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all aboard the brandwagon

Principle #1

Relying on brand awareness has become marketing fool's gold.

You've probably noticed in the past couple of years that once-arcane phrases like "brand dilution," "brand synergy," "brand equity," and "brand recognition" have begun tripping lightly off just about every tongue in the business punditocracy. Such glib terms and phrases are typically uttered not only with a straight face but also with a solemn pursing of the lips and no detectable trace of irony.

"In the landmark 1967 film *The Graduate,*" the *New York Times* business reporter Joel Sharkey recently wrote, "there is the famous scene at the cocktail party where a helpful older man whispers this single word of business advice into the ear of a callow, befuddled young Dustin Hoffman: 'Plastics.' Remake the movie today, and you'd have to change the line to 'branding.'"

These days, the term "branding" is being uttered in the same pious, reverential tones formerly reserved for buzz words like "synergy," "leverage," and "strategic planning." The brand idea is no longer confined just to packaged consumer products. Today the word "brand" has become part of the vernacular within every department of any progressive company. It is on everyone's radar screen, though not everyone really knows what it means. Personally, and speaking as something of a brand fool, all this loose talk makes me nervous. For it was only a few years ago that everyone had given brands up for dead.

Brand Awareness Versus Brand Strength

Step back to the spring of 1993, when Marlboro, one of the world's most recognizable brands (if not *the* most recognizable) stunned the marketing world when it announced that it would have to aggressively cut its cigarette prices to stay competitive. The move was prompted by an onslaught of lower-cost, less-known competitors. Some of these were essentially generic, without any real brand sensibilities or public recognition in the market, other than that they were cheap. Others were barely brands in their own right. Wall Street analysts hammered Marlboro's parent company Philip Morris's stock, and several business magazines heralded the death of branding the very next week. According to them, it was price, not brand image, that would matter in the future. Building a strong brand was a concept that had run its course.

My friend Watts Wacker, a professional futurist, had it right when he stated at an Association of National Advertisers conference that year, "I believe the nineties officially began with Marlboro's inability to sustain its price. When the number one brand realized that its value proposition (what the brand was really 'worth' in the minds of the customer) was out of sync, that underlines the difference between a pig and a hog."

Asked by one conference participant to define that difference, Wacker gamely replied, "You feed a pig, but you slaughter a hog. Brands can be piggy, but they can't be hogs."

To me, the Marlboro Man had not fallen off his horse because the limitations of branding had finally revealed themselves. What sent him plummeting to earth, spurs pointing skyward, were two things: the product had lost any real differentiation in the marketplace from the equally blurred identities of a growing number of competitors, and its marketing strategy had become entirely predictable. By simply resting on past laurels, which was acceptable in the Old Brand World, the Marlboro brand eventually rejoined the larger pack, if you will, of all the other brands of cigarettes. It began to look like one more player in a very large, mostly unremarkable commodity market. The only distinction between Marlboro and its competition was Marlboro's heavier marketing and higher price, something that must have perplexed more than a few smokers.

To Marlboro's credit, it had established strong emotional connections with millions of core users, thanks to decades of rich imagery of the open West: vibrant vistas of cowboys, cattle, campfires, and coffee. Transcending a product-only relationship and connecting the brand to powerful and often timeless emotion—"emotional branding"—will continue to be important in the New Brand World, but it can never replace meaningful product innovation. Emotional branding merely augments and extends a powerful product or service platform by recognizing that some of the most important product benefits are emotional rather than physical. What is new is the need for greater innovation in both product development and marketing communications. In the future, standing still will be lethal to any brand.

Not unlike Marlboro, Nike also wove its brand into timeless emotions by becoming the category protagonist for competitive sports and fitness. But unlike Marlboro, Nike never stopped reinventing its products and its marketing. It is safe to say that Nike Advertising took a thousand different creative tacks on the same core brand positioning during my eight-year watch, from 1987 to 1994. While Nike Advertising was constantly refreshing the marketing and brand positioning, Nike Design became one of the world's premier product design and development organizations. Speed of change was also important to Nike. Just when Marlboro was beginning to falter, Nike was introducing so many new products and marketing campaigns that it had reduced its average product life cycle from one year to three or four months.

Relevance and Resonance

But change for the sake of change can also be marketing fool's gold. The best reason for change is to expand brand *relevance* and brand *resonance,* two measures of brand strength that are much more valuable than mere brand *awareness* can ever be. Perhaps this is the greatest single change in the concept of "brand" in recent years. Where we once looked at brands on a surface level, we now view them in more intimate and multidimensional terms. We plumb their depths, looking for reassurance that they are good, responsible, sensitive, knowing, and hip. Never in the history of business has there been such scrutiny of brand performance.

So how do brands become more relevant and resonate more deeply with customers? One of the most rewarding strategies for achieving this goal has been *mass customization,* the process of creating a broader array of "niche" products that emanate from one central brand position like spokes on a wheel. Executed properly, mass customization enables large brands to build and retain relationships with smaller subsets of a mass market while growing the entire brand franchise.

