If Nike can "just do it," why can't we?

There was a time when sneakers were just sneakers: cheap, all-purpose canvas shoes. The only big decision a buyer had to make was whether to go for high tops or low tops. Then manufacturers such as Adidas, New Balance, Nike, Puma, and Reebok started making shoes mainly for running, and followed them with whole ranges of single-purpose sneakers: sneakers for basketball, for tennis, and so on. The trend caught on with consumers, who began buying different pairs for different occasions.

Nike raced ahead of the pack by exploiting its brand power to move from athletics footwear into athletics clothing, turning itself into a symbol of fitness and well-being. It then went several steps further, positioning itself as an athletic lifestyle company which, by using celebrities such as the basketball star Michael Jordan and the golfer Tiger Woods to endorse its goods, enabled customers to identify with the lives of their sporting heroes. Today, the company offers innovative and stylish products, backed by marketing that combines traditional advertising with imaginative schemes to build basketball courts in inner cities and donate free Nike gear to high schools.

At the same time, Nike has leveraged its brand by means of investments in retailing (the launch of NikeTown stores) and sports (the purchase of a Brazilian soccer team). With each step, the company has invested to get closer to customers while maintaining its market share and premium prices. As a result, it has built a market presence beyond anything seen before, generating a superior financial performance for itself and its investors.

Nike created what we might call a power brand. Other companies are enjoying similar results from their brand-building efforts. Coca-Cola, for example, values its brand at over $39 billion. Power brands generate enormous profits; they also expand future strategic opportunities.

With successes like these in mind, many CEOs aspire to possess stronger brands. Whether in response to deregulation (as with telecommunications) or simply in the continual search for growth in a mature economy (as with insurance), these executives crave power brands – and are ready to pay the millions of dollars and commit the internal resources necessary to get them.

David C. Court, Anthony Freeling, Mark G. Leiter, and Andrew J. Parsons

Investing in your brand makes sense

But trying to build a "power" brand, that's another story

Industries and marketing capabilities play a key role

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And on the face of it, it is not entirely clear what such companies as Coca-Cola or Nike have that a company like State Farm or Bell Atlantic cannot have. So why not aim high?

The reality is that in branding, aiming high is rarely enough. Relatively few companies establish true power brands, just as few vice-presidents become CEO, and few politicians become governor. Yet many companies manage to create substantial shareholder value by prudent investment in brand building, just as an individual can have a great career in business without being a CEO, or create political impact without being a governor.

That investment really must be prudent, however. Marketing history is rich in stories of companies that have invested unsuccessfully in brand building – partly because they did not understand what becoming a brand, let alone a power brand, meant for them. The US company Foxy Lettuce, for example, advertised heavily in an attempt to create a branded lettuce. Unfortunately, its lettuce was not so very different from the no-name lettuce sold in food stores. It attracted neither more than its fair market share nor a price premium, and promptly died. The lesson: advertising alone does not build a brand.

In a world where strategic vision – and the investments to support it – can go so awry, CEOs should pause before they invest to consider whether a power brand is truly within their reach. If it is, how can they grasp it? If it is not, how much should they invest in branding to grasp the market opportunity?

More specifically, CEOs should observe three principles in managing brands. First, brand building is a considered process that entails making the right investments at the right time. Second, what those investments are and when they should be made will be partly determined by industry forces. Third, whatever the industry, brand building calls for major marketing muscle.

Walk before you run

Ask twenty people what a brand is and they will probably give twenty different answers, ranging from "a brand is just a name" to "a brand is the entire business." While some confusion is understandable, it sometimes produces advertising that fails to increase shareholder value. At the simplest level, there are important distinctions to be drawn between names, brands, and power brands (*see* exhibit).

What's in a name?

Many companies think they have a brand when what they actually have is name recognition. It might be recognition of the name that hangs over the company door, the name on a product, or the name that describes a service. Imagine you are driving down the main street of any small town. You spot

Cosmopolitan Clothes. If you travel down the street often, you will become aware of Cosmopolitan and recall that the store sells clothes. It may even advertise locally and run promotions. But does Cosmopolitan have a brand? No. It merely has a name that consumers associate with its contents.

