The Catalysts for Branding: Business Drivers and Brand Responses

By Jeffrey Swystun

In business every change made to improve performance is in response to a catalyst. These catalysts represent significant and complex opportunities when encountered individually, and more so, when many impact an organization at the same time. How the business chooses to respond, and with what specific intervention, determines its success. At Interbrand, we have identified 10 key business issues that prompt organizations to address performance issues with a thoughtful strategic response. We contend that in many cases the response can take the form of focused and effective brand management.

The Business Catalysts

1. New Offering, New Promise
2. Strong, Nimble Competition
3. Sophisticated, Savvy and Demanding Customers
4. Price and Margin Pressures
5. Sales and Market Share Pressures
6. Combinations and Divestitures
7. Organic Growth
8. New Revenue Streams
9. Share Price Performance
10. Employee Attraction, Retention and Productivity

1. A New Offering, A New Promise
This business driver represents the creation of something new or the improvement of an existing product or service. At the heart of every thriving business is a passionate idea. A superior vision to seize that idea by fulfilling an unmet or unsatisfied need brings the idea to market. Incubating a really new, valuable, and sustainable idea is a challenge for any individual or organization. A great idea requires a brand bodyguard to ensure its uniqueness and relevance. In other words, brand strategy brings business strategy to life.

2. Strong, Nimble Competition
Industry lines have blurred, the pace of business has accelerated, and marketing and distribution channels have become more complicated and interrelated. All of these developments signal change in competition. The pursuit of new and loyal customers is threatened by innovative competition. It is increasingly harder to catch up if you fall behind. The environment is one where you cannot discount a single competitor. It is increasingly harder to counter customer objections to trying an alternative. Every day in every industry there are new offerings with associated benefits bundled to fit changing customer wants and needs. And from the customer perspective, substitution and

switching is becoming an art (and part of the fun of being a consumer). In this business situation brand is a management tool that can be employed to communicate and demonstrate differentiation. Brands can be employed to communicate prestige and a premium, or accessibility and convenience, or quality and durability. But the greatest benefit derived from brand investment and management in the arena of competition is how leading brands communicate a message of belonging. Strong brands create a club and a following that breed intense loyalty. Once proven and secured, this loyalty becomes difficult for any competitor to dislodge. This is the reason why 45 percent of current Harley-Davidson owners have previously owned a Harley.

3. Sophisticated, Savvy and Demanding Customers
One of the biggest business issues that exists today is the fact that customers have never been more in control. And this is a good thing. It keeps companies at the top of their game. Customers no longer distinguish between product and service quality on the basis of a specific industry – they demand the same best practices from all. This is why we see banks acting like retail boutiques and hospitals learning from hotels. A best practice from one can be applied to all. Customer sophistication is forcing branders to manage the customer experience more creatively and holistically. It requires anticipating and exceeding customer expectations with services, perks, and offers that the most demanding customer would not envision. IKEA set an early benchmark in this regard with its selection, unique customer-dependent pickup, events, and in-house restaurants. Who would have thought an Allan Key would have revolutionized furniture and decor?

4. Price and Margin Pressures
Perhaps the most obvious impetus for brand management is when an offering is under price and margin pressures. Strong brands are used to communicate a premium offering with associated benefits. This investment in brand returns as it elevates a product or service above the pack, taking the focus off issues like pricing and tells the market to purchase on differential value.

This investment can ensure that the offering is not viewed as a commodity. Often at Interbrand we are asked what is the most effective way to differentiate a product or service that is currently or is rapidly becoming a commodity. Interestingly, when one examines our annual ranking of the World's Most Valuable brands, it is clear that the leading brands actually compete in commodity categories. Carbonated beverages, cellular phones, automobiles, fast-food restaurants, and condiments are prominent on the list and are, arguably, commodities. Yet somehow, Nokia, BMW, and Heinz are time and again recognized as leading and valuable brands because they can command a premium and escape price and margin pressures.

5. Sales and Market Share Pressures
Closely related to the proceeding point, this business driver is largely concerned with ongoing product or service relevance. Whereas price and margin pressures were addressed though effective brand differentiation, sales and market share performance is largely a function of marrying an offering to the most appropriate customer. Brands are highly valuable in articulating benefits and attributes and those attractive values can be

accurately designed, aligned, and presented to the most appropriate audiences. Apple Computer competes in a very crowded space but is not concerned with being number one in personal computer sales. Rather, it has tailored its products to a market within a market making them so relevant that they cannot be easily displaced. Along the way, their scrappy attitude and compelling offering has only endeared them more to this target market. The result is customer loyalty rates that are enviable. Apple Computer's recent "switching" campaign marked a departure from strategy in an attempt to grow market share by communicating reliability, simplicity, and personal empowerment.

6. Combinations and Divestitures

Mergers, acquisitions and spin-offs are opportunities for companies to grow quickly and are fertile grounds for branding efforts. These business drivers require, at a minimum, a name change examination, but more often involve an extensive review of strategy and potential introduction or rationalization of the new brand. The various brand responses range from retaining the current equities, merging positive elements, or creating something entirely new. Customers are the first to know whether a merger or acquisition has changed the experience in any way. There are numerous examples of companies who have made mere cosmetic branding efforts in order to cover up service and product quality issues, and general confusion due to a business combination. This results in an erosion of customer loyalty. Many companies miss a fantastic opportunity to tell a new and exciting story. Largely this is due to the financial reasons that take centre stage in these transactions. But ultimate economic success is based on how the parties intend to integrate and how to present the benefits of the combination to customers. The acquisition of Canada Trust by the TD Bank Financial Group produced a new brand that strove to communicate "comfort". All of the internal and external messaging has explored the removal of the anxieties of personal finance. This new brand has been very well received, as it is fresh and makes a new promise rather than a rehashing of what the parties previously and individually had communicated.

