The future of branding

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ABSTRACT

The purpose of this study is to utilize leading brand and marketing experts to further define and identify the meaning of a brand in its current and future states. In an effort to better understand the future of branding, this study attempts to gain relevant, insightful information from thought leaders in the industry. This qualitative research study investigates meaning, concentrating on “what” will effect the future of branding, not on “how much” it will change. Key questions regarding the current state of branding, the future of branding, and the major challenges and trends that will impact the ability of managers to maintain vital and relevant brands are asked of and answered by twelve experts in the field of branding – advertising executives, brand consultants and corporate executives. Findings of this research show that brands are here to stay, however, will become more and more challenging to manage in the future. The job of brand management will extend beyond the traditional brand manager; it will be the responsibility of the entire organization to ensure a consistent brand experience for the consumer. The customer, because of technology and information proliferation, will be increasingly involved in the expression of a brand and companies must learn how to manage this new level of relationship. Although it is difficult to measure a brands’ return on investment and worth to an organization and to the consumer, shareholders will pressure executives to do so.
### The Future of Branding

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Introduction

"The art of marketing is the art of brand building. If you are not a brand, you are a commodity. Then price is everything and the low-cost producer is the only winner."

Philip Kotler

Kellogg School of Management

Northwestern University

History is rich with examples of successful and unforgettable brands. Brands have increased in number and branding has increased in importance at an accelerating rate over the last 100 years of marketing. It is difficult to identify an example of a successful company that has not built a memorable brand. The science of branding, however, has really been evolving only over the last 25 years. While historically branding was viewed within the context of creative advertising and advertising campaigns, brands now are being viewed as an essential aspect of a firm’s personality and the key to differentiation in the marketplace. Investment in internal as well as external brands is not uncommon and the application of branding strategies is spreading across all types and sizes of firms, for-profit and not-for-profit alike. Personal branding is now an accepted practice.

(Figure1, on display, a historical branding timeline.)
Figure 1 – A Historical Branding Timeline

**Early 1900s:** The concept of brand is born: Ford, GE, Kodak. Limited to wealthy.

**1930 - 1949:**
The importance of brands lies dormant as people struggle to fulfill the lowest needs of the Maslow pyramid: physiological, safety.

**1950 - 1980:**
Affluence grows/consumerism ignites. Brands begin to take hold through TV – consumers can “see” what the brand can do to enhance their lifestyle. Brands provide assurance and a sense of belonging. Mass marketing of benefits – all consumers treated equally. States brand themselves to encourage tourism and commerce.

**1980s, 1990s:**
Consumers begin to identify with the meaning of brands. Brands become extensions of their self-perception. Market segmentation is taken to extreme lengths through widespread use of brand extensions. Brand identity is exploited by marketers until some brands lose their meaning entirely. Retailer brands begin to gain leverage over manufacturer brands due to P.O.S. data and analysis; the emergence of Wal-Mart as a national force and grocery store private labeling intensifies this trend.

**Today:**
Brand personalization taken to the individual consumer level. The meaning of customer relationship management still being experimented with and defined. The brand identity is co-owned by the consumer (personal projection, rather than societal projection of brand identity).

**Tomorrow:**?
In spite of the accepted belief that without a brand a company lacks identity, there are questions with respect to the future of the brand. Marketers wonder how the personalization of marketing communications and the direct contact and opportunity for dialogue with the consumer will impact the management of brands. The experts are in disagreement as to the future, the importance and the application of branding. Grant Sterenberg, the director of Research International, has stated “the world is now in the Third Wave” of branding – that consumers want to actively participate in the meanings the brand provides. The Third Wave of Branding, http://www.marketingprofs.com/print.asp?source=%2F2%2Fkwebster10%Easp. She also states that in the first wave, the role of the brand was to promote features and benefits. In the second wave, the brand was about lifestyle projections and the benefits were about the affinity and identification the consumer felt with the brand’s image. In the third wave, the consumer chooses a brand and makes it his/her own – the power of brand identification is transferred from the manufacturer to the consumer.

Brands are ubiquitous; found in all aspects of living, they have become a way for humans to express their personalities and lifestyles. And while there may be growth in the retail private label, people using Wal-Mart type brands to express their lifestyle is unlikely. Hence, while many may question the future of branding, the inherent need for brand as a way to self-express will probably not go away. Brands appeal to the very heart of what Maslow refers to as the “hierarchy of needs at its highest levels of Belongingness, Esteem and Self-actualization.” While there may be a backlash against brands, this is likely cyclical in nature and not a lasting trend, possibly a generational anomaly. Brands may change in terms of how people use them to express themselves, but
they will still be around at least in some form in the future. A well-managed brand represents a major asset for many consumer product companies. Whether it is Coke® or Kleenex®, consumers are willing to pay premium prices for established brands like Coke® or Kleenex® because of the perception of quality and the lifestyle that the brand conveys. They are buying both product and image.

While the future of branding may be arguable, the experts tend to agree on the meaning of brand and branding. They all concur that a brand is an offering from a known source. A brand name such as McDonald’s carries many associations, both tangible and intangible, in people’s minds: hamburgers, fun, children, fast food and golden arches. These associations make up the brand image. Strong companies strive to build brand strength resulting in a strong, favorable brand image. In the mid 1990s Phillip Kotler, a leading marketing expert, stated that if you are not a brand, then you are a commodity and your only differentiator is price. (Kotler, Phillip, Armstrong, Gary (2004). Principles of Marketing. New Jersey: Tenth Edition.) Spaeth (2003) maintains that brands add value in four ways:

- Consumers will choose a brand more often because they prefer it to comparable products.
- They will pay more for a brand because they value it above comparable products.
- They are loyal to a brand longer because they trust it over comparable products.
- It costs less to market a brand because consumers and retailers alike respond more readily to a brand that is more familiar to them (pg. 34).
In addition, Spaeth contends there are well-documented secondary business benefits, including enhanced investor confidence and improved recruitment and retention of top-notch employees. He ultimately believes advertising builds brands and brands build business. Spaeth, J. (2003). Lost Lessons of Brand Power. Advertising Age, Vol. 74., Iss.16; pg. 62.

Recently, many marketing experts and business executives have questioned the value of brands. Some feel that the long-held logic "build a brand and they will come" no longer holds true. Why? The role of brand managers is in question. Companies are questioning the value of this role. The drive for short-term results over long-term, strategic growth often causes firms to make shortsighted cost-cutting decisions that reduce the marketing investment. Globalization has made consumers better informed, more critical, less loyal and harder to understand. The power shift from the manufacturer, to retailer, to consumer, with the impact of new distribution and media technology and the fragmentation of media outlets, will demand new brand thinking and a related approach to branding.

This study will look at the future of branding through the eyes of leading industry experts. It will consider the future by looking at trends evolving and shaping branding’s future. Since a brand is more than a product, name and package. It is a unique bundle of attributes and perceptions, which together form a franchise with the consumer, which is worth money today, and goodwill tomorrow. Colin Hession, consultant, formerly with brand management at Unilever. © 2000-2003 Skin Care Forum. http://www.scf-online.com/english/printversions_e/brands_21_e_pr.htm
This study will assist marketers at all levels to better understand the key drivers affecting brands and brand development in the future.

**Purpose Statement**

The purpose of this study is to utilize leading brand and marketing experts to further define and identify the meaning of a brand in its current and future states.

**Problem Statement**

Over the past five years, there has been much debate over the definition and future of branding. There are two distinct sides to this debate. Some experts say “brands are dead” while others believe that it is rare to succeed long term without a strong brand.

The problem this study will address is the future of branding in relationship to a company’s value proposition and the relevance and fundamental relationship the brand has with its end-user, the consumer.

This study will attempt to address the unknown future of brands in these uncertain times. The need to find the most valid and accurate means to review and address this problem leads to the purpose of this study.

**Approach**

The approach to analyzing this problem statement was to first review the current literature to get an in-depth understanding of the current state of branding. Once completed, an exclusive, hand picked set of interviewees were selected for in-depth
one-on-one interviews. Once the key findings were organized and carefully analyzed from these interviews, the conclusions to the research began to form. It is through the intersection of the literature review, the finding, and the final analysis that the rich conclusions to this research began to emerge. (See figure 2 for a pictorial graphic of the approach.)

Figure 2 Provides a pictorial description of the approach to this problem and analysis:
Definitions of Terms

Advertising

- Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Brand

- “A brand is more than a product, name and package. It is a unique bundle of attributes and perceptions, which together form a franchise with the consumer which is worth money today, and goodwill tomorrow.” – Colin Hession, consultant, formerly with brand management at Unilever. © 2000-2003 Skin Care Forum. http://www.scf-online.com/english/printversions_e/brands_21_e_pr.htm

- “A brand is a differentiating promise to the market.” A key points summary from the initial meeting of the ISBM Business Marketing Brand Consortium. Bob Donath

Bob Donath & Co., Inc.
http://www.smeal.psu.edu/isbm/web/oct99brandnuggets/oct99brandnuggets.htm

- “The essence of brand building is standing for something.... If you just make a better product, or the same product as everybody else (only cheaper), you are not likely to achieve much success.” Al Ries, Ries & Ries, Great Neck, NY. Source: “Building a Brand? Take A Stand.” Sales & Marketing Management, August 95, p. 26, 1 pg. http://www.disclosure.com/marketing/tricks_adv_brand.html

- “A differentiating promise linking the product with the consumer, assuring the consumer that the product will provide consistent quality and superior value, thus convincing the consumer to pay a higher price for the brand than for others in
that product category”. Diane Perlmutter, Chairman, US Marketing Practice, Burson–Marsteller. Razon y palabra (Latin American online magazine for communications).


- A name, term, sign, symbol, or design, or a combination of them, intended to **identify the goods or services** of one seller or group of sellers and to differentiate them from those of competitors. (Philip Kotler. Marketing Management. Eleventh edition. 2003. pg 418)


http://www.entrepreneur.com/article/0,4621,291888-2,00.html

- “Branding is for people who need a fallback when creativity fails them.” Roy E. Disney. “Brand Awareness”.


- “Branding is identifying **what people say about your company** after you have left the room.” Andrea Obston, president of Andrea Obston Marketing Communications. “Branding for Productivity.”

http://www.nationalbusiness.org/NBAWEB/Newsletter/581.htm

- “A brand is **why people care**. A brand is trust. A brand is not a product—it is the **feeling a product evokes**. A brand is why people will pay more for your product. A brand is something made to appear unique.” from Branding Essentials: What

- “The internalized **sum of all impressions received by consumers** resulting in a distinctive position in their mind’s eye based on perceived emotional and functional benefits.” Duane Knapp. The Branding Mindset (quoted by Andrea Obston, president of Andrea Obston Marketing Communications. “Branding for Productivity.” http://www.nationalbusiness.org/NBAWEB/Newsletter/581.htm

**Brand Association**

- The associations that consumers make with a brand. These might include product attributes, a celebrity spokesperson, or a particular symbol. David Aaker. Building Strong Brands. pg 25. 1996

- “The attributes — ideally positive — people think of when they hear or see a brand name.” Lane McCulloch. http://www.workz.com/cgi-bin/gt/tpl_page.html.template=1&content=2435&nav1=1&

**Brand Awareness**

- Awareness refers to the strength of a brand’s presence in the consumer’s mind. David Aaker. Building Strong Brands. pg 10. 1996

**Brand Differentiation**

- “An undifferentiated brand is really a commodity.” Diane Perlmutter, Chairman, US Marketing Practice, Burson-Marsteller. Razon y palabra (Latin American online magazine for communications).

Brand Equity

- “Brand equity is a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers.” David Aaker. Building Strong Brands. pg 8. 1996

- The positive differential effect that knowing the brand name has on customer response to the product or service. Philip Kotler, Gary Armstrong. Principles of Marketing. Tenth edition. 2003.

- The commercial value of all associations and expectations (positive and negative) that people have with respect to an organization and its products and services, formed as a result of experiences and communications with, and perceptions of the brand over time. This value can be measured in several ways, including the economic value of the brand asset itself, the price premium (to the end consumer or the trade) the brand commands, the long-term consumer loyalty the brand evokes, or the market share gains it results in, among many others. From an economist’s perspective, brand equity is the power of the brand to shift the consumer demand curve of the product or service positively in order to achieve a price premium or a market share gain.

Brand Essence

- The heart and soul of the brand – a brand’s fundamental nature or quality. It is usually stated in two or three words, for example:
  - Nike: Genuine Athletic Performance.
  - Hallmark: Caring Shared.
Disney: Family Fun Entertainment.


**Brand Extension**


**Brand Image**

- The totality of perceptions resulting from all experience with knowledge of the brand. Brand image is how consumers perceive the brand. David Aaker. Building Strong Brands. Preface, pg vii. 1996

- “A brand image is how the brand would like to be perceived.” David Aaker. Building Strong Brands. Preface, pg vii. 1996

**Brand Identity**

- “Brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organization members.” David Aaker. Building Strong Brands. pg 68. 1996

**Brand Leverage**

Brand Personality

- “A brand personality can be defined as the set of human characteristics associated with a given brand.” David Aaker. Building Strong Brands. pg 141. 1996

- “The emotional connotations of a brand”. Lane McCulloch.

  www.workz.com/cgi-bin/gt/tpl_page.html,template=1&content=2435&nav1=1&

- The specific mix of human traits that may be attributed to a particular brand.


Brand Positioning

- “Brand position is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands.” David Aaker. Building Strong Brands. pg 176. 1996

- “Where a company or a product fits in the marketplace.” Lane McCulloch.

  www.workz.com/cgi-bin/gt/tpl_page.html,template=1&content=2435&nav1=1&

Brand Relevance

- “A Brand’s personal appropriateness to its target consumer.” Diane Perlmutter, Chairman, US Marketing Practice, Burson–Marsteller. Razon y palabra (Latin American online magazine for communications).

Brand System

- “...consists of intertwined and overlapping bands and sub-brands.” David Aaker.
  

Consumer Buyer Behavior

- The buying behavior of final consumers--individuals and households who buy goods and services for personal consumption. Philip Kotler, Gary Armstrong.
  

Customer Value Perception


Marketing

- A social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others.
  

Retailer Brands


Value Proposition

- “A brand’s value proposition is a statement of the functional, emotional, and self-expressive benefits delivered by the brand that provide value to the customer. An effective value proposition should lead to a brand-customer relationship and drive purchase decisions.” David Aaker. Building Strong Brands. pg 95. 1996
Literature Review

What is a brand?

While experts in the field define brand using a variety of tangible and intangible descriptions, their definitions tend to focus on the brand as the name and symbols that identify the source of a relationship with the customer, the source of a promise to the customer, the unique source of products and services and/or a singular idea or concept that a company owns inside the mind of the consumer. VanAuken, (2003) describes the brand as the sum total of each customer’s experience with your organization and its products and services. Hall, (2000) describes brand as a set of residual customer impressions of your organization and its products and services.

Put another way, a brand is the personification of an organization and its products and services. In this way, it is the source of an emotional connection with the customer and ultimately, customer loyalty. If well designed, the brand will stand for something important and compelling to the target customer and it will promise relevant, differentiated benefits to that customer (VanAuken, 2003).

What is brand equity?

A brand is not just a product on a shelf. It is distinguished from similar products or services. Coca-Cola, Pepsi, Ivory Soap are all global brands. Hence, Brand = Product + Packaging + Added Values.

These added values include: quality, image, price and function. Brand equity became a hot topic in 1980s because companies were being bought and sold for the value of their
brand names. Brand equity is shorthand for what a brand is worth. It is the asset which the marketer is building. A brand’s value is the capital worth of the premium it achieves over the equivalent generic product, i.e., same product without the brand name. Thus, brand equity is the storehouse of future profit. A growing brand has more equity than a declining brand. Many companies abroad have started listing brand equity as an asset in their balance sheets. This improves the bargaining power of the company. The next five years will see this emerging trend turn into a common practice. In fact, an annual brand-equity assessment should challenge the prevailing system and status of the brand.

Consumer values shift and a brand must keep pace with it in order to survive. (http://www.indiainfoline.com/phar/feat/breq.html (Dr. R.K. Srivastava).

VanAuken (2003) states that without strong brand equity, an organization’s lifespan will be tied to the lifespan of the products it manufactures or the services it provides. Positive brand equity equates to positive business results that include:

- Decreased price sensitivity
- Increased consumer loyalty
- Increased bargaining power for manufacturers with retailers
- Independence from a particular product category
- Increased flexibility for future growth (through extension)
- Increased ability to hire and retain talented employees
- Increased ability to focus the organization’s activities and resources
- Increased market share
- Increased stock price
- Increased shareholder value
Brand equity is the value built up in a brand. The value of a company’s brand equity can be calculated by comparing the expected future revenue from the branded product with the expected future revenue from an equivalent non-branded product (The Brand Management Checklist, VanAuken, pg. 275, 2003).

**Why has brand management become so important?**

Brand management has increased in importance in recent years for the following reasons:

- In an age of increasing product commoditization and choice, the brand is an easy way for people to break through the clutter. It helps them simplify certain choices in their lives.
- Brands are increasingly fulfilling people’s needs for affiliation and identification—needs that traditional institutions are struggling to deliver as well as they once did (VanAuken, 2003).

Senior management interest in brands has soared for a variety of reasons. Studies have shown that more and more categories are moving toward commoditization as companies (a) use increasingly sophisticated customer research to understand and address customer needs and (b) are able to quickly determine and emulate the best practices of their competitors. A strong brand can help combat category commoditization and the resulting downward pressures on price (Aaker, Building Strong Brands, 1996).
A brand tells a story about an organization. Brand management has become popular because the brand is the organization—it is an organization's point of difference, values, culture, people and programs (Aakers, Brand as Organization, 1996).

**What are the business consequences of strong brands?**

Brands meet a number of important customer needs including simplification of the purchase decision process and offering the assurance of a certain set of qualities. One of the most important benefits brands deliver to organizations is the platform from which they can create relationships with their customers (Hartnett, 1999).

There is increasing evidence and consensus that strong brands deliver many benefits to organizations including increased revenues, market share, profitability and customer loyalty and decreased price sensitivity. Brands offer additional leverage with retailers (for manufacturers), increased stock price and shareholder value. They also afford clarity of vision and the ability to mobilize an organization’s people and focus its activities. In addition, brands create and expand the ability to grow into new product and service categories and attract and retain high-quality employees (VanAuken, 2003).

This contribution, however, only comes through a firm’s effectively creating the brand experience at all touch points.

**What factors contribute the most to successful brands?**

A 1997 The Conference Board study of corporate brands identified the following seven factors as the most important factors for brand strategy success: (Troy, K., 1998)
Brand Presentation:

1. The strength of the brand identity standards and system
2. The effective use of visuals and imagery
3. The ability to capture the brand in a slogan (pg. 98)

Organization Support:

4. CEO leadership and support
5. Alignment of the corporate culture with the brand’s promise
6. The ability to gain support from a broad spectrum of employees

BrandForward’s brand-equity model, as seen in Figure 3, has been applied across multiple organizations, industries and product categories. It validates the premise that five factors -- awareness, accessibility, value, relevant differentiation and emotional connection -- lead to customer brand insistence (VanAuken, 2003). It is the author’s view, that these core drivers summarize the major elements a brand manager must continually assess to maintain the vitality of their brand.
Figure 3: Creating Brand Vitality – The Five Drivers

Creating Brand Vitality: The 5 Drivers

- Emotional Connection → Does your brand connect with people on an emotional level?
- Relevant Differentiation → proof points → reasons to believe
- Value → Does your brand deliver a good value for the price?
- Awareness
- Accessibility → Do customers and potential customers perceive your brand to be convenient?

The cornerstone of strong brands. Are your target customers and key stakeholders aware of your brand? Is it the first one that comes to their minds?

The leading-edge indicator of future market share and profitability. Is your brand unique or different in customer-relevant, customer-compelling ways?

Source: Partners and Napier brand development process.
What are some of the most important brand trends and other findings?

The literature provides a number of recent discoveries and/or trends in brand management. The first, the reach of the brand, reveals that branding's scope has increased from individual consumer product brands to organizational brands. Organizations (and other entities) which now brand themselves include museums, orchestras, colleges and universities, high schools, restaurants, churches, musical groups, states, municipalities, professional associations, other non-profit organizations and even individuals (VanAuken, 2003). Recently, a group was commissioned to improve other countries' perceptions of the United States (that is, reposition the United States) in the aftermath of the Iraq invasion.

Brands are often comprised of intangible ideas and/or feelings as well as their tangible components. The most successful brands usually create meaning and stand for something much broader than a product category or tangible things--they stand for big ideas (Roberts, 1999).

Another recent trend is supported by evidence that suggests that brand image is often driven more by customer experience at point of purchase than it is by marketing communication (Hanover 2001; Harris, 2001; Schreuer, 2000; VanAuken, 2003; et. al). Starbucks is a perfect example of a world-class brand in a commodity category--coffee. Starbucks spends the least on traditional advertising of any consumer product company of their size: "We don't have to do traditional advertising because we are communicating every day with our heaviest users in an environment we control way beyond what we could do with advertising. That is the basis for our bond with the consumer." (Schultz,
While research shows that most organizations fall short in planning for the future of their brands--long-term strategic brand planning (Pitta, Katsanis and Prevel, 1995), it has also been found that approximately three-quarter of companies in a recent brand survey had raised the responsibility for brand management to a vice president level or higher (Pitta, Katsanis and Prevel, 1995).

Brand penetration has the highest correlation with market share and it appears as though the larger the brand, the more important loyalty becomes (Baldinger, Blair and Echambadi, 2002). It is recognized that retailer brands have steadily gained market share and power over manufacturer brands (VanAuken, 2003). Contributing to this trend are retailers who create and promote their own brands. Retailers also have increasingly sophisticated databases of information on customers’ in-store shopping habits to which manufacturers do not have access. Trade concentration is increasing.

More and more marketers are relying on PR as an increasingly important part of their marketing repertoires. PR’s primary advantages over advertising are believability and cost effectiveness (Ries and Ries, 2002; VanAuken, 2003).

The Yankelovich (2003) consumer trends study demonstrates a real change in what consumers want and need and how this relates to marketing generally and brands specifically. The dot.com meltdown, 9/11, the worsening economy, job insecurity and the
war in Iraq have dramatically affected consumers. In these unsettling times, consumers increasingly want communalism: a renewed appreciation, even yearning for community. They speak of patriotism, vigilance, neighborhoods, courtesy, nostalgia and commitment (Yankelovich, Inc. 2003). This renewed consumer desire has forced brand managers to find new ways to make their brands project strong values that give their consumers a sense of belonging, an appeal of authenticity.

