

Kellogg on Branding

in a Hyper-Connected World

THE MARKETING FACULTY OF
THE KELLOGG SCHOOL OF MANAGEMENT
NORTHWESTERN UNIVERSITY

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Foreword by Jim Stengel, former CMO, Procter & Gamble

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Edited by
Alice M. Tybout
Tim Calkins

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FOREWORD

In an age of hypercompetition, commoditization, globalization, and rapid technological obsolescence, marketers are struggling to find new conceptual bases on which to design and deliver their marketing programs.

—Philip Kotler, Professor Emeritus of Marketing,
Northwestern | Kellogg

It has been 14 years since our previous edition of Kellogg's tome on branding. The quote above is from Phil Kotler's foreword to that edition. And it was written pre-iPhone, pre-Uber, pre-Twitter, pre-Alexa, pre-Instagram, and pre-Snapchat, as well as before the explosive strides in artificial intelligence and machine learning. To state the obvious: the world that Kotler described so presciently in 2005 has only become ever more challenging and bewildering for those responsible for building and managing brands.

That is why this book is essential. It is designed to help managers accelerate the growth of brands in this hyper-connected world. It is the best thinking from the most acclaimed marketing and branding school in the country; it is supplemented with wisdom from cutting-edge practitioners from companies such as Ulta, Google, John Deere, and McDonald's.

You will become a better brand builder by reading this book and putting the perspectives and frameworks to work in your business, in your research, or in your classroom. Marketing leaders will find ideas that help them create new markets and differentiate their brands from their competitors. Academics will find sparks that inspire research and guide them as they prepare the next generation of CMOs in their classrooms.

This book arrives not a moment too soon. Branding and marketing has grown in influence and importance for companies since our last edition; a recent study by Deloitte and the CMO Council revealed that CMOs are increasingly responsible for enterprise-level growth and revenue management versus communications management. And the stakes keep getting higher: since 2005, global marketing spending has increased 45 percent to approximately \$585.5 billion. Yet, still too many brands are struggling to grow. Witness the

sluggish growth of mature brands in categories such as food, beverage, and beauty as small, founder-led brands capture the momentum.

A word of advice on how to leverage the knowledge in this book to full advantage: treat it like a sumptuous buffet. Our book has four parts and 24 chapters, and every chapter is loaded with calories. Consume a chapter or two at a time, and let it settle. Make notes on what struck you, and how you might apply it, share it, test it. And if you approach a buffet as I do (desserts first!), you can go directly to what interests you the most. You do not need to read these chapters in sequence.

Now, get to work. The world is better when we have curious, courageous brand builders who are ready and willing to take on this very important task.

Jim Stengel

PREFACE

The world of branding has changed dramatically in the past decade, and the pace of change only seems to be accelerating. A key force driving both change and complexity is the overwhelming access to people, products, and information. In today's world, we are hyper-connected.

Consumers have an almost infinite range of products and services quite literally at their fingertips, and these options can be delivered, if not instantly, then close to it. Brand managers can connect directly with their customers, track their decision journey, and in many cases make the sale without the assistance of traditional intermediaries. The opportunities are endless for both consumers and managers, and the breadth of options has the potential to be overwhelming.

Although some argue that brands are becoming less important, we believe the opposite—that branding is becoming even more important. Brands provide differentiation, create loyalty, and even foster a sense of identity. Without a powerful, distinctive brand, firms have to rely purely on product-based differentiation, and this can be difficult to maintain.

Our goal in writing and editing this book is to help business leaders navigate this evolving landscape. We do so by drawing upon the perspectives of Kellogg's world-renowned marketing faculty, as well as those of senior executives who put theory into practice as they build and manage brands on a day-to-day basis.

This book is the latest in a series of marketing books from Kellogg, stretching back to 2001 with the publication of *Kellogg on Marketing*. Four additional books followed: *Kellogg on Integrated Marketing* (2003), *Kellogg on Branding* (2005), *Kellogg on Advertising and Media* (2008), and the second edition of *Kellogg on Marketing* (2010). These books reflect the collective wisdom of the Kellogg marketing faculty. Thousands of executives have turned to them for perspectives, frameworks, and tools when creating marketing plans and building brands.

OVERVIEW OF THE BOOK

Our introduction highlights the power and challenge of branding. The four sections that follow it focus on themes of strategy, implementation, methods, and practical applications.