7. Organic Growth

Beyond growth by acquisition is the ever-present need to grow organically. A strong brand acts as a fantastic ambassador for a company that is entering new markets, creating line or product extensions, or seeking alliance and co-branding partners. But brands also learn their limits in this regard. Take the case of dessert and snack food leader – JELL-O. Of course, vanilla and chocolate were obvious flavors that found large audiences. In an attempt to find a wider market, more flavors were introduced. Without much surprise, celery, coffee, and cola flavors did not result in huge followings. A category that has had more success of late is oral hygiene (arguably the opposite of JELL-O). Crest and Colgate have packed the shelves with many types of toothpaste, electric toothbrushes, teeth whiteners, etc. These brands have been successful because they are entirely credible. In point of fact, customers have given those brands the right to produce complementary products. Strong brands are fantastic levers for measured and appropriate organic growth.

8. New Revenue Streams

The pressure applied to brands to produce new revenue streams has never been more acute. The most effective of these is licensing. Appropriately expanding the brand into new markets through new configurations is proving for many to be a lucrative proposition. The licensing of the Caterpillar brand into apparel and accessories is a case in point. The revenue derived from the brand's new markets has totaled $US800 million over the last 10 years. This has directly offset the marketing operations of the core heavy equipment products and produced ancillary revenue.

Brand licensing in professional sport has been extremely beneficial to professional and amateur organizations. The attraction has been the consumer's demand to live these brands as much as possible. There is a catch, though. Frequently, companies and organizations lose control of their brands through too prolific licensing. Quality issues result and often the brand is applied to products and services that dilute or impact the equity of the original offering.

9. Share Price Performance

Increasingly, publicly traded companies are grasping the power of branding in the realm of investor communications. Interbrand has conducted a study that proves that heavily branded companies outperform the market by 15%. This share price premium proves that brand investment provides a measurable and valuable return. Often there is a direct correlation between the share premium and the price premium. Related to share price performance is the notion of attracting more investors to the stock through brand communications. If a strong brand attracts and retains customers, it must be able to do the same for investors. The most recent example of this strategy is Altria Group, the parent company of Kraft Foods, Philip Morris International, Philip Morris A and Philip Morris Capital Corporation (also the largest shareholder in the world's second-largest brewer, SABMiller plc.). Altria oversees some of the most recognizable and profitable consumer product brands: Marlboro, Chesterfield, Kraft, Jacobs, Maxwell House, Nabisco, Oreo, Oscar Mayer, and Tang. Taking a page from product brand management, Altria has embarked on a significant print campaign touting itself as a strong parent company and an attractive stock. This has been a difficult sell given the company's ongoing tobacco litigation issues. Regardless, the strategy represents the nexus of brand management and investor relations. This is a huge area of opportunity and one not fully explored by the vast majority of traded entities.

10. Employee Attraction, Retention and Productivity

More thoughtful and progressive companies understand the value of their people. Peter Drucker has written, "I have come to the conclusion that the decisive change which underlies the rise of organizations is the shift from viewing the worker as a cost center to viewing him/her as a resource." In order to attract, retain and promote healthy productivity, companies are just now embracing the idea of internal brand alignment. For many years, the last to know of the latest marketing communication campaign were the employees. This model has been broken for a long time and a profound shift is taking place. Companies are investing first in employees to ensure that they are aware of the promises the company is making to customers and investors. This helps ensure the promise is delivered. A strong brand is an amazing tool in the search for talent. Just as we choose a product that embodies the values and benefits we find attractive, potential employees evaluate companies by their brand and its values. It comes down to fit. It saves recruiting time and costs and acts as a positive sorting mechanism to guarantee that the relationship makes sense.

This focus on internal branding is truly the next frontier. At Interbrand we see leading companies spending time, energy, and funds on making sure that the consistency between what is said and practiced internally is communicated and delivered uniformly. In fact, great companies use brand as their central organizing principle. It becomes part of the fabric and helps with decision making. These companies understand that true motivation comes from achievement, personal development, job satisfaction, and recognition. They further understand that the brand and its values are excellent tools to evaluate the effectiveness and satisfaction of their workforce.

Summing Up

When confronted with one or more of these 10 business catalysts, it is important to evaluate the role that brand can play. To acknowledge the power of a brand intervention is to embrace both a strategic and creative response. But by no means can brand be applied in every situation and by no stretch of the imagination it a magic panacea. However, in increasingly crowded markets where consumers have less time for evaluation, branding and all of its associated benefits may provide a competitive advantage worthy of management's consideration and the proper response to critical business catalysts.

The Business Catalysts	The Brand Response
1. New Offering, New Promise	Brand Strategy
2. Strong, Nimble Competition	Differenciation
3. Sophisticated, Savvy and Demanding Customers	Unique Customer Experience
4. Price and Margin Pressures	Defferential Value
5. Sales and Market Share Pressures	Clear Relevance
6. Combinations and Divestitures	Repositioning
7. Organic Growth	New Market Entry, Product/Line Extentions, Co-Branding
8. New Revenue Streams	Licensing
9. Share Price Performance	Brand Investor Communications
10. Employee Attraction, Retention and Productivity	Internal Brand Alignment