Names, brands, and power brands

	Name	Brand	Power brand
Incremental metrics	Awareness	Distinctive value proposition Consistent delivery Communications aligned with delivery	Personality Presence
Incremental benefits	Purchase Traffic	Loyalty Premium prices	Increased leverage opportunities

A name becomes a brand when consumers associate it with a set of tangible or intangible benefits that they obtain from the product or service. As this association grows stronger, consumers' loyalty and willingness to pay a price premium increase. Hence, there is equity in the brand name. A brand without equity is not a brand.

To build brand equity, a company needs to do two things: first, distinguish its product from others in the market; second, align what it says about its brand in advertising and marketing with what it actually delivers. A relationship then develops between brand and customer – a relationship arising from the customer's entire experience of the brand. As the alignment grows stronger, so does the brand.

A classic example is Pampers. Introduced in the 1960s, the product combined a new consumer benefit (disposable diapers that were more comfortable for babies) with advertising that clearly communicated its value. This combination created substantial brand equity for Procter & Gamble over the next twenty years.

From brand to power brand

Nike, Coca-Cola, Disney, IBM, BMW, Levi's, Marlboro, McDonald's, Mercedes, Sony, Xerox: what is it that these companies have that other brands don't have? The answer is all of the brand basics – a distinctive product, consistent delivery, alignment between communications and delivery – *plus* personality and presence.

Personality. Many brands have a purely functional relationship with their customers: they are valued for their consistent delivery of a product or service that reliably performs a certain job. Power brands, however, create a more emotional bond that grows out of their personality. Whether it is Coca-Cola, seen as an icon of American culture, or Porsche, coveted for the macho driving experience it promises, power brands generate relationships with customers that are measurably stronger than those achieved by ordinary brands.

Presence. Power brands seem to be present at every turn, reinforcing their distinctiveness. Such presence usually derives from national or international scale. It also comes from successful extensions of these brands across multiple concepts and into multiple channels.

The Walt Disney Company epitomizes what the combination of personality and presence can do. Disney's theme parks offer a genuinely distinctive experience built around universally recognized animated characters. The brand is supported by near-flawless delivery in every element of the business, coupled with a full range of marketing communications, all reinforcing the "childhood at any age" theme that Disney represents worldwide. Customers have powerful associations with the brand that often go back generations. Some put a great deal of effort into planning Disney vacations and, once there, buy lots of merchandise that memorializes their experience; others spend many hours watching Disney movies and television shows.

As a result, Disney enjoys the five main benefits of power brands:

- **Substantial, often dominant, and sustained market share.** Disney occupies the dominant market position in animated features and theme parks, and is a leading producer of feature films.

- **Premium prices.** Disney theme parks, hotels, and merchandise command significantly higher prices than competitors' offerings.

- **A track record of extending the brand to new products…** The Disney brand was launched in 1923 with the first Mickey Mouse cartoon, and has since been extended to films, network and cable television programs and studios, theme parks, hotels, merchandise, and a National Hockey League team, the Mighty Ducks.

- **…to new markets…** From its original focus on children, the brand has been extended to the full range of demographic groups ("ages 8 to 80").

- **…and to new geographic areas.** Disney's films and products are distributed worldwide. Theme parks are open or planned in the United States, Europe, and Asia.

Note that three of these five benefits represent not what the brand can do for the company today, but the options it can create for tomorrow. This may ultimately be the true power of a power brand.

Different companies face different branding challenges

A few power brands are what might be called "inherited" because their parent companies have owned their markets unchallenged for years. IBM and Xerox are among them. For companies not in this position, procuring a power brand means building one. Those with only a name or a weak brand must first make their brand sound, and build from there.

But while the process of moving from a name to a brand, and from a brand to a power brand, can apply to most situations, specific requirements and issues differ by industry and company. Commodity industries, independent operators, and low customer-involvement companies – to take three categories of business – each face separate challenges.

Commodity industries: Building brands for undifferentiated products and services

Basic materials producers such as steel makers, paper companies, food producers, energy suppliers, and telecommunications providers are increasingly thinking about building brands. What they lack, however, are the distinct product benefits required to build brand equity. Many, that is to say, have only a name, and are searching for a brand. But there are a number of encouraging success stories. To illustrate what can be achieved, and by way of contrast with the failure of Foxy Lettuce, consider what Frank Perdue did for chickens.