Section One, “Thinking Strategically about Your Brand,” covers big-picture issues. The six chapters in this section examine the intended meaning for the brand, how the brand will compete, and the vision and leadership required to create a strong brand.

Chapter 1, “Brand Positioning: The Foundation for Building a Strong Brand,” provides a contemporary look at the core concept of brand positioning and describes ways to evolve a positioning strategy over time. Chapter 2, “Leveraging the Power of Brand Purpose,” explains why it is important for companies and brands to articulate their purpose; that is, why they exist. Clarity about company/brand purpose has helped many companies effectively engage multiple stakeholders and in some instances is integral to brand positioning. Chapter 3, “Creating a Powerful Brand Portfolio,” explores the opportunity and complexity that comes from creating a portfolio of brands.

The remaining chapters in Section One are devoted to competitive strategy, leadership, and globalization. Chapter 4, “Competitive Brand Strategies: Creating Pioneer, Fast-Follower, and Late-Mover Advantage,” considers issues related to the timing of a brand’s entry into a category, describing the advantages and challenges associated with being a pioneer, fast follower, or late entrant. Chapter 5, “Leading the Brand: Brand Strategy Orchestration and Implementation,” highlights the importance of involvement and walking the talk at the highest level of the organization. Last, Chapter 6, “The Three Keys to Building Global Brands with Soul,” details principles for managing global brands. It emphasizes the need to exert central control over a brand’s essence and connection to consumers’ goals, while delegating sufficient authority and responsibility to local managers to adapt the brand to cultural differences and habits.

Section Two, “Bringing Your Brand to Life,” focuses on strategy implementation. Chapters in this section address the challenge of translating the intended meaning for the brand into everything that customers experience. Here is where hyper-connectivity has its greatest impact for many brands. In the pre-digital world, once the strategy was set, the execution of it followed logically. The brand positioning and research into targeted consumers’ buying patterns provided clear guidance for setting the price, choosing retail outlets, developing a persuasive message, and choosing the media to deliver the message. The assumed buying process was systematic and was likened to a funnel

where a consumer began by considering a set of familiar brands and narrowed the set until a “winner” emerged—the brand purchased because it best fit with the consumer’s goal. Today, brands enter and exit the consideration set throughout the decision process, and the options for pricing, delivering, and communicating about brands are constantly evolving.

Chapter 7, “Brand Design and Design Thinking,” begins the section by detailing how both verbal/auditory (i.e., name, sound) and visual/olfactory (i.e., shape, scent) elements significantly influence consumers’ perceptions of a brand outside of their conscious awareness. Chapter 8, “Leveraging Touchpoints in Today’s Brand Environment,” discusses how to create a consistent and coherent brand experience at touchpoints throughout the customer decision journey.

Ultimately, brands succeed when they connect with consumers’ fundamental motivations. Chapter 9, “Building Strong Connections between Brands and the Self,” draws upon a wealth of academic research to describe such motivations and offer advice about how to build strong connections between a brand and the self. The next three chapters provide guidance for effectively managing brand communications (Chapter 10, “Building Strong Brands through Advertising Strategy in an Online Age,” and Chapter 11, “Digital Brand Storytelling”) and the service experience (Chapter 12, “Branding Services in the Digital Era”).

Chapters in Section Three, “Gaining Insight about Your Brand and Quantifying Its Stature,” examine methodologies for understanding consumers and evaluating brands. Chapter 13, “Digital Transformation and the Evolution of Customer Insights in Brand Building,” and Chapter 14, “Using Neuroscience to Assess Brands,” describe new qualitative and quantitative methods that can provide deep insight into consumers’ needs and uncover perceptions of brand. Chapter 15, “Measuring Brand Relevance and Health,” presents a framework for diagnosing the stage in the customer decision journey where a brand may be failing, and Chapter 16, “Connecting Marketing and Finance via Brand Value,” explores how marketers and those in finance and accounting might arrive at a shared view of the monetary value of brands.

Section Four, “Lessons from Brand Leaders,” reinforces the practical relevance of the concepts outlined in the previous sections with case studies and advice from people managing brands on the front line. Chapter 17, “Has Purpose Lost Its Purpose? McDonald’s Defines Its Style of Marketing,” looks at the challenge of finding the right balance between positioning and purpose for McDonald’s. Chapter 18, “Ulta Beauty Gets a Branding Makeover,” details how marketers built the Ulta Beauty brand while also supporting the numerous, well-known brands carried in its stores.