Consider Harley-Davidson. Yet another brand with a timeless emotional position—the open road, personal freedom, and rebellion—Harley-Davidson also understands the value of providing customers myriad ways to customize its core product or embrace its brand. For FY 2000, Harley posted $2.2 billion in revenues from its motorcycles. *It also posted $600 million in revenue on parts, accessories, and general merchandise.* The latter delivered more than just high profit margins to the company. It also enabled consumers to customize their own Harley-Davidson brand experience.

Another brand historically hell-bent on change has been Intel, with its "self-cannibalization" of Pentium technology in the nineties. Intel was well aware that with every new, faster chip, it was essentially killing its young, but it recognized this violent act as a form of what Intel chairman Andy Grove called "creative destruction." (This term was originally coined by the early-twentieth-century Austrian economist Joseph Schumpeter and was later popularized by both Grove and General Electric's CEO, Jack Welch.)

Marlboro's plight gave the big, traditional, Old Brand World brands much to ponder, especially the *Über*-brands like U.S. Tobacco, Unilever, Procter & Gamble, General Foods, and Nestlé. For them, "Marlboro Friday," as they called the day the price cuts came down, threatened the foundation of trillions of dollars' worth of merchandise and services derived from their brands—brands that had by then apparently grown too similar, too complacent, and too reliant on outdated and conservative marketing practices. The notion that a brand could survive for years, even decades, without significant change to its product or marketing had to be abandoned. Branding had become a game of fast-break basketball. The fastest and most innovative team would win. Branding, it also became clear, was no longer a straightforward concept.

Fortunately for Nike, it never looked to the postindustrial brand juggernauts for best brand-development practices. In fact, we steered clear of anything that felt like Old Brand World logic. Nike committed a form of "creative destruction" comparable to Intel's by creating literally thousands of products and hundreds of print ads, billboards, and television commercials every year. It aggressively began to mass-customize with new "collections" of products that amounted to sub-brands within categories like basketball and tennis. Each sub-brand and collection beneath the Nike brand umbrella was geared to a particular customer segment or distribution channel. The overall effect of Nike's brand segmentation was to burnish the brand in the mind of the consumer in more creative, more

relevant and dynamic ways. Like Intel, the Nike brand became as much about change as about continuity. Both brands kept consumers happy and on their toes, and grew into global powerhouse brands by constantly refreshing and reinventing themselves—remaining forever the same, yet forever new.

The Value of Brand for the Commodity

Nike and Intel had succeeded brilliantly in precisely the area where Marlboro had so dismally failed: the fertile mind of the consumer. Marlboro had been forced to cut prices to match Brand X inferiors and no-name interlopers because cigarettes were increasingly perceived by consumers as commodity products—goods that are essentially "fungible," or mutually interchangeable and undifferentiated, like wheat, pork bellies, or sugar.

This dreary perception of what marketing people call, with justifiable dread, "product parity" erased the value created by literally billions of dollars expended on marketing, promotion, and advertising over the years. Marlboro had spent billions building up the global image of the Marlboro Man as the epitome of rugged American individualism and free-wheeling masculinity, yet this great American icon was being increasingly regarded as representing "just another cigarette." At the same time, Nike and Intel accomplished precisely the reverse. *They* took what for decades had been considered commodity products, athletic shoes and computer chips, and transformed them into something not merely different, but better.

Almost every brand in existence today can be reduced to the status of a commodity if it fails to effectively evolve both its products and its marketing communications. You can't do just one or the other. The most innovative product line will grow stale in the minds of potential customers if the marketing has become static, undifferentiated, or—even worse—irritating for lack of change. Even the best marketing campaign will be run into the ground when it becomes so repetitive that it wears out its welcome. Stay with a marketing campaign too long and it will send your brand into reverse as consumers lunge for the remote control, change radio stations, or flip past your print ads the nanosecond they recognize that it's just you, *again.* On the Web it's no different. Consumers will curse your Web banner, too, at some point. Even "permission marketing," a method of marketing where customers "opt in" to be contacted by companies (usually on the Web) for new products and services or to participate in promotions, will wear out its welcome for many unless it is respectful and kept vibrant. Unsolicited e-mails and "notifications" are only marginally more acceptable than unsolicited telemarketing to your home phone during dinner.

The issue of branding has become topical in nearly every business, and in recent years it has become even more critical to industries where competition is particularly fierce *and* where technology has become a disruptive force. We have witnessed the effects of information technology on stock trading, travel, and even shopping (not necessarily on buying, though that will evolve). But this pales by comparison to the technological changes in the telephone, cable, and wireless industries. An exponential expansion of capacity (thanks to fiber-optic, cable, and wireless technologies) has dropped prices as well as barriers for entry to potential competitors. At the turn of the century, it became a price-driven war for survival. Profits have crumbled and many question what the future holds for some of the biggest and once-strong brands in the world. In the March 19, 2001, issue of *Forbes* magazine, the publisher, Rich Karlgaard, put his thumb on the plight of a number of large companies with enormous brand awareness but downward-spiraling profits in a column that illuminated many of the shortcomings of traditional brand thinking.