> Many basic materials producers have only a name, and are searching for a brand

Before Frank Perdue entered the US chicken producing market, most producers thought of their product as a commodity. But by differentiating his chickens, Perdue was able to command and sustain premium prices. He started by developing a distinctive value proposition, raising a hybrid chicken with an even skin color (indicating tender, tastier meat) and using turbine blowers to remove any feathers that remained after plucking. He delivered the chickens to the store fresh, not frozen as was then the norm.

Most important of all, he waited patiently until he had everything working properly before raising his advertising budget and injecting his personality into his brand-building efforts. (Remember his slogan: "It takes a tough man to make a tender chicken"?) Perdue's sales doubled every two years from 1968 to 1985, making his company one of the United States' largest chicken producers.

Confronted with deregulation and continually searching for growth, a number of executives in commodity industries want to be the Perdue of their sector; a few might even aspire to be their industry's Nike. Most, however, simply believe they need to build greater brand loyalty. To do so, they must take a measured approach that enables them to offer distinct benefits, then build upon each new benefit to deepen their relationship with their customer. There are two key elements here:

Create distinctiveness. The major challenge for commodity companies is to decide in what way they will be distinctive and how they can bring that about. Many companies believe that bundling services to provide one-stop shopping (by offering energy and cable television services together, for example) is the way. Research suggests, however, that bundling works only if companies add genuinely new benefits beyond an integrated bill and a small bundled-price discount.

Instead of thinking what disparate offerings they can put together, companies should work with customers to understand where opportunities exist to create real value. They must also build marketing skills they currently lack so as to communicate with customers about precisely how they are distinctive – often in the face of new, aggressive, and sophisticated competitors with comprehensive marketing abilities.

Don't communicate before you can deliver. Many commodity producers assume they need to construct a personality for their products and services in order to build a brand. They are wrong. Instead, they need to build a basic brand by aligning what they say with what they can do *today.* If a company thinks the formula for success is to offer reliable energy coupled with innovative services, for instance, and it can offer only reliability today, then that is where it must start: talking about reliability and delivering reliability. Subsequently, as it builds innovative services and confirms that they are working as it intended and as the customer wants, it can begin to talk about those too.

Companies should work with customers to understand where opportunities exist to create real value

This measured approach to building a brand, and perhaps ultimately a power brand, is at the heart of achieving success. How far a company can go will be constrained by how far customers will let it go. They may never be convinced it is worth their time and energy to invest in relationships with their utility company, or the company that markets the tomatoes they eat. Then again, there was a time when people laughed at the notion of a branded chicken at premium prices.

Independent operators: Standardize, then advertise

Many independent businesses, especially service providers such as physicians, used-car dealers, real-estate agents, retailers, and video stores, have interested and loyal customers, yet they possess no real brand. They have built personal relationships with their customers without the aid of a brand. However, this landscape is changing as companies spot real opportunities to create brands – sometimes for the first time – and, therefore, opportunities to form new types of relationship. Do they want power brands? In the future, perhaps. For the present, though, companies in this position are satisfied to have a strong brand where none existed before.

The challenge for such companies is to provide a more standardized in-store experience to create true consistency across locations and purchase or service occasions. Once this is in place, the companies must then build a platform to support advertising that attracts and retains customers. AutoNation and CarMax in automobiles, The Home Depot in hardware, Loewen Group in funeral homes, PETsMART in pet supplies, Barnes & Noble and Borders in books, and Century 21 in real estate are all recent examples of this strategy at work. Make no mistake, the effect on purchasing patterns can be huge. The number of independent hardware stores in the United States has declined steeply over the past decade as The Home Depot and Builder's Supply have grown. During the same period, the independent bookshop has all but disappeared as Barnes & Noble and Borders have rolled across the country, even into areas historically strong in independent booksellers, such as New York City.

Blockbuster is a particularly good example of this model. Under the leadership of Wayne Huizenga, the company transformed an industry made up of thousands of independently owned and operated video rental shops. These stocked a fairly wide selection of videos, and competed by offering personal service: recognizing customers, knowing their needs, and being able to recommend or reserve videos. What they did not have was standardized store operations or access to a comprehensive range of titles.

Blockbuster introduced bright, friendly stores with standard operating policies, uniformly excellent service, sophisticated systems to manage inventory and rental, and stock several times larger than that held by a typical independent operator. It also established a new level of convenience by enabling customers to use their rental privileges at any store. Recently, the company has extended its brand into the sale and rental of books, music, and games in an attempt to evolve into a home entertainment category killer.

