

DENISE LEE YOHN

**WHAT
GREAT
BRANDS
DO**

**THE SEVEN
BRAND-BUILDING
PRINCIPLES**

**THAT SEPARATE THE BEST
FROM THE REST**

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Introduction

The most important lesson of history, it's been said, is that people don't learn very much from history.¹ That thought has occurred to me at times when I've heard the offhand comment that Kodak, one of the greatest brands on Earth not that long ago, was ruined by the digital camera. Anyone who believes that a great brand can be undone by mere changes in technology doesn't fully understand what makes great brands great.

Kodak ranked as one of the four most valuable brands in the world in 1996, just behind Disney, Coca-Cola, and McDonald's.² It had earned that ranking after decades of being the dominant U.S. maker of affordable cameras and photographic film. Kodak was known as "America's storyteller," and its advertising delivered powerfully memorable messages such as "Kodak, for the times of your life." The "Kodak moment" even became a pop-culture catchphrase. Kodak's name was seared into the public's consciousness as being synonymous with good times and fond memories.

When Kodak filed for bankruptcy in 2012, it had lost \$30 billion in market value in the fourteen short years since its profits peaked in 1999.³ The cause of Kodak's stunning fall has been

attributed to claims that Kodak was too slow to move to digital photography, and that it failed to make quality digital-age products. Poor strategic planning, lack of foresight, and inept product development and design have all been claimed as contributing factors.

There is no question that digital photography eroded Kodak's high-profit film and developing businesses. But what if Kodak's many inadequate responses to this challenge were mere symptoms of a deeper problem at Kodak? What if all of the company's disappointments and failures during its years of decline were really rooted in one central failure—a failure to follow through on an integral brand strategy? What if Kodak failed simply because Kodak no longer did what great brands do?

This book is an examination of how great brands manage to avoid the fate of Kodak and other faded companies by using their brands as management tools to fuel, align, and guide every person in the organization and every task they undertake. I show how companies as diverse as IBM, REI, Starbucks, and IKEA have all successfully relied on a management approach that drives their culture, company operations, and customer experiences—an approach I call “brand as business.” With brand as business, the brand is the central organizing and operating idea of the business. Great brands use the brand-as-business management approach to grow and succeed in tough economic climates, regardless of the size of their marketing budgets. The seven guiding principles of *What Great Brands Do* and their accompanying action steps and exercises provide a step-by-step methodology for putting your company's brand where it belongs—in the driver's seat of your organization.

Beyond Advertising: Brand as Business

As companies with great brands demonstrate, brand building is in no way confined to advertising and marketing. The proliferation

of social networks and the pervasiveness of marketing in recent years may give the impression that companies should elevate the brand communication function, but growth in brand equity and influence comes from an entirely different way of thinking about and using brands. Brand building involves *operationalizing* the brand as an integral way of managing and growing a business. So this book is for business leaders, owners, and general managers—the people who drive the culture, core operations, and customer experiences of an organization. These are the people who can ensure their companies unleash the full potential of their brands.

The trouble is that most companies don't view their brand this way at all. Most leaders don't realize that they need to operationalize their brand. That's because brands are often misunderstood or misrepresented. The idea of brand is more often perceived as a tool for appealing to external audiences—in marketing, PR, maybe even sales. I've heard people define a brand as a company's name, logo, image, advertising, aura, personality, look and feel, attitude, reputation, or trademark.

But the fact is, none of these are your brand. These are manifestations, symbols, or expressions of your brand—and by limiting the definition of your brand to this external, surface level, you fail to realize its full business value. As you examine the principles that drive the world's greatest brands, you will see the correct, complete view: a brand is a bundle of values and attributes that define the value you deliver to people through the entire customer experience, and the unique way of doing business that forms the basis of your company's relationships with all of its stakeholders. Simply put, your brand is *what* your company does and *how* you do it. Your brand is not what you say you are—it's what you do.

This book profiles brands that *do* extraordinary things. Whether large enterprises or small businesses, corporations or nonprofits, business-to-business (B2B) or business-to-consumer (B2C) operations, brand new or a century old, these organizations

have operationalized, not simply expressed or marketed, their brands. And by doing so, they have built great ones.