"The 20th-century idea of a brand is inadequate protection these days—a castle wall in the age of cannons," Karlgaard writes. "Needed is fresh thinking on a brand's new responsibilities." Why, he wonders, are the brands that enjoy the greatest awareness facing such a hard time in the marketplace? The answer is simple: awareness is just about all that some of them have to show for themselves anymore.

This complacency is not limited to the tired old brands that have been sitting on their "old economy" butts. Also at the turn of the century, quite a few newer brands sought to create brand awareness and ended up with *only* that. The failed Internet brand Pets.com built huge brand awareness with its admittedly cloying sock-puppet mascot, and eToys also created enormous name recognition for itself en route to bankruptcy court. Massive levels of brand awareness will not correct a flawed business model. Excessive marketing spending will only accelerate the demise of any poorly conceived company.

These companies are mere blips on the screen when compared to a massive, established juggernaut like AT&T, but even AT&T has been having its own brand troubles lately. By the turn of the century the phone

industry had become a textbook case of what happens when a product or service becomes invisible at best, frustrating at worst, and so omnipresent that it generates excitement in no one. And the overabundance of capacity created a marketing war that none of us could possibly have missed.

At one point AT&T was spending more than a billion dollars per year on marketing, mainly to mitigate the negative effects on its bottom line from disloyal-customer "churn," an outgrowth of the widely available and heavily discounted offerings by competitors. Just as computer chips and sneakers once were no-frills items, phone service has become a commodity. Rather than reinvent the commodity, however, most phone companies opted to do what they had done ever since deregulation first hit in the mid-eighties. They plowed more and more money into traditional marketing schemes, nearly all of them complicated and sometimes deceptive promotions and dial-around services with myriad 800 numbers that connect callers to discounted long-distance providers.

I strongly suspect that most of these companies assumed that outlandish promotional budgets would help strengthen their brands, but in reality such excessive expenditures may have had a reverse effect. Nearly all of that high-cost telecom advertising delivered one brand-fatal message: *the only factor that matters when it comes to phone service is price.* Not service, not new technology, not friendly customer support, customer relations, or the quality of the people behind the brand. Any market in which the only critical factor is price is by definition a commodity market. Take wheat, pork bellies, gold, and silver—in every one of these markets, the only factor is price per pound on a given day. A rare exception to this rule is Morton Salt, which built a viable brand out of a commodity and made it synonymous with quality and value. What's the principal difference today between Sprint, MCI, and AT&T, or a whole host of smaller, rival phone services? Price, of course. Perceptions of product parity are the death of the brand in any business. It takes great creativity for any brand, once immersed, to pull itself out of the murky soup of product parity. The future for this industry may rest with companies like Tellme Networks, a voice-recognition communications company located in Mountain View, California, that may render the buttons on the phone unnecessary. "Dial Tone 2.0," as we liked to refer to it while I was helping Tellme map out its own brand architecture in 2000, will marry the information power of the Web with the simplicity and omnipresence of the phone. Interestingly, AT&T was one of the early investors in Tellme.

Branding a Commodity: The Right Way

Part of the appeal for me in joining Starbucks in 1995 was the prospect of helping create another powerful global brand from within a commodity business, as we had accomplished at Nike with sneakers. But this time around, we would not be able to rely on major advertising or any of the beneficial awareness that marketing might bring. Starbucks was investing more than $100 million each year in opening new locations and also had one of the best—and most expensive—employee benefits programs ever offered anywhere. As a result, it had very little left over for mass marketing.

When I left Nike, I left behind a $200 million marketing communications war chest, up significantly from the $17 million budget I had started with seven years earlier. Interestingly, the percentage of sales that Nike committed to advertising remained the same over that period. As top-line revenues grew, so did our marketing. Starbucks CEO Howard Schultz had been able to scrape together a $5 million marketing budget for my first year there. We invested the money in redesigning the stores and every aspect of product packaging, in new product development, and in grassroots marketing, particularly in new markets. During the time I was there the budget never increased much, and Starbucks never bought network broadcast or national print advertising, though we made several stabs at seeing what it would look like, creatively, if we ever needed it. Starbucks was blessed by the fact that the rest of the coffee world was still fast asleep at the switch, pumping out undifferentiated products for the grocery channel, manufactured to the lowest possible price. For decades, industry innovation had been leveraged to get costs down rather than quality up. And in the fifty-year race to see who could make the cheapest three-pound can of coffee and stack it high and deep on the end of the grocery aisle, the coffee brands spent billions of dollars on marketing that was at best unremarkable.

As it turned out, the industry giants essentially sat on their hands while Starbucks reinvented a nine-hundred-year-old product they had dominated for generations. Was Starbucks any more convenient than a home-made cup of coffee? Not really. Most customers have to drive or walk to their nearest Starbucks, and wait another six or seven minutes to get their morning drink. Was it cheaper? Hardly. On a per cup basis, a double-tall nonfat latte costs ten times more than a cup of sour, scalded Joe made from a six-month-old can of barely roasted, one-grind-fits-all low-elevation robusta bean shavings. Rather than compromise on product quality in order to have money to spend on expensive media campaigns, Starbucks served up a steady stream of hand-crafted, customized products in a welcoming, well-lit, clean, and comforting environment. The Starbucks experience proved relevant from Times Square in New York to King's Road in London to the Ginza in Tokyo. It also works well in five thousand other locations around the world today.