For companies in this position, brand-building consists of two elements:

Put in place the integration and business system skills to ensure consistent value delivery. The first step is to find the few incremental benefits that will be enough to drive differentiation, and combine them with standardized delivery. Incremental benefits may flow naturally from scale; consistent delivery requires investments in infrastructure and operations. Barnes & Noble, for instance, can offer a wide book selection at low prices because it purchases in volume for large stores. These stores have the information technology to manage stock efficiently, and the company has invested in procedures and systems to support consistent service.

Build capabilities to support super-regional or national communications. Whereas an independent video store operator need communicate only with the inhabitants of a town or village, and can therefore rely on an outlet situated in a busy area plus local advertising to pull customers in, a chain of 500 video shops clearly needs a mass-market approach to communications. At the simplest level, this calls for proper investment in television and radio advertising. Increasingly, however, companies are grappling with more sophisticated issues such as how to handle joint branding (a McDonald's–Blockbuster promotion is one example) or tie-ins that make full use of a range of communications without destroying profitability or undermining core brand equity.

Low customer-involvement companies: Once more, with feeling

If branding is about creating relationships with customers, and if all relationships require interest and involvement from both parties (in this case, the company and the customer), then the challenge for certain companies will be to build sufficient levels of interest among their customers. These are companies that have achieved the distinctiveness of product or service and the alignment of marketing and delivery necessary to create a brand that genuinely stands for something, yet do not have customers who are truly engaged in the brand. This may be because they have not tried hard enough to build it.

More often, though, it is because the nature of the product tends toward the rational or functional rather than the emotional. Banking, insurance, computers, electronics, and transportation all fall into this category. Two companies that have found a way to tackle this challenge are Apple and Virgin.

Although Apple's fortunes have not been bright lately, its original achievement must not be overlooked. In the 1980s, Apple took what was perceived either as a technical product (large, complex machines operated by engineers) or as a toy for home hobbyists (the "new ham radio"), and created the Lisa and then the Macintosh. The Macintosh unit looked friendly and was easy to use, in sharp contrast to the esoteric DOS-based IBM computers.

The product was supported by "countercultural" advertising, most notably in a 1984 commercial that depicted a runner throwing a sledgehammer through a videoscreen of Big Brother while an audience of drones watched in horrified silence. Regarded as one of the best advertisements of all time, this was a call to the masses to forsake their old-fashioned IBM machines for the superior alternative, Apple. Many consumers responded, and even today enthusiasts will assert Apple's superiority to IBM and its clones vociferously and at length. So if most companies in this category lack the emotional pull and personality of power brands, it is not because it is impossible to develop them.

Virgin Airways is another model of what can be done in an industry that has traditionally had low customer involvement. Under the direction of founder

Richard Branson, Virgin has combined a distinctive value proposition (first-class seating at business-class prices) with a "rebel against the big airlines" personality that engages customers. The experience underpinning the brand revolves around reliable delivery and fun. As Branson said when he set up the airline, "If I'm invited for the weekend, I don't want to sit facing a blank wall for ten hours and have a bit of chicken dumped in my lap."

He reasoned that travelers would be attracted to an airline that provided an experience based on entertainment. His own offering came to include exotically decorated club rooms at airports, individual video machines for all passengers, and massages and manicures for passengers in Upper Class seats.

Building presence, like building personality, is not a "big bang," but a gradual process

Of course, not all companies have CEOs like Branson who can inject their own personality into a brand to reach consumers in new ways. Those that do not must consider whether they have, or can acquire, the skills to build exciting, distinctive, and sustainable environments, rather than simply inventing experiences that can quickly be copied by competitors. And if they do have the necessary skills, how should they use them?

First, they should **find a way to inject personality into the brand.** There are many ways to create brand personality, some of which are almost impossible to emulate, others of which are theoretically available to anyone. Virgin's formula, which depends on Branson's charisma, would be extremely hard to replicate. So would Disney's, which is grounded in the personality of its animated characters. But nothing Nike does is irreproducible. As already noted, Nike brings together celebrity endorsements, creative advertising, and innovative local marketing to build a complex personality that couples an aspirational overachiever ethic with a notion of community service.