Qualifying Great Brands

What does it take to qualify as a great brand? Profitability is the obvious primary criterion. Great brands tend to have above-average profit margins within their respective categories. Research by strategy consulting firm Vivaldi Partners shows that consumers are willing to pay more for a great brand's products than for competitors' products.⁴ Young & Rubicam's Brand Asset Valuator also shows a higher *energized differentiation*, the term the firm uses to characterize a brand's vision, invention, and dynamism, for great brands when compared to their competitors, as well.⁵ Then there are the industry lists. Great brands are usually found at or near the top of Interbrand's Best Global Brands Report, the Stengel 50 list of the world's fastest-growing brands, and the Fortune magazine 100 Best Companies to Work For.⁶ The brands I chose to include in this book met one or more of these criteria. Many met most of them.

Beneath the measures of profitability and industry esteem that serve as evidence of these brands' greatness, though, is a crucial common underpinning that distinguishes them: companies with great brands conceive of their brands as complete strategic platforms. They identify the key values and attributes that define their brands and then make their brands their businesses—that's what I mean by "brand as business." Operationalizing the brand in this way produces results by optimizing the very core operating system of the business. Brand building of this kind, when it's done well, permeates the company culture, improves the value delivered to customers, and determines how the company interacts with all its stakeholders.

Research shows that only a small portion of companies practice brand building with this brand-as-business approach.

A survey of chief marketing officers and brand managers by the Association of National Advertisers showed that 64 percent say their brands do not influence decisions made at their companies.⁷ Brands may drive communications activities, but little else. This means that nearly two-thirds of companies are pouring millions of dollars into marketing and advertising without aligning their business strategies with the values and attributes they're communicating! In each of these companies, brand building remains a costly, discrete, and subjective set of activities. As a result, the full business value of the brand itself goes unrealized.

The Gap Between Advertising and Business

Gap, Inc. provides a case of how a company can falter when high-profile advertising campaigns fail to deliver any real brand-driven value to its customers. In the 1990s, the company's flagship brand, Gap, was considered the darling of the retail apparel industry. The brand practically defined hip, with its popular advertising campaigns and trend-right products. But beginning in 1999, Gap started to lose its luster. It fell out of touch with the new generation of consumers flocking to the malls, and it lagged behind the retail industry's typical five-to-seven-year remodel cycle for its stores.

The company responded by turning to what had seemed to be its most powerful weapon—advertising. Over the next few years, the company launched several big-budget ad campaigns, including a media spend of \$130.6 million during 2006.⁸ The lavish campaign for the product (RED) collection—with its Annie Leibovitz photographs of Bono, Penelope Cruz, and other celebrities—consumed \$58 million alone.⁹

After all that spending, Gap's comparable store sales—retailing's key metric—were down 7 percent for the year.¹⁰ In the estimation of Gene Pressman, former CEO of upscale clothing retailer Barney's, Gap's product offerings at the time failed to live

up to the hype. “What’s the point of having a really cool story to tell if you don’t have anything to sell?” he writes in *Chasing Cool: Standing Out in Today’s Cluttered Marketplace*. “Marketing might get people through the door, but they’ll walk out the door when there’s nothing to buy.”¹¹

Microsoft made a similar strategic blunder in 2008 when it responded to Apple’s snarky “I’m a Mac” advertising campaign with a \$300 million advertising counterattack, kicked off with a spot featuring comedian Jerry Seinfeld and Microsoft’s iconic founder Bill Gates.¹² The market research firm Brand Keys surveyed Apple and Microsoft users before and after the Microsoft advertising campaign, and discovered that the campaign left both groups with more negative perceptions of Microsoft in the areas of innovation, technology, trouble-free design and warranty, and pricing.¹³

Unreliable outcomes from advertising may be more widespread than most people are aware. J. C. Larreche, professor of marketing at INSEAD, found that more marketing spend is not a key determinant for company growth. In fact, in the period between 1985 and 2004, Fortune 1000 firms that decreased their marketing spend actually delivered the highest growth in market capitalization—growth that outstripped the Dow Jones by 80 percent.¹⁴

Great brands such as Google, Lululemon Athletica, and the Body Shop have made this case in their own ways, managing to grow enormously with little advertising. The clothing retailer Zara, in stark contrast with Gap, has done minimal advertising outside new-store announcements and twice-yearly sales promotions. And yet Zara grew to over 1,600 stores and \$9.2 billion in sales with marketing expenditures averaging just 0.3 percent of revenue, compared with the typical 3 percent to 4 percent among its competitors.¹⁵

I don’t mean to suggest that companies don’t need to advertise. Advertising isn’t good or bad per se, but advertising that is divorced from the realities of the company’s actual offering can

be counterproductive, as the research on the Microsoft campaign showed. The picture for Gap has actually brightened in recent years as noticeable improvements in product design and shopping experience have been supported and expressed through its successful “1969” marketing campaign.