An additional discovery is that there are increasing signs of the public’s growing distrust of large commercial organizations. Evidence supporting this trend is included in Naomi Klein’s very popular book, No Logo: Taking Aim at the Brand Bullies, which focuses on brands as a placeholder for the ill effects of globalization (Klein, 1999). Two other examples of this burgeoning distrust are Fast Food Nation’s indictment of McDonald’s and its less than desirable business practices in building a global power brand (Schlosser, 2002) and a recent full-page ad that appeared in the New York Times urging people to say, “no”, to corporate interests and greed. Again, branding is the placeholder for this perceived evil, as is evidenced by the URL to which the ad directs you to – unbrandamerica.com.

Another trend is people’s increasing propensity to invest in friends, family, services and experiences over material goods. This will increase the importance of creating the total brand experience as opposed to merely delivering a tangible product.

The Internet is causing brand news, both good and bad, to be exposed and travel more quickly than it ever has before. This will reward honesty, integrity and consistent
behavior and punish the opposite. It will also make it much more difficult for brands to perpetuate perceptions that do not align with reality (VanAuken, 2003).

Marketers are using increasingly sophisticated techniques to measure the impact of specific brand building and marketing actions. Neuroscientists are now collaborating with market researchers to measure levels of attention, memory encoding, memory recall and attraction and revulsion to ads using the electroencephalograph, an instrument which measures electrical activity by brain region. General Motors, Daimler Chrysler, Ford of Europe and Camelot (the UK’s lottery operator) are all exploring this new technology. Preliminary results suggest that memory and emotion play key roles in brand loyalty. Other high-tech techniques for identifying consumer response to advertising include eye tracking, measuring galvanic skin response and magnetic resonance imaging (MRI) (Wells, 2002).

Mergers and acquisitions and overextension of brands will have both diluting effects on the consistency, meaning and power of the brands involved. Eighty percent of new products are now launched as brand extensions (Berthon, Hulbert and Leyland, 1999).

Disruptive innovation will continue to put current brands at risk if their promises are primarily delivered by products, services and technologies that are disrupted (Gilbert, 2003; Moskin, 1997; Stalk, Pecaut and Burnett, 1996).

And perhaps of greatest concern, there continues to be increasing pressure on marketers to quantify the impact of brand management investments on short- and long-term business results. If marketers are not able to do this themselves, public accounting
firms may do it for them, perhaps in a way that is overly simplified and not acceptable to marketers (Schultz, 2002).

Kotler talks about the need to expand the responsibility for maintaining the brand beyond the brand manager. Managing a company’s brand assets can no longer be left exclusively to brand managers, who often do not have the scope or power to do all the things necessary to build and enhance their brands. Moreover, brand managers often pursue short-term results, whereas managing brands as assets calls for a longer-term strategy. Hence, some companies are now setting up brand-asset management teams to manage their major brands. Canada Dry and Colgate Palmolive have appointed brand-equity managers to maintain and protect their brands’ images, associations and quality and to prevent short-term actions by over-eager brand managers from damaging the brand. Similarly, HP has appointed a senior executive in charge of customer experience in each of its two divisions, consumer and business to business. Their job is to track, measure and improve the customer experience with HP products. An indication of the importance HP has attached to these positions is that these senior executives report directly to the president of their respective divisions (Kotler, Principles of Marketing, 2004).

What are the implications of these findings and trends?

The implications of these trends are many and for the most part bode well for the investment in branding efforts in the future. Branding, however, will take an increasingly
personalized direction. Relevant differentiation will only increase in its importance (Babej and Feder, 2003). Operations must move from a focus on customer satisfaction to delivering a customer value proposition. This is so because brands in many product categories have increased customer satisfaction to a level that exceeds customer needs and expectations. Also, customers are getting savvier about the alignment between the brand’s promise (in marketing communications) and its delivery. Marketers must continually anticipate the power of consumers and their need to inject their own personalities and relative needs into the brands they consume and in effect project as extensions of themselves. In addition, they must be aware of the fact that the brand promise will be tested everywhere their company touches the consumer (i.e., service, advertising, point of purchase, supply chain, etc.).

As a consequence, customer loyalty measures will increasingly need to replace customer satisfaction measures. Satisfied customers will switch brands at increasing rates, especially as satisfaction rises across all companies/products in an industry (Gitomer, 1998; Light, 1999). In a related study, successful companies were found to place greater emphasis on customer value perception as a brand measure than unsuccessful companies, which placed more emphasis on customer satisfaction. (Pitta, Katsanis and Prevel, 1995).

Consumers will continue to require personal reasons for brand selection and the most successful brands will stand for something (VanAuken, 2003). Increasingly, customers will seek out brands that share their values (Hall, 2000; VanAuken, 2003). The market research supporting branding and the implementation of branding strategies will become
more challenging due to the trend away from mass marketing and toward one-to-one personalization of the brand experience. Increasingly sophisticated marketing research techniques will make marketing execution more effective (Wells, 2003).

Successful brands and their sub-brands will align more closely with customer-need segments. Structurally, organizations’ marketing departments will need to reflect this customer-based focus (Berthon, Hulbert and Leyland, 1999; VanAuken, 2003). It will become increasingly important for marketers to engineer the total brand experience for their customers. Customer touch-point management will become an emerging marketing sub-discipline (Hanover, 2001; VanAuken, 2003). As an organization’s brand promise becomes the prescription for the differential value the organization delivers to its marketplace, the brand-management function will need the close support of senior management and the human resource function to ensure that organizational resources are aligned in support of the organization’s unique value proposition. This will be especially challenging for organizations that traditionally organize by function (marketing, finance, customer service, etc.). Currently, the execution of a brand strategy must span all functions to ensure a consistent customer experience.

Not only do marketers need to worry about the current consumer experience with brands, in order to survive and thrive, brands must constantly innovate their products, services and customer experiences and they must strive to become a meaningful part of customers’ lives. Many brands will begin to co-create brand experiences with their customers (Gilbert, 2003; VanAuken, 2003). Brands will increasingly focus on managing long-term relationships with customers, recognizing the lifetime value of their
revenue streams and understanding that it is less expensive to keep current customers and sell them more products and services than it is to attract new ones (VanAuken, 2003).

In general, responsibility for brand management will continue to rise to more senior levels in organizations. At their best, brands have the capacity to become the principle/cornerstone around which organizations focus their activities and resources to meet timeless human needs in unique and compelling ways (VanAuken, 2003).

**Summary**

Organizations are facing a number of market trends that are causing them to question the value of branding and brand management. These dynamics include channel pressures, transparent pricing, reduced consumer loyalty and pressure to measure the return on investment of all marketing efforts, to name a few. In spite of these obstacles and challenges, the research also points to an ever-increasing focus on brands, brand management and building brand equity. Sophisticated market research techniques, investment in one-to-one marketing and customer relationship management and new approaches to organizational design that support a holistic approach to the brand experience are just a few ways in which firms are investing in their perceived brand value.
Research Design and Methodology

Overview

In an effort to better understand the future of branding, this study attempts to gain relevant, insightful information from thought leaders in the industry. This qualitative research study investigates meaning, concentrating on “what” will effect the future of branding, not on “how much” it will change.

Methodology

Twelve expert interviews were conducted between December 2003 and March 2004. These interviewees were selected based on the following criteria:

- Title of CEO with a Fortune 500 company;
- Title of CMO, VP, or Director-level marketing professionals with Fortune 500 company;
- Marketing or Brand Consultant;
- 10 – 20 years work experience;
- Opinion leader or thought leader within industry or organization.

In addition to the interview criteria stated above, the following interviewees were carefully selected on the basis of two other important considerations. First, the study considered an equal mix of corporate, agency, and brand consultant perspectives as well as gaining interviews from sources that could offer insightful information on the future of branding.
The following 12 experts were interviewed for this study. (See table 1 for detailed list of interviewees.)

Table 1

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company</th>
<th>Interview Setting</th>
<th>Date of Interview</th>
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<tbody>
<tr>
<td><strong>Corporate Experts</strong></td>
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<tr>
<td>Ron Zarrella</td>
<td>Chairman &amp; CEO</td>
<td>Bausch &amp; Lomb</td>
<td>In person at B&amp;L</td>
<td>1/04</td>
</tr>
<tr>
<td>Dennis Mullen</td>
<td>Chair, President &amp; CEO</td>
<td>Birds Eye Foods, Inc.</td>
<td>In person at Birds Eye</td>
<td>3/5/04</td>
</tr>
<tr>
<td>Bill Encherman</td>
<td>President</td>
<td>Canandaigua Wine Company</td>
<td>Via conference call (transcribed)*</td>
<td>4/8/04</td>
</tr>
<tr>
<td>Kent McNeley</td>
<td>GM, Output VP</td>
<td>Kodak</td>
<td>Via conference call (transcribed)*</td>
<td>3/31/04</td>
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<tr>
<td><strong>Agency Experts</strong></td>
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<tr>
<td>Steve Laughlin</td>
<td>Executive Creative Director</td>
<td>Laughlin/Constable</td>
<td>Via conference call (written response)</td>
<td>12/2/03</td>
</tr>
<tr>
<td>Brett Shevak</td>
<td>Vice Chairman Brand Initiatives</td>
<td>BBDO</td>
<td>Via conference call (transcribed)*</td>
<td>12/8/03</td>
</tr>
<tr>
<td>Larry Wolf</td>
<td>Chairman CEO</td>
<td>Wolf Group</td>
<td>Via conference call (written response)</td>
<td>12/11/03</td>
</tr>
<tr>
<td>Lynne Seid</td>
<td>Chief Client Officer</td>
<td>BBDO</td>
<td>Via conference call (transcribed)*</td>
<td>12/8/03</td>
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<tr>
<td><strong>Consultants</strong></td>
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<tr>
<td>Brad VanAukcn</td>
<td>President</td>
<td>BrandForward, Inc.</td>
<td>In person at Partners + Napier</td>
<td>10/03</td>
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<tr>
<td>Robert Fronk</td>
<td>President</td>
<td>Robert Fronk Consulting Group</td>
<td>In person at Partners + Napier</td>
<td>11/03</td>
</tr>
<tr>
<td>Mike Donahue</td>
<td>COO</td>
<td>American Association of Advertising Agencies</td>
<td>Via conference call (transcribed)*</td>
<td>12/2/03</td>
</tr>
<tr>
<td>Duane Knapp</td>
<td>President</td>
<td>BrandStrategy, Inc.</td>
<td>Via conference call (transcribed)*</td>
<td>4/6/04</td>
</tr>
</tbody>
</table>

*Transcribed by Execuscribe (30 – 60 mins)
The unstructured, 30- to 60-minute interviews began with five open-ended questions:

1. Describe what you think branding is today (current state).
2. How do you see branding changing in the future (future state)?
3. What do you see as the three major challenges facing brands in the future?
4. What do you see as the key trends affecting brands?
5. Any additional thoughts before we end the interview?

As the interviews progressed, more defined guiding questions were interjected to obtain more depth or provide clarification through examples. All interviews were performed either in person or via conference call and all but one was transcribed (with permission) to allow for further in-depth review of the thoughts, ideas, and insights gleaned from the interviews. (See appendix for the edited transcriptions of each interview.) Interviewees were sent written thanks for participating in this study and a copy of their interview transcription. Each interviewee asked to receive a final copy of this thesis upon completion.

Reliability and Validity of the Research

The strength and reliability of this research method is grounded upon having carefully selected a leading group of experts to provide their points of view on branding. The interview candidates have both the credentials and the experience to provide leading and future-forward thinking about the meaning of branding. Hence, the research is reliable and current; however, there are always limits to the validity of any qualitative research study.
The interviewees are a selected group of experts, who make their living, either partially or fully, creating, developing, designing and defining brands. Finally, the author of this study is a 20-year veteran in the area of marketing and branding and had to be careful on two fronts:

- Not to lead questions in any way in order to ensure that any personal biases did not skew the answers to questions.
- To assume, because many of the interviewees have a personal relationship with the author, that they may have left out things or not elaborated as much because they assumed I knew what they were talking about.

Lastly, the interview methodology did not interview one key group of stakeholders – the consumer. Consumers are becoming integral to the development of the brand promise – they help to formulate it and decide how it will be delivered. This must be considered in the second phase of research because consumers are shifting from brands as mere product identifiers to brands as personal identifiers – a development that threatens to confound the notion of a corporation as a brand’s sole proprietor.

With that said, this expert interview research method has proven to provide rich insights into the future of branding.
Findings and Analysis

The following section reports the findings and analysis from this research. The “Findings” sections present the interview responses to the four key questions asked:

1. Describe what you think branding is today (current state).
2. How do you see branding changing in the future (future state)?
3. What do you see as the three major challenges facing brands in the future?
4. What do you see as the key trends affecting brands?

Following each presentation of the interview responses is an analysis of the interviewees’ responses to each question by type of organization (advertising agency or corporation) or expertise (brand consultant). While there are differences in the responses, depending on the interviewees’ profession (Agency Executive, Corporate Executive or Consultant) there are more similarities across the respondents about how branding is defined, the challenges faced in the future and the key trends managers will have to manage to continue to create successful brands.
Verbatims

The following includes the key verbatim responses by advertising executives to the question: Describe what you think branding is today (current state).

Agencies – Current State

- Everybody uses the word brand or branding, but nobody knows what it means. Need to understand that it's a complex mix of tangible and intangible. (Laughlin).

- Brand = emotional connection with target audience. Everything (logos, package, sales force, etc.) has to contribute to that emotion. (Seid).

- Branding = carving out a unique territory through every possible way. Internet has created a one-to-one relationship between every consumer (at any time) and every brand in the world. Consumers have more control. Nothing is hidden. (Shevak).

- Brand = the only differentiation between parity products. There aren't many unique offerings out there. Consistent brand experience is becoming harder to deliver. Brand differences becoming muddier. (Wolf).
Verbatims

The following includes key verbatim responses by brand consultants to the question: Describe what you think branding is today (current state).

Consultants – Current State

- Thinking has changed from “I am, therefore I brand” to “I am a brand, therefore I am.” But that is wrong. You have to know who you are before you can promote that self. Backward thinking and over/misuse of the word is making the word branding meaningless. (Fronk).

- Confused-corporate folks don’t know what brand means. Today the brand is the customer experience. If you’re only competing on price or you don’t know how to create a unique, quality experience, you’ll become a commodity and you’re in trouble. Companies that are perceived most as a commodity have to advertise the most. The stronger the brand, the less need to advertise. The biggest US corporations tend to have the weakest brands. People try to brand without knowing what they’re about/what their promise to customers is. (Knapp).

- Maturing. Finally defined as “source of a promise with consumer.” Consensus on what it is and how to apply it. Not just for huge companies anymore. Household word. Companies realize that brand equity (goodwill) is a huge percentage of
company value—bigger than products, services, facilities, or other physical assets. Still missing an agreed upon “organization design” (i.e., how to structure/work the brand inside a business). Working one brand across all products instead of many smaller brands. Manufacturers building corporate brands to combat retailer labels. Also works to unify/energize employees. (VanAuken).

**Verbatims**

The following includes key verbatim responses by corporate executives to the question: Describe what you think branding is today (current state).

**Corporations – Current State**

- Brands are alive and there are more places than ever to communicate them, but consumers are not as loyal. They have a group of brands (a brand set) they like and interchange between them. This is caused primarily by technology. There are very few genuinely different products and when there is something unique, comparable, competitive products pop up very quickly. People are no longer distrustful of the like products. Believe they’re just as good as the originals. They’re also savvier because of availability of information. Strong brands still weather economic downturns better than weaker brands. (Encherman).

- Brand is a combination of emotion and function. Some are balanced more to one side than the other. (McNeley).
• Brand = problem-solver for consumer. Still strong, but more fragile due to smarter consumer with more control. Strong price/value relationship. (Mullen).

• Enacted brand = what product means. Functional brand = what product does.

Brand isn’t just relationship between manufacturer and consumer. Brand involves a huge spectrum of interests who all share control in communicating the brand whether you like it or not. Can’t brand functionally anymore because then you’re a commodity and are sold strictly on price unless your product is truly unique.

Brand overload - too many product choices. (Zarrella).

Analysis of Findings: The Current State of Branding

The following is a summary and analysis of the opinions of the agency executives to the question: Describe what you think branding is today (current state).

Agencies

While branding is often defined differently by different people, it is definitely here to stay. It is, however, becoming more and more complex and harder to accomplish on a consistent basis. It is becoming more complex because the mix of tangible and intangible benefits the consumer enjoys must remain relevant. In addition, what a brand has to offer and can deliver is more transparent to the end-user due to the availability of prolific amounts of information and the communications that take place over the Internet. It is becoming harder to do because everything the manufacturer does can influence how the consumer perceives the brand. Manufacturers must make sure that every touch point
supports the values of the brand. Also, consumers have more control over how brands are perceived and how they choose to receive information about brands.

**Consultants**

The following is a summary and analysis of the opinions of brand consultants to the question: Describe what you think branding is today (current state).

Branding is not only here to stay, it is growing in importance within firms as well as growing in terms of use beyond the typical manufacturer (e.g., churches, towns, people, etc. are branding themselves). There is confusion about what branding means; however, most would agree there is an emotional element to branding, that the brand embodies the customer’s experience and creates a promise that must be fulfilled in order to strengthen the emotional tie. Companies are realizing the importance of brand equity, but there is debate as to how they should support, organize and invest in order to maximize that equity. Brands are used for many different things – to differentiate, command a price premium, combat retailer brands and unify and energize employees.
Figure 5: Vital brands are buoyed by a variety of intangible benefits. These benefits, when provided to the customer, effectively translate into real business results.

(Partners + Napier brand development model.)

Corporations

The following is a summary and analysis of the opinions of corporate executives to the question: Describe what you think branding is today (current state).

Branding is important and here to stay, but it is becoming more difficult to accomplish effectively. Companies are burdened with aggressive short-term goals and faced with the need to make long-term investment in brands and the infrastructure required to support
the brand promise. At the same time, the consumer has more choices and is overloaded with information. Companies must find new and innovative ways to “cut through the noise” and make sure the consumer knows what the brand means, not just what the product does.

Consumers’ loyalties are tenuous at best – consumers are smarter, better informed and have more control over how they receive their information. In addition, competitive threats occur more quickly, leaving marketers less time to create a brand and differentiate their products. Brands are a combination of emotion, enactment and functionality. It is important for the organization to reach an emotional connection with the consumer in order to strengthen its brand awareness. In order to create a lasting relationship, consumers must enact the brand, not just understand what the product does to create a lasting relationship. The ultimate goal for brands is to possess as many emotional connections with their consumers as possible. It is only then that organizations with strong brands can capture, keep, and make believers of the consumer.
Figure 6: Reaching an emotional and self-expressive level of relationship with the customer creates a high hurdle competitors find difficult to overcome. (Partners + Napier brand development model.)

(Re)Position: Choosing Benefits for the Brand's Promise...

Brand promise: "Only (brand) delivers (benefit(s)) for (target customer)"

The Brand Promise Must Be...
- Understandable
- Believable
- Unique/Differentiating
- Compelling
- Admirable or Endearing

Brands can typically uniquely own only one or two benefits. "Low price" is the least effective benefit to own. Functional benefits are also not very effective as competitors can easily copy or supersede them. The most powerful benefits are emotional, experiential or self-expressive.

Brand Benefits

- Functional
  - Tide
  - Comet
- Emotional
  - Hallmark
  - Harley-Davidson
- Experiential
  - Disney
  - Starbucks
  - Saturn
  - Harley-Davidson
- Self-Expressive
  - Gucci
  - Rolex
  - Nike
  - Apple
  - Harley-Davidson

- Least easy for competitors to copy
- Most powerful to "own"
Verbatims

The following includes the key verbatim responses by advertising executives to the question: How do you see branding changing in the future (future state)?

Agencies – Future Changes

- Brands won’t die, but there will be many more touch points for consumers to develop perception of a brand. Will make advertising less important. Consumer involvement in developing brand perception will be more experiential, less passive, esp. because of Internet. (Donahue).

- What a brand is won’t change. How it’s reinforced will change dramatically. Can’t be TV ads, since audience will control their programming. Branding by insinuation. Great for guerrilla marketing and grass roots efforts. (Seid).

- Brand marketing is constantly changing, and it’ll keep changing faster as the audience continues to become more fickle and less patient. Because of the Internet, brands don’t control their message as much. Marketing is becoming more complicated. People are more involved in brands and marketers have more ways to get them involved, to create a depth of involvement. (Shevak).
• Brand equity becoming more transitory--fast pace of change. The Internet is giving consumer more information/power. Internet word-of-mouth, commonly known as viral marketing, can make a brand or kill it and quickly. Media fragmentation. Weakening of broadcast media effectiveness. (Wolf).

Verbatims

The following includes the verbatim responses by brand consultants to the question: How do you see branding changing in the future (future state)?

Consultants – Future Changes

• B2B: B brand commingling with B because there is such a close relationship--connectivity and partnership throughout the product/service process. B2C: brand differentiation will become more difficult because there's so much real-time information. Relationship/loyalty is always in flux based on price, new product, etc. (Fronk).

• Leaders will understand their brand as a promise and succeed, where the rest will continue to do branding as usual and just throw money at the problem. Companies who succeed in branding will focus on day-to-day customer satisfaction. (Knapp).
• Brand organization building and consumer touch-point management: how every possible part of branding, internal and external, comes together under one big umbrella to energize and bind consumers and employees. Means re-thinking everybody’s part in a company. Everyone has to be involved in the brand and the overall customer experience. (VanAuken).

Verbatims

The following includes the key verbatim responses by corporate executives to the question: How do you see branding changing in the future (future state)?

Corporations – Future Changes

• Technology changing brand perceptions. Store brands are no longer cheap imitations and consumers know this. Store brands are becoming more reputable and competitive to name brands. (Encherman).

• So many brands competing for media and shorter exposures (because of costs) that you have to make choices between emotion and function and what you really want to/have to say. Have to find new ways to make message satisfying. (McNeley).
• More necessary for brands to understand their customers’ needs. Understand what they value and they will come. Brands must stay contemporary and relevant.

   Competition will force companies to change the rules in what they will and won’t do to make the most of their brand support efforts. (Mullen).

• Ability to control the way people think about a brand will continue to shrink.

   Branding will be infinitely more complicated. (Zarrella).

**Analysis of Findings: The Future Changes of Branding**

The following is a summary and analysis of the opinions of the agency executives to the question: How do you see branding changing in the future (future state).

**Agencies**

Branding is here to stay. In the future, changes will take place around how it is done, how much consumers are involved in defining the brand, and the level of complexity in managing a brand.

