clientes pode ser medido através de ferramentas de marketing rigorosas. O êxito do esforço da Conoco, a companhia petrolífera norte-americana, na criação de uma nova marca de lojas de conveniência proporciona algumas lições no desenho eficaz de uma "branded experience". A Conoco identificou os seus clientes alvo—"conhecedores" de lojas de conveniência—realizou uma sofisticada avaliação das suas prioridades e determinou as interacções com os clientes que eram realmente importantes na construção de uma marca. Desde o "layout" das lojas ao pormenor do café feito de fresco de meia em meia hora, todos os aspectos da experiência do cliente suportam e beneficiam a marca.

### Cumprir a Promessa feita pela Marca

*Por Carla Heaton e Rick Guzzo*

Muitas empresas não proporcionam a experiência agradável que prometem nas suas campanhas de marketing. Particularmente difícil é alinhar a promessa da marca com interacções humanas entre os empregados e os clientes. Estas interacções podem dar vida a uma "experiência para os clientes" bem concebida. Para transformar os empregados em "representantes da marca" eficazes, é necessário que os gestores percebam o que é que os empregados valorizam e qual a sua percepção relativamente à marca. Além disso, os gestores têm de ultrapassar as barreiras, desde processos de negócio ineficientes a incentivos desalinhados, que tipicamente desencorajam até o empregado mais qualificado e empenhado. Uma construção inteligente da marca envolve processos científicos baseados em factos para medir o impacto dos diferentes investimentos efectuados nos empregados e na força da marca. Emprega seis "alavancas" organizacionais para alinhar as práticas e o investimento no capital humano com a promessa da marca. As experiências de duas empresas ilustram bem o sucesso que uma tal abordagem pode ter. A Home Depot construiu uma marca de sucesso conseguindo que os seus empregados se envolvessem nos projectos de renovação de casas dos clientes em lugar de apenas lhes venderem os produtos. A Continental Airlines reanimou uma marca em declínio, através da orientação para passageiros de negócios e da passagem para os seus empregados do poder de proporcionar a experiência que estes passageiros esperam.