Operationalizing Instead of Advertising

When viewed through the lens of the brand-as-business approach, it becomes clearer why Kodak failed even though, contrary to popular belief, Kodak’s management didn’t lack for innovation or foresight. In fact, it was a Kodak engineer in 1975 who invented a toaster-sized contraption that was the world’s first digital camera.¹⁶ Just six years later, in 1981, an internal research document predicted that digital imaging would inevitably do great damage to Kodak’s film business, and that the company had approximately ten years to manage the transition.¹⁷ Management responded by investing \$5 billion in digital image research and filing more than a thousand digital imaging patents.¹⁸ Kodak was neither unprepared for nor incapable of meeting the digital challenge. Kodak’s years of poor management, poor strategy, and poor execution were all symptoms of a more fundamental problem at the company.

What went wrong? From the brand-as-business standpoint, Kodak failed to continue to operationalize its brand. The company put its short-term business imperatives in the driver’s seat and neglected to adapt its brand values and attributes to the opportunities of the new digital age:

- ◆ Kodak’s culture during the transition to digital extolled a commitment to engineering excellence and to the company’s technological “core competencies,” instead of reaffirming the brand’s reason for being and the company’s expertise in helping customers enjoy unique emotional experiences.

- ◆ Kodak pitched new products to the public instead of connecting emotionally with people in new ways *through* those products.
- ◆ It followed trends started by others (introducing its Easyshare camera well after the field was filled with options from Canon and others, for example), chased after fickle consumers (attempting to reach the younger generation of Internet pioneers when Baby Boomers who had grown up with Kodak remained a viable market with a range of needs for digital images), and allowed consumer behaviors to direct the company's efforts instead of using its brand essence to drive innovation and anticipate what people would really want.
- ◆ It lacked the attention to detail in its discrete offerings (initially releasing photo printers with poor quality and slow output speed, for example); moreover, it missed the opportunity to present a seamless end-to-end digital imaging experience.
- ◆ It failed to create shared value throughout the ecosystem of product developers, service providers, software developers, social media channels, and influential customers that comprised the new digital world.

As it turns out, all these Kodak missteps are the precise opposite of what great brands do. Consumers gravitated toward competitors who executed better than Kodak, as the company lurched from one strategy to the next, leaving others to fill the void left by a once-great brand that lost its way.

Setting Your Brand GPS

I single out Kodak not because its story is so unusual but because it is the grandest and most recent example of a widespread problem in corporate leadership. Breaking from your brand, ignoring your culture, following trends, chasing consumers, and running

roughshod over details are all very common errors. Some of the best and brightest executives make these mistakes all the time despite the best of intentions. And these mistakes happen at even the best of companies.

I know this firsthand because I worked at Sony Corporation's electronics division during the height of the industry's transition to digital technology. My colleagues and I saw the advantages that the Sony brand had enjoyed for so many years start to slip away, as fast followers ripped off our designs, features, and technology and then sold copycat products at a fraction of our price. We saw other pioneers navigate the emerging convergence of hardware, software, and services more quickly and skillfully than we did. We understood that we could no longer take our brand strength for granted and that we needed new ways to leverage our brand value.

But despite the warning signs that began to go off back then, we struggled to think differently and make changes. I personally experienced the difficulties of challenging ingrained ways of doing things that have produced success in the past. So I understand the hurdles you will face in attempting to replace any tried-and-true practice by applying the principles in this book. Nonetheless, these principles have been proven out by the experiences of some of the best companies in the world. In writing this book, I've often thought that this is precisely the kind of guide that my colleagues and I at Sony really needed years ago to help us find our way.

In that light, I return to Kodak to offer this final cautionary note: during the years when the seeds of Kodak's demise were sown, the company was highly profitable and successful. When Kodak's profits peaked in 1999, it was well after the revolution in digital cameras had begun. Kodak executives at the time no doubt believed that they were managing the company's transition to digital and away from film well. They continued to invest billions

in research and product development, assuming those massive investments would pay off. With each successive CEO, Kodak executives kept thinking that the next strategy, the next product, would restore the Kodak brand name to its former glory. They probably thought that right up until it was too late.