How it is done will change in the following ways:

- Advertising will decline.
- TV advertising will become less relevant.
- Branding by insinuation (e.g. guerrilla marketing and grass-roots efforts) will play a bigger role.
- The Internet will play more of a role and will reduce the marketers’ ability to control their message.
- Media fragmentation will cause organizations to face difficult questions in controlling their message.
- Media fragmentation will cause organizations to face difficult questions regarding how to invest in communicating about their brand.

How much consumers are involved will change in the following ways:

- The Internet will give consumers more power with greater access to information. Consumers have more in-depth knowledge of the brand. This takes them beyond the product and the packaging and allows them to have greater insight into the company’s operations, values, motives, etc.

There will be an increasing number of touch points that consumers will be exposed to which will provide them with more opportunities to formulate their own opinions about the brand.
Figure 7: Company communications must be consistent across all mediums to ensure that all touch points project the brand promise so the customer receives a consistent message and experience. (Partners + Napier brand development process.)

(Re)Vitalize: Customer Touch Points

- Consumers will increase their involvement in developing brand perception—they will experiment more and be less passive in terms of allowing the organization to mold their opinions.

- Consumers’ methods of buying will evolve as well, which will influence their perceptions of the brand.

The level of complexity in managing a brand will increase in the following ways:
Organizations will have to consider how every touch point can and will influence the buyer’s perception.

With fewer ads, organizations will have to learn how to exploit one-to-one marketing relationships in a manner that does not infringe on the privacy of the consumer.

Organizations are losing control of their message – they will have to increasingly learn how to use a variety of communication methods to influence brand perception.
It is imperative that organizations continually test the relevance of their brands. The use of a brand development process throughout the firm is critical. (Partners and Napier brand development process.)

**Brand Development: Our Process**

1. **Discover (Know it)**
   - Analyze customer needs, competitor strengths, weaknesses, opportunities and threats.

2. **Analyze (Live it)**
   - Go experience the brand. Live it, feel it, associate yourself with other brand levers. Understand its strengths, its weakness and its new potential opportunities.

3. **(Re)Position**
   - Gaining top management consensus on the following:
     - Target customer
     - Brand essence
     - Brand promise
     - Brand personality
     - Understand what the consumer values

4. **(Re)Vitalize**
   - Including:
     - Target customer
     - Brand essence
     - Brand promise
     - Brand personality
     - Understand what the consumer values

5. **It's Alive**
   - Developing integrated brand communication plan including advertising, PR, collateral materials, selling and service scripts, website, etc.

Includes:
- Brand Positioning Workshop
- Brand Positioning Statement
- Brand Identity
- Integrated Marketing Communication
- Inside Out Branding

Internal training and communication and customer touch-point management.

Draft creative brief(s)
Consultants

The following is a summary and analysis of the opinions of brand consultants to the question: How do you see branding changing in the future (future state).

The future of branding will be influenced the most by customers – their involvement and their increasing knowledge and access to information. The growing strength of customers will make it increasingly difficult to differentiate your brand.

Organizations will create successful brands in the future based on their understanding of the importance of promise to the customer. That promise will be communicated to the customer through:

- Attention to customer satisfaction and delivering value on a day-to-day basis.
- Designing the organization to support the brand promise.
- Ensuring that all touch points communicate a consistent message.
- Internal branding to employees--everyone needs to be involved in the brand.

Organizations will learn that promotion will become less important than consistently providing quality products/services and positive individualized customer experiences.
Figure 9: Providing meaningful end-result benefits is critical to providing a promise that customers value. (Partners + Napier brand development process.)

The most powerful brands uniquely "own" benefits that are very important to their target customers.

**Corporations**

The following is a summary and analysis of the opinions of corporate executives to the question: How do you see branding changing in the future (future state).

Manufacturers will be challenged to compete more with store brands as they achieve equal quality to name brands. They will become more competitive because retailers will increasingly ask the manufacturer to justify the way in which their name brands enhance their (retailer) brand. It will become more expensive and more difficult to get the message out around a brand; manufacturers will be required to find new ways to communicate their message. Getting closer to the customer will be a requirement for doing business – manufacturers will have to ensure that they meet and exceed the
customer's needs. In other words, they must intimately know what the customer values. Since manufacturers will not be able to control how consumers think about their brands, this will be critical.

**Verbatims**

The following includes the key verbatim responses by advertising executives to the question: What do you see as the three major challenges facing brands in the future?

### Agencies – Three Challenges

- 1) Fragmentation of media makes it harder to reach audiences. Have to actually create shows people want to see so they can get big ratings--less junk TV. Or even more shows where they don't have to pay talent. Fewer TV ads, more events and Internet marketing. 2) Younger audiences consuming media differently. 3) Big companies have spent too many years promoting big brands and too little developing new ones. Too hard and expensive to build new brands now. Moving forward, consumer choice is key – old media and current media still lack choice.

- 1) Context--how consumers are in contact with product and how they buy. 2) Globalization--places that just provide labor now will start developing their own brands. 3) Relevance--technology shortening brand life cycle. (Laughlin).
1) Media fragmentation and viewer control of media. Businesses must be more open to non-conventional means of brand promotion. 2) Maybe advertising needs to be more entertaining because people have to choose to watch it. 3) Backlash from over commercialization—everything’s a brand and people get sick of it. Brand managers will have to learn restraint and taste, which they don’t have now.

4) How is branding going to be metriced? How do you measure insinuated promotion? (Seid).

1) Maintain value based on what they value. Continually reward customers with increased performance. Consumers have too much information and too many options for brands to fake it. 2) Give better value for the money. Wal-Mart, outlet malls and Internet will continue to increase this pressure on brands. If you charge more and you don’t bring it to the door like online orders, customer has to see the value in your price/product/service. (Shevak).

1) Maintaining relevance. Everything’s in an accelerated state of flux. 2) Maintaining consistent brand experience despite higher costs and greater profit pressures. 3) Finding best ways to reach best customers. People are over saturated with advertising and promotion. (Wolf).
Verbatims

The following includes the key verbatim responses by brand consultants to the question: What do you see as the three major challenges facing brands in the future?

Consultants - Three Challenges

- 1) Differentiating a brand: very hard to do, but a must-do. 2) Strategy + culture + values = brand, but brand will be at war with need to be profitable. 3) CEO drives the brand, but CEO turnover is huge because of focus on short-term gains. Will be hard to maintain solid brands in this atmosphere. 4) Globalization dilutes brand (culture clashes). (Fronk).

- 1) Focus on perceived value through customer satisfaction. 2) Hire people who are dedicated to premium-quality service and train people to deliver on your promise. 3) Be there for your customer no matter when or why they need you. Be a responsible corporate citizen and customers will reward you. (Knapp).

- 1) Aligning a whole company through a brand. 2) As more people understand branding, they know they’re being manipulated/affected by it. They’re more likely to see through spin since they know they’re being spun. Branding may become a dirty word (consumer cynicism/backlash). 3) Justifying marketing
budgets/decisions since much of it’s not directly quantifiable and based on building long-term brand equity--increased pressure to cut costs esp. caused by free trade. Can’t quantify goodwill (interesting paradox: brand equity and people are a business’s most valuable assets, but those values aren’t quantifiable, so they get cut/shorted) tug of war between short-term (share holder profits) and long-term investment. (VanAuken).

Verbatims

The following includes the verbatim responses by corporate executives to the question: What do you see as the three major challenges facing brands in the future?

**Corporations - Three Challenges**

- 1) Harder to reach audience--fragmentation. 2) Harder to create a truly distinctive offering and if you do, harder to keep it distinctive for long. 3) Harder to keep continuity of brand because: a) retailers want something different and may not want to carry brands competitors do, b) branding is long-term and everything is profit-based short-term now. People cut branding effort to save money. (Encherman).

- 1) Media fragmentation and new media: must be flexible and creative to get message across. TiVo, channel surfing, less TV viewing. 2) Quick access to
information via computer. You get the information you want when you want it and not just what somebody wants to tell you. Consumers have more control.

How to work within that new framework to reach your target consumers. 3) Continuity of brand message. How to stay relevant without diluting the brand. People tend to adjust the brand in response to market fads, short-term profit data and management changes. (McNeley).

- 1) Keep pace with or go beyond trends. 2) Must understand competition to win. 3) Be flexible to stay relevant. 4) Price dexterity--understand price/value relationship to customers. (Mullen).

- 1) To become much more consumer-centric. Establishing the relationship with the eventual customer that you want to establish instead of letting the environment create that relationship for you. The whole organization has to live the brand. 2) Global branding + local execution. 3) Mass marketing and mass communication will become less important. (Zarrella).

**Analysis of Findings: The Three Challenges Facing Branding**

The following is a summary and analysis of the opinions of agency executives to the question: What do you see as the three major challenges facing brands in the future.
Agencies

Media fragmentation and viewer control will present major challenges to organizations. They will need to be open to unconventional, more innovative means of brand promotion. There will be increasing pressure to make ads more entertaining, set them apart from the competition. Brand managers will need to learn how to balance getting their message out while not overwhelming the customers – people feel over-commercialized, everything is becoming a brand. The challenge for the brand manager will be to reach people in spite of this resistance. Brands require investment and with costs being watched very closely, brand managers will feel pressure to provide ROI justification for the expenditures. This will continue to be very challenging because in order to maintain relevance/offer a consistent brand experience, brand managers will have to continually invest in research, value-add services and experiences that support their brand.

Brands can no longer fake it. Consumers are too smart and organizations will have to work very hard to maintain the relevance of their brand. Charging more for the product will require the organization to offer more.
Figure 10: The myriad opportunities that organizations have to communicate and position their brand. Balancing these choices in the future will be both an opportunity and a challenge. (Partners + Napier brand development process.)

(Re)Vitalize: Bringing the Brand to Life

**Brand Positioning**

- Target Customer
- Brand Essence
- Brand Promise
- Brand Personality

**Brand Identity**
- Brand architecture (brands, sub-brands)
- Names
- Logos
- Tag lines
- Colors
- Symbols
- Type styles
- Brand voice & visual style
- Sounds & other mnemonic devices
- Characters & spokespeople
- Standards & system

**Integrated Marketing Communication**
- Advertising
- Publicity
- Web site
- Collateral materials
- Sales & service scripts
- Customer relationship marketing
- Products & services
- Packaging
- Merchandising
- Direct marketing

**Inside-Out Branding**
- Organization mission & vision
- Organization culture, values & behavior
- Internal communication
- Training & development
- Performance objectives & appraisal
- Rewards & recognition
- Planning, budgeting & capital investment processes
- Customer touch-point management

**Consultants**

The following is a summary and analysis of the opinions of brand consultants to the question: What do you see as the three major challenges facing brands in the future.
Organizations need to realize that the brand is bigger than the ad—it has to encompass the company's culture, strategy and values. With the focus on short-term results, it will become harder to keep a long-term investment to maintain profitable brands. It will be harder to achieve that, however, because good ROI measures are difficult to create. The organization's brand must be embraced from the CEO down, to both internal and external audiences to ensure consistent delivery of the brand promise. Of course, in order for the brand promise to be effective, it must be perceived as having value to all audiences that interact with the brand.

Corporations

The following is a summary and analysis of the opinions of corporate executives to the question: What do you see as the three major challenges facing brands in the future.

The organization faces many challenges in the future of brand management. It will become harder and harder to create a meaningful relationship with the target audience—they are becoming more fragmented and their control over what they see and how they see it is increasing (e.g. TiVo, the Internet, decreased TV viewing). Brand managers will be required to continuously test the price-value relationship in order to maintain brand relevance. Global branding and local marketing execution will be a challenge to organizations. Retailers are trying to differentiate themselves and they will test your brand to ensure that it adds to their ability to communicate their brand message.
Therefore, the future of brands and the primary role of brand managers rests upon their ability to actively monitor the relevance and vitality of their brand. Table 2 provides a list of suggested questions brand managers must continually consider.

Table 2: Questions for Brand Managers

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>Does your brand have a bad, confusing or nonexistent image?</td>
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<tr>
<td>Has the primary benefit that your brand “owns” evolved from a differentiating benefit to a cost-of-entry benefit?</td>
</tr>
<tr>
<td>Is your organization significantly altering its strategic direction?</td>
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<tr>
<td>Is your organization entering new businesses for which the current positioning is no longer appropriate?</td>
</tr>
<tr>
<td>Has a new competitor with a superior value proposition entered your industry?</td>
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<tr>
<td>Has competition usurped your brand’s position or rendered it ineffectual?</td>
</tr>
<tr>
<td>Has your organization acquired a very powerful proprietary advantage that must be worked into the brand positioning?</td>
</tr>
<tr>
<td>Does corporate culture renewal dictate at least a revision of the brand personality?</td>
</tr>
<tr>
<td>Are you broadening your brand to appeal to additional consumers or consumer-need segments for whom the current brand positioning won’t work?</td>
</tr>
</tbody>
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Verbatims

The following includes the key verbatim responses by agency executives to the question: What do you see as the key trends affecting brands?

Agencies – Key Trends

- New forms of entertainment, esp. computer games. Certain groups just aren’t watching TV and are less reachable with current forms of advertising. This will spawn new forms of advertising, creative thinking. (Donahue).

- Profitability: branding maintenance and development of new brands fall victim to the immediate bottom line. (Laughlin).

- Consumers control how and when they receive messages. Brand insinuation into everyday life: how to do it so consumers don’t reject it? Marketers are going to have to be far more creative and open to experimentation. Need for new ROI metrics. (Seid)

- Face of consumer is changing. Fastest-growing segments are over-50 and Hispanics. Can’t just market to the white world any more. Women are becoming a much more important economic force and the more knowledgeable consumers. (Shevak).

**Verbatims**

The following includes the key verbatim responses by brand consultants to the question: What do you see as the key trends affecting brands?

**Consultants – Key Trends**

- Brands staying small/private so they don’t have to answer to investors/Wall Street. Very profitable niche businesses. Mega-businesses like Wal-Mart will a) squeeze suppliers to the point of having to give it away and look for revenue sources elsewhere, b) break brands through threat of private label--we own the customers, you don’t add value to us, you have no leverage. Personalization of brand: customer knows what they want to experience and chooses brands according to their fit. Easy availability of information on businesses contributes to this. (Fronk).

- Genuine brands’ best friend is word of mouth. Increased communications options/availability (e-mail, cell phones, etc.) will increase the value of this and
make it harder for competitors who don’t have it to compete successfully. (Knapp).

- Mainstreaming of branding: everybody’s going to have a brand, from people to towns, not-for-profits, churches. Absolutely everybody. (VanAuken).

**Verbatims**

The following includes the key verbatim responses by corporate executives to the question: What do you see as the key trends affecting brands?

**Corporations – Key Trends**

- Mega-brands: companies leverage existing brands to expand product offerings while keeping budgets low. No trends are going to be as long-term as they used to be. Technology speeds them up. Not worth it to invest in trends. Have to go for something with legs to get the investment back. (Encherman).

- Less advertising for the buck = less advertising. More pressure to show ROI on brand investment short term. Continued growth in number of media options. Harder to reach audience with available resources. People are learning to absorb and digest info faster, so they don’t invest as much time with your message as they used to. Losing depth of brand presentation. (McNeley).
- More consumer control. Strength of store brands. Customers expect better service and more ways to get that service. Need to invest in more brand-relevance/equity-research monitoring to stay on top of the game. CEOs must be directly involved in the brand. (Mullen).

- Brands help you make choices. You know if they will perform or not. (Zarrella).

**Analysis of Findings: The Key Trends of Branding**

The following is a summary and analysis of the opinions of agency executives to the question: What do you see as the key trends affecting brands?

**Agencies**

Key trends will include an increase in the forms of advertising (communications). TV will become less relevant and organizations will need to find ways of replacing that medium. Organizations will find ways to insinuate their brand into people’s lives in new and creative ways. Increasing pressure on profits will undermine the long-term investment needed to maintain brand relevance and the increasing control over brand message that will be enjoyed by consumers will challenge the ability to effectively manage brands in the future. Measurement of the ROI of a brand will continue to be pushed; however, this will continue to be difficult with the changing face of the consumer (e.g., cultures, age demographics). There will be a blurring between paid versus unpaid media and organizations will need to leverage the vehicle that best supports their message.
Consultants

The following is a summary and analysis of the opinions of brand consultants to the question: What do you see as the key trends affecting brands?

Retailer strength will continue to increase and media options will change. Organizations will have to learn how to leverage word of mouth to support their brand promise. There will be a mainstreaming of brands – everyone will be a brand (e.g., churches, towns, people, etc.). The real brand successes will make an emotional connection with their customers - rational connections will be too easy for the competition to copy. Brand managers will have to continuously test their brands in the eyes of their customers and make sure they know what they are not; they will need to be willing to give up on some customers in order to focus on the profitable, loyal ones. Organizations will need to align themselves with the brand promise.
Figure 11: The authenticity of the brand promise must be projected through an organization's key operating principles, its strategy, culture and values. (Partners + Napier brand development process.)

(Re)Vitalize: Inside-Out Branding Levels of Commitment

- Increasing organizational commitment
- Internal brand communication & education
- Customer touch-point management
- The organization's key organizing principle
- The organization's raison d'être

- Touches all aspects of the organization and its design
- Is embraced by senior management and all employees

Corporations

The following is a summary and analysis of the opinions of corporate executives to the question: What do you see as the key trends affecting brands?

The key trends that affect branding and brand management in the future include increasing pressure on measuring ROI of brand investment and a reluctance on the part of organizations to invest in long-term brand promises. They will try to leverage mega-
brands more in the future to avoid additional investment in smaller brands. There will be more media choices, however, and the consumer will be harder to reach. With the brand manager losing control over brands to the consumer and the retailer, the challenge will be to try harder to become an enacted brand – more than a functional brand. Leadership in companies will have to get increasingly involved in the brand.

Figure I: Provides a conceptual map depicting what managers must consider when determining how their brand will relate to the consumer – as a functional, or enacted, or abstract experience. (Graphic below is the representation of the context of the interview with Ron Zarrella.)

(Re)Position: Owning Defined/Functional vs. Abstract/meaningful Brand Benefits
The following are six key trends shaping the current branding landscape. These trends are a combination of the authors’ views (20 years brand expertise) and the data collected from 12 industry experts:

Conclusions and Recommendations

Brands are here to stay.

Brands and branding are here to stay. How they are used, leveraged, managed, exploited and controlled by everyone from consumers to retailers to manufacturers, however, is changing and changing rapidly. When reviewing the history of branding and brand management, one can see that the whole science of brand management is relatively young. It has only been in the last 20 to 25 years that marketers have seriously considered the impact of their actions as they relate to brand management and brand investment.

Brands present a paradox: increasingly complex to manage yet vital to every business.

Brands are, and always will be, an integral part of a successful company’s growth. They define what a company is and what a company is not. Brands are, and will continue to be, key to the relationship between companies and their customers; however, the management of brands, is becoming increasingly complex and difficult to accomplish. Consumer control, pressures on costs (brands need investment!), changing media options, channel influences—the list goes on and on of all the marketplace changes and influences brand managers must manage now and into the future. Brand managers must move away
from a pure marketing model that says, “I’m going to talk to you and you’d better listen up,” to an experimental model. The experience conveys the essence of the brand.

**Brands help consumers make choices.**

Brands help consumers make decisions on two levels. First, brands are efficient and can create economic value. A consumer does not have to make a decision over and over again. Brands create a sense of security and trust, “you know they perform”. Second, brands also have a strong psychological component. Consumers tend to have a strong emotional connection to their brand of choice. It helps our brain sort through all the complexities and clutter in our lives. Brands are becoming less about what consumers buy, and more about who we are. That means your coffee can’t just taste good, it has to feel good too.

**Brands must be owned by the organization. They are no longer just the responsibility of the marketing function.**

Everywhere the organization touches the customer creates a potential portal for communicating the brand promise. Company actions, services, support, follow-up and communications project the brand on a continual basis. Managers will be challenged to manage across functions in order to ensure the brand-promise fulfillment remains consistent and of the highest quality throughout the organization. Branding is a way of articulating the core values of the corporation; therefore it must be moved beyond the marketing department and embraced by the entire corporation.
Shareholders will continue to demand returns on their investments. Measuring the returns on the investment in brands will not be an exception to this rule.

Brand managers are continually searching for ways to measure and justify the money required to support their brands. They are continually at odds with financial managers who tend to view marketing expenditures as costs, instead of investments in their company’s future, like R&D. This struggle will continue as cost pressures increase, brand management becomes more complex and expensive; and company executives search for ways to justify their expenditures to shareholders.

Retailer brands will increasingly challenge name brands for prime positioning.

Retailer (not private label) brands are becoming stronger and creating their own promises to the consumer – promises that cannot be ignored. Now, they not only compete with name brands on price, but also on quality. Name-brand managers are not only faced with competing against other name brands, but also against retailer brands that ultimately have control over shelf space and point-of-purchase decisions. Brands must increasingly allow the consumer to make choices, be where people are, and be involved in things they value.

Questions Left Unanswered by this Research:

- Since customer touch points will have to increasingly be executed with the brand promise in mind, how will companies organize around their brand responsibilities in the future?
• Communicating the brand promise will become increasingly difficult. How will brand managers manage their integrated communication options in the future within the context of ever increasing pressures on costs?

• How will brand managers justify the necessary investments required to continually keep their brands vital and alive for the consumer?

• How much power will the customer ultimately have over brands and their meaning?

• How will name brands effectively compete with retailer brands in the future?

• What is the first-person consumer perspective on the future of branding? How similar and different is the consumer perspective from the expert (agency, corporation, consultant) perspective on the future of brands?

In today's world, it does not suffice for brands to survive. They must thrive! To thrive, they must be much more than names or logos or slogans or advertising campaigns. They must come to life, stand for something, make promises, keep those promises, exhibit likable personalities and other admirable qualities, consistently interact with customers, be trustworthy, establish emotional connections and, in a word, be VITAL!
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Harris, Fiona J. (2001). *Internal Factors Affecting Brand Performance*. Open University (UK); 0949, DAI, 63, no. 03C: pg. 385.


Q: Describe what you think branding is today.

A: Branding today is at a crossroads, but it's certainly alive and well. There are more places to brand, more ways to communicate than ever before. That's positive and negative. Historically, people really had a relationship with a brand and became loyal customers of that brand. That has changed. Today, more than ever, consumers have either a collection of acceptable brands or a hurdle rate for what they want from products and brands. People still buy product A versus product B versus product C based on brand, but it's much tougher today to find people who are truly brand-loyal.

Q: Do you think that's because there are more choices, or because consumers are less loyal in general?

A: It depends on the brand, but in general, it's because there are more messages. Technology is probably the biggest single factor because it reduces the differences between products. And when there is a difference between products, the time in which competitors can get in the game with an equivalent offering is much shorter. The ultimate branding isn't just perception. It's a fundamental difference. And those types of breakthroughs are caught up with so much faster now because of technology.

