A "mindshare" manifesto

Common misconceptions squander the power of the modern brand

By Eric Almquist
and Kenneth J. Roberts

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

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

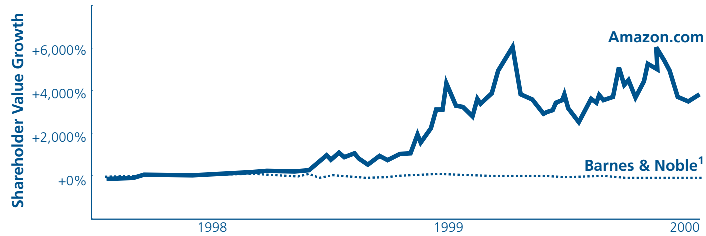
Throughout the industrialized world, there is a growing glut of products and services—including, in the United States alone, a staggering number of mutual funds and varieties of what was once a niche-market hot sauce. That glut has been exacerbated by the Internet, where countless new companies are doing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

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

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

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

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



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

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

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

A brief history of branding

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

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

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

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

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

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

What is a brand?

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

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

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

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

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

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

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

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

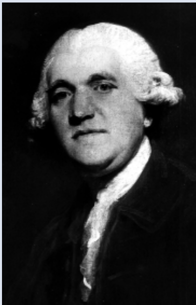
And the longstanding truism that an enduring brand is a strong one has been undermined by the volatility of today's business environment, which can quickly render a winning brand irrelevant. Branding remains crucially important, yet it increasingly finds its power (once again) through a tighter integration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

Precepts for the last century

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

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

"Common Wedgwood": A most uncommon brand



Josiah Wedgwood by Sir Joshua Reynolds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit 2 Brand consistency and shareholder value growth

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

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

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

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

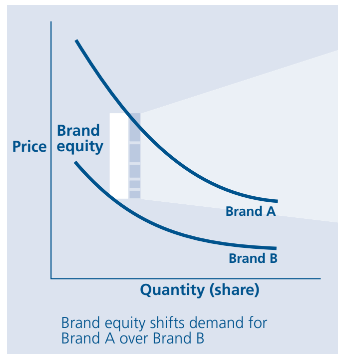
Misconception #4: Brands are symbolic and emotive and therefore are managed primarily through "creativity" rather than analysis. While brands appeal to the heart as well as to the head, they can be quantified and analyzed with much the same economic rigor as other business assets. One means of doing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

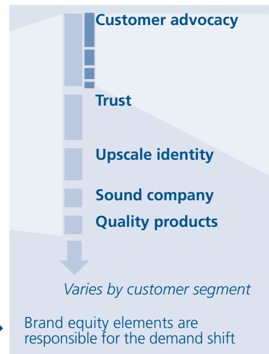
Brands convey numerous meanings and associations that are different in the minds of different audiences. In a flash, the brand "IBM" might communicate such images as "high quality," "high priced," "latest technology," "largest company," "reliable," or "stodgy," depending on the market segment. The sum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

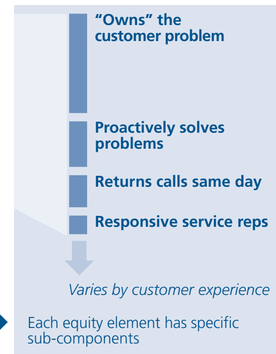
Winning brands target not only customers but also investors and current and prospective employees.

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

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







Illustrative

Exhibit 3 Brand equity quantification and deconstruction

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

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

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

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

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

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

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

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

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

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

The new branding

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

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

Surviving in a world of 200 salsa brands

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

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

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

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

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

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

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

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

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

—Eric Almquist

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

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

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

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

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

Eric Almquist is a vice president and a director of Mercer Management Consulting and head of the firm's customer value team; he is based in Boston. Kenneth J. Roberts is chairman of Lippincott & Margulies, a Mercer sister firm specializing in corporate image and identity, and a Mercer director; he is based in New York.