But Starbucks didn't limit the process of brand development to coffee alone. In 1995 it began to sell its own music compilations on CDs, as well as its own books, pastries, and other merchandise. But Starbucks didn't really make the coffee kings nervous until it successfully entered their own turf, the grocery store, with bottled Frappuccino, Starbucks coffee ice creams, and whole-bean coffees, all in the span of a single year. They thought we were out to get them, but we were just following our Golden Rule: brewing unto others as we would have them brew unto us. We believed that no one should have to drink bad coffee at work, eat coffee ice cream that had no real coffee in it, or brew poor-quality coffee at home, even if the Starbucks choices cost a little more.

Branding a Commodity: The Wrong Way

The confusion between brand *awareness* and brand *strength* reached its zenith six years after the Marlboro Man fell off his high horse, as the technology sector—especially Web-based e-commerce companies, software companies, and e-business consulting companies—took center stage in the battle for brand differentiation. For a time, the new brand battles were fought between Intel and AMD, Compaq, IBM, and Apple; between Amazon.com and Yahoo!; between eBay and eToys.

Nothing was more important for many of the freshly minted dot coms, in those halcyon days, than immediately establishing themselves as *the* brand in their space. To do so, they figured, would require loads of advertising. In the span of a few short years, billions of marketing dollars evaporated at the hands of young, restless, well-funded, and inexperienced entrepreneurs in the pursuit of "brand building." Despite the revolutionary nature of the business, most followed the misguided example of their Old Economy predecessors and equated brand *awareness* with brand *strength*.

In the wake of the dot-com bust, many companies overreacted and fled to the opposite extreme, reflexively deeming all forms of mass media a complete waste of time. They turned their attention instead to Web-based marketing, usually in the form of issuing blizzards of unsolicited e-mails and banner ads wherever they could get them. I encountered the fallout of this approach firsthand at a board meeting for one of Silicon Valley's most promising start-ups. One board member who had funded a number of by then failing companies remarked, "I can't think of too many of my portfolio companies that are happy that they spent a ton of money on advertising lately."

Another board member added, "Television doesn't work. Never has and never will." This "insight" amazed me. Apparently the speaker's experience had been formed at Microsoft, a company that could not buy good advertising no matter how hard it tried. And it spent a lot of money trying. Microsoft had even hired Nike's agency, Wieden & Kennedy, in 1994 for the launch of Windows 95 and to help it "with its brand work." Save for the "Start Me Up" commercial, the relationship was a complete disaster and was not long-lived. But I don't believe for a moment that the problem was the fault of the agency, for Microsoft is a notoriously difficult client and Wieden is a notoriously gifted agency. Shortly after this board meeting I spoke with one former Microsoft marketing executive turned venture capitalist who also thought that television was a waste for any company, click or mortar. I asked him how he felt about the creative process with Wieden & Kennedy.

"Wieden & Kennedy never got the heart of Microsoft," he complained.

"That's funny," I replied. "I never knew Microsoft *had* a heart."

To their credit, the Portland, Oregon–based creative powerhouse Wieden & Kennedy—which has kept a relationship with Nike since the agency opened its door in 1981—had sought in vain to find something deeper within Microsoft that would resonate with the world, not unlike what they had accomplished for Nike. They tried to define something in the brand that was more meaningful to people than mere software, but they came up empty-handed. Even the best advertising cannot create something that is not there. If a company lacks soul or heart, if it doesn't understand the concept of "brand," or if it is disconnected from the world around it, there is little chance that its marketing will resonate deeply with anyone. It's a lot like putting lipstick on a pig.

Shortly after the 2000 Super Bowl, I was asked by a writer from *USA Today* to comment on the televised ad presence and creative performance of the dot coms. The writer informed me, half kidding, that he was starting to think that all the creative disasters he had been treated to that past Sunday could be blamed on Nike.

"You made it all look so *easy*," the reporter observed. "They think that all they have to do to create a great brand is to hire a hot ad agency, tell them they want 'Nike advertising,' and 'spend lots of money.'"

"They overlooked three things," I replied. "We had a compelling product that everyone understood. We had a business model that actually worked. And we had common sense when reviewing creative ideas."

I can't think of much better advice for any brand in any industry. Start with a great product or service that people desire and that you can sell profitably. The best brands never start out with the intent of building a great brand. They focus on building a great—and profitable—product or service and an organization that can sustain it. Once that has been accomplished, you can slam your foot on the marketing accelerator and let the whole world know about it. But get ready to meet the demand created by that marketing or you will destroy your brand before it ever gets off the ground. And also know that your advertising must create a proposition that your product or service delivers on, time and time again.