Two examples in the drug field are very interesting. When Viagra came out, it was absolutely unique. They spent an enormous amount on R&D. It's probably patented. So you'd expect them to own the market for quite a while. They did for a year or two, but
now there are two or three competing products. The same is true for acid reflux disease products.

Better communication and consumers who are savvier are also factors.

Historically, they had to trust the brand because they didn’t have a lot of information available. Now they have more of an understanding, whether it’s from nutrition labels they can compare or if they research products on the Internet. There are so many different mediums for information.

Q: Superiority only lasts six months, at best, because competitors can catch up more quickly.

A: Plus, consumers used to be a little distrusting of competitors. There were some people who’d always look for the lowest price, as long as it seemed like it did the same thing, but really brand-loyal people weren’t comfortable moving away from the brand they were attached to. Now, people are more open to the fact that some of the other brands can be just as good. A good example is Crest. I worked at P&G. I grew up in a world where Colgate was not in the same class with Crest. It was mom, apple pie and Crest. A few years ago, Colgate overtook Crest and now, sometimes even I find myself thinking that Colgate is probably as good as Crest.

Q: How do you see branding changing in the future?

A: In addition to changes brought on by technology, store brands will be a big influencer. Store brands traditionally were inferior products sold cheaply. Today, store brands are real brands. They’re quality products sold just a little bit cheaper. It’s not to say that stores are discovering the value of branding. So far it’s not an issue, but for people like me who produce products of brand, it’s certainly competition that is getting
more serious. Stores have the ability to merchandise their brands any way they want, whereas outside brands have to fighting to get merchandising in stores. As fewer and fewer large store chains like Wal-Mart exist, the value of a store brand becomes bigger for them and their ability to develop a store brand that's really a reputable brand becomes bigger.

Q: The big retailers gain more control, not just over store brands, but all brands.
A: Absolutely, because they’re going to offer fewer brands and price becomes an issue. Also, it’s becoming more and more expensive to become a truly successfully brand. Now, if you want to reach people and really get your word out, really brand, you’ve got to go to so many more mediums or so many more outlets within a medium. There used to be far fewer mediums, so it was easier and less expensive to hit everybody.

Q: You used to be able to saturate a medium.
A: Exactly. The oddest thing is that as the networks’ reach continues to decrease, their prices continue to rise. So the cost of branding is going up. Also, the concept of return on investment for marketing is more in the front of people’s minds. While the concept is an important one, there’s so much short-term pressure from a financial market standpoint, and so much of brand building isn’t instantaneous payback. A lot of companies are having trouble having the discipline or the long-term vision to recognize the value of the brand. The flip side is that the power of brands still is very evident. When there’s an economic downturn, the strong brands are the ones that weather it and continue to do well. Their owners continue to make money. Any study that I’ve ever seen -- thirty years ago, twenty years ago, one year ago -- always finds the same results. The fundamentals are still out there. It’s just harder for companies to stick with it.
This is just a sense, but it seems to me that our culture is changing, that people are a little more confident. One reason people rely on brands is insecurity. I don’t know if I’m getting my clothes clean enough, but I’m going to use Tide, and I’m going to feel that I am. What will people think about what I’m serving for lunch? I’m going to use Oscar Mayer cold cuts so people will say what a good mother I am. People don’t have quite that level of insecurity today, or maybe they’re insecure about other things. Either way, they’re more open to options: Wegmans cold cuts or Oscar Mayer cold cuts. They’re both good. Oh, these are on sale, I’ll get them. They’re not as concerned about what people think of them based on their brand choices. My first job was working on floor cleaners when people still mopped their floors. Do you think there a lot of women worrying about which floor cleaner they’re using to mop their floor today?

Q: No.
A: That may be because the product went away, but they may just not have branded it successfully. If they had, there might be a Tide of floor cleaners today.

Q: Maybe we use brands to help define us. Brands are playing a different role in our lives.
A: Yes, they are. In big-ticket items, they still play a big role. Getting a BMW versus getting a Toyota is still a much bigger brand issue as opposed to getting Colgate versus Crest. Even in computers, where price is a big factor, people are open to Dell, Compaq, HP, and other name brands. They may buy the brand that’s the best deals this week, but they won’t buy something that’s not a name brand. So branding is still important, but it’s hard to be truly the king of the hill the way you could in the old days. It’s still possible to do that, even without the world’s greatest technical difference, but it would require a lot
of investments, very long-term, consistent investment and a breakthrough message. Bartels & James wine coolers, even with the money they spent on branding, never would have been as strong as it was without a great messenger image. They hit upon those two guys in the commercials that absolutely broke through. I don’t know if it’s luck or insight that makes the difference.

One of the most interesting branding stories right now is Target stores. Target always had a great reputation among discounters as a class operation, and yet, until a few years ago, they still were a discounter. There was a mall store and there was Target, and they were not considered in the same class. But with the advertising they’ve done and done consistently for several years, you really believe you might buy some neat clothing at Target.

So smart campaigns that really know what they want to accomplish can really make a difference. Also, people don’t have great fundamental strategies, so they rely on media or delivery that’s odd or bizarre, but doesn’t really say anything about the product, and it’s not effective. Levis is a brand that has been suffering badly for a number of years and yet their advertising is always highly creative and distinctive, but you never think about buying their pants. And you can see that in their ads. It’s not a panic, but it says: we’ve got to be cool, so let’s use something that’s really visually distinctive. It is visually distinctive and cool, but it doesn’t make you think something about their pants. Target, one the other hand, has done a good job. They’re doing something very distinctive. It’s visually interesting and it happens to be cool, but what they’re doing with that red dot also changes the way you think about Target.
Q: Brands can break through the clutter by finding a distinctive message delivery, but it has to relate back to the brand and make you want to buy the product.

A: Right. In the dot-com world, everybody had nothing, then suddenly; they had fifty million dollars to spend in advertising. They had all these highly distinctive commercials, but no one can remember or sometimes even knew what they were for. It all comes back to a good strategy. If you do the work to get the strategy right and have a solid execution against that strategy, you’re probably branding strongly. If you don’t have a good strategy, then you’re in trouble. At one point in my career – it may have been at P&G – people used to take a strategy and say, if you can take the name of your brand out and then put the name of one of your competitors in and the strategy still works, then you don’t have a good enough strategy. You have to find something that’s unique, and it doesn’t have to be the product. We’re not talking about a technical product difference, but an image product difference, a convenience, an emotional space. And that’s very hard to do. When you look at examples that really work, you can see they knew exactly what they were trying to do in their advertising and they did a great job because they had a strategy that really took a stand.

Q: Can you think of three major challenges facing brands?

A: One problem is that people are so disbursed. How you can reach them is affecting branding because it’s going to make it so that only the big can brand. Another problem is that there are going to be more brands that are equal from an actual product delivery perspective. So the ability to find a distinctive strategy that sets you apart and maintain that for a while is going to be difficult. The third problem is the changing retail environment. You may not have your brand everywhere. When stores get big enough,
they’re going to say, I don’t want to have the same brand the other store has. When this happens, your brand begins to tear apart. Short-term financial thinking is also having an impact because most companies are owned by public companies and branding is a long-term investment, which you can’t do in a company that feels the need to provide short-term results to survive. They feel branding is something they’re going to do one day. They can’t afford to do it now, but next quarter they’ll try and do some, but right now they’ve got to cut it.

I think that some brands are going to have to change to some degree to maintain relevance, or to maintain an economy of scale. I’ll give you one example. We just launched Arbor Mist wine blenders this year. If we had said, let’s come out with that as a different brand, we really wouldn’t have been able to advertise it or else we would have said let’s not even have Arbor Mist advertised at all. When you use fewer brands and can expand them out into different directions sometimes they can also survive better.

Q: Because you already had brand equity of that name versus starting from a clean slate.

A: Right. There may be mega brands as companies leverage that aspect more and branding becomes more expensive. It’s more efficient.

Q: The challenge there is making sure that when you start to leverage your brand it doesn’t move too far away from your core values.

A: Exactly. Again, I’ll go back to P&G because P&G for 150 years made Ivory Soap and the only Ivory thing they made was Ivory Soap. Then they went into Ivory Liquid, which did pretty well. Then they came out with Ivory Shampoo, which was blue, not white. I think Ivory Shampoo was a good idea, but because it was blue, it just didn’t work
so there are some limitations. Look at Coke. Their extensions work. They used to just be Coca-Cola. Now there’s Diet Coke, Coke with lemon, no-caffeine Coke. They’re doing a pretty good job of leveraging it in a lot of ways.

Q: Any trends that you see?

A: I don’t think there’s any one trend that’s going to become a clear-cut wave of the future.

Q: How about low-carb?

A: Low-carb is a short-term trend. I don’t think it’s going to go away entirely, but it’s not going to remain as big as it is now. We had the low-fat and then the low-carb. We used to have low-sodium. I don’t think any trends are going to be as long-term in the future as they were in the past. I just saw an article the other day that said how long it took before every household in America had radio, and then it showed how long it took for every house in America to have a TV, and how long it took before every household had a computer, and cell phones. The number of years just keeps condensing. Trends have a much shorter term than they used to, so by the time it’s out there, if you don’t jump on it very quickly, you may have missed it.

Q: Is it worth the investment to jump on a trend? Can you do it quickly enough? Can you make money off a trend and still be true to your brand?
A: Our product development objective is for a product to be a classic, something with legs versus something trendy. It takes the same amount of effort to develop them both, but the returns are so much better on the first. We spend a fair amount of resources against developing a product. We can’t do something that sells thirty thousand cases. If it’s something that’s gone tomorrow, it’s hard to get the investment back.

###
Q: Describe what you think branding is today.

A: I would describe it as being in a state of maturing. When I was first put in charge of brand management for Hallmark six or seven years ago, every major company was putting somebody in senior management in charge of brand management. It was one of the first times that brand management was really moving from the Procter and Gambles and Unilevers of the world, where people were managing individual brands for a company that specialized in brand management of consumer brands, to a marketplace where every organization, especially starting with corporations, saw the value in managing the brand asset at a corporate level. That process has matured a lot, and when I say it’s maturing, back when I started, you could talk with three different consultants and there would be no consensus on the definition of brand or brand equities, and clearly nowadays people have landed on the definition of branded -- a source of a promise with the consumer. The one area where it’s not totally mature is the organization design. If you really try to manage a corporate brand at the corporate level, what is the ultimate design? There was a push for a while to have a chief brand officer, whether that’s at a director level, VP or president level. The thought was that the CEO is really the chief brand champion, but that person would often hire someone as his or her right-hand person to actually manage the brand day to day throughout the organization. That chief brand officer would have a staff, and with that staff and in conjunction with the CEO, would try to drive the brand through the organization. I don’t know how accepted that
kind of organization design is now, and clearly in marketing, organization designs have gone from a product focus where there were different product management teams. At Procter and Gamble, the product teams were also the brand teams. Under that model, the same people that drove each brand drove each product. When you go to a corporate brand, it's a little different. Organizations have had product teams in the past. What was really big eight or nine years ago were retail focus teams. They realized that Wal-Mart represents anywhere from fifteen to thirty or forty percent of a given manufacturer’s sales. We should have a team focused on specific retailers. Sometimes that was overlaid with the product matrix. Many organizations then had a brand matrix. Without going into a lot of detail, I think the jury is still out on what the optimal, or whether there every will be an optimal organization design in corporate brand management. That’s what I’m not clear on. A) I don’t know if there ever will be one design, but B) I don’t know whether there’s a general consensus on that. Other than that, I think it’s maturing. There are signs of it not only in nomenclaturing concepts, but brand management is now being embraced by non-profit organizations, local, smaller companies. When I first started writing my book, there were only two other books out on brand management. Now, there are well over two hundred. Clearly, it is a maturing industry. It’s something that’s gone from a very small group of people that knew about brands at the Procter and Gambles of the world to really a household word. Things that the average person on the street now understands to some degree.

Q: Can you talk a little bit more about how companies define branding?

A: First of all, it’s kind of mysterious to me how major corporations got into branding as the major discipline, because when I was at the head of brand management
for Hallmark, I was given two objectives: increase corporate market share in the Hallmark brand -- that made sense to me and we had the metrics on that -- and increase brand equity. When I asked my boss, who had a marketing background and was a very senior person – in fact, he was in charge of strategy and marketing for the company, and his boss who was the CEO, they both said it's very, very important. You’ve got to manage the equity. You’ve got to build it or we have no idea what it is. I think what happened with them, and what was happening in a lot of companies, is they were reading articles in *Harvard Business Review* and *Fortune* and *Forbes* and *The Wall Street Journal* about how important brands are. The buzz made its way to publications that senior executives were reading, so they knew how important it was for a couple of reasons. One, right now fifty to ninety percent of the average company’s value is attributable to things outside of tangible assets. Most of that is attributable to what was called goodwill, which people are now discovering is really brand equity. All of a sudden, corporations found out most of the value of our whole company if we were ever to sell it, or the value of the stock price, is based on the brand. What are we doing about managing and leveraging the brand? That was one reason. They said, most of the value of this company is not because we have these plants or this equipment. It’s because of the brand and some other intangible assets we own. Maybe distribution and some contracts. The second thing they were discovering is if you leverage the corporate brand across a variety of product and service categories, you can do your marketing much more efficiently because you’re only trying to build one brand versus twenty, thirty and as companies merge and acquire, all of a sudden you’ve got a portfolio of hundreds of brands, and it’s not really economically feasible to build hundreds of brands. It’s a brand rationalization process going on. The
third one, manufacturers’ profitability. They were getting squeezed more and more by major retailers. Retailers knew they could extract money from manufacturers and so they did. A lot more of what was profit for manufacturers was being transferred to retailers because of the retailers’ power. That has to do with shelf management and customer databases, POF data where they could tell what people were buying and the relationship that the store brands were building with customers that was really superseding the relationship manufacturers had with the customers. A lot of manufacturers realized that one of the few things they could do to continue to have leverage over retailers, especially if retailers got into private-labeled products, was to build corporate brand. Another thing that people have always known is you can use corporate brands to charge price premiums. You don’t charge a price premium unless you’ve got a strong brand. You can actually better your bottom line if you do have a strong brand. A lot of senior executives also have discovered that you can use the brand as a mantra for the organization. If they figure out what the brand stands for and position it well…the intersection of brand strategy and brand essence and brand promise with corporate mission and vision…you can create an internal mantra, or rallying cry, that can align the troops, align resource allocation, really get employees excited about working for the company and also staying with the company. They realized that, and to some extent, that’s what brand has become. All the things that are now under the brand umbrellas always existed, but they existed as desperate things. Branding was an umbrella under which you could put all these activities and it just made sense, as though branding is this buzz phrase now under which you put all sorts of things that previously were probably just called separate things.

Q: How do you see branding changing in the future?
A: Certainly the whole idea of internal brand building is becoming big. I was talking with a conference company six, seven years ago and chaired the first conference on internal brand building. Then, no consultants were talking about that. Typically where they came from is, it's one thing to do all the research, do the positioning work, which a lot of people know how to do. That's a very classical part of marketing. Do the advertising campaigns. There are agencies out there that know how to do that. Measure brand equity. More and more companies were doing that. There are a lot of pieces that were in place, but when you're internally running brand management and marketing, you realize that your biggest challenge is making it work throughout the enterprise, making people understand it. Aligning people and prophesies in your organization. Nobody was looking at that. Consultants were either trained in graphic design where they're doing logos and brand identity systems or they were trained in strategies. Or they're trained in research. They're doing brand equity measurements, or brand research, but nobody was really trained in this intersection of OD, organization design, organization development, corporate culture, strategy, branding. I can't imagine how many consultants are now focused on this. One of the emerging things in brand management is customer touch-point management. Managing the brand promise at each point of customer contact and internal brand building. Inside out branding, developing a brand-building organization. However you want to describe it, it's how do you align all of the people within the organization to really live the brand?

Q: Do you really see that as the future of branding?

A: That's the future of branding and right now the consulting companies are trying to put together the right combinations of skill sets to help organizations do that, because it's
very complex. It actually takes a number of different HR sub-disciplines. It takes strategic and facilitation skills. Somebody who really knows brand positioning. Those all have to come together and traditionally those skill sets have not come together. Those things have been handled separately and the average person that says we know how to do branding, or the average organization, is really an ad agency or some group like that, where what they really do is marketing execution. They come up with creative ideas and they execute it in communication. This is a totally separate field. I see it being more important for service organizations. It becomes essential to their survival and thriving.

Banks have embraced this big time. Banks used to have these tight rules and regulations. If you were a teller, you didn’t have a lot of latitude in what you could do when you interacted with a customer, but that had the potential of turning off some of your best customers. Once banks discovered this, they start thinking about, what do we want to stand for? How do we want to treat our customers? What does this mean about how we have to train our employees and how we need to empower our employees and do they really need to know what the brand stands for? Do they need to know how they can and should behave and how they shouldn’t behave, but be given a lot more freedom to do so?

The service business is critical. Starbucks was designed around creating a certain customer experience and central to that were all the HR systems. Who you hired, how you trained them, how you motivated them. Job rotation. Starbucks approached it as a set of values and creating a certain customer experience and then created all the HR systems to make that happen. So did Saturn. It was the new car company. It was certainly a great new product that offered a pretty good value, but a lot of it had to do with the purchase process. People didn’t want to haggle on prices. They could have just told all their
dealers, don’t haggle on prices, but they systemically changed how they operated their business. To keep people from haggling on prices, we’re going to only give one person per market the franchise for all the Saturn dealerships in that market. That person wouldn’t want his individual dealerships haggling against one another to drive the prices down. So when somebody goes into one or another dealerships in the community, they’re only going to get that one price. That was an advantage for the dealers and the company and the customers because they knew what the price was. There was no haggling. But that’s a systemic design of the organization.

Q: What do you see as the three major challenges facing brands in the future?

A: One is consumer cynicism toward marketers. There’s always been this cynicism, but... the book No Logo by Naomi Klein. I don’t think this has emerged completely yet, but you also see things – in fact, I was reading U.S.A. Today now mainstream journalists are talking about how the Bush administration operates in terms of managing situations. They talked about one of the key strategies, to immediately take charge of the issue and spin it in their direction before the other side gets a chance to do that. I saw this early on that they’re using marketing brilliantly to manage things the way they want people to see them happen, but I think there’s more and more of a realization that this is, in fact, occurring, and it works well, but people can be manipulated. If that comes more to light, there’s certainly a number of data points of emerging backlash to marketing.

Your fourth question, what do you see as key trends? One of those trends is there’s a greater mainstream understanding of the concept of branding. That’s good and bad. The good part means branding’s applied in more places. Meaning non-profits are now understanding branding and applying it to what they do. Individuals now understand
branding and they apply it to what they do. In a way that’s good because I think branding principles can be useful. It can help all sorts of organizations, not just corporations. But here’s the bad news. Once everybody understands it, everybody becomes much more consumer savvy about it. They know that they’re being manipulated. They know how they’re being manipulated. They know how it works. 9/11 was a time for people to reflect and a lot of people said, family is more important and my friends are more important.

Branding can go a positive way, saying this can be an organizing principle for an organization. It can help an organization decide how it’s going to win in the marketplace, what it’s going to stand for, what it’s values are, what its key point differences are, how it can make a difference versus other organizations, what its reason for being is, and it can be a rallying cry. All that’s very positive because it’s really saying how can you align what an organization does with real human needs, which I think is marketing at its best. If it goes down that path, it’s a good thing, but I think on the flip side, as more consumers become more cynical about our over-commercial society and consumerism and the mallng of America…what’s the book out on McDonald’s? Fast Food Nation? And the backlash to Wal-Mart, how it comes into a neighborhood and kills all the local stores. Does it really create three hundred jobs or does it create three hundred jobs and eliminate three hundred jobs somewhere else that are more local jobs? The pushback against Nike for unfair labor practices, or hiring underage people and paying them less than minimum wage in third-world countries, not treating them well. One of the dangers is that this will all break out at some point. If the administration continues to do what it needs to do, which is operate in this manner and if political opponents and the press become more overt and open about what they’re doing in terms of using communication vehicles and
marketing and persuasion strategies, I think it could have that effect along with everything else. Along with Naomi Klein’s book, and just how people are thinking about their lives. The interesting thing is in every instance where I’ve seen people push back against commercialism and over-consumerism, they don’t use the word consumerism or commercialism, they use brand. Just like brand is used for the positive mantra for all the things it can do in an organization, it can also be used as the label over everything that’s bad about a capitalist society run amok, being driven by greed. That will have a catastrophic affect on the concept of branding; suddenly “brand” is a pejorative. If branding is convincing my daughter that she needs another something or other that’s way over-priced because it’s got some designer label on it and does she really need it and will it make her happier. The other interesting thing, I spent a lot of time at Hallmark doing a lot of deep research for our new product division and our new business division. When you do a lot of deep consumer research, which includes laddering, you realize that the reason people buy most everything comes down to preservation of self-esteem. In other words, I’m going to buy it because I can be sexier. Because I can show that I’m frugal, that I’m competent. It shows I’m a good mother. It shows people love me. When you really peel the onion back -- that’s what you do in laddering, you discover marketing really sells things by saying -- unless it’s tapping into real needs and it’s meeting real needs in real ways, but it can easily tap into underlying anxieties and fears about I am not a whole person. I am not worthy. There is no meaning in my life. I am not making a difference. Telling them, if you buy a Harley Davidson motorcycle, it’ll say, you’re one of those people that believe in freedom of the road. Or if you buy a Volvo, you really care about your kids because you are concerned about safety. Or you buy a Gucci bag because
it says, I have status now. I didn’t think I was anybody. I rose out of nothing, but now that I have this Gucci bag, everybody knows that I’m doing well for myself. To a large degree, marketing is playing off people’s fears about not being whole. What an amazing thing it would be if everyone all of a sudden woke up and realized, we’re all whole and we all have worth and all this stuff we’re being sold to make us feel better about ourselves, we don’t need any of it. Now, that’s an overly cynical view of things because clearly good marketing campaigns can be pretty wonderful and there are a lot of products that do improve people’s lives. It’s not like every brand manipulates you, but the question is how we use branding. The techniques are getting more sophisticated. People can be manipulated. I see it with my father all the time. You see somebody sending a message out there and you can ask him two weeks later, if he’s read the publication, he’ll parrot that message and you realize that the average person on the street can be affected to a large degree by marketing.