Perhaps your company, like most companies, is succeeding today without a brand-as-business approach. In that case, you might want to consider what you're leaving on the table by not fully operationalizing your brand today. Your company may be doing well, but is it really thriving? And are your current activities on behalf of your brand helping lay the foundation for continued growth? Or is it possible that your brand right now is coasting, thanks to some favorable winds at its back?

And as you read on, you should ask yourself, what about tomorrow? If your brand is not being used as your company's figurative GPS today, if it's not driving what the company does and how it does it, what will determine the company's direction when the market changes without warning, as markets always do? What happens when a crisis comes, since every business faces a crisis sooner or later? Have you built a great brand that can withstand the threat of such negative forces? Will your company have the clarity of a brand vision to remake itself, as IBM and other great brands have? Or will it be more apt to go the way of Kodak?

The Seven Brand-Building Principles That Power Great Brands

The book outlines how companies don't just use their brands as symbols or messages to gain a competitive edge but as strategic management tools to change the game completely. It is organized into chapters that correspond with what I see as the seven most distinctive, defining characteristics or principles of what

great brands do. In some cases the principles describe what great brands *don't* do, because oftentimes the most important decisions a company can make are choices about what not to do.

Each chapter presents exercises, tools, and action steps that I recommend you undertake, based on my twenty-five years of consulting work with dozens of Fortune 1000 brands. These principles and exercises are not meant as a substitute for the thorough brand audit and reappraisal required to reorient a company toward a brand-as-business approach. My hope instead is that thinking over these principles and doing the exercises—and discussing them with your peers—will help you elevate the current conversation about brand building. The traditional definition of the brand as a mere marketing asset needs to end—the sooner the better. This book represents my modest contribution toward the old definition's speedy demise.

I start with Principle One, “Great Brands Start Inside.” Cultivating a corporate culture in brand building is of primary importance. Culture change is the necessary first step in any effort to define or redefine the company's brand, because culture determines whether the brand is embraced and appropriately interpreted and reinforced by all the brand's many stakeholders, including vendors, distributors, agencies, and strategic partners. For instance, if suppliers are not on board with the values and attributes that define your brand, delivery of brand value is likely to be compromised by shoddy manufacturing or shipment delays. When a brand-as-business approach begins with culture, each strategic initiative reinforces the cultural values and attributes that define the brand. IBM is an impressive case of remaking a brand by remaking corporate culture, but there are many others.

The second principle, “Great Brands Avoid Selling Products,” is about the importance of developing superior emotional connections through products, rather than relying on product superiority alone. The best products do not always win out, for

the simple reason that people don't rationally assess a product's features when making a purchase decision. People buy according to how brands make them feel, or what identity they help them experience and express. The chapter shows how Nike's iconic "Just Do It" campaign wouldn't have happened if company executives hadn't rejected a proposed campaign that failed to meet this standard. The methods included demonstrate how you can reach beyond your brand's current category and make emotional connections through unmet needs and hidden consumer demand.

"Great Brands Ignore Trends" is the third principle of what great brands do. Trends may help attract attention in the short term, but they can change so quickly that you always put your brand identity at risk by following them. As Starbucks, Chipotle, and others have shown, it is far more important to anticipate and interpret larger cultural movements if your brand is to have enduring resonance. Completing the Brand Diagnostic exercise in this chapter will help you see where your company may be missing out on opportunities to decipher and interpret changes on the horizon and sustain your brand relevance and cultural resonance over time.

The fourth principle, a corollary to the third, is "Great Brands Don't Chase Customers." Chasing customers holds the same temptation as following trends, and it exacts a similar toll—compromising brand identity for the sake of increased short-term revenue. Great brands ranging from Red Bull to Lululemon succeed by maintaining their brand integrity and accepting that the brand is not for everyone. If you identify your best target customers and focus on the unique value you bring them, you strengthen your brand as well as your ties to these customers.

Principle Five, "Great Brands Sweat the Small Stuff," recognizes the elevated expectations that consumers now place on brands. Organizational silos almost guarantee gaps in the customer experience of your brand. Great brands, with REI as

one example, go to great lengths to close these gaps—and they do it as integral expressions of their brands. Action steps for this principle include creating a Customer Experience Architecture to identify optimal experiences for consumers in each of your channels, and using a Brand Touchpoint Wheel to assess, align, and strengthen the impact of your brand.