Defining "Brand"

So now we know that in the New Brand World, brand awareness and recognition, even when judiciously used, do not necessarily a viable or powerful brand make, though they are key aspects of the process. What then is the complete equation? What are all the forces that shape a brand? Is there one completely accurate definition?

For starters, let's examine what a brand is not. It is not, to cite just one example, best defined by an entry in a recent edition of the *Random House English Dictionary.*

> 1. A word, name, symbol etc. esp. one legally registered as a trademark, used by a manufacturer or merchant to identify its products distinctively from others of the same type and usually prominently displayed on its goods, in advertising etc. 2. A product, line of products or service bearing a widely known brand name. 3. informal. A person notable or famous, esp. in a particular field: The reception was replete with brand names from politics and the arts [1925].

This outmoded definition relies far too heavily on tangible quantities like products, services, and trademarks. Yes, brands are in part physical. They are often represented by products, places, and people. But we're now turning away from a half century best described by Diane Coyle in her excellent work *The Weightless World* as "the tyranny of the tangible." Since the advent of the Industrial Revolution, all that mattered in business were tangible assets: physical entities that either appeared on the corporate balance sheet as "hard assets" or, in the realm of abstraction, such easily quantifiable concepts as price-to-earnings ratios or quarterly earnings. The materials and power sources that drove the Industrial Revolution—steel, oil, electricity, lumber, heavy equipment, concrete, and automobiles—formed the tangible bedrock of the value equation. But in today's knowledge-based, experience-driven society, intangible and often weightless notions, intellectual properties, ideas, products, and services are driving more wealth creation than are materials.

Nowhere is this more evident than in the realm of brand development. It can safely be said that Coca-Cola's total market value is more an emotional quantity than a physical one. Hard assets like bottling plants, trucks, raw materials, and buildings are not as important to Coke—or Wall Street, for that matter—as the consumer goodwill that exists around the world toward the brand. Put another way, the loyalty that Coke has created is worth many billions, possibly hundreds of billions, of future dollars. Attempting to quantify this part of the balance sheet can drive even the best CFO nuts, but the value is there. In 2001 I was retained by Coke to help drive an important new brand-development process that would, among other things, provide a quantifiable tracking system for the strength of the Coca-Cola companies' flagship beverage brands.

Defining the Softer Side of "Brand"

The more enlightened definition of branding that I'm going to propose here originated many centuries in the past. Well ahead of his time, Plato believed that behind and above and beneath everything concrete we experience in our daily lives is the *idea* of that thing, which gives the thing lasting, even everlasting, meaning. In a comparable way, every brand has a fundamental essence. This essence is not physical or defined exclusively or entirely by products or services.

Today, a brand is, if it is any *thing,* the result of a synaptic process in the brain. The great nineteenth-century Russian behavioral psychologist Ivan Petrovich Pavlov would understand this conception of branding. The pleasurable sensation that his dogs felt when he rang his famous bell—and their eager anticipation of the imminent arrival of food, which they demonstrated by salivating—is perhaps the best analogy I can think of to the psychological process that branding elicits in us when it works successfully. The concept of the brand—the Platonic idea, if you will—creates a response in its audience without the audience's seeing the product or directly experiencing the service. Think Godiva chocolates for a moment: the very name, perhaps even the logo, conjures up an image of sinful indulgence. Yes, it represents chocolate or ice cream, but it is the feeling and the anticipation of that feeling that the brand conveys most compellingly.

But for our purposes, even the Pavlovian model comes up a little short. I believe that the twentieth-century humanist psychologist Abraham Maslow offers us a model that may be more relevant for the more nuanced consumers of today.

Maslow's Hierarchy of Human Needs

The founder of what later became known as the "human potential" movement, the Brooklyn-born Abraham Maslow (1908–1970) completed his training in psychology when the field was dominated by the school known as behaviorism, led by B. F. Skinner. Behaviorists believed that the "human animal" was not fundamentally different from any other animal, and as such was primarily motivated by the basic physical and physiological needs for food, sex, warmth, shelter. Any "higher" emotions, goals, or ambitions were merely abstracted from these basic drives, and were thus not worthy of serious study.

But Maslow was not convinced that that was all there was to human psychology. By nature an independent spirit and thinker, he was no more impressed by the Freudian school (then gaining ground in America) than by the behaviorists. To illustrate his own theory of what motivates people, Maslow created a pyramid-shaped *hierarchy* of human needs. The primary, physiological needs for food and shelter are at the bottom, and progressively more complex needs—for safety, belonging, love, and esteem—are ranked progressively higher. At the top are our "highest" needs, for self-actualization and spiritual fulfillment.

Old Brand World thinking concentrated on what marketers call "top-of-mind" awareness, which, ironically enough, is precisely the opposite of what Maslow put at the top of his mental model. In traditional marketing lingo, "top of the mind" refers to unaided awareness of a brand, a product, or a product feature. This surface-level measure does not impart enough insight in today's fiercely competitive and commoditized marketplace. And it does not begin to approach the notion of measuring brand loyalty. I am personally aware of a great number of brands I have no intention of ever buying because they are irrelevant to me, or they don't resonate deeply enough for me to trust them.