I have another one. That’s the increasing pressure on marketers to produce quantitative results. This has been going on for quite a while. This is the Holy Grail, but as times get tough and with NAFTA and free trade in general, there’s going to be more and more pressure certainly on manufacturers and most businesses to become more cost effective and to strip costs out of their systems. That’ll apply increasing pressure on marketing budgets. When I was at Hallmark, we had an advertising marketing budget of two hundred million dollars that was mostly for media buys and producing ads. A two hundred million dollar budget for stuff like that becomes pretty vulnerable. Can you imagine trying to justify to the management team that’s composed of a chief financial officer and a chief operating officer and budget financial people that yes, we need all two
hundred million of that and yes, this Hallmark Hall of Fame two-minute commercial is worth it. Part of the problem is the way marketing works. There are a number of ways you can show quantitative results. The problem is, there are so many marketing things that a good company will do, or a company that’s good at marketing will do that are synergistic and designed to build long-term brand equity, that are infinitely hard to quantify. When our two hundred million dollar budget was being impacted, we did contact some organizations that said they could quantify the impact of all of our marketing. We had huge meetings with our whole research division. Ultimately, they said, we’ve got this system that for two or four million dollars we could identify – you would have to tell us every time you changed the price point in any individual market, you would have to tell us every new product you came out with -- and Hallmark came out with tens of thousands of new products every six months because there are individual greeting cards and new lines of things and we’re always developing new products. You’d have to talk about the new products when they came out, what marketing was behind each new product, what trade marketing you’re doing. You’d have to quantify thousands and thousands of variables. The key question I asked was: what percent of the data will this explain and how much is still unexplainable. They said, after a lot of work and a lot of money, 30% of what you see in the marketplace will be predictable. 70% of it won’t be predictable? Everybody in the Hallmark team just looked at each other. Thank you for your time. We don’t need to meet again. But I do think it’ll be a problem. In some things I’ve read, they said, accountants are getting increasing pressure from the other side given that 50% - 90% of the value of a company or the value within a stock – what the stock price is, is attributable to non-tangible assets. Then this whole ridiculous thing of calling
marketing an expense and not really knowing what to call goodwill or where it comes from. The accounting systems are, to a large degree, bogus because they’re not reflecting. E-commerce companies, almost all of it had nothing to do with tangible assets. There’s more pressure on the accounting side to come up with a new model that figures out some of these intangibles. The problem is, they don’t do it in conjunction with marketers. I went to an engineering school as an undergraduate, and I’ve always been a right brain-left brain person. I’ve had the creative side and the analytical side. Most of the people I went to school with though were engineers and they had the analytical side and not the creative side. I learned this in the center for creative leadership -- they look at different groups of people in different professions and see how they rate in terms of their personalities and how they think about things. If you’re an accountant, you’re doing more kinds of analytical work and less creative work and you’re thinking more linearly and you’re thinking there’s a right answer to everything. You can reduce everything to a formula. Whereas, if you talk to a marketer or an artist, they’re going to say, there is no one right answer. There’s a hundred ways that you could define this and they’re much more divergent in their thinking. One of the problems is if there’s a huge amount of pressure on an accountant to come up with a solution, they will come up with a simplistic linear solution that marketers may say doesn’t at all capture all the things we’re doing, or how we’re making this work and they all of a sudden may have their hands tied where the only types of ads they can do are ads that have a call to action that show tangible results. Building a whole persona around the brand and creating that emotional connection will be lost because depending on the system that gets put in place, they may never be able to justify that kind of an ad again.
Q: Anything else you want to add?
A: Stock market pressure for short-term results versus long-term investment. Wall Street has always applied pressure. As we start going up against China, for instance, where their labor rates are so much less than ours and, their manufacturing is underwritten by their government. They can manufacture at a loss. There will be increasing pressure to reduce costs across the board, across every company. You're seeing that now. Stock prices are going up. Productivity is going up, but there are fewer and fewer jobs. There's less and less employment. Everybody's feeling good about the economy, but there are fewer people working, actually making money. My point is, the stock market will continue to apply increasing pressure for short-term results over long-term investment and ultimately a brand is all about long-term investment. It's about building that relationship over time. Getting people to trust you. Having that emotional connection. It could be that the stock market alone, the way our system works, will drive less investment in building the brand even if it can be shown that a brand is the major asset that a company owns. It's amazing to me. I'm giving a speech in a month or two; it's called “power brands and people on the bottom line.” The notion is the two most important assets any organization can own are its brand and its people. Which things are the first things to be cut when a company has to cut cost? We can cut our advertising campaign. We can cut our employee benefits. Do we really need this employee picnic? It seems like a waste of money. Kodak and Hallmark probably were primarily created as brands through advertising. It was brand building. Hallmark also had the Hall of Fame movies, but that was a form of advertising. When I looked for a job at Kodak after undergraduate school, they were going to hire me as a marketer, which turned out to be a
salesperson and they didn’t even know what marketing was. They thought marketing was sales. Clearly, in a lot of manufacturing companies a long time ago there was this department that knew advertising. If they were good and if their agency was good, they could build a brand through advertising alone and then they didn’t have to be very savvy at any of the rest of marketing and all they did is have a sales force. They manufactured and sold goods and they had this corporate advertising department that helped build the brand. Most of the more modern brands that are doing really well have been built under a different model. It was Compaq, Dell, Hagen-Daaaz, Wal-Mart, Ben & Jerry’s. There are a bunch of brands that have been built with no advertising. Maybe later on they added advertising when they could afford it. A lot of brands were built through publicity, through a concept of what the brand should stand for. Nowadays, advertising doesn’t have to be in the mix when a brand is first launched. Ultimately, it goes in the mix because it’s still one of the more powerful ways to build a brand, but nowadays brands are built more by an understanding of what the company stands for, what its values are. The strongest brands in the land, they actually do stand for something. Southwest Airlines, they know they’re a no-frills airline. Their CEO said, we know we’re doing everything no frills. The only way to keep customers when we do that is to make sure they’re having a good time throughout the process. We’re going to do everything in our power to make sure that they have a good time despite the fact that we’re a no-frills airline, which is one of the reasons why they won’t hire a person that doesn’t have a sense of humor. That works for small, upstart brands that become the big brands of tomorrow. What it doesn’t work well for at all are the large brands that have grown through acquisition. That have somebody at their head that was a CFO, that was a venture
capitalist that only understands numbers. Those brands actually could hurt a lot because…consider MCI, World Com. They grew through so many acquisitions. They were going to “merge” with Sprint, but they were really acquiring them. Sprint has a completely different culture than MCI World Com. When you’re combining all these different brands with all these different cultures, with all these different systems, then what can you say about yourself as a brand? You’re just a hodgepodge of all sorts of things and if you’re being run by a financial person, that person doesn’t care about branding anyway. Branding can work for the smaller, more entrepreneurial, more differentiated companies. Branding is probably struggling mightily in large organizations. It’s related to the fact that they don’t know what they stand for. They’re growing through acquisition.

Q: Do you think mature brands are doing a good job at redefining themselves?

A: Kodak was slow to get there. They have their own infrastructure, their own storage, their own trains, and they’ve got thousands of buildings over a mile to three-mile-wide swath to about a fourteen-mile-long system. You can’t walk away from that amount of infrastructure. You can’t say, tomorrow I’m going to shut all that down and I’m going to jump into digital technology because everybody you’ve hired in Rochester are chemists, or chemical engineers, and all the facilities you have are around chemistry-based photography. To their credit, they did it a little late, but they’re doing it now. It bodes well for them. They are redefining themselves. I don’t think they’ll be a Smith Corona. I think they’ll emerge stronger.

Q: Old, well-established brands, are they’re doing a good job at redefining their brands?
A: No. A lot of them are failing miserably.

Q: Talk about trends that you think will affect brands in the future.

A: One is greater mainstream understanding the concept of branding. Everybody, even churches are embracing branding. I was approached for an RFP by the state of Vermont. I’ve been approached by different universities, by a municipality. I’ve helped restaurants. The East End can brand itself versus another neighborhood. One of the big areas that I’m helping brand are professional associations. I worked in Kansas City for the Association of Public Works Professionals. The whole idea of the professional association brand is, why should someone join us and become a member of our organization. I did the branding work for the Nature Conservancy. Non-profits, environmental groups. The possibilities are endless. Think about rock bands, they’re really brands. Driving through the Adirondacks, every town is trying to brand itself. Each town has a nice sign. They’re trying to put little banners along the streets. Home of the High Peaks and another town says Snowmobiling Capital of the World. I think that is big.

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Q: Describe what you think branding is today.

A: Branding is used most regularly as a description of what companies do in terms of creating brand identity programs, defining what a brand means, visualization of the brand, but in my mind branding goes much deeper. Branding has to do with the essence of a brand. What is the core meaning of this brand? What do consumer constituencies feel about the brand? What is the reason for being for that brand? Then looking at ways to build the power and the vitality of the brand through every possible way: communication, product development, packaging, pre-emptive claims vis-à-vis competition. Depending on the category, it’s carving out unique territory for that brand where other brands can’t entrench upon it.

Q: How do you see branding changing in the future?

A: Brand marketing is a constant change. The minute you feel you’ve got it nailed is when it changes again. It’s a combination of factors. First of all, each year in every category, you have a new generation of consumers. I read the other day that young people have less respect for brands than other categories such as baby boomers. There is a constant volatility for many brands – even the ones that are most established and I would have never thought were experiencing this kind of reassessment and refocus. They need to look at their business with new eyes on a constant basis. There’s constant reassessment because consumers are more and more fickle. They are less and less patient. They are less and less set in their ways. Brands that meant one thing ten years ago, today either because
of necessity or desire, mean completely different things. Last night on 60 Minutes they had a whole piece on Abercrombie & Fitch, which when I was a kid meant the hunting world. It was a wasp-traditional, almost L.L. Bean attitude. Today, it’s closer to Victoria’s Secret, only it’s for men and women. It’s hip, it’s cool, it’s sexy, it’s almost too sexy because it’s for kids. It’s a completely different brand under the same name. Now that’s a fashion brand, but when you look at other brands that aren’t fashion the same thing is true. Reebok, which was a brand that focused on teenage girls or young women focused on aerobics. It was dying and the refocus of the brand for the inner city, for the hip-hop generation, even so much as changing the brand from Reebok to RBK and all the extensions in the communications. Today, there’s a whole different meaning to this brand and it has performed very well. Branding is just a heightened consciousness of the power of a brand and the need to focus it. The reason why it’s changing is because people aren’t getting their messages and their impact on brands through one channel. As important as network television is and will always be because of the ability to reach the most people for the least amount of money per person, now people get their signals in much different ways. The Internet has changed the game forever. The lines between entertainment and marketing are continually getting blurred. Marketers are challenged today to be much...it’s not as simple as doing a commercial, figuring how much you have to spend and waiting for the cash register to ring.

Q: How do you think the Internet’s going to play into all of this?

A: The Internet has created a one-to-one relationship between an individual sitting at home, with every brand and every individual in the world. Therefore, the individual is much more in control of how they spend their time, what information they want and the
way they interact with brands. The opportunity is to create a much deeper involvement with brands than before. The days of pure, subliminal motivation are certainly over because now there can be concrete involvement with brands. You can go online, you can order things directly, you can involve yourself in loyalty programs, you can get more information about brands than ever before, you can make your opinions heard through e-mail. There’s a whole assortment of ways, and nothing is hidden. If you’re unhappy with the packaging on Nyquil, you can e-mail the head of consumer relations of Procter & Gamble, and you can get a response. Companies are much more aware that the individual’s power over the course of companies and brands has been heightened based on the internet, on the ability to have an individual be in direct contact and have great access to what a brand means and truly what it delivers, not just promises. Conversely, it allows marketers to do overnight research surveys. It’s a tool that has unlimited potential for marketers and creates unlimited access for consumers. I remember back in my college days, a book I read was The Hidden Persuaders. Calling it outdated is an understatement. There are no hidden persuaders anymore except for people taking images from advertising and all sorts of communications that they then act on and they may not realize they’re acting on it, but today it’s not hidden. It’s out-front persuaders. It’s above-board persuaders. It’s in-your-face persuaders. The Internet has changed that in a very important way and actually in a very good way, because people can, once they are intrigued, become involved with a brand. There are ways to create depth to that involvement that were never there before.

Q: What do you see as the three major challenges facing brands in the future?
A: To maintain relevance. That's the number one challenge. To continually reward consumers with added value and increased performance. The days of having the brand image be the sole determining factor for purchase are over because there is an increased ability to gain knowledge about brands and to look under the tent whenever you want. In certain categories, where there are equal and cheaper alternatives. You have to continually challenge yourself to say that the consumer is no longer a passive, go-along purchaser. Every purchase is much more considered. Therefore, marketers and manufacturers need to recognize that they cannot just give the illusion of added value, they've got to deliver it, and continually deliver it, and continually up the ante because there's always going to be a cheaper alternative. There's much greater pressure on delivering a better experience and benefit and better performance for brands. The third is to give better and better value for the money. Wal-Mart has changed the game for brands forever. Not only are competitive retailers are forced to recognize this, but all branded manufacturers, and it's only going to get worse. The power of Wal-Mart is only going to increase the pressure to deliver great products at the lowest possible price. Marketers are going to have to find a way to deliver a price-value equation that is superior, and that doesn't mean "cheap". What it means is that the brand and what it delivers, both from an emotional point of view and in concrete terms, is going to have to always be superior if you expect to charge a premium price. If you look at what's happened in buying, the Internet, whether it's travel, hotel, vacation, or any product you can imagine, you can now buy it cheaper. It can be delivered to your door. It's easier. I'm buying my groceries online now and a lot of people in New York are, through something called FreshDirect. That's only going to increase. You can find outlet stores for any brand that you want, and
the shopping experience is no longer what it was in the beginning with piles of sweaters and odd sizes and seconds. The shopping experience at these outlet centers, the best of them, is as good as any retail situation. It's almost impossible for me to walk into a men's clothing store and buy something retail because I know that I can buy something as good or the identical thing at an outlet center on the way to my second home, and easy parking, courteous sales staff, great store environment for 50%, if not 75% less. My buying habits have been changed forever, and if mine have changed, then certainly the vast proportion of America, who are struggling with increased housing costs, with tough job demands, they've changed. You see a retailer like FAO Schwartz go out of business...more people came to look than buy. They should have charged admission. If they based it on selling products, they didn’t understand who was going in there. That you bring the kids in there for Saturday afternoons to see all these great toys that they can’t afford to buy and then go buy them at Toys-R-Us. Those kinds of retailers, either they change the financial structure of their business, or they’re going to go out. Relevance with every generation of consumer...They’re always changing. Performance -- what the brand does not just says and promises to deliver. And price. Those are my three things.

Q: What do you see as the key trends affecting brands?

A: First of all, you’re developing a one-color consumer. If you look at what’s happening with the population mix in the United States...The largest growth segments are both the over-fifty and Hispanics. The whole character of today’s consumers is changing and you’re seeing it. This is not something new. Marketers are recognizing this and their advertising, for the most part, reflects this. There are going to be certain brands
that win because they are able to target these segments more effectively and certain
brands that lose because they are still dealing with a white world.

Number two is women. The power of women over the purchases in every
category has become extraordinarily important over the last fifteen years. They are
becoming much more of an economic force, much more of a directive force in key
purchases. They are becoming much more central to marketers’ focus in every category,
not just the ones that were traditionally focused on women. For example, I just bought a
car for the first time in ten years. (I had always used a company lease.) I didn’t go to the
dealer. I didn’t do the test drive. I didn’t know the size of the engine. I didn’t even pick
the color. My wife did everything, and it’s not because I didn’t care. It’s because she’s
more knowledgeable. I knew what she was getting, but she test-drove several models.
When we walked into dealers, she was the one that was asking the questions. She was the
more knowledgeable consumer and I don’t think that that’s unusual. Twenty years ago,
that wouldn’t have been the same. I would have done everything. It’s the changing nature
of relationships. The roles are changing. The expectation for women is changing. The
demands that they’re making to have equal status are changing, as they should, and
marketers have to recognize that. I think Target is one of the top branding success stories
in the last twenty-five years because they’ve taken what was a commodity product and
brand and created it as a unique experience destination and added value to it.

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Q: Describe what you think branding is today.

A: Strong brands still have power, although, they are more fragile because consumers are more educated and have more control. Brands are still the best place to be. Brand equals recognition. A brand is a problem solver for the customer with a strong price/value relationship.

Q: What do you see changing.

A: More and more brands are going to need to understand the price/value relationship with their target audience. Example: Target’s new designer, who is making designer clothes for the masses. Brilliant concept because Target is a mass discount retailer that understands the style needs of their consumer. Brands, more than ever, must make a relevant and contemporary connection with their consumer. Re-vitalizing brands is essential. Branding of products is becoming more tactical than ever. Why? Because brands must clearly identify their competitive set and understand how to maximize their efforts in the marketplace. This could mean doing things that in the past were taboo, like partnering with store brands.

Q: What are 3 challenges?

A: 1) Brands must keep pace or go beyond consumer trends. Two examples: lo-carb food alternatives keeping pace with consumer trends. Go-gurt exceeds consumer trends. Dannon, the leader in yogurt, understands that “soccer moms” were spending more time in their cars carting around their kids and were looking at healthier meal choices. 2)
Brands must understand who their traditional competitors are and who their new competitors are. Only with this understanding can you truly win in the marketplace. 3) Brands must be intellectually flexible to be consumer relevant. With growing consumer knowledge, the declining economy and more choices, brands more than ever, must understand the price/value relationship with the consumer (price dexterity).

Q: What trends do you see?

A: More consumer control. Strength of store brands. Expectation of high customer service – “when I want it and how I want it.” More delivery vehicles. More research is needed to continue to monitor brand relevance and equity. Only the CEO has all the pieces to the puzzle. They must be intimately involved in the brand.

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Q: Describe what you think branding is today.

A: First, the word that best describes branding today is confused. The vast majority of professionals in the business -- corporate executives, CEOs, board members of major corporations -- do not have a clue what branding is about. Secondly, branding should not have an i-n-g. It should be a strategy, not a verb. Roy Disney said branding is for cows. He’s the nephew of Walt Disney and he’s in a fierce proxy battle with Michael Eisner. At my last speech last week, somebody said, you’ve talked about the importance of brands. If he says branding is for cows...I said that’s great and everybody took a big breath thinking, this is the end of the commentary, but I said no, it’s actually the beginning. You’re absolutely right. Branding is for cows. Creating a strategy to become a distinctive brand is what successful companies do and there are very few of them.

Q: Can you give me examples of what companies or what brands you think have created a distinctive strategy to create a strong brand?

A: I’ll go further to say they have created a distinctive perception in the consumer’s mind and that it’s earned. I’ll give you examples of the good, the bad and the ugly. The good is Lexus. The good is Hampton Inns. In and Out Hamburgers in California and Nevada. The bad is AOL Time Warner. And almost every company that you read about in the news...it’s interesting to me that their customer satisfaction problems preceded the companys’ problems. Take a look at Quest. Their problems began with their customers being totally dissatisfied, not with somebody jerking the books around. In our society,
people say, everybody's out jerking the books around, but they're changing the numbers because the customers are not happy. They can't get the sales they need, so they have to play a numbers game. I've tried to write articles for The Wall Street Journal's opinion column that make this point that boards of directors should know by virtue of their customer satisfaction data on a monthly and quarterly basis, but none do it. You'll be hard challenged to find any board of director member of any company that knows what the customer satisfaction data is relative to last month, relative to last year and relative to their competitors, but they certainly know the sales data, and so if sales are up then things must be okay. If you don’t know what the customer is thinking, sales might be up but they might not be true.

Q: Do you think there’s some validity in saying that the customer really is the brand?
A: No. The definition of a brand is the experience. It’s not the customer. It’s emotional. In order to be a brand you have to be distinctive, but in today's world a brand must be about a certain perceived experience. At the end of the day, it's about how people feel about your brand, not just the people themselves. Do I like your products? Do you have good value? Do you serve me? Perceived value is determined by the combination of three fundamentals. One, how much time is involved? Two, how much money I have to spend. And three, how I’m going to feel. The combination of those three determines perceived value, not price. Any company that competes on price, like a typical grocery store, is saying, we don’t know how to make you feel better, and we don’t know how it make it faster, therefore, our express line will always be twice as long as any other lines, and time is the most important determinant next to feelings. Price really is a distant third. When people treat their products or services as commodities, consumers
view them as commodities; therefore, price is the only thing that makes a difference.

Procter & Gamble was number one on the list of top U.S. advertisers in 2003. Number two is General Motors. Number three is Time Warner. Number four is Daimler Chrysler. Then Ford Motor, Walt Disney, Johnson & Johnson, Verizon, SONY and Toyota. The brands that are most threatened to become a commodity, or are perceived as commodities, are the ones that have to advertise the most. If General Motors is the largest advertiser, they’re not the largest seller of cars. Toyota is spending a third of what GM is and the reason why is Toyota has a better brand promise. Your top five are General Motors, Procter & Gamble, Time Warner, Daimler Chrysler, and Ford. Would you consider them to be genuine, distinctive brands? Absolutely not. They’re commodity players. So it proves the point that the biggest companies in our country do not get it. They don’t get brands. They think brand is about a logo or an advertising slogan, a tag line.

Q: How do you see branding changing in the future?

A: Leaders are going to become more interested in their promise and what they stand for. Followers will continue to play the branding game just like these top five advertisers and believe that they’re required to spend this kind of money on advertising. I don’t see a big change in the intelligence factor because we live in a country that has such a tremendous economic engine that it allows people who do a poor job and still be in business. Take a company like AOL – customers hate them, but they’re one of the ways to get online, therefore, people have to do business with them. Name any industry that’s regulated -- there’s no service, no commitment. The federal government provides licenses
without requiring quality service. I don’t see that changing that much. I don’t see the experience improving.

Q: You said leaders will become more interested in their promise, the real value. Does that have anything to do with what’s happening in the business world, the lack of ethics? Do you think it’s a societal trend?
A: I don’t think it’s a societal issue. People are unhappy. They clamor for something, but I don’t think it’s a character change. In our society today, we value aberrant behavior.

Q: Companies that do branding well will focus on the satisfaction of their customer.
A: Absolutely. And on the distinctive experience that they want them to have.