The next three chapters present case studies demonstrating that the value of strong brands and challenges associated with building them extend beyond the familiar consumer-targeted brands. Chapter 19, “Transforming a Historic Brand for a Hyper-Connected World: The John Deere Story,” charts John Deere’s journey from a product-focused manufacturer to a company and brand dedicated to using emerging technologies to help its core customers—farmers—optimize their yields. Chapter 20, “Rebranding an Organization: The Novant Health Story,” illustrates the bold rebranding of the healthcare organization Novant Health. Chapter 21, “Repositioning a Country Brand: Changing the Conversation about Mexico,” shows the power of extending the brand mindset beyond products and services, and details how public and private stakeholders came together to reposition the country of Mexico as an appealing destination for tourists from around the world.

The section concludes with guidance on creating and managing brands. Chapter 22, “Managing Brand Communications in a Digital World,” presents advice on how to build brands in a hyper-connected world, with a focus on digital communications. Chapter 23, “Customer Experience: The New Frontier of Branding,” outlines guidelines for managing the customer experience. And finally, Chapter 24, “Brand New: Creating a Brand from Scratch,” offers some sage advice for entrepreneurs and companies seeking to create a differentiated new brand in a cluttered market.

HOW TO USE THE BOOK

This book is a collection of chapters, and each one explores a different aspect of building strong brands. The chapters are self-contained but complementary, allowing readers to use the book in a variety of ways.

The book’s distinctive combination of academic frameworks and practical lessons make it appropriate for both university courses and executive reading.

An academic might assign the book for a branding course at either the MBA or executive level. For example, we use the book in our Kellogg on Branding executive education program. Chapters in the first two sections provide the basic structure for the program, and chapters from Sections Three and Four serve as additional readings that illustrate and deepen understanding of specific topics.

Students of branding not enrolled in a formal course but who seek a broad understanding of branding in today’s world may wish to read the book from cover to cover. Experienced brand managers may focus their attention on contemporary concepts such as brand purpose (Chapter 2), new research methods and diagnostic tools (Section Three), and insights from their peers

(Section Four). Executives and entrepreneurs confronted with a specific challenge, such as launching a new brand, may concentrate on a subset of chapters that address decisions made during the launch period. For example, those preparing to launch a new brand might find the chapters related to brand positioning (Chapter 1), the competitive environment (Chapter 4), brand design and touchpoints (Chapters 7 and 8), and advice for creating a brand from scratch (Chapter 24) particularly relevant.

However you use this book, we hope you will find that it enhances your appreciation for brands and their continued and growing significance in our hyper-connected world.

Alice M. Tybout
Tim Calkins

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We are deeply grateful to all who helped us with this book in ways big and small. It is impossible to mention everyone who helped, but a few people stand out.

We thank our colleagues in the Kellogg Marketing Department who have shared their wisdom with us throughout the years, and we are particularly grateful to those who contributed chapters to this volume. We are also indebted to the outstanding group of senior executives who support Kellogg and who made time in their busy schedules to share their wisdom. A special thanks to Eric Leininger for helping identify and recruit a number of the executive authors to the project.

Several others have been invaluable in bringing the book to completion. It was our great pleasure to work with Patty Dowd Schmitz as our copyeditor. This is the third book in the *Kellogg on* series that Patty has edited. She provided insightful feedback in a timely and diplomatic manner and the book is much stronger for her input. The book was also significantly improved by Sachin Waikar's ability to capture a powerful brand story succinctly and clearly, and by Lisa Stein's polishing of the final prose under a tight deadline. David Cohen also contributed to the editing process, and Bridgette Braig and Liz Kohler assisted in developing several of the examples included. And, a special thanks to Yvonne Kumon for figuring out how to turn exhibits into TIF files—we literally couldn't have done that without you!

Finally, we thank our editor at John Wiley & Sons, Richard Narramore, for believing in the *Kellogg on* series and trusting us to bring this book to completion. We also benefited greatly from the guidance of Vicki Adang, our Wiley project manager, throughout the project. Above all, we thank our families for their patience, support and encouragement.