Today's brand positioning and behavior must reflect an understanding of the deeper psychological issues that Maslow placed at the apex of his pyramid. Brands that respect the "higher" consumer needs and develop products, services, and marketing communications that intelligently leverage them will rise above the commodity fray, for they will become more meaningful. These emotional needs include more powerful, more subtle, more complex motivations like yearning to belong, needing to feel connected, hoping to transcend, desiring to experience joy and fulfillment. We will discuss these emotive drivers, particularly as they relate to Maslow's theories, in greater detail in chapter 4. But for now, keep this "higher ground" concept in mind as we attempt to redefine the notion of a brand. Henry Ford did more than create the concept of mass production. The real power of the automobile in its early years was probably more emotional than it was physical. It must have been much more than getting from one place to another. Imagine the emotional rewards that came with owning an automobile for the first time or just riding in one. If that's difficult, remember back to your first bike. Mine was a Huffy. Some of our greatest brand memories are primarily emotional.

Brand Alchemy

If in today's competitive environment a brand can be bound by the laws of psychology at all, the process by which it evolves into a marketer's most powerful tool is most akin to alchemy. This is the ancient and quasi-mystical practice of transmuting base elements like iron into precious elements like gold.

> ***Branding is about taking something common and improving upon it in ways that make it more valuable and meaningful.***

A coffee bean is just a coffee bean until someone like Howard Schultz and Starbucks comes along, and creates from it a branded product—a hand-crafted espresso drink served in an environment such as a coffeehouse.

The sneaker was just a sneaker, in every way pedestrian, until Phil Knight and Nike came along and connected the aspirational and inspirational rewards of sports and fitness with world-class innovative product performance like that of the Nike Air shoe. Nike could have spent millions preaching the value of encapsulated gas trapped within a thin, pliable membrane in the midsole of a shoe, encased by a molded foot frame and attached to a dynamic fit system. Instead, it not only simply *showed* the product but also communicated on a deeper, more inspirational level what the product *meant* within the wider world of sports and fitness. It transcended the product. It moved people.

The alchemical process described above—the transmutation of "base" materials into gold—occurs in the deepest recesses of the human brain as a *memory*. This memory may be sharp, or it may be out of focus; it is of everything that the consumer in question has seen, heard, or felt about that particular brand. The products themselves are just one contributing factor among many in this mental construct. Therefore:

> ***A brand is the sum of the good, the bad, the ugly, and the off-strategy. It is defined by your best product as well as your worst product. It is defined by award-winning advertising as well as by the god-awful ads that somehow slipped through the cracks, got approved, and, not surprisingly, sank into oblivion. It is defined by the accomplishments of your best employee—the shining star in the company who can do no wrong—as well as by the mishaps of the worst hire that you ever made. It is also defined by your receptionist and the music your customers are subjected to when placed on hold. For every grand and finely worded public statement by the CEO, the brand is also defined by derisory consumer comments overheard in the hallway or in a chat room on the Internet. Brands are sponges for content, for images, for fleeting feelings. They become psychological concepts held in the minds of the public, where they may stay forever. As such you can't entirely control a brand. At best you only guide and influence it.***

The most successful brands consistently evoke positive feelings over time. With each new product, service, or marketing campaign the brand is refreshed and recharged. Great brands do this around a core theme or idea and draw each new product or service into its narrative as another engaging, relevant, new chapter in a story that, like a great piece of mythology, can never be completely told. But they do all this with the customer, not the company, as the story's main protagonist. To do this requires that the company change the way it looks at the marketing universe.

Brand Astrology: The Copernican View

One essential difference between the New and the Old Brand Worlds is that in today's brand equation, the consumer to whom you are telling your story—the listener, the viewer, the customer—has more control than ever before. Whether the name of your game is pure bricks-and-mortar (physical-world retailing, wholesaling, manufacturing, or services) or "clicks-and-mortar" (employing elements from the virtual and physical worlds), or you meet the public entirely on-line, the fact remains that the world has unalterably changed because of the Internet. What the Web and the Net have accomplished—and this is a potentially earth-shattering feat—is to put consumers in the driver's seat of the economy. Ignore them at your own risk. This is as major a perceptual transformation in the universe of marketing as Copernicus's realization that the earth revolved around the sun, not the other way around. Likewise, the New Economy revolves around the consumer. In the future, business will ultimately rise and set with the customer, not your best retail distributor or reseller.

The long-term implications of this astronomical shift are both profound and perplexing. According to the University of Michigan business school professors C. K. Prahalad and Venkatram Ramaswamy, the swing of the power pendulum to the consumer makes a product "*no more than an artifact around which customers have experiences.*" This notion is potentially so far-reaching that I believe it bears repeating:

> ***A product is no more than an artifact around which customers have experiences.***

Over time, products and services will come and go, but the brand that provides them will remain a constant. And brands will be defined by the sum total of those experiences, rather than the products or services themselves. It is precisely because we live in this new Copernican universe of marketing that we must now pay more attention to the consumer experience. We must recognize that a great product by itself is just one more chit, one more token, one more piece of currency in the relationship between consumer and brand.

