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1 Setting the scene

Profitable top-line growth. Sometimes other priorities intervene. Sometimes cost cutting, restructuring, and retrenchment have to take center stage. Sometimes mergers, acquisitions, or divestments are top priority. But no CEO's thoughts ever stray too far from this *sine qua non* of business success. Ultimately attention always has to return to fundamentals: is the business making what customers want? Is it doing so profitably? How can it improve this performance?

In the end, that's what everyone in the business – shareholders, managers, employees, and suppliers – worries about.

Pursuing profitable top-line growth isn't a simple matter, however. It depends on a lot of things: operational and supply chain excellence, innovation, leadership, strategy, technology, and so on. One of these essential ingredients is branding.

The potential benefits of a strong brand – a clear, distinctive, and powerful reputation in the marketplace – have now been demonstrated, not just in traditional branding heartlands such as packaged goods, but in retailing, financial services, telecommunications companies, and many business-to-business (B2B) markets.

Strong brands help companies improve market share and margin, thereby generating the scale and cash flows that are the very essence of profitable top-line growth. By building trust they reduce risk and provide earnings stability and security. When and if a problem emerges, stakeholders are more willing to give a trusted brand the benefit of the doubt. Strong brands also open doors, making it easier to influence decision makers among potential business partners, in government, or the media. They provide a platform and create a focus for innovation and improvement. They help to clarify corporate priorities and behaviors. They act as recruiting sergeants for the best and brightest employees, motivating and informing their best efforts.

Considering these benefits as a whole, few businesses can afford to neglect the art and science of brand building – a fact that investors now understand very well. The stock market value of outstanding brand-building companies is accounted for primarily by the value of intangible assets such as their brands, not by tangibles such as property, plant, and machinery.

BRAND MISMANAGEMENT

But brand management has a problem. Many problems, in fact.

It's no longer enough simply to do the mechanics of 'branding' – to provide a catchy brand name, attractive and eye-catching product and packaging design, to 'own' a special color and associated imagery, carefully crafted advertising, and so on – because brands are becoming the new commodity. Nowadays, no self-respecting product or service can come to market without these basic mechanics of branding. Doing these things nowadays doesn't create anything special. People just expect it. It's standard practice which rarely differentiates the product or service in question. Indeed in today's mature and over-crowded markets most consumers are 'branded out': overloaded with brand messages, choice, and complexity. So by themselves, the day-to-day mechanics of branding rarely drive sales growth or deliver superior margins. To the contrary, increasingly the day-to-day mechanics are just a necessary cost of doing business.

At the same time, the bar for successful brand building is rising, with soaring stakeholder expectations. Consumers nowadays expect companies to demonstrate impeccable corporate social responsibility and ethical standards. Shareholders seek evidence that marketing expenditure does actually deliver worthwhile returns. Employees want to work for a company whose brands they believe in and that earns their friends' and families' respect. So on two counts – increased competitive pressure and rising expectations – CEOs need to improve the way their companies manage brands.

At the same time, competitive pressures are forever intensifying. It's very hard to make it to the top of the brand pecking order. It's even harder to stay there, as Interbrand's assessments of the value of the top global brands over the past five years demonstrates. Only two of

Table 1.1 Nowadays even maintaining a brand's value is a struggle

Changes in value of top brands 2000–05

Brand	Value ($ billion)		% change
	2005	2000	2000–05
Coca-Cola	67.5	72.5	–6.9
Microsoft	59.9	70.2	–14.7
IBM	53.3	53.2	0.2
GE	47.0	38.1	23.0
Intel	35.6	39.1	–9.0
Nokia	26.5	38.5	–31.4
Disney	26.4	33.6	–21.4
McDonald's	26.0	27.9	–6.8
Toyota	24.8	18.8	31.9
Marlboro	21.2	22.1	–4.0

Source: Interbrand.

the top ten have actually managed to increase their brand value faster than inflation.

In part, the data in Table 1.1 reflects the general business challenge faced by brands today. Changing markets, consumer expectations, and competitor activities mean yesterday's success formula won't necessarily come up trumps tomorrow. But they also reflect a deeper malaise. In too many companies today the underlying brand management process is broken: a frighteningly inefficient, even ramshackle mess. 'Brand management' is part of the problem, not part of the solution.