They’ll have an enormous competitive advantage, like what Toyota’s done to General Motors or what Lexus did to Mercedes. Mercedes still has not recovered. They’ve been forced to do all sorts of marketing things like come up with new models and vary the product lines simply because Lexus has a better promise. Mercedes’ quality ratings are terrible. It doesn’t mean you don’t sell the cars, because the perceived value in the hood ornament is still high. People will buy the car even though it’s going to have more defects than a Chevrolet, and they’ll pay a lot of money for it because the perceived value of how they’re going to feel about driving that car will make them put up with it. But sooner or later there’s going to be a huge problem. That allows somebody like Lexus to come in and do what they’ve done, which is basically have their way with the luxury auto segment, but not on price. They’ve always been the best value. It’s like Tiffany. Last year the luxury goods market was down about thirty-four percent. Tiffany had double digit sales, continues that double digit sales. At my speeches, I go up to a person in the audience that shows a little bit of excitement when I talk about Tiffany and I give them a
choice of a $100 gift certificate from Tiffany or a $100 bill and they always choose the gift certificate. Why? Because the perceived value of $100 from Tiffany is over $200. The perceived value of $100 is unfortunately $100. Here are brands that are promising exceptional value. If you ask people what’s the first word that comes to mind about them, they’ll say expensive. But if you probe them, they’ll say it’s worth it. The future is about distinguishing yourself. The future is about making your customer feel like one of a kind and I don’t mean by CRM marketing. I’m talking about the experience they have in the everyday use of your product or service. I’m waiting to meet the first CEO of a major company…When I go out on the golf course with these folks anywhere the world, I ask them what they do. They say, I’m President of XYZ. We’re the biggest. We have the most locations. I’m waiting for one CEO to say, I run this company and I’m proudest of the fact that we have the happiest customers in the world. Every company that I’ve been associated with, my number one goal was to make our customers feel better than anyone else’s. We certainly had goals for profit and sales, but without satisfaction as your primary goal, you’ll never be a great brand. It’s the only thing worthwhile doing because that’s the idea of one human to another -- you’re supposed to make people feel good. My favorite example is FreeCreditReports.com. They advertise on cable. You go there and say, I’d like to get my free credit report and they say, give us your MasterCard number. We’ll charge you $69 and then we’ll give you your free credit report. Now if you want your money back in the next thirty days, call us and we’ll give it back. Try calling, try e-mailing, see what the response is like. It’s not free. If you go into the grocery store and the person says, here’s a free sample, then says, let me run your card first then you can have a sample. Would that seem right to anybody? Nobody would let you do that. It’s
unbelievable that a company would even advertise free credit reports when they’re not free. But that is how most e-commerce companies are. They still don’t have a clue that you’re supposed to make it faster. You’re supposed to make it better. You’re supposed to answer your e-mails within the same hour. There’s a typo on my book page on Amazon. We’ve sent them fifteen e-mails. You can’t call the company because they don’t take calls. They won’t respond to you because it’s not important to them.

Q: What are the three major challenges facing brands?

A: For genuine brands, which we describe as obsessed with what their customers feel about them and are delivering distinctive, functional, emotional benefits, the number one challenge is to look at perceived value and say that the goal of the combination to have the best perceived value is being met. That means time, how I feel, and how much I pay. The combination of those being so superior that you don’t have competition. Take FedEx. For the most part, FedEx is perceived value. Even though they’re the highest price, their perceived value is so superior to anybody else’s that they have the market basically to themselves. They do make mistakes, but when you call them, you get great service. Last week, their new delivery person made a mistake on delivering something to me. I called their 800-number at 4:00 on a Saturday afternoon. They get on the horn with the local manager, and they tell me that that truck will be turning around and will be delivering my package before 6:00. Try that with UPS or some of the other people. Time Warner cable, you can never get a hold of anybody in the truck anywhere. There’s no way to communicate, or else they just don’t want you to. But with FedEx, you can actually get to the person in the truck in order to save or make a good customer, therefore, they have increased my satisfaction even though they made a mistake. The
number one challenge is to focus on perceived values, and the number one road to better-perceived value is time. Everybody wants it faster. That’s just a given in today’s world. But look how many people don’t do it.

The second major challenge facing genuine brands is that they hire people who really care and they train them to know how to care about the customer’s best interest. It’s one thing to understand value, it’s another thing to only hire people that really care about other people. It’s not that hard to do. Go to any In and Out Hamburger and you will have an experience that’s so much better than McDonald’s that even though you’ll wait twelve minutes for a burger instead of three, you’ll become an apostle for them. They only hire people that are happy and love serving other people. It’s a whole different attitude. When we do branding work for a company, we assess where you’re at. Developing a promise. The visuals are certainly part of that, but what I want you to do is develop a program to train people to deliver your promise. That’s what we do that, I think, no one else does. If you want to make life better for people, and you don’t hire the right people, then it doesn’t matter what your promise is. There are hundreds of companies that do it very well, thousands that don’t.

The third major challenge is to be there for your customer when they have a problem, when they need you. I recently bought an outside controller for my sprinkler system. There’s a phone number to call if you need help. At 3:30 on Saturday afternoon, I called and I got somebody who was undoubtedly the friendliest person I had ever met. I would have driven to their offices to take her flowers. She walked me through the installation and it was just an unbelievable experience. When your customer needs you, that’s when you need to be there. At most retail stores today, the manager and assistant
managers have the weekends off. Those are the biggest sales days. They should be taking off Monday and Tuesday. They’re not focused on being there when the biggest problems and challenges occur.

Q: What trends are occurring that will affect brands?

A: I think that it’s the continuation of a trend already underway. The genuine brand’s best bet is word of mouth. Look at Starbucks or Tiffany or Krispy Kreme or Cinnabon. None of them has ever had an ad campaign. I’m not saying you shouldn’t advertise, but you shouldn’t advertise what’s not important. You should advertise the experience. One of the best ads ever is “plop, plop, fizz, fizz, oh what a relief it is.” There’s an experience when you take Alka Seltzer. You know something’s going to happen. You’re going to feel better. Advertising should be about the experience, not about the logo or the sale. Starbucks was better known when they had two hundred stores than most companies that have a thousand stores. It was because their promise was so good, the experience was so good, that people wanted to talk about it. There was an article in the Harvard Business Review around that theme -- what people say at cocktail parties. We live in a society with so many communications tools now. The things that occur naturally and people love to talk about because they have a good promise is a trend that I see continuing. When you pull this on an industry or your competitors, they have no idea how to respond. Usually what happens is they ramp up their advertising and then they spend more money which decreases their margins, so you’ve got them on a double sword. They don’t have a promise and they’ve spent more money. The perfect example is the typical merger in our country. Do you think anybody that banks with Bank of America is going to think that after the Fleet Bank of America merger they’re going to get better service? No. I have not
met one person -- and I’ve asked this question of about thirty-five thousand people at my presentations -- that said it was going to be better. If that’s the backdrop, isn’t it interesting that no one is proposing better service? The goal of this is to make money. It’s not to serve people better. Just trying to buy a geography. Rite Aid did it. They bought Thrifty on the west coast, changed their name, changed the whole concept, changed everything and promptly went Chapter 11. The stated goal of the chairman was having national distribution, having a national advertising program. Wouldn’t it be interesting if somebody said, I want our customers to be the happiest and here’s the five things we’re going to do to make them happier? Wouldn’t it be nice if your bank said, we’re merging with Bank of America and for the next six months we’re going to give you a twenty-five basis point reduction in your loan cost because it’s a celebration of our merger. Or something else that would be good for you? But instead it turns out to be a negative. Now how much money are they going to spend in advertising? Millions. I say get the right promise, then advertise, and then you’ll have a winner.

Q: You keep talking about brand strategy and how often companies will do brand advertising before they know what their brand strategy/promise is.

A: The secret is just ask anybody what your promise is. If they’re going to change the promise, they should run an ad campaign that says we’ve changed our promise. At least be truthful. Those companies that don’t spend time on their brand promise try to hand it over to an advertising agency to come up with something that’s not authentic and then it just perpetuates itself. When a company comes to us, I start inquiring right away, what’s your promise, or what should your promise be, or what could it be? I don’t have anything to talk to you about unless I understand that you understand about your
commitment or promise, or even have a clue that that’s what’s important. They’ll say they’re looking for a new logo. And I’ll say, what’s the new logo going to promise? They’ll say, that has nothing to do with it. We just want it to look nice. So the question I want to ask every single businessperson is, what’s your promise? Then dig deeper. If I was in your business, I’d say to people, when you can tell me you’re going to deliver an exceptional experience and you have a promise that tells everybody what they’re supposed to do, we want to do your advertising because we know you’re going to be successful.

Q: Anything you’d like to add that’s important to the future of branding?

A: This is a societal issue, not necessarily a commercial issue. I would like to see somebody says to stars and celebrities and football players and baseball players that whether it’s the NBA, the PGA, the LPGA or any professional group, that they have all of their people go through a training program for character and behavior. They have an unbelievable ability to decide what is acceptable and unacceptable in society and they therefore have a responsibility to a code of ethics and behavior and those that don’t apply them need to get out. Just like you’d expect from doctors or accountants. Why shouldn’t all these people consider themselves professionals when they talk on TV? Professional means you’re going to have character and you’re going to be cognizant of your responsibilities to society, to be this kind of person because at the end of the day you cannot be a professional and just have a skill set. You have to have character, and then, along with your skills, you get the right to be somebody. I’m not taking any issues with their behavior. It’s about their inability to understand that perception is what matters, not what they’ve done. I think there could be a powerful message. Maybe the Ad Council
ought to run ads on this, that people who are in the public eye have a responsibility. It’s just not part of the deal today.

Q: You think genuine brands have an immense responsibility overall?
A: Yes. I think they have an immense responsibility and the reason for accepting that responsibility is that there is an enormous payoff. All the companies I’ve worked for, we’ve had a promise and our promise was we’re going to make people’s lives better. It doesn’t mean that the products necessarily are going to make you skinnier, like Cinnabon, but I’ll tell you, when you eat one you’re going to know it’s fresh and it’s going to be wonderful and you’re not going to have a bad experience. When you want to be bad, we’re going to make it good. When you want to indulge, you want it to be fresh baked and something you can really appreciate.

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Q: Describe what you think branding is today.

A: A brand is the sum of all identity that a consumer or consumers affix to a name and/or a logo and the products that are then sold under that name or logo. There’s an important piece that is not just physical features or characteristics, but is also the emotional attachment that you have for brands, sometimes the memories you have around brands. Those all play an important role and help very much to define what a brand is and the importance it has to someone. I think it also has a lot to do with the experience that we have and the satisfaction that we have around a product or service that we use. It’s the culmination of all those things. Some measurable, some perceived, some emotional, some experiential, that really give us a clear definition of a brand.

Q: How important do you think the rational benefits are, the quality of the product and the real features and benefits? How would you weight the experiential part of a brand?

A: It depends a lot on the product. I’ll give you a couple of examples of how they’re different. With coffee, a product I used to work on, there are certain things that coffee does physiologically. If you use a regular coffee, it has caffeine in it, so it’s a stimulant. People feel warmth when they’re holding cups of coffee, and it has an aroma which evokes physiological sensations. But often coffee is the positive experiences that you have, or the images that you have. Coffee brands can carry a much higher degree of emotional weight in the branding piece even though there is a very strong physiological
aspect as well. Physiologically, coffee brands aren’t very different. Another brand, Ariel. It’s a European and Latin American brand. It’s Tide, if you will, outside the U.S. In most of the places it’s marketed, there are no phosphate controls. It is the best-cleaning brand of detergents that Procter & Gamble has. The demos that they use in their advertising are incredibly compelling, so consumers expect and find that it just does a better job of cleaning your clothes than anything else. It’s very functional. That doesn’t mean that there’s no emotion with it, but the advertising around that brand is very functional. I would contrast that with something like Cheer where for a long time the advertising was – it was a man doing a demo, but it was almost more comedy than anything else. It was entertaining. It’s not that there isn’t a functional benefit to Cheer. There is, but the persona of the brand played a much more important role, even though it’s in the same category as Ariel. There are other ones that are virtually 100% functional. Master Lock. The fact that you can shoot a rifle through the lock is visually memorable. There’s not much emotion around it, but it does re-enforce the functional benefit incredibly well. There is a range that depending on A, category and B, brand within that category how much each of those various parts play a role.

Q: How do you see branding changing in the future?

A: There are always people that talk about differences in brands, but fundamentally, I don’t see it being defined differently from my definition of brand. I do think there are a lot of differences in how we have to approach branding and products. For example, back when I started in the business, the discussion we had was really around how much TV and how much of a secondary media like print or radio you wanted to run. Within that you talked about whether you were going to run one-minute or forty-five second copy
lengths. Today, it’s a choice between thirty or fifteen to twenty. That has an important impact because it is difficult to keep the same kind of emotional attachment from advertising when you don’t have as much time to deliver a message. You’ve got to be much more selective about what you’re going to deliver. You’ve got a lot more brands in every pot of media competing for space. Therefore, it’s more difficult to drive a message through. All these things tend to make advertisers and marketers and people that are responsible for branding have to make choices about, am I going to focus more on functionality or am I going to focus more on emotion? In a fifteen-second commercial, you don’t have time to do both. If I take Kodak as an example and I go back and look at reels from the ‘50s, Kodak used to run two minutes of four minutes clock. Every week on Ed Sullivan, a spokesperson that was part of the Ed Sullivan Show spent two or three minutes talking about Kodak. In today’s world that would be impossible. You couldn’t buy that much time. All those things affect the depth of sale that we can get into a brand and they force us to make choices, and force us to find new ways to make a brand satisfying. But once brands are established, they last for a long time. The fortunate thing is that we can live off something that’s healthy and strong for a long time. Decades, and sometimes, even generations, but there is an erosion over time as the world and the ways we communicate with our consumers change.

Q: Do you think brands are more challenged now to maintain their relevancy? Even though they last over time, do you think they’re more challenged because of more competition in the marketplace? Take Kodak, for example. It stands for memories, but do we have to redefine that in the consumer’s mind?
A: Your statement would be true in some industries, but part of that is any time you have a technology shift, a brand always has to change a little bit with the times. An example is the beer industry. For a long time, they never had to worry about a light beer. Then light beers started to become an acceptable part of the market. A lot of brands had to change the whole way that they were perceived, decide even if they wanted to be perceived that way. It forced a lot of shifts, some that were positive and some that weren't. For example, when Miller Light was introduced, as the first serious effort into light beers, they spent so much effort doing that, that they probably killed Miller High Life, which was their big business. All of us have to deal with technology at one point in our lifecycle, sometimes many points, and a brand's ability to navigate through that and withstand is absolutely critical, but that's been true for years.

Q: That's what strong brands do.

A: Yes. From a relevance standpoint, the key is that you have got to change with changes in demographics, changes in lifestyle, changes in technology. That's what will drive your continued relevance.

Q: What do you see as the three major challenges facing brands in the future?

A: Number one, from a media standpoint, you have got to be able to be flexible and find new and different ways, both in traditional media and non-traditional media, to be able to communicate your message. That is more and more difficult to do because TV viewing is more fragmented with cable and other forces like TiVo. The ability to zap, the ability to go channel surfing. All those things make it much more difficult. And less TV viewing among a lot of consumers. Now you have to find ways to appeal to those lifestyle changes. Another one is the use of computers. How much more information we
can get by computer today than we used to get, and how much faster we process that for use. It changes how we spend our time. It might be that you used to look at the news, at TV, and you would take it in a half-hour chunk as they prepared it and you’d hear what they want they decided to tell you. Today, there are so many sources for news that you don’t have to do that anymore. You can go find out what you want and only what you want and at the pace you want. A lot of the ways that we would communicate with the consumer and our ability to have a captive audience are changing and the marketplace really has to think seriously at all times about how to get that message across in the most effective way to reach their target. A good Kodak example is when we wanted to reach consumers of film five years ago, TV was a pretty effective way because about everybody used film. Today, you’ve got twenty-five percent of the population that has digital cameras in the home and some of the products that we sell are only really usable if you have a digital camera. The best way to reach those consumers may not be TV. You need something a lot more targeted. You’ve got to think those things through as you’re creating your strategies.

The second one: I believe you’ve got to make more choices between function and emotion because you just don’t have as much time to communicate your push messages. You’ve got to rely more on experiential things and the functionality of the product, etc., to carry what your message is. When you have to make those choices, then the depth and richness of the brand is at risk.

The third one is continuity. This is one place where some companies have done really well and others have really done a poor job. People today tend to move more from Company A to Company B and technologies change and relevancies change and
consumers have to adapt to those. There is something very powerful about some elements of continuity in the branding message to consumers. McDonald’s, after years and years, still stands for quality and consistency in its burgers and fries. It does it partly because it never strays too far from a few core principles: food, folks and fun. It provides a product that is targeted today almost exactly the same as it was targeted years ago. They found relevancy shift by having low-cal salads and they bring things in and off of the menu from time to time. They dealt with continuity very well. There are other businesses that I’ve seen that every time they get a new brand manager or a new senior marketing officer, they decide they need to prove themselves, redefine the image of the brand and how it’s marketed, and they jerk the image around so much that they totally destroy the equity that they have. I see that happening more today than ten years ago.

Q: They’re moving from job to job and before people would stay in their jobs ten, fifteen, twenty years.

A: My first company, I was with fourteen years. My next four, I’ve been with cumulatively twelve. There are probably other factors that make that. Another factor for sure is that people are less patient. It used to be, you had to have a couple of bad years before things were at risk. Now you have a bad quarter and things are at risk and people get more anxious to change more aggressively.

Q: What are the key trends affecting branding?

A: The financial aggressiveness that corporate America is being forced to deal with right now, we’re seeing continually declining advertising spending from a lot of corporations. Not necessarily from a dollar standpoint. They may spend as much from a dollar standpoint, but from a delivery standpoint they’re spending less and less. With
media inflation rates, even with constant spending over the last ten years, it would not be surprising to see a 50% decline in the number of GRPs that you deliver. Couple that with a mentality of, you can’t miss a quarter, which is a lot more common in corporations today than it was a few years ago, that pressure puts a lot of squeeze on advertising.

Q: So brands are going to have more and more pressure to show return on investment with any marketing spending that they do?

A: Absolutely. There’s no question that rate of return on investments from an advertising dollar to the end point is a key challenge that many people in the industry face. I get invited to two or three major conferences a year on that topic.

Q: And if we don’t spend it, what happens?

A: When you set up a plan in a year and then you have to decide, where am I going to make cuts if you start to find yourself off plans, one of the few places that tend to have some “fudgability” is your advertising or your total marketing. The problem is, once you get on the wrong side of that equation, it’s difficult to build it back because people are expecting earnings growth the next year. Unless you’re getting a lot of revenue growth, it’s difficult to build that back in.

A second key trend is the more diverse range of media. Ability to zap, ability to channel surf, proliferation of magazines. It used to be that the circulation of the Seven Sisters would hit an incredibly broad percentage of American women and that’s not true anymore. Now you have to go to fifteen or twenty to get the same kind of coverage and then with more ads per magazine. In many, if not most cases, your spend to reach a saturation or a threshold of frequency, it’s a higher level. That makes it more complex. Differences in media, differences in marketing pressure from a P&L perspective.
The last one is a difference in time that consumers are willing to engage with your brand. I watch my kids, they’re all under ten, in the way that they take in data. My four-year-old goes through eight computer screens in twenty seconds. They absorb things so fast. You watch VH1 or MTV, and the speed with which they can take in information from videos is incredible. It’s taught them to take information much more quickly and put it behind them. There are some advantages to that, great opportunities to learn, to absorb, but I think what hurts is the depth and richness of presentation in a sale and that to me is a lot of what gives brands their importance.

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Q: Describe what you think branding is today.

A: In most categories, the overwhelming majority of products and services are at parity. Brand is the only differentiating element. When brands are undifferentiated, price and promotion are the key drivers of brand choice. Brand equity is becoming much more fragile. A consistent brand experience is becoming much tougher to deliver. Brand differences are becoming muddier. Within most categories today, there are brand sets. The differentiation is more between subsets of brands than the brands themselves (Exxon and Shell, Duncan Hines and Betty Crocker). The differentiators within the subset become price and promotion.

Q: What do you see changing?

A: The pace of change is accelerating. Many of today’s most important brands didn’t exist 15 or 20 years ago. Brand equity is becoming more transitory. The net has radically altered the way people access information and the way people buy things both on and off the web. It has made word of mouth a much more powerful influence on brand perceptions. Net word of mouth can create brands virtually overnight. For instance, the Blair Witch Project movie brand became a runaway box office success through cleverly orchestrated net word of mouth. Communications media continues to fragment. Market segments continue to shift and redefine themselves. Traditional broadcast media is generally less effective. Great retail brands have been built (Starbucks, Wegmans) where the store itself is the main communications medium and mass communications a
Peripheral variable. Some brands, particularly fashion brands, have been built primarily by word of mouth. As more new brands come on stream, consistent messaging and consumer experiences across a range of media including shopping and usage are becoming more of a challenge.

Q: What are 3 challenges?

A: Maintaining consumer relevance in a rapidly changing environment is probably the major challenge. Technology, delivery channels, lifestyles and attitudes, fashions, competitive environments are in an accelerated state of flux. Competitive environments can change overnight. New technologies can create new brands virtually overnight and make obsolete those competitors that can’t quickly adapt. Maintaining a consistent brand experience in the face of intensified cost and profit pressures is the second big challenge. The product must deliver on the brand promise. Service, technical support, all the variables that go into maintaining an on-going dialogue with customers in a way that reinforces the brand are big challenges. Identifying fresh ways to get through to your best customers and prospects is the third big challenge. People are over-saturated with advertising and promotion. Very little mass communication is remembered and acted upon. Whether it’s events, inventive public relations, word of mouth, product innovation...brands need to do new things in new ways to continue to get through.

Q: What trends do you see?

A: The world is shrinking. Brands are increasingly global. Information is instantaneous and overwhelming. Corporate and product brands in many categories have deteriorating credibility. The lines between paid and unpaid media are blurring. Smart marketers are turning brands into relevant, and sometimes essential, lifestyle elements.
Technical change is rapid and ubiquitous. Tomorrow's technology can instantaneously make today's brands obsolete. Profit pressures continue to intensify. For instance, I think Wal-Mart represents upwards of 20% of retail sales in certain categories. Think of the kind of pressure that puts on brands in those categories to reduce costs. Service and technical support are deteriorating in many categories. The shift offshore is accelerating this trend.

###
Q: Define brand.

A: There’s what a brand is, and then how it is manifested today. What a brand is very simple. It’s the emotional connection that a brand name has with its target audience. It must have some kind of an emotional connection because the rational connections and the rational attributes are too easy to duplicate today. The emotion is the one thing that cannot be duplicated. It can only be occupied by one brand at a time. It’s manifested in everything from the logotype, to packaging, to advertising, to the way the sales force represents the brand, to the way it looks on the shelf, to if it’s a retail brand, to the way the stores look, to its public relations strategy, its sports marketing or sponsorship strategies, to even its giving strategy and community support. All of those things aid the emotional connections that the brand has to its consumer audience.

Q: How do you see branding changing in the future?