We must also recognize that not all exchanges between brand and customer are good. In fact, some are disastrous, and these exchanges test the strength of the relationship. But brands that have built a strong emotional bond with customers are far more likely to recover from a misstep or an unwarranted tragedy than those that are perceived as merely products, no matter how good those products may be.

When the McNeil pharmaceutical company, the manufacturer of Tylenol, was hit by a mad poisoner, it was a tragedy for the consumers who were victims of the crime. It was also a particularly undermining attack

on the integrity of the brand. What ultimately allowed Tylenol to recover was its immediate recall, an aggressive couponing program (as much as $2 toward purchase of a new package), and, perhaps most important, a deep reservoir of brand trust. Tylenol had never given rise to questions concerning the integrity of the brand. The way in which it behaved in the days following the tragedy ultimately built even more trust in the brand.

When AOL's brand became, for a time, synonymous with "busy signal," it was bad news for both the customers and the brand. What allowed it to recover from that debacle was the enduring strength of its brand position, and the consistency and coherence of its brand promise. That, and the rapid installation of a good many more phone lines. Never closely associated with cutting-edge technology, AOL instead built a credible brand by being the most "user-friendly" Internet service provider. It was one of the first businesses to successfully market basic e-mail services for the masses. It was first to market easy-to-use instant messaging. Ten years ago, who would have predicted that the strength of that brand loyalty would lift AOL's stock price to such heights that it would be strong enough to acquire, rather than be acquired by, Time Warner?

For an illustrative counterexample, consider the *Exxon Valdez* oil spill in Prince William Sound, Alaska, in 1989. At the time it occurred, Exxon's brand image with the consumer was not exactly a deep pool of good feeling. When in the face of ecological crisis the company seemed to be bent on evading its moral and ethical responsibilities to the environment, the public came down on it hard.

Nine years later, when the Justice Department and twenty states' attorneys general accused Microsoft of unfair competitive practices, Microsoft customers' brand loyalty and the company's market position were not such as to make the public rise up in outcry in defense of a beloved brand. Microsoft built an incredibly rich and powerful company but an incredibly shallow brand. A paradox like this suggests business practices that may not have been entirely in the best interest of the consuming public, not to mention the brand itself. Bill Gates and Steve Ballmer hastily concocted television commercials in which they begged for forgiveness and sympathy from the American public in the days preceding the Justice Department's announcement that it was charging Microsoft with antitrust law violations, which ultimately went badly for them. The commercials represented a comically feeble, and long overdue, attempt to change public opinion.

"Product purists" would beg to differ with this interpretation. Product purists insist that products speak for themselves. They would claim that all the above is just "branding BS," and that what allowed Tylenol and AOL and other strong brands to stay strong even in the face of adversity was the fact that they are *great products*. In other words, if the public doesn't have an unshakable faith in your product, it's because your product sucks.

Don't believe them. Microsoft and Exxon both put out great products, certainly as good software and gasoline as anyone else. But when external events turned against them, the public just as quickly turned on them too. That just didn't happen with AOL or Tylenol. And that's the difference, pure and simple, between having a strong brand and having a weak brand.

Even the greatest brands, of course, go through their rough spots, and experience some prolonged periods of severe stress. What enabled Nike to triumph over innumerable adversities—including being practically boycotted for supposedly underpaying its suppliers' Asian contract workers—was the underlying strength of its brand. What permitted Starbucks to overcome the accusation that it was becoming "too much like Taco Bell" has been a consistent record in doing good things for its customers and its employees. These include full medical benefits for part-time employees and stock ownership available to all employees no matter how many hours they worked—benefits and rewards that most fast-food brands had never dreamed of offering. The end result: employees like their company and in turn create a better *brand experience* for their customers.

Products and services will continue to come and go. But the residual experiences of customers who consume them will ultimately define the brand. Even the world's greatest brand spokesman, even Michael Jordan, will one day fade away. At Nike we knew Michael Jordan was ultimately just another contribution to the totality of elements that constitute the Nike brand—albeit a critical one. Years before Michael first retired from the NBA to pursue baseball, we were already at work envisioning our business without Air Jordan. Even the world's greatest athlete was for us a means, even if an immensely powerful one, to a greater end.

Brand Metaphysics

Ask yourself the question "Who am I?" Your initial answer is probably something quick and obvious, like your name. That was my response the first time I was asked the deceptively simple question "Who are you?" as

part of an executive training session led by Deepak Chopra. The exercise was straightforward: after answering the question, no matter what your answer was, you were asked it again. And again. With each answer I had to dig a little deeper as I tried to explain who on earth I was. It quickly became apparent to me that I was not just a name, not just a father, not just a husband, not just a son. And I was certainly not merely my job title, a response offered by some of the others participating in the exercise.