Table 1.2 sums up the 'dirty dozen' common problems that dog would-be brand managers today.

A disconnect between strategy and tactics

Many organizations display major disconnects between their overall business strategy and their brand and marketing strategies. Often marketing strategies and programs are driven more by short-term

Table 1.2 Brand management's 'dirty dozen'

1. Disconnect between strategy and tactics. Marketing just a 'bolt on.'
2. Erratic processes. Lack of consistency over time, across marketing mix.
3. Limited insight. Poor understanding of customer needs limits marketing potential.
4. Lack of analytical rigor. 'Gut feel' and lack of hard data lead to poor decisions.
5. Data incompatibility. Data sets that fail to 'speak' to each other; no 'big picture.'
6. No common language. Specialized departments (accounting, marketing) do not trust or understand each other.
7. Bureaucracy. Keeping to the rules more important than delivering results.
8. 'Silo-itis.' The left hand does not know what the right hand is doing.
9. Brand narcissism. Meeting brand targets overshadows customer needs.
10. Confusing brand architecture. Lack of logic/coherence confuses customers.
11. Poor innovation. Too many line extensions, avoidance of risk.
12. Fence sitting. Risk-averse managers build 'blands' rather than brands.

tactical considerations than any long-term strategic plan, and the insights generated by marketers have no influence on what the rest of the company does: marketing is there simply to advertise and promote the stuff it has made. This happens when the brand is not really anchored in the organization and brand management is not seen as part of its core strategy; when the marketing department is separated organizationally and mentally from the rest of the company.

Erratic processes

Even in companies that have a clear strategy in place implementation may lack consistency across the entire marketing mix over time. Most brands need consistency to build momentum. But common syndromes such as 'new marketing director, new agency, new creative strategy' continually confuse customers, killing consistency and destroying momentum. Successful brand management depends on sustained, disciplined processes, which too many companies' marketing departments lack.

Limited customer insight

Outstanding brands are built on a foundation of deep insight into what drives and motivates different customer groupings. Today, however, too much market research is misconceived or misfocused, concentrating on relative trivialities, being driven more by internal politics than a genuine attempt to understand customers, or hampered in its design. The insights that are generated can't be translated into ongoing marketing programs that work well over time, across the entire marketing mix, from beginning to end.

Lack of analytical rigor

Many brand strategies are developed on the basis of marketers' 'gut feeling.' Many brand strategies – and especially advertising campaigns – are based on intuition and 'creativity,' with little hard data to inform or justify them. This makes it hard to quantify benefits and choose between alternative courses of action. Along the way, it undermines other departments' confidence in marketers and marketing. The end result is poor returns.

Data incompatibility

The other side of 'gut feeling' is too much 'information,' in the form of vast quantities of less-than-useful and often incommensurate data. Most companies invest vast sums in research, investigating a wide variety of consumer behaviors: consumption patterns, shopping behaviors, lifestyle, media consumption, attitudes, and so on. But because each research project is undertaken in isolation without a common data framework, marketers have no way to 'join up the dots,' to connect trends across markets, customer segments, territories, or categories. They are trying to complete a complex jigsaw puzzle without knowing what the final picture should look like, or even whether they have all the pieces. As a result practical, implementable brand programs with genuine strategic potential remain few and far between.

No common language

Different departments, such as operations, finance, and marketing, speak different languages, use different measures, and do not trust or understand each other. Priorities are determined more by internal power games than by consumer needs.

Bureaucracy

Many companies try to do 'marketing by numbers,' following a rule book that was written for previous times or other places. Budgets are based on historic criteria (such as what the budget was last year), and personnel promotions are linked to budget ('the bigger the budget, the more important the brand, the more important the person'). As a result organizations' marketing plans and processes become more inward looking rather than outward looking: the needs of the marketplace and opportunities for growth take second place. This is particularly dangerous when market conditions are changing rapidly, as with today's media and distribution channels.