Citibank, on the other hand, has used technology to stand out. Customers at its branches are met by state-of-the-art automatic teller machines that handle almost every transaction, while its telephone and computer services enable busy professionals to conduct their banking from anywhere in the world. As a result, Citibank is gradually creating a noticeably different – and some would say more exciting – banking environment.

Second, they should **build market presence.** Building presence, like building personality, is not a "big bang," but a gradual process of exploiting a series of opportunities to develop a cohesive strategy. For Intel, for instance, it meant having successive generations of its chips discussed in almost every computer review year after year, and putting its "Intel inside" slogan on computers. Once the company had achieved a substantial market lead over Motorola, IBM, AMD, and other chip manufacturers, it boosted its investment in corporate brand-building advertising on television and in print. For Citibank, presence means the mix and location of its retail outlets, ATMs installed in shops, and Internet sites. The task for marketers is to find the right balance of elements in any geographical area in order to reinforce and extend the relationship with customers.

Marketing muscle builds power brands

One final point needs to be made about building brands. We have yet to find any company that has built and sustained a strong brand without strong marketing capabilities. Like Frank Perdue, a company may not initially possess well-developed marketing skills when it starts to build its brand strategy. It may use outside agencies to help push it forward. And its marketing organization will not necessarily look like a traditional Procter & Gamble brand management department.

In every case, however, the company will possess certain critical marketing skills to a high degree: a superior insight into customer needs; the ability to devise products or services that powerfully meet those needs; the agility to redefine its offering as those needs change; and the creativity to produce exciting and compelling advertising. Without a strategic marketing mindset that understands all of these things, there is a risk that a brand will fail to appear distinctive in the marketplace. Moreover, differentiation must be communicated in a way that customers understand and that motivates them; otherwise the brand will not tap into the virtuous cycle that is created when a customer receives distinct benefits that are communicated continually.

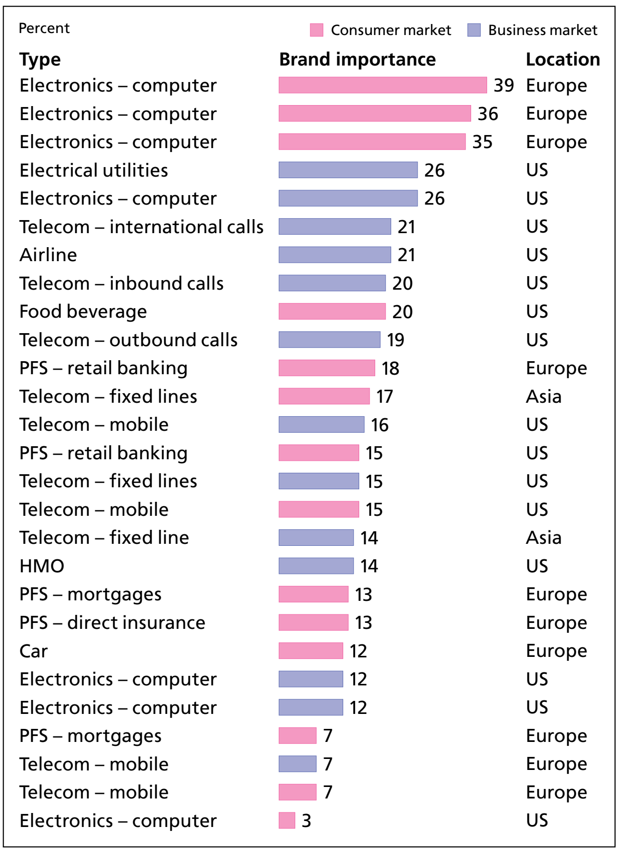
Clearly, power brands and marketing muscle go hand in hand. Building a power brand is a difficult challenge, but the direct translation of brand equity into shareholder value makes it a rewarding one. Companies in industries that have not historically used brands to build value should put brand building on their management agenda.

They should not, however, get lost in the challenge. All the while they are putting intelligent energy into conveying an emotionally engaging message, companies must not forget that their core product assets – proprietary technologies in the case of computer manufacturers, say, or investment expertise in the case of mutual fund providers – will continue to be a source of functional superiority over branded competitors. It is, after all, differentiation of this sort that built their brands in the first place.

of interest...

UNCOVERING THE VALUE OF BRANDS

Relative importance of brand



David Court, Anthony Freeling, Mark Leiter, and Andrew J. Parsons, *The McKinsey Quarterly,* 1996 Number 4