If you have read any of Deepak Chopra's books, you know that it is a fundamentally flawed and limited view of our lives—not to mention the universe—to define ourselves by our physical presence, since that is temporal and fleeting. I'm not talking about reincarnation here, or at least not yet. The human body pretty much regenerates itself every year, some organs faster than others. Hair continues to grow no matter how we cut it (for most of us, anyway), and the skin you sport today was not there six months ago. Nor will it be with you six months from now. Even your internal organs slowly die and rebuild.

So if we aren't entirely defined by our physical attributes or the name we give ourselves, how *are* we defined? Some believe we are defined by a spirit or by the spirtuality that guides the decisions we make in life. I think that approach is part of the answer, but I have a somewhat more concrete suggestion than that.

> ***We are defined by the experiences and actions of our lifetime.***
> ***So are brands.***

We are defined by years of fun and boredom, of excitement and terror, of pleasure and pain, of love and loathing. Some portion of the weathering and scars is visible. Some of it lies much deeper. We are defined by the friends we have kept as well as those we elected not to. We are a product of the things we controlled as well as stuff that landed on our laps courtesy of fate, chance, bad luck, or destiny.

As I related Chopra's riddle to my wife that evening I was struck by the similarities between defining a person and defining a brand. Understanding what constitutes a brand is an equally daunting exercise. In the end, as we have seen, brands are not physical things that can be held in your hand, placed on your feet, or measured accurately on a scale. Such characteristics belong to products. Likewise, brands don't insure your house, connect your phone call, change your oil, advise you about your business, or bring you your e-mail. Those are services.

Brands are living concepts that we hold in our minds for years. What goes into them is both logical and irrational. Some of the most lasting brand images are purely emotional—memories of exceptionally bad service, of a product that failed to deliver on its promise, or of one that exceeded our expectations and blew us away with its screaming performance. In our minds we store all the moments in time when a brand stopped us in our tracks and made us think deeply or inspired us. This is where we remember the brands that marked an important passage in our lives. Gerber baby food is an excellent example. As a brand, Gerber consistently ranks among the most powerful on earth. It delivers trust where we most appreciate it.

We also remember the brands that have nearly killed us. For me that's a certain brand of tequila that will remain nameless, and a Third World airline that for similar reasons will also remain nameless. Thanks to these negative associations, I now steer clear of all tequila-derived cocktails and commercial pilots from Third World countries who are quite comfortable with the idea of reincarnation. People and brands also share a concept that the pilots of such airlines understand completely: karma. *Webster's* dictionary defines karma as "the force generated by a person's actions held in Hinduism and Buddhism to perpetuate reincarnation and to determine the nature of the person's next existence."

I believe that brands have karma. If brand awareness was once the standard measure for brand strength, and brand resonance and relevance are the new yardsticks, I suspect that brand karma will be the ultimate definition of brand strength one day. But as you can see by that transition, we have gone from something easily measurable (how many people are *aware* of your brand) to something far more difficult to measure (how do people really *feel* about your brand). Brand karma reflects everything a company does as well as everything it elects not to do. Ignoring a public relations debacle is very bad for brand karma. Thanks to the media and the Information Age, a brand's karma will be more exposed and studied than ever before.

The world has no shortage of companies, of products, and of means by which to get them. In the New Brand World, successful brands will set themselves apart not just by how well their products and services perform, but by how they create and deliver them to the consuming public and how they communicate and interact with the world around them. Top-of-mind awareness and other surface-level viewpoints of a brand reveal little about a brand's real strength or weakness. To fully understand a brand you have to look much deeper. You have to strip everything away and get to its core and understand how it is viewed *and felt* by people inside the company and the world outside.

So How Do You Build a Brand?

In the coming pages, we'll take a look at several principles that I have been fortunate enough put to work in once-small companies that over time became powerful global brands and industry leaders. Some of the key learnings are:

1. How to define and protect your own-brand DNA.
2. How to create intelligent brandwidth and grow your company.
3. How to establish lasting emotional ties with your customers that transcend your product or service.
4. How to become a protagonist for something timeless and valuable.
5. How to make size an asset, not a liability.
6. How to use your God-given, unique superhuman powers for good.
7. How to make your brand values pervasive in your organization.
8. How to be a good brand parent.

These principles have always felt like common sense to me. I've been fortunate to see them honored or ignored at small companies when I was in the advertising agency business, I saw them put into practice with stellar results at Nike and Starbucks, and more recently I witnessed how they could help technology companies quickly rise above all the rest and how one of the oldest and most trusted brands, Coca-Cola, could reinvent itself. But it was just a few years ago that most traditional business thinkers scratched their heads when they studied Nike or Starbucks and deemed them reckless or unsustainable over the long term. We certainly gave these business types much to think about. We didn't play by their rules. At Nike we probably didn't win many Wall Street friends in the early years because we didn't pay as much attention to them as other companies did. Instead, we spent most of our time looking at consumers and the world they, not the analysts, lived in. Interestingly, what has proved to be reckless and unsustainable are many Old Brand World marketing and brand-development practices. That paradigm shift is the crux of this book.

So now that we have defined what a brand is, let's get on with the task of learning how some of the best brands have been built. There is no better place to begin than with the foundations and core values that great brands are built upon.