Alice M. Tybout
Tim Calkins

INTRODUCTION: THE POWER AND CHALLENGE OF BRANDING

TIM CALKINS

If you want to understand the power of brands, consider Lululemon. This Canadian retailer sells fitness apparel and is best known for its yoga clothing. While it sells to both men and women, the brand particularly resonates with women. Lululemon sells good clothing; their fitness leggings perform and fit well. The items hold up after repeated use. Still, the clothing isn't completely unique. Many other retailers make similar products for use in similar settings.

Despite this, Lululemon is a remarkable business success. Revenue in fiscal year 2018 was more than \$2.6 billion, with pre-tax profit of \$460 million. In mid-2018, the company's market capitalization was well over \$17 billion.

Lululemon does well because people are willing to pay exceptionally high prices for their products. On a recent visit to a Lululemon in Chicago, I found that leggings were selling for \$98. I found a similar pair of pants at Target for \$24.99.

So why are people willing to pay such a premium for Lululemon? Because of the brand. Lululemon is a special brand, one that embraces the ideas of wellness and spirituality. On social media, Lulu encourages people to live a life of balance and caring. Walking around town with a Lululemon bag makes a statement about who you are and what you believe. Buying a pair of leggings at Lululemon is completely different from buying essentially the same item at Target.

At Lululemon, you are surrounded by yoga imagery in a peaceful setting and helped by committed and engaged staff. You feel good about yourself. At Target, the aisles are often crowded with carts, families, and crying kids, and the staff is harder to find. The product is somewhat different, perhaps, but combined with the brand and the experience, there is no comparison.

If you take away the Lululemon brand, what do you have? Good clothes. There is certainly value in that, but the magic, the true value, comes from the brand. For Lululemon and many other businesses, the brand is everything.

BRANDING DEFINED

There are many different definitions of a brand floating around the business world. Some people say a brand is a promise. Other people say a brand is a set of beliefs, or a collection of equities. In the branding program at Kellogg, we define a brand in this way: a brand is a set of associations linked to the name, mark, or symbol associated with a product or service.

The key word in this definition is *associations*. A brand is all the things you think when you see a name, mark, or symbol. When you see Apple, you might think innovation, simplicity, and design. You might think of the late Steve Jobs and his distinctive black turtleneck. When you see Caterpillar, you might think tough, rugged, big, and construction.

The difference between a name and a brand is that a name doesn't have associations: it is simply a name. A name becomes a brand when people link it to other things. A brand is much like a reputation. Just like reputations, brand associations may not always be positive, however, because associations can be positive or negative. Malaysia Airlines developed associations of tragedy and danger after two tragic crashes. Facebook has developed negative associations around abuse of privacy.

Many brands have a mix of positive and negative associations. Coke has positive associations, including refreshing, tasty, and happiness, along with negative associations around health. Uber has positive associations around ease, value, and practicality, and negative associations from a sexist corporate culture.

Some brands are highly polarizing. For some people, McDonald's is a terrific option for a quick, tasty meal. For others, McDonald's isn't even an option. One of the more polarizing brands in the United States (and globally) is the Trump brand. Trump is either a positive brand associated with fresh thinking, toughness, and disruption, or a brand with a web of negative associations, such as distrust, financial corruption, and greed.

Virtually everything can become a brand: brands are not just for luxury items or consumer packaged goods. Indeed, it is difficult to come up with a product or service category in which brands don't play a role. There are hundreds of brands of water, including Évian, Perrier, Dasani, and Aquafina. Medical and pharmaceutical companies have built strong brands that have developed associations in the minds of patients and healthcare professionals; Viagra, Lipitor, and the Mayo Clinic are all brands with clear associations.

Business-to-business companies such as McKinsey, Goldman Sachs, and Baker McKenzie have developed exceptionally powerful brands. Entertainers are brands: Taylor Swift, Rhianna, and Jay-Z bring clear sets of associations. Non-profit organizations and religious groups are brands too: Save the Children, Greenpeace, the Sierra Club, Islam, and the Catholic Church.

DOES DIGITAL MEAN THE END OF BRANDS?

People are quick to question the value of brands in our hyper-connected and digital world. Do brands matter when people order many things by voice through technologies such as Amazon's Alexa? In a world in which we have instant access to vast amounts of data, do brands play a role?

These are reasonable questions. Centuries ago, brands were important because they communicated information. Marks on a piece of pottery indicated that it was from a particular craftsperson. Brand marks on a cow communicated that the animal was owned by a particular person or ranch. Today, we live in a world of almost unlimited information. So, you might think brands don't matter.