A: Well, I think the basic definition of a brand is not going to change. The elements by which branding is reinforced are changing dramatically already, and it’s just been a continual trend of fragmentation. Brand management people used to be able to rely on television almost solely to convey and evoke the emotional connection to the brand. The traditional thirty-second commercial as the vehicle will become a more elusive communications unit because people are going to be in charge of their own programming. What you’re going to have is branding by insinuation. You’re going to see brands insinuate themselves into entertainment, in sports and information programming, whether
it's on television or radio or on the internet. Queer Eye for the Straight Guy is a perfect example of how brand names are popping up there in a very natural way, but they're getting an endorsement of an authority on the industry. You're going to see more and more like that. We don't know what the future is going to be. Nobody would have thought years ago that national public radio would have the amount of branding messages that they do today. The viability of these programming vehicles is going to be dependent on getting these brands by insinuation as the traditional advertising units decrease. You're also going to see new public relations or publicity techniques that we don't know about today. You're going to see new advertising media. This portends extremely well for guerrilla marketing and grassroots efforts where a brand is insinuated into the lifestyle, like New York City's deal with Snapple, which is going to be the only beverage available in the New York City school system. Those kids won't know that Snapple made a deal with New York City. They're just going to know that Snapple's a part of their school.

Q: What do you see as three major changes facing branding?

A: The change of the television medium, not only in fragmentation but technology allowing the viewer to become the programmer, is absolutely challenge number one. Over the next five years, as the TiVo-type technologies and technologies we don't know yet about take root and become more mass and people decide they don't want to see commercials. Those people who sell brands are going to have to be more open to non-conventional ways of promoting their brand. They're going to have to make major shifts as the climate shifts. When they do traditional advertising, they're going to have to be open to putting far more entertainment value into those vehicles because they're going to
be competing with the programming and people can opt out of any aspect of either the programming or the advertising now. Holding people’s attention is going to be more important as time goes on. The third challenge is more brands insinuate themselves into the everyday culture -- there’s going to be a risk of backlash. The pace and the way it’s served up -- avoiding an over-commercialization feeling is going to be the responsibility of marketers and their partners, because at a certain point, if for example Central Park all of a sudden became Pepsi Park, you’d see a lot of New Yorkers become very upset. There’s got to be tremendous restraint and good taste which today is not a talent that’s cultivated by brand managers. It’s not necessary.

Q: They’re going to have to expose themselves to nontraditional mediums and it’s going to be uncomfortable for a while because a lot of these mediums are going to be untested.

A: That’s exactly right. Brand management people are not risk takers by definition. They’re mostly marketing chickens. They don’t want to go into new territory, but you’re going to have a whole generation of brand managers -- probably starting with the kids that are graduating college in the next couple of years and getting their MBAs -- who are going to have to be much more open to reserving parts of their budget for what is considered nontraditional media, media we don’t even know about today, and that just goes against the grain of those folks who have been brought up in the business. You see very senior-level people, like CMOs, who are willing to take somewhat of a chance by sinking a lot of money into the Olympics for the first time and that kind of thing, but you hardly ever see it at the brand management level. The other challenge faced by this new era of branding is metrics. How is this going to be measured?
Q: Does it have a return on investment?
A: Right. The internet bubble burst and the stock market burst have once and for all convinced every corporate head that return on investments has got to be the mantra. That doing things in the most efficient way and proving their efficacy is going to be the way business is handled in the future. This flies in the face of innovative techniques to insinuate your brand into the culture. All those tried-and-true methods and metrics like television advertising with the ratings, direct marketing advertising, and telemarketing are in overload now. All these metrics-driven types of vehicles are the ones that are coming out of fashion now. How you develop metrics and really look at your marketing mix model and figure out which pieces are contributing? That’s going to be the big challenge.

What is the value of having Banana Republic pants mentioned in Queer Eye for the Straight Guy? You know it’s good, but you don’t know how good.

Q: What do you see as key trends affecting brands?
A: Trend number one is that the consumer is now more in charge of when and how they’re going to receive branding messages than ever before and it’s going to get more intense. Trend number two is brands are already starting to find new ways to insinuate themselves into the lives and culture of their consumers. How do we do this in a way that brands won’t be rejected by the consumer? The third issue is creativity. It’s going to take far more creativity on the behalf of marketers and more openness to experimentation than ever before. The last trend is the issue of measurability as you go into new territory. How you measure the ROI flies in the face of what brand managers been taught to do.

###
Q: Describe what you think the current state of branding is.

A: Branding has been defined in many different ways. The best definition I have seen is one that Jim Mullen and Larry Light developed for our value of advertising initiative about nine or ten years ago when we were heading up a coalition for brand equity. They said a brand is a trust mark. A brand exists in the minds of the consumer. It is not a package design. It is not an ad, It is not what is inside a package or the service that is provided. It is really the perception of what all of that comes together to mean to the brand user, and the critical thing in it is trust. The more the user trusts a brand, the more he or she is likely to use it and more importantly, be loyal to it because every brand owner, every company likes to have a disproportionate amount of loyal users because they tend to be the ones who, on a regular basis, drive the most profit. Trust is important. The brand is a perception in the mind of the user, bringing forth a whole constellation of attributes. It adds up to a gestalt. It is definitely greater than the sum of all of the parts that add up to the physical brand.

Q: How do you see branding changing in the future?

A: I honestly don’t see the end result changing, and my opinion is not shared by a lot of people. A lot of people believe that brands are dead, that users out there don’t rely on brands as much, that private-label offerings are cutting into brands. I don’t think that’s true. Even in the case of a private label, that does stand for something. A person who buys a private label believes that there is something in that store’s presentation that is
more important than the corporate brand that they are going to see on that store’s shelves. Nevertheless, the critical change that is going to happen in branding and brand perception over the next few years is that there will be many more touch points for consumers to get perceptions of brands. The fragmentation of media, the diminution of average nighttime ratings, the proliferation of points of contact with the brand especially the internet. The Internet is going to change the way people come to perceive brands. There will be an opportunity for more major retail brands to develop that are probably less supported by advertising than they are by the perception that is created for them at retail, by the buzz that is created for them by good public relations. The best two examples in recent years are Starbucks and Krispy Kreme. Both are major brands yet neither one of them does much advertising. It has been said that in the urban community the brands that take off quickly and become either fashion statements or cultural icons oftentimes do it without much advertising, and oftentimes by the time a brand becomes advertisable, it is not hot anymore and the young African Americans and Hispanic Americans have gone on to the next thing. Brands can be created and sustained without advertising, but the ones that can be created and sustained without advertising are in the minority or tend to be the exceptions that prove the rule. There aren’t many Starbucks or Krispy Kremes out there.

Q: There are not many organizations can create the distribution that Starbucks has.

There is a Starbucks on every corner.

A: That’s right, and Howard Schultz started out in the south in the northwest and created an incredible retail experience, an in-store experience. That’s the other thing. Brands will become much more experiential and less passive than they have in the past. I look on the Internet as an experiential medium rather than a passive medium because you
go there for functionality. You are trying to get something. Sometimes television won’t give you what you want when you want it. You know the Internet will give you what you want when you want it. Very much an experience. Over the next few years, the end result of branding is going to be the same. It is going to be touch points, it will be a trust mark, but getting there will be different. Getting there will be much more experiential than it has been in the past.

Q: What are the three major challenges facing brands in the future?
A: The number one is that the next generation of consumers, the X generation, the Y generation, the people right now who are under 35 are coming at the brand differently. One, they multitask. They tend, with a fragmentation of media, not to spend as much time with one medium as we have in the past. The younger people oftentimes are not into the same sports as the 35 plus. It is all of the extreme sports, plus the amount of participation that these younger people have in interactive games, it changes the dynamic very much. 1) You have the younger than 35 phenomenon and how they consume media. 2) Is because of the continuing fragmentation of media, it is going to be more difficult to get large numbers of people on prime-time network television. Having said that, it will still be the most efficient way to reach large numbers of people and probably the most effective too, but instead of an average rating of 15 or 16, you are going to get down to 7 and 8, but there will always be opportunities for the television people, if they are smart, to create television events that will end up getting 15, 20, and maybe even higher ratings. Super Bowl-type ratings, if they come up with really smart programming. One example of the conventional wisdom...last year, when CBS countered ER, on NBC at 10:00 on Thursday nights, was that if Without a Trace was successful, that it would cut into ER
very seriously, but most people though it wouldn’t be successful because ER’s franchise is too strong. What has happened is that Without a Trace is such a good show that it has added to the number of people watching television at 10:00, so even though ER is off maybe 20 or 30%, Without a Trace is in the top 15 rated shows. Once the network people come up with programming that people want to watch, they are going to do it. What is going to happen is that the average stuff that is just there to fill the time slots is going to continue to be pummeled and the ratings are going to decline to the point where it becomes inefficient for a network to develop those shows. There is a point, below probably a 6 rating, where if a show can’t generate on an ongoing basis a 5 or 6 household rating, there isn’t enough of an aftermarket for that show. It won’t go into syndication, which is where the network is going to make the money or the program developers make money. One of the reasons you see so many reality shows is that they are cheaper to do than the comedy shows and the dramas, and they have either no-price talent or low-price talent as opposed to what the guys on Friends get per episode this year. It is a tough battle for the networks and I don’t know where it is going to end. At some point, one of the four major networks will end up going out of the prime-time business, probably ABC.

Q: What effect will that have on brand?
A: It will put a premium on the marketer’s ability to find new and different ways to reach across all of these touch points to get the brand estimates out through its users. That’s probably going to mean less reliance on 30-second television commercials and more reliance on event marketing and Internet marketing and that will definitely have an effect. Nobody is quite sure what the TiVo phenomenon will ultimately do.
1) Is the younger generation being different media consumers. 2) Is the fragmentation of media making prime time harder. 3) It is going to be harder and harder to introduce new brands. The major corporations, especially in the consumer package goods areas, have shot themselves in the foot the last 15 years or so because they spent so much of their efforts in cutting costs and trying to get the most efficiency out of their big brands, their mega brands. They haven’t spent nearly as much time in developing new brands, which if they had over 10 of the last 15 years, they still would have decent national ratings on television to introduce these brands. Now it is harder. Now it is very typical to get a new brand out there by spending a zillion dollars in television because it just doesn’t have the numbers that it used to. You have got to spend it across a larger footprint of media. They tend to have higher cost per thousand because they are more targeted or because they don’t have the impact of television.

Q: Do you think we are going to see more known brands expanding their product base?

A: I question the impact on the brand of doing that. As long as it is consistent with what the brand is about or at least isn’t inconsistent, then I think it will probably be successful, but I think a lot of these companies would be better off trying to come up with entirely new brand concepts that meet needs or solve problems than line extending their brands. Line extension is cheap, but it also tends to diminish the value of the brand. If the brand is across 40 different categories as opposed to five... Procter has always been pretty good about that because they tend, when they line extend, to do it with some sort of functionality in mind. It is about trust, and the more somebody line extends... You walk into a supermarket and see Eggo syrup. They believe that you’ll believe that they
can have a good syrup because they have waffles. I am not sure that is true. Similarly, I don’t think Log Cabin would do very well if they had waffles.

Q: What do you see as key trends affecting brand in the future?

A: The increasing amount of time that people spend on the Internet is going to impact brands because the Internet is not a particularly good place for advertising. If you can find a way to get your brand into the context of the experience that the user is getting by looking at an internet page, then that’s good, but oftentimes those connections are hard to make. The more time people spend on the Internet and the more time the younger generation not only spends on the Internet but on Internet games, the more difficult it is going to be for brands. I heard a really incredible statistic that the 18-34 male spends four times a week more on the John Madden electronic game, about eight hours a week, than they do watching prime-time television. That is a frightening statistic. What these guys will probably end up doing is integrating commercials into these games. They will find a way to make some of these games commercial friendly. On the positive side, there have been a few people experimenting with interesting new commercial formats that will continue to spawn even newer formats. The BMW films on the internet was very successful, not just creatively, but the BMW people will tell you that they have evidence that it drove a lot of people into showrooms and helped predispose them to the BMW brand. The other one is what Ford did this year at the introductory episode for 24. They had a four-minute commercial at the beginning of the show and a two-minute commercial at the end of the show. The story was linked to the characters on 24 or at least it seemed like it was.

Q: That’s really going back to the ‘30s and ‘40s media format.
A: Then they used the people on the show. Betty Furness would stand there and talk about Frigidaire. It wasn’t nearly as creative as what they are doing now, but it was very effective to have the very credible standup people talking about the product in the middle of the show. In that sense, it is a throwback.

Q: If you had to build a new brand today, how would you do it?

A: The first thing I would do is see if I can find some problems that are not solved by any product in the marketplace, or if they are solved, the person who is solving the problem isn’t doing a very good job of communicating that. Starbucks came out at a point in time when the coffee category was absolutely flat because coffee was becoming less and less of a communal event. Coffee is a product that is oftentimes meant to be drunk among a group of people, not individually, and it had gotten away from that. By creating that experience in the stores in the unique way they did, I think they brought that back. They also have a great product, but it was the experience that sold Starbucks more than it was the great coffee. That was an opportunity that had languished and maybe even a problem that they saw and went after. Krispy Kreme went right after the idea that if you are going to eat donuts, make them as rich as you can. Don’t pussyfoot around with a little bit of glaze and a little bit of chocolate. Totally indulge in the experience. They have obviously been successful and they have had great buzz, and that company has been around a long time. I used get Krispy Kreme 25 years ago when they were only distributed in about five or six southern cities. It started out in little East Winston probably 30 years ago. At any rate, 1) I would find a problem and try to solve it, a problem that exists either perceptionally or functionally. Swiffer is a good example of that, Procter and Gamble’s product. Bounty talks about “quicker picker upper,” but
Swiffer really is a quicker picker upper. Procter tends to introduce products that really do have some functionality. It took a while for the Pringle’s product to catch on, but people wanted to be able to get at one or two chips and not have to rip open a whole bag and not be able to reseal it.

The second thing I would do is identify just what are the unmet needs of this younger generation, and that is a tough one. I don’t know what they are because I am not as close to that generation as I used to be because I am not in the agency business anymore.

The third one, the biggest challenge, but the biggest opportunity that exists out there -- develop new brands for the boomers and the post boomers. This is an enormous population contour that is going to do nothing but get bigger and bigger because the older people are living longer and the boomers aren’t dying off as soon. Nobody has mastered that. The media ignores the over 35 and certainly over 55. If you can find some products that really meet their needs in a way that doesn’t call out to them: you are old so you need this, somebody is going to make a zillion dollars.

Q: Did you read about the whole new clothing line that Target has? It is for the over 50 or 55 set and they are calling them zoomers. Adults who are very active.

A: I think Target is the best retailer around these days on all fronts. Wal-Mart does a marvelous job in distribution and keeping cost down, but Target does a great job of presentation. They have great advertising and they have good product ideas. They are very savvy.

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Q: What do you think the current state of branding is?

A: The current state is one that has allowed companies, ad agencies, consultancies, anyone involved to make them whatever they need to be to tell their story, raise capital, hedge deal with issues, etc. Branding used to be, I am, therefore I brand. Now, companies think, I am a brand, therefore I am. They have got it backwards. They think all I have to do is say, I am a brand, and I do some branding exercises, therefore I have got a brand and brand value. The reality is that they first need to figure out exactly who they are, what they offer, why anybody should really want to give them the right to have a branded relationship with them, and then they can begin to brand themselves. It has become a way for people to explain away bad investment decisions by companies. It has become a way to justify decisions that didn’t make sense, be it an acquisition or a product, to the point that the word branding is so overused it has become meaningless. It is such a critical component of business, but it becomes white noise if you say everything is branding. When you hear people talking about athletes being their own brand -- it is losing its sense of relevancy. There are companies that haven’t fallen into that. They are the companies who still have true brand equity.

Q: Any examples of companies you think are doing branding well?

A: They do branding well because I don’t think they do it. They think about their business. Microsoft does a great job. Microsoft does almost no corporate brand building.
They don’t build their brand by saying here is Microsoft. People have got to like them or hate them, and certainly people fall into one of those camps. They elicit a tremendously emotional reaction one way or another in most people, but their public branding, their advertising, their marketing, is all about product and service offerings that they have defined for those audiences with a set of products and services that ultimately lead up to a corporate brand equity. They don’t come out and try to give you this sense of who Microsoft is corporately. They don’t care, and they know that that is not relevant to anybody. Nobody buys Microsoft, the corporation. You buy Microsoft.net because you think it is good for your business. You buy Windows because you think it helps your individual PC run. You buy Office because you think it makes you more productive, and that’s how Microsoft brands. They segment everything they say and do to the individual end user.

GE has always done an incredible job of understanding this. They run their businesses as individual business units. One of the great things about GE is that I never buy airplane engines and so I never see a GE airplane advertising or marketing message, which means they are doing a great job. They are investing their dollars speaking only to the people they need to speak to for their six or seven distinct businesses. That all adds up to GE equity and then that GE equity blows back down to those business units. It is a constant circular reinforcing of the corporate brand equity shared down with the individual business units that gives their customers confidence to do business with GE. The more confidence they have, the more business they do with that GE business unit, the more corporate brand equity GE gets. That is a lot of what branding is supposed to be.

Q: Where you think branding is today?
A: It is so all over the map that it almost has no meaning or relevancy.

Q: How do you see branding changing in the future?

A: It is changing in a couple of practical ways. It’s stepping away from a corporate organizational branding, coming down more to B2C and B2B. In the B2B space, you have got this incredible need to integrate your brand and your activities into the brands and activities of your customers. Systems are connecting. People want to be able to monitor a manufacturing partner, a service partner. You almost become linked with the people that you are doing business with. Your brands are, in many ways, shared. They have overlapped. In the B2C space, things, price in particular, have become so transparent that it has almost become impossible, except for rare instances, to actually stand apart as a true brand. You have people saying, I love Amazon.com; that’s my favorite place. But what if Barnes & Noble got the book and the CD for $1.60 less? Nine out of ten people would jump over to Barnes & Noble to get it because you have got real-time, instant transparency on pricing, delivery, and everything else you need to build a brand value proposition in an entirely different way.

Q: Branding is not the differentiator anymore.

A: It can be.

Q: Pricing can be the differentiator.

A: Pricing can’t be the differentiator. It has become harder to find what that brand differentiation can be in B2C because people have the ability to compare you instantly to their other options. The challenge and the reward are to make yourself indispensable. It goes back twenty-five years ago. One of the things they talked about when building a brand positioning is the essence of sacrifice. Companies need to say, I understand that to
choose what I am going to do to differentiate myself means that I am giving up a bunch of customers. In exchange, I should have a loyal core of customers who never choose my competitors and who ultimately become my brand evangelists and do things for me that my advertising and my marketing could never do and that expands my core. That’s what Amazon has done. When they launched, they went to market as the world’s biggest bookstore. I worked with a company that did some of their original work, and behind the scenes they were saying, that’s just a shortcut for us right now to introduce ourselves to the marketplace. We needed to say we sold something. Our brand really is about the ability to deliver a personalized product and service experience to each and every customer in a way that is so unique to them that they would never want to look anywhere else for it. It could be books, it could be anything. They never planned on being a seller of books. They absolutely knew from the get-go that their future included being in the background distribution infrastructure for other companies. Right now half of their revenues are derived from Amazon being behind the scenes, being Internet infrastructure for other people’s delivery system because they do it so much better. They don’t make very much money selling the products they sell. They make money by continuing to be a known entity having this level of trust and that trust allows them to go to people like Wal-Mart. Amazon is the engine behind Wal-Mart.com.

Q: It allows them to be in the space every day, experimenting in the space. It is a test market.

A: It is constantly refining their own technology and service skills to be able to continue to stay a step ahead of everybody else in that space and continue to be the Powered by Amazon e-commerce platform.
Q: It is going to be harder and harder to use brand as a differentiator.
A: I don't think it is going to be harder to use it. You are absolutely going to have to use it. You are going to have to find something deeper than what most people consider to be brand differentiators.

Q: What do you mean by deeper?
A: It is a combination of things. Some people say there is really only room for three companies to succeed. You've got your big number one. Your attacker is number 2. Then you've got your third for spillover. That's probably true. However, in many cases, there is probably room to get into niches, which you can have now because of personalization. There is probably room for another half a dozen who are happy to own a little spot that nobody else wants. A lot of companies will be really satisfied with staying at that size and just owning a tiny niche and not looking for hyper growth. Probably that also means that you are going to see a trend in more companies wanting to stay private because they don't need to answer growth questions to Wall Street and investors. They will stay private. They will be very profitable. You can probably live in that wonderful 50 to $200,00 million sales niche, highly profitable, repeat business, low cost of marketing, but their brand will be well known to anybody who fits that niche. A match that's so perfect they won't have to trumpet that it is. Word of mouth will become their marketing engine. But then in your big three...There are three places that have been carved out there right now, and anybody else has to figure out either how to overcome one of them or say, maybe I can't compete. If you go back when Amazon first came to market as a bookseller, they immediately took the space of totally personal service, one to one, the whole people like you are reading this idea. They own that space. Borders opted to own
the person-to-person brand experience bookstore as a comfortable place to sit down. They put sofas in their bookstores. They were the first to put in cafes. Come in and put on earphones, sit and listen to music while you’re reading, while you’re having a cup of coffee. Crown Books owned a functional price spot. They said, you are not going to get a lot of personalized help when you come in our stores, but every book is always 45% off whatever anybody else is selling for. There is room for a functional brand in every space. People have forgotten, because everyone went into this mad rush to be premium brand, there is only room for one or two premium brands per category, but there is plenty of room for functional brands. Looking at laundry detergent, Tide has been the ultimate functional brand for 50 years. Our product does this one thing better than anyone else. We whiten better than any other detergent. That’s all we are telling you and there is no premium nature to it. They are not trying to say that you are going to live a better life by using it. There is no aspirational element. It is a functional component of the product. Going back to the booksellers, Borders jumped in and took this community comfort place for bookstores niche. It is the place to go. Amazon was personalized, but purely in an electronic mechanism. There was Crown, and then, of course, the world’s biggest bookseller, Barnes & Noble. Being big suddenly met nothing. They didn’t have a place anymore, and if you recall, they nearly went bankrupt because they said, we have Barnes & Noble.com too just like Amazon. Just like Amazon didn’t cut it. Then they said, we have cafes just like Borders. They didn’t have their own place. Ultimately, their make-or-break strategy was to refurbish their stores and surround every Borders with three Barnes & Noble to try to steal that same store experience place. They took it away and now Borders is unfortunately left in a secondary role in the category it created. At the time,
Borders was racing for investment dollars and trying to grow, but they unfortunately tried to grow Canada at the same time they grew the States and they just they didn’t have the bandwidth to compete with the Barnes & Noble. It is interesting to me that more brands don’t look at the functional space and say that’s okay.