Silo-itis

Often, there are deep disconnects within the organization between different silos delivering different elements of the brand promise. The advertising doesn't fit the promotion (in terms of message and/or

execution). Customer service staff are not trained or empowered to treat customers the way the brand promises. Customers have different experiences with individual distribution channels, which fail to communicate with one another. As a result, brand consistency disappears to be replaced by customer confusion and disappointment.

Brand narcissism

The company 'falls in love' with its brand, not for the value it can generate for the company's customers, but for the business benefits it hopes it can generate for the company. The more the company focuses on achieving the potential business benefits of its brand plans, the less it focuses on customer needs and priorities. For example, many marketers spend more time and effort watching, and responding to, the competition than understanding customers. In companies with multiple-brand portfolios, brand managers often spend as much time and energy fighting each other for a share of the budget and management attention as they do identifying and meeting customer needs. A genuine customer focus could throw up huge potential for budget and initiative synergies.

Confusing brand architectures

Many companies allow their brand portfolios to grow like Topsy. Different brands end up competing with each other for the same customer segment or developing overlapping offerings, thereby confusing customers. This is a particular problem in companies that have grown rapidly by acquisition.

Poor innovation

Many companies are too slow, bureaucratic, and timid in their approach to innovation. While they are very good at 'refreshing' and tweaking existing brands, they are not good at delivering real innovations – the innovations that the market wants and that companies need in order to grow. Also, old product and brand deletion processes are rarely as rigorous as new product and brand introduction processes. As a result, brand portfolios become complex and confusing (see *confusing brand architectures*).

Fence sitting

Many companies say they want to build strong brands but actually they want to build 'blands': they want everyone to love them and buy them. By trying to appeal to everyone they end up appealing to nobody in particular. It's often said that the secret of successful strategy is sacrifice: knowing what we are not going to do. It's also the secret of brand strategy. Strong brands understand that in order to appeal to one customer grouping in particular they are likely to put off another customer grouping. Accepting such sacrifices lies at the heart of highly distinctive brands.

Brand management's 'dirty dozen'

Brand management today is dogged by a range of endemic operational and organizational weaknesses. Brand management should be part of the business solution. Too often, it is part of the problem.

NO HIDING PLACE

Building strong brands will never be easy. Making all the connections between buyer and seller, between brand strategy and corporate strategy, and between broad strategy and detailed day-to-day implementation, requires managers to get a vast list of things right. They have to make exactly the right product or service and offer it at the right price – and they have to generate the insight that makes this perfectly focused product and marketing possible. They have to identify exactly the right customers, talk to them, and treat them in exactly the right way, address them at the right time, through the right channel. And they have to organize internal operations, processes, and cultures to achieve all this in a seamless manner. Countless things can go wrong. And thanks to the dirty dozen pitfalls listed above, they do. Time and again.

For this reason alone, brand management needs to change. But it

is being forced to change anyway. Intensifying external pressures are forcing marketers to change whether they like it or not. Slow and declining growth rates, hyper-competitive markets, overcapacity, and 'too much' customer choice mean, for example, that marketers are under intensifying pressure to deliver, and demonstrate, results. A rapidly transforming media environment is pulling the rug out from under traditional marketing communications strategies. The Internet is both upsetting traditional distribution channels and empowering consumers with greater access to information. For many such reasons, business-as-usual approaches to marketing and brand management are no longer good enough.

To rise to the occasion, we have to leave the dirty dozen behind. Strategic brand management should be a core business process demonstrating a number of characteristics. It should:

- be driven by consistent, objective data which can be used as a platform, rather than a substitute, for creative flow and expert judgment
- be backed by a common 'pivot point' of data that connects insights from different fields to enable a 'joined-up' approach to marketing
- enable a single, rigorous unified methodology to be used across all categories and markets
- act as a strategic tool influencing the value the company offers and how it creates and delivers this value
- unify marketers' understanding of customers, markets, and competitors
- create a common language that unites and informs different specialists and departments across the company internally, thereby aiding implementation.

Such a comprehensive 'joined-up' approach to brand management would inform decisions and ensure consistency from initial problem identification to execution and monitoring.

Such a 'New! Improved!' approach to brand management is indeed possible. But to make it possible, we need to start from a different place. That's what this book is about.