The reality is just the opposite. Brands still matter, perhaps more than ever. One reason is that brands provide differentiation. While it's easy to copy a product, it's very difficult to copy a brand. Another reason is that people today have too much information: there are millions of web pages and many of them are filled with information of debatable quality. In a world of fake news and alternative facts, what can you really trust? Brands help people distill information, simplify choices, and make decisions. Which camera is best? You can spend a few days studying all the options, or you can just trust the brand and pick a Nikon or Canon.

Brand valuation is a difficult process, but one thing all brand-valuation reports have in common is that the value of brands is fairly astonishing. In its 2018 list, "The World's Most Valuable Brands," *Forbes* listed Apple's worth at \$182 billion, Google's at \$132 billion, and Microsoft's at \$105 billion.¹ These are not trivial numbers.

Just recently Nestlé paid \$7.2 billion to license the Starbucks brand for use on coffee. Nestlé didn't pay for the technology or sourcing, nor did it receive any physical assets in the transaction. Nestlé paid for the brand.² Brands still matter.

HOW BRANDS ADD VALUE

A strong, appealing brand is a powerful corporate asset, and brands add value to their corporations in many different ways.

Brands Shape Perceptions

Brands have a remarkable ability to impact the way consumers view products. Consumers rarely see only a product or service; they see the product together with the brand. As a result, how they perceive the product is shaped by the brand.

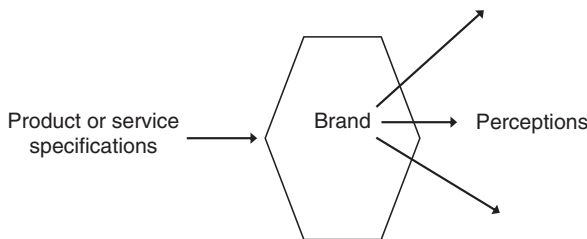
Perceptions, of course, matter most. How people perceive something matters far more than the absolute truth. The question generally isn't which product or service is best; the question is which product or service people *think* is best. Is Google the best search engine in the world? Does Tesla make the finest electric cars? Does McKinsey do the best strategic thinking? Perhaps so, perhaps not. However, many people think they do, and perceptions matter most when it comes to brand value.

The presence of a well-known brand will dramatically affect how people view a product or service. If people see a premium brand name on a product, they will likely view the item as high quality, exclusive, and expensive. If people see a discount name on a product, they will probably perceive the item as low quality and cheap. In this way, brands function as prisms (see Figure I.1). How people regard a branded product is shaped both by the actual product, such as its specific features and attributes, and by the brand. The brand can elevate or diminish the product.

To demonstrate the power of a brand to shape expectations, I conducted a simple study with MBA students several years ago. I first asked a group of students what they would expect to pay for a pair of good-quality 18-karat-gold earrings with two 0.3-carat diamonds. I asked a second group of students how much they would pay for the same earrings, only this time I added the words "from Tiffany." I asked a third group the same question, but this time changed "from Tiffany" to "from Walmart."

The results were striking. The average price for the unbranded earrings was \$550. With Tiffany branding, the average price increased to \$873, a jump of

Figure I.1
The Branding Prism



almost 60 percent. This increase was solely due to the addition of the Tiffany brand. With the Walmart branding, the price expectation fell to just \$81, a decline of 85 percent from the unbranded earrings and a decline of 91 percent from the Tiffany-branded earrings.

The study highlighted the brand's power to shape perception. "Good quality," for example, means something entirely different when it comes from Tiffany versus Walmart. In addition, the experience of purchasing and wearing earrings from Tiffany is different from the experience of wearing earrings from Walmart. The distinction between the brands is not just conspicuous consumption: you can't tell a Tiffany earring from a Walmart earring from a distance.

This dynamic shows up in many settings. My colleague at Northwestern University, Brayden King, did a fascinating study with Jerry Kim of Columbia University. The two researchers evaluated the accuracy of umpires when calling balls and strikes. They found that umpires were quite accurate. However, when an All-Star pitcher was throwing, umpires tended to give the pitcher the benefit of the doubt, declaring that balls were actually strikes. The difference was quite pronounced: umpires trusted pitchers with good brands.³ Perhaps the thinking went, "Well, that was close. With this pitcher, that must have been a strike."