Q: Do you think that more brands in the last five to ten years have walked away from the functional state because when we talk about branding, we mean owning an emotional place in the consumer’s mind?

A: Premium brand doesn’t mean the most expensive brand. That’s a myth. It means that I can have a premium place within my position or it means that you might be willing to pay just a tiny bit more for the same product as you would something else. It doesn’t mean I am the Lexus of my category, but that’s what everybody thinks premium brand means. I am going to have higher margins and I am going to create this incredible experience. There is no doubt that the brand experience of Crown was one that many people are happy with. There is a large segment of the book-buying public, who want the cheapest book possible. They are not in love with the book experience. They want to buy books and go home and that’s true in every category. It was surprising somebody like RC Cola didn’t recognize that. They could have been the functional third brand. Instead they have made two or three different runs to try to compete with Coke and Pepsi on an emotional level. RC Cola had an opportunity to own the warehouse club space. Instead the warehouse clubs private labeled, because there wasn’t that functional third option.

Q: Anything else you want to add about the future of branding?

A: Good Company had an article about this recently, that the logical extension of the Wal-Mart phenomenon and the Internet phenomenon is that at some point, everything has
to cost zero. The squeeze is constantly to have it so nobody makes money in every step of the value chain. What happens then? Does every supplier collapse and then Wal-Mart has nothing left to sell? Can you not get on an airplane because 60% of the volume has moved to Orbits and Expedia, and they basically force the price point through volume out of these folks so they just say, it is cheaper for me to not fly my airplane. There is an old business joke: I know I am losing money on each transaction but I will make up for it in volume. That’s what is going on and that’s how Wal-Mart feeds on distributors. People think, if I can get into Wal-Mart, it gives me a launching pad to get everywhere else and the volume will allow me to bring my cost down and then I can sell to others at more money. I will use that as my efficiency loss leader and then I will sell it elsewhere. It doesn’t work out that way. Once you start dealing with somebody who squeezes you to the point that you are losing money, you don’t ever make money. You can’t go back to profitability that way, and the minute you go to Wal-Mart and say, I need to have a better deal, they’ll say, thank you, we have another supplier waiting.

Q: The Democrat and Chronicle has come out with a new product for younger readers. It has to be free because that’s their expectation -- they won’t pay for it. They really make their money through the advertisers.

A: You’ve got to question if they find value in it if it is free. If somebody gives something away, my first perception is it must not have any value. If they are sampling or giving me a trial program, then they believe that there is enough value inherent in it. I will be willing to pay eventually, but if you tell me that it is free, I wonder if it is really worth getting.

Q: What do you see as the three major challenges facing brands?
A: There are three pieces that make up an organizational brand. It is your business strategy. Then, it is your culture, your values, systems, all of the things that are inherent. If a brand were a person, they'd be your personality. Lastly, it is your people. You add those up and that's how you really define a corporate brand and that is clearest or best understood when companies merge or there is a spin-off because they have to deal with those issues. That's when it becomes obvious that that is what branding really is. It is not the packaging, it is not the tag line. It is understanding those three things, bringing them together, and finding that common positioning. One of the major challenges facing building and maintaining a brand position is that we've become, and are becoming more each day, a business culture where people are moving nonstop. Jobs are shifting overseas, even the intellectual capital kind of jobs. It used to be that it was the lowest-tiered manufacturing. It was slicing jobs off the bottom. It is slicing jobs off the top now. Programming jobs that were $200,000-a-year jobs in Silicon Valley eighteen months ago are done in India now for $11,000. We are talking about skilled, white-collar folks thinking entire technology systems. The challenge is that the people piece of it is going to be really tough to find and identify, which of course has the effect then of impacting the culture. What is your value system if you are prepared to sell out the people in pursuit of profit and continuity? But you have to because you get back to strategy. You can't be a company unless you are profitable. The major challenge is going to be how do I not sell out and keep myself a viable organization and make myself appealing for people to want to come. Not to be perceived as a place that makes only short-term decisions, but has a strategy, has a vision, a culture I can determine whether I am aligned with, and then choose people that are aligned with that. That's what branding really is, but some of the
things we talked about earlier, the transparency of pricing, all of those things make that harder to do it all the time. Even at GE, do you wind up losing the thing that makes GE GE? When you say GE, people in the categories have a very clear understanding of the GE way and what GE means and what working there means. They have been able to maintain that for the last 20 years with an incredible, vision-driven CEO who also was a bottom-line guy. There are fewer people like that, which leads me to the second challenge. Successful brands are brands where the CEOs see themselves as brand champions. They understand that managing the corporation is managing the brand. It is not the CMO’s job. The CMO manages the brand expression. Unfortunately, CEO turnover is just unbelievable. We are producing fewer of Jack Welch’s people who can be visionary but who also can be cost control. They understand how to manage the quarterly numbers and the five-year vision at the same time, and when to trade one off for the other. You can only do that when you come in with the confidence and the backing of the Board and knowing you are going to have the time. Unfortunately, most CEOs are brought in with, you’ve got eighteen months to prove it to me. That means they neglect brand building because what they are being measured on is the short-term objective.

The third is the issue of globalization. It is so much bigger than localization versus regionalization versus a master plan implemented anywhere. It is back to the people. It is hard to have a corporate culture that works in a country where the country’s culture is potentially at odds or just in a different planet.

Globalization is probably the biggest challenge for any organization of any size. The first two I think are common to any size organization. The third is obviously more for large corporations. Small- to medium-size businesses, the major challenge for them is
to not fall into the notion that branding is advertising and how much I spend is going to
determine success. For some companies, spending a lot makes sense. Small- to medium-
size business should always be sales driven and branding becomes a support mechanism
for that sales-driven culture. There is no formula that works for small- to medium-size
businesses, so their challenge is even greater to find a marketing person who is one third
business person, one third marketing strategist, one third creative leader, thinker,
motivator. CEOs in those organizations need to be willing to share control with that type
of individual to really succeed.

The American culture is that five years is a long time. Globalization has only been
an issue that people have been thinking about for the last five to seven years. We are
sixty years away from knowing the implications. The solutions aren’t even there yet and
it is funny how many books have already come out with the solution. How can you say
that you have got the formula when the experiment is still in the Petrie dish?

Q: What do you see as the key trends of effecting brands?

A: One of the key trends is the dominance of some very big players, a la Wal-Mart,
who is almost making brands irrelevant. They are saying, if you don’t play by our rules,
we will private label it, we will find another supplier. We are making and breaking your
brand versus your brand being something that adds value to us. We own the customer.
We have taken control of the fulcrum of the relationship and shifted it. We have become
so big that we can dictate to your brand. It’s incredible that one retailer has that much
power. Wal-Mart is the obvious example, but that’s going on in a number of places. IBM
is certainly getting that way in the services area. They were helped by all the scandals in
the accounting and consulting firms. It has made them appear to be a safe haven. The
trend is, can you actually be in control of your own brand or does all that brand building go to waste because somebody else ultimately takes control of the presentation of it and the distribution of it.

The third trend, and it is more of a micro-trend because I don’t think it can ever go mass, is personalization. People can wrap themselves in the brands that they decide are part of their brand experience. They can decide what their brand persona is and which brands fit into it and wrap themselves in that and, therefore, they set the criteria of who can fit in and who can’t. Harley Davidson is a really good example of that. Or just deciding not to deal with any company whose revenues are over $50 million. I have friends who take these pointed views because the information is available to find your partners to do that. Every food product, literally, down to that level. It is education coupled with this desire to not be branded. I don’t want to play that game. Perhaps the smaller companies’ values are more like mine. It is not that big echo value. It is companies whose products reflect the level of respect I want to see in myself. It is not some big picture. It is not some political beliefs. It is something a closer to the fact that this is who I am and this product makes me feel more comfortable and confident about being that person. It will be interesting to see if that trend continues because generation Y is a pretty conflicted generation. There is a confidence in who they are. They are comfortable with technology and the Internet and finding what they need, and the resources to be able to do it. One simple example is a trend that is going on. People are going back to having milk delivered to their homes. It is a lot easier to grab milk at Wegmans when you are there. Some will tell you it about hormone-free milk. That’s part of it. Another part of it is defining who they are and looking for products and
experiences that reinforce that definition. For some percentage, it is product health issue. For others, it is I am turned off by the 400,000 products available to me at the Pittsford Wegmans. I would rather have my milk guy bring me milk.

Companies are also re-assessing who they look to for branding partnership. Who is their brand strategy? Where does the strategy come from? Is it their ad agency? Is it a consulting firm? I mean McKenzie has a branding group. I never thought that would happen. Boston Consulting Group has a huge branding practice. You have got the small consultants. You have got the design firms. You have got all of those authors who want to give you their two-week razzle-dazzle for $100,000. Who is going to own it and more importantly, if the CEOs do see themselves as brand champions, who are they going to trust. How are they going to filter through all of their options? That's a question more than a trend. Right now everything has been tested and just going to rise to the top. I see a trend with the CEOs. They are going to have to get involved in their brand. They have moved away. All of these configurations and agencies and big consulting firms to try consulting. If I were an ad agency or a brand strategist, if I go to make a pitch and the CEO is not in the room, I don't want the business. I almost know I can't succeed.

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A: This is called a brand space. There are four quadrants to the brand space and it follows along two axes. One of the axes has enacted brands. If you have a brand that’s functional, it’s about what the product does. On the other end of that spectrum, if you have an enacted brand, it’s really about what the product means, the psychographic aspects of the brand, what the product means. The other axis is the opposite of abstract. This means is that it’s closely related to the product or service. Closely related to product, and if it’s a brand that is an abstract brand, it may not at all be related to the product.

You go back twenty-five years, branding was really pretty simple. You had a relationship between the manufacturer and the customer. That’s changed dramatically today where you not only have a relationship between the manufacturer and the customer, but branding involves employees, it involves investment community, you name it. A plethora of constituencies that all affect the media. That all affect the way people think about and interact with your brand. Where twenty-five years ago, you had the ability as a manufacturer to really control the communications to the consumer about your brand, you rarely have that today, particularly with the Internet, with global brands, with chat. I can remember being in the auto business where you’d go on these chat rooms about products. You wanted to hire hundreds of college students just to go on and write good things about your brands, which we never did. The ability to control the way people think about brands is changing dramatically and will change even more in the future. In the past, most brands were down here. If you go back to the beginning of brand management,
really Procter & Gamble and the whole packaged-goods approach, you had very functional products like Crest toothpaste. Tide, Comet cleanser. They were very functionally oriented. They were marketed functionally and the Crest brand was very closely associated with toothpaste, with the product itself. This is a fairly benign, fairly easy quadrant to be in. Today, you don’t want to have your brands here because they’re basically commodities and they’re sold on price unless you have a dramatic product differential that you can hold.

Q: Which you can’t hold for long anymore.

A: Right. This is where branding has been and from there it starts to change. If you look at a quadrant where you have brands that are closely associated with product, but the consumer has very strong psychographic ties to the brand. Harley Davidson, for example. Great place to be. It takes a long time to develop an enacted brand, to develop those psychographic attributes that people start to associate with, but once you do it it’s hard to lose it and it’s hard to damage it.

Q: Is Starbucks in this quadrant or in this quadrant?

A: Starbucks, I would put here. Not closely associated with the brand even though it sells coffee, it’s an experience. The whole thing is a psychographic experience. Rolex would be another brand that would be here. Good place to be. Lots of companies trying to take what have been functional brands and move them here because it strengthens your ability to manage the whole customer experience. Here you have a quadrant that is not particularly associated with product but is very functional. Take a brand like Sony. Walkman, Discman, Sony Trinitron. Functional products, but they’re under the Sony brand. Sony gives them trust, leadership, a higher order of benefits, but Sony is not an
experiential brand the way Starbucks is. One of my favorite examples, and this is kind of the best quadrant to be in, is Virgin. They started out as a recording company and then went to record stores and then they completely sold that off, but now they’ve got cell phones and financial companies and Virgin Atlantic and it’s all about the cheeky lifestyle experience. In your face, on the edge. They can put any product in there, position it that way and the Virgin brand means something very specific. Just a great, great, great, great, great brand. Invariably companies are trying to move here. One of the big reasons they’re trying to move here is that there are so many exposures to so many different branding opportunities and so many different products under those brands, that everybody’s on overload. If people think about the Virgin brand and what they’ve created, and the fact that you can put so many products under the Virgin brand and it is associated with a community of interest, you can deal with the brand overload pretty easily as opposed to trying to manage Crest and however many other toothpaste brands they have and sub-brands of Crest and Tide and Tide with bleach and Tide with no bleach. You look at shelves today and it’s just a blur to everybody. This is a model that we try to use in the auto business to try to make it a little clearer. What we try to do is create an architecture where in this quadrant you have brands like Cavalier. You’ve got to recognize that the only reason people buy Cavalier is because they can’t afford anything else. It’s cheap transportation, highly functional. Then you come over here and you’ve got Chevrolet. Lots of products under the Chevrolet brand. Unless you get into Chevrolet trucks and truck customers, there isn’t really a psychographic association with the brand Chevrolet, but it is not necessarily associated with any particular product either. Lots of different products under the Chevrolet brand, but Chevrolet is the all-American brand. It gives this
aura of trust, leadership and so on. Then you come up here and this is a good place for auto brands to be and at GM we have brands like Hummer, Corvette. Closely associated with the product, but very much associated with a psychographic lifestyle. Hummer, rugged individualists. You knew exactly who the customer was. They would buy Hummers simply because of this rugged individualism association. Corvette, the American icon performance car. If you’re into traditional American speed, Corvette was it. What we’re trying to do is put GM here, not there, today. What we were trying to do was manage GM in a way that the GM brand in a way –

Q: It’s a halo.
A: Exactly.

Q: Do you think there’s any car dealers that are there?
A: Porsche is the only one. A lot of people would say BMW, but BMW is really here.

Q: It’s really more about performance?
A: It’s really about the product and it’s really in the same category as the brand like Hummer or a brand like Corvette. We were here and then branding went through this realization that consumers can’t handle all of these myriad of packaged-goods-type brands and there was an approach to move here where you tried to build brands like Sony. You tried to build brands like Chevrolet so that you could inexpensively extend the sub-brands under them and grow as a result of line extension. Then the people who took a customer-centered approach to branding and understood clusters of customer needs and how to meet those customer needs, moved into this quadrant. Good place to be. The ultimate is if you can create a brand that’s here. You can do so much with it beyond just
the specific product. And what they’re trying to do with Hummer – and, in fact, Land Rover has done some of this, and Harley Davidson -- is try to move into other product categories. Clothing. People are trying to move here. It’s much harder to move from here to here, here to here, and it’s easier to go from here to here and then to try to move here. There’s a lot more behind this.

Q: Do you think you could move Bausch & Lomb here?
A: No, but I think we can move Bausch & Lomb here. I think we’re here now. In a lot of ways, because of acquisition, we’re really still here with some of our products. Particularly the surgical products, but what we’re trying to do is move Bausch & Lomb here. There’s another train of thought that says all this is just too complicated.

Q: You’re basically saying branding is more complicated than it used to be.
A: Infinitely more complicated. And the kind of simple market research that you used to do is not relevant anymore which is why I think people are moving more and more toward things like anthropological research. To understand these customers and get up in this top quadrant, you need to do psychographic and almost anthropological research against consumers and that’s a relatively new concept of branding and a relatively new set of techniques. There are companies, Jell-O, for example, which was trying to position the brand as a fun experience without much success and they were trying to be here and all their marketing was really targeted here. They moved back down here and repositioned Jell-O as non-fat convenience food. Very functionally oriented, very easy to communicate, very easy to market. I think today I’m further from it since being back here than I was at GM, but there is a move today to try to simplify things and
move back to the good old days. That’ll never happen. The world is much more complicated.

Q: Do you mean because the consumer has more power?
A: That’s a good point because when you’re here, when you have an enacted brand where there are hugely involved consumers, they have a lot of say in what you do. You have much less control over your brand when you get here than you have down here. Where you’re feeding people information hoping they’re buying it. Here you’ve got very involved, very enacted consumers, when you’re at the top here. A couple of examples. When Coke came out with new Coke, what did consumers say? Don’t mess with my Coke. We don’t like this. That wouldn’t happen if that was a brand that was down here.
BMW, which is in the upper quadrant here trying to take a style approach that’s dramatically different than the styling approach for the last forty years. Consumers hated it. BMW sales were declining. When you get up here, it’s much harder. You have much less latitude.

Q: What do you think are trends affecting brands?
A: To get here brands will become much more consumer-centric than they’ve ever been and that’s been evolving and it’ll evolve even more because of the availability of information today. That’s the biggest trend in branding. The old notion of with the right communications you can create anything is gone. Another trend that has been evolving for the last ten years and will get even stronger is global branding. Because of the availability and exposure of today’s communications, global brands will win every time. Global branding is a huge move. Brands have to be managed globally and that affects the way companies are organized. It affects the way marketing in companies is organized.
Q: Centralizing your global team versus going back to a decentralized approach.
A: Yes. Big companies today are all matrixed. There is a set of decision rules that have to be made centrally if you have a global branding approach that’s going to work. Broad strategy, product development, strategic pricing, positioning. That’s going to be done centrally on a global basis and execution will happen regionally. There will be executional latitude on a regional or local basis that will have to be done within a context of the broad strategy that’ll be established centrally.
Q: It means they’re closer to the customer. They’re going to understand the customer.
A: Yes. Another trend will be that mass marketing and mass communications will become less important in the future. The technology that exists today is so much more effective. Get the customers and measure the impact of what you’re doing as opposed to spending fifty million dollars on television commercials and hoping that you’re getting your message across to the right consumers. I don’t think it will go away, but I think companies will start to funnel more money into much more target marketing through technology.
Q: CEOs are going to be given tactics and ideas and executions that are far different than they are today and the understanding of the delivery will be different.
A: That’s happening already in companies like GM and Procter & Gamble. GM spent two and a half billion dollars in working media and they know everything about who the customers are. You’ve got these enormous data banks of customer information that they’re only now, in the last three or four years, starting to use to market. In fact, most of the advertising you see today is dealer advertising as opposed to manufacturer’s
brand advertising and that’s largely because they’re just shifting line and how they get to customers. They’ve shipped a lot of dollars from their national media to their dealer media.

Q: What do you think a major challenge is for brands?
A: The major challenge for a manufacturer is – I was going to say controlling, but I don’t think you can control any longer -- establishing the relationship with the eventual customer that you want as opposed to letting the environment create that relationship for you. It’s just going to become harder and harder to do.

Q: The manufacturer will begin to understand who that customer is that they want and find ways to get to them instead of letting the customer select and fall out?
A: Absolutely. There are so many constituencies to manage and the big challenge is what are the effective ways of managing those constituencies so that you end up in the place you wanted to go. You end up with the kinds of relationship for your brand with that customer that you want to end up with as opposed to just letting it happen around you.

Q: In order to get to this top right quadrant, how important do you think internal branding is, the whole idea of living the brand promise within the organization?
A: Everything starts with brand positioning. People don’t spend enough time on brand positioning. We tried to start this whole branding exercise with, what’s the positioning statement for Bausch & Lomb as a company? The whole architecture has to flow from that and it can’t be an advertising slogan. People have a lot of trouble differentiating between advertising slogans and positioning statements. You’ve got to get your whole organization to understand your positioning statement. Positioning our
company involves primarily leadership and trust in the development of technology. We know we can get a me-too product, maybe even a little bit inferior product, out to the market pretty fast and we can market the hell out of it and be successful, but that’s not consistent with our positioning. If we’re going to lead in technology, then we’ve got to make sure that from the research and development side, that’s what’s driving the products we put into the market. Let’s not put any effort, waste any time, not put any money against carrying products we just think we can market the hell out of. That’s not what our positioning statement is. The whole company’s got to understand that right through the R&D people through the manufacturing people and engineers to the marketing people. Positioning is at the heart of everything.

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Q: Describe what you think branding is today.
A: Branding has never been more talked about or more misunderstood. Everyone sees “the brand” as the true equity in their companies. Products come and go, but brands endure. IBM is an example. Their original business machines bear no resemblance to the computers and servers and software packages of today. Kodak is going through a similar transition. Film is losing its relevance to digital, but the Kodak brand might make the transition if it's successfully equated with quality images, lasting memories or some other brand attribute. The misunderstanding comes from over-simplification. Too many people think of branding as packaging, design, awareness or buzz. This was evidenced during the dot-com boom of the late ‘90s when people thought they could eliminate the bricks and mortar and buy a brand on awareness alone. That mistake may have set the advertising industry back a generation as CEOs now question the effectiveness of traditional advertising. We are learning that branding is a complex stew of product, personality, organization, and symbols.

Q: How do you see branding changing in the future?
A: Branding will evolve as the marketplace evolves. Where people buy is changing and how people buy is changing. POS is a key component to branding. In direct-selling venues, branding is a combination of the product and the buying experience -- particularly with larger-ticket B2B and consumer goods. As many products and services move to the internet or big-box -- low-touch markets -- branding becomes a shortcut to
understanding and acceptance. Manufacturers are losing some of the control they exercised over their brands to retailers for this reason. Thanks to more sophisticated research and access, the consumer is becoming even more influential in brand development, too.

Q: What do you see as the three major challenges facing brands in the future?
A: The three major challenges are 1) Context. Controlling the contact point people have with brands as markets evolve. Sales and media channels are changing dramatically. Convergence will make the media both a branding channel and a business channel, much like the Internet. It's both a medium and a marketplace. 2) Globalization and proliferation. As China and other emerging markets grow and mature, they will move from providing low-cost labor for American and traditional brands to creating brands of their own. 3) Relevance. As technology improves, brands will be challenged to remain relevant – Kodak for example. The lifecycle of brands will shrink, challenging marketers to justify the cost of branding campaigns.

Q: What do you see as the key trends affecting brands?
A: The key trend affecting brands will be profitability. In recessionary times, marketers pull back from some of the most important branding practices. New product development gets put off and advertising support gets cut in favor of seeking efficiencies and maintaining share. These two activities are key to bringing news to a brand. Brands, like businesses, flourish when times are good. The economy will always be the biggest driver or have the greatest trend implications. For example, we've seen a slew of new automotive brands because the economic driver for car purchases, interest rates, has been low. Even though manufacturers have had to discount heavily, they've been able to fuel
sales through cheap lending. The Hummer, the Mini, retro T-Birds, etc. wouldn't have been possible without a robust automotive market driven by low financing rates. Home-related products are another example. Lowes and Home Depot as well as a host of home goods manufacturers have benefited from cheap mortgage rates. On the other side of the ledger, the down economy deeply hurt package goods companies. Kraft is reeling because store brands represent a better value to consumers when money is tight.

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