Brands Differentiate Products and Services

Perhaps the most important way brands add value is by differentiating products and services. In a competitive market it is hard to succeed without differentiation. When customers realize that the offerings are all similar, they tend to focus on price. This forces companies to reduce prices (and margins) to secure market share, which reduces profits. Taken to an extreme, companies run at a break-even level, with essentially no profits at all.

Brands provide a clear basis for differentiation. With a distinctive and valuable brand, people will pay more. The entire transaction changes. People aren't dealing with a commodity product; they are dealing with something unique. It is difficult to price shop when unique brands are involved. How does an unbranded jacket compare to a Patagonia jacket? It doesn't.

Brand differentiation isn't just about perceptions—brands can change how we think about products and services. Several years ago a team of researchers used brain-scan technology to evaluate how people reacted to unbranded and branded Coca-Cola. When unbranded, people evaluated the soda in a purely sensory manner, reacting to the taste and flavor. After learning that they were drinking Coke, people reacted in a very different fashion, with the brain scans showing activation in very different parts of the brain.⁴

Brands Attract and Retain Employees

As the global economy improves, more and more firms are struggling to attract and retain the best employees. Branding plays a critical role in this process: people want to work for firms with positive brands, and they will avoid companies with weak or negative brands.

A team led by Professor Nader Tavassoli at the London Business School recently studied the impact of branding on staffing. The results were fascinating—the stronger the brand, the less executives earned. At companies with desirable brands, people accepted lower salaries. The logical explanation is that people are eager to work at companies with strong brands and are therefore more flexible when it comes to salary negotiation.⁵

There is no question that a strong brand helps when recruiting employees. People want to work for brands they like: Apple, Starbucks, Google, and Amazon have the ability to hire the best talent in the world, simply because their brands provide a sense of identity and validation.

THE MODERN CHALLENGE FOR BRANDING

While branding is exceptionally important, building a strong brand in today's hyper-connected world is an enormous challenge. Brand builders frequently mention three particular challenges: *cash*, *consistency*, and *clutter*. These are the *Three Cs* of branding.

Challenge 1: Cash

The first and perhaps most significant challenge is *cash*, or dealing with short-term financial pressures. This challenge is driven by a very simple conundrum: business executives need to deliver short-term financial results, but brands are long-term assets. Executives who hit quarterly profit targets are rewarded, and those who exceed them are often rewarded handsomely. This dynamic is true for public companies and is also true for many private companies; private equity firms are generally known for being exceptionally focused on short-term results.

While it is important to make headway on long-term initiatives such as building a strong brand in public and private firms, hitting the short-term financial targets matters most. As one of my former colleagues at Kraft Foods observed, “Good numbers don’t guarantee your success. But bad numbers will get you every time.”

Brands are long-term assets. If managed properly, a brand can live for decades or centuries. For example, Sony, Tata, and Veuve Clicquot were created in

1946, 1846, and 1772, respectively. All of these brands continue to be vibrant and valuable today.

Virtually all of a brand's value resides in the future; the current-year financial returns are a very small part of the total. If a brand delivers a steady stream of cash flow in perpetuity, only 5 percent of the value of the brand resides in the first year, assuming a discount rate of 5 percent.

If a manager is forced to choose between investing in a brand and missing short-term financial targets, most savvy managers will choose to hit the short-term financial returns. It's usually the career-optimizing decision. And in a supreme irony of business, a manager who boosts short-term profits while damaging the long-term health of a brand is often rewarded, while a manager who invests in a brand at the expense of short-term results is often penalized. The cost-benefit analysis on a brand-building initiative highlights the tension. The costs are quantifiable, certain, and immediate. The benefits are difficult to quantify, uncertain, and in the future.

It is astonishingly easy for brands to get caught in a so-called *branding doom loop*. The doom loop begins with an executive wrestling with weak financial results and struggling to deliver a short-term profit target. To boost sales and profits, the manager deploys programs that have a significant short-term impact, such as a price promotion or tactical digital advertising. To fund these programs, the manager reduces spending on programs with smaller short-term returns, such as brand-building programs, quality improvements, and new product development. These moves are usually successful in improving short-term results, and with better results the manager survives to fight another day.

However, the plan that was so successful in the short run may well have created long-term issues. First, the plan might prompt a competitive response. Second, customer pricing expectations may shift, as customers are now accustomed to the promoted prices. A buy-one-get-one-free offer is motivating and exciting the first time, and perhaps the second time. But eventually customers come to expect it, so companies must cut prices further to create excitement and drive sales. And third, the brand may weaken because brand-building programs were cut.

Combined, these factors put the brand in a weak position, with disappointing sales. This, of course, forces the manager to implement more short-term programs, continuing the doom loop and sending the brand into a dangerous downward spiral.

Dealing with short-term financial constraints, then, is one of the most critical challenges of branding. Managers must balance driving short-term numbers with building a long-term brand. Without understanding the challenge of cash, executives who undertake branding programs are certain to encounter

trouble. They will invest in their brand without setting proper expectations, and if short-term results are weak, these managers may not survive in their positions long enough to see the benefits of their investment.

Challenge 2: Consistency

Consistency, or getting an entire organization to embrace the brand and live up to the brand promise over time, has long been a core branding challenge. Crafting the perfect brand positioning and developing the ideal brand portfolio are both noble tasks. However, if the organization doesn't understand, believe in, and *own* the brand—if the message, the brand, and the product are not consistent—the vision will remain unfulfilled.

Brands are created through a wide range of touchpoints; every time customers interact with a brand, they form associations. This means that almost everyone in a company has an impact on the brand, from the receptionist to the advertising manager to the customer service representative.

The Lululemon brand, for example, is shaped by many different elements. The clothes are important, of course, but the Lulu brand is created through the store design, shopping experience, staff, social media activity, events, packaging, pricing, and word of mouth. Traditional advertising, especially traditional TV and print advertising, is only a small part of the picture.

Many of the most powerful touchpoints are difficult for business executives to directly control. The CMO sitting in her large office at corporate headquarters simply can't be present at every point of contact. She also can't dictate employee behavior: she can't tell the cashier to smile and can't tell the phone representative to ask about an upcoming wedding.

In today's hyper-connected world, the impact of small moments can escalate. Word of mouth has always been important for brands, and there is nothing as impactful as a recommendation from a friend. The scale and power of modern communication changes the dynamics: both positive and negative behaviors can dramatically impact a brand in moments. Taylor Swift is just one example of a savvy brand builder who tapped into the positive dynamic by surprising her fans in unexpected and perfectly sharable moments.⁶ But also consider how quickly the devastating stories of poor customer service at United Airlines⁷ and Domino's pizza spread and damaged their brands.⁸

Consistently delivering on a brand promise is a never-ending task. Ensuring that thousands and thousands of brand moments all work together is perhaps the greatest challenge for anyone striving to build a brand. In our hyper-connected world, consistency matters more than ever.

Challenge 3: Clutter

The third great challenge facing brand executives is *clutter*. From the moment we awake until the second we drift off to sleep, we are bombarded by information, much of it trying to attract attention.

Just consider some of the numbers. The average office worker will receive more than 120 emails per day. Young people will receive and send more than 100 texts per day. A typical cell-phone user will touch his or her phone 2,617 times per day. There are 350 million photos uploaded onto Facebook each day.⁹ It's hard to get anyone to pay attention to your brand, and harder still to form meaningful associations. Breaking through the clutter is a major hurdle.

There are two sides to breaking through the noise. One side is tactical excellence: anyone striving to build a brand has to be analytically savvy, deploying always-limited resources in the most effective manner possible. We now have access to remarkable data on marketing execution: we can track who sees our ads, how they respond, and whether they proceed down the purchase funnel. For many brands, we can monitor the entire journey from awareness to purchase, and focus our efforts on the key moments.

The other side is creativity. To engage with people, we have to find ways to connect to them, to give them a reason to care, a reason to interact with us. We have to find, create, and tell engaging, compelling stories.

SUMMARY

Brands are sets of associations that can add enormous value to the corporate bottom line. Most important, perhaps, brands have the ability to shape how people perceive products by elevating or diminishing a product. As a result, brands are critically important: a brand with negative associations will hurt a company, and a brand with positive associations will help.

While branding looks easy, creating and building brands is challenging. Effective brand managers must understand the challenges of cash, consistency, and clutter, and focus on overcoming the issues specific to their brand.

Above all, managers must fight for their brands. Ultimately, brands are built by people who passionately believe in them. Indeed, many of the world's best brands can be linked to a single person: Howard Schultz created Starbucks, Steve Jobs built Apple, Pleasant Roland founded the American Girl brand, Richard Branson developed Virgin, and Phil Knight was the driving force behind Nike. Brand builders understand, believe in, and devote their lives to the power of brands.

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