Principle Six, “Great Brands Commit and Stay Committed,” is one of the most difficult principles to uphold, and one that only the greatest brands do well. From Shake Shack to Vanguard, this chapter focuses on the opportunities these great brands consciously and deliberately forgo out of their long-term commitment to their brand identities. They will sacrifice the sacred—short-term profit and growth—to maintain brand integrity. This chapter discusses ways to clarify the essence of your brand and build a brand platform that establishes the competitive advantages you never want to compromise.

The final principle, number seven, is “Great Brands Never Have to ‘Give Back.’” Great brands make their social and cultural contributions by creating shared value for all stakeholders, including their communities. If through the first six principles you are able to construct an enduring vision of your brand, you are then set to resolve your brand’s social and cultural relevance. Consumers are tiring of companies that take with one hand and “give back” with the other. Great brands manage to use the power of their brands to inspire change and have an overall beneficial impact on society. IKEA’s brand mission to improve people’s lives, for instance, is more than a marketing strategy—it’s a true brand-as-business effort to provide widespread accessibility of its products by designing and operating the company with low prices at its core.

The presentation of these seven principles in their own chapters does not imply that they are efforts to be adopted independently. In Chapter Eight, I explain that great brands practice

all seven principles because no individual principle holds enough power to transform a business. In fact, brand as business is an integrated approach that requires commitment to and vigilant execution on all of the principles. It may seem logical to start by focusing on one or two principles and ignoring both the ones you think you've dealt with and the ones that look hard to implement. But chances are, the latter types of principles are going to be the ones that will do your brand the most good. This final chapter discusses how each principle relates to and supports the others, and explains the need for brand as business to be embraced as an enterprise-wide approach.

The book ends with a call for ownership of the brand-as-business approach at the highest level of any organization. In my experience, what separates a truly great brand from one that is merely good is whether the company is capable of a complete and thorough implementation of its brand as its business. Only when leaders of your company galvanize the organization to adopt these seven principles can yours be transformed into a great brand.

Invest in Brand Building

Try for a moment to imagine your brand as a source of light. In an ideal world, the light of your brand would shine brightly and directly on your intended customers, so that they could see very clearly all the value that your brand offers them. But the clutter and the tumult of the marketplace crowd in between your brand and your customers, diffusing your light or obscuring it altogether.

Your company's stakeholders—partners, sales reps, service providers, community leaders, and influencers—also stand between your brand and your customers. In their roles they can distort the light of your brand—or they can help focus it. This is why brand

building starts and ends inside your company. Brand initiatives should be undertaken to optimize all your stakeholders' roles and maximize the return on your investment in the brand. This is the function of the brand-as-business management approach, guided by the seven principles. When everything your stakeholders do is driven by your brand focus, your stakeholders will focus your brand's light on your customers with laser-like brilliance.

Perhaps the most distinguishing mark of the brand-as-business management philosophy is the way spending on the brand is viewed and handled. Traditional brand-building expenditures like advertising and public relations are considered a cost of doing business. As a result, they are managed as budget line items that often get cut when money gets tight.

With brand as business, money spent on the brand is banked as an investment in a core business resource. Dollars spent on building the business are dollars spent on building the brand, and vice versa. Delineating most brand expenditures as separate line items makes little sense once the brand investments are integrated into business plans, and business units are given responsibility for and are held accountable for brand development.

This is why great brands wait to communicate externally. They communicate after all the other elements of the brand have been developed and aligned, including product design. With a brand-as-business approach, Gap would have considered all the brand implications of its new product line before investing \$130 million in promoting what turned out to be a giant flop. Likewise, Kodak's internal stakeholders would have gone the extra mile and sought to provide customers a fresh interpretation of "Kodak moments" for the new digital age.

As I write, the effects of the Great Recession linger on. Credit markets are tight and capital is scarce. It should be evident that former approaches to re-igniting growth and profits are unlikely to work in this climate. Technology, marketing, distribution,

sales—none of these approaches will enable companies to achieve or sustain a market leadership position. Technology becomes a commodity very quickly. The public has grown tired of traditional marketing appeals. Intermediaries in distribution have grown adept at squeezing manufacturers' margins.

Even customer-centered approaches are not the answer, since large-scale enterprises can't possibly be all things to all people. And given the pace of change in today's business environment, success lies less in strategic planning and more in strategic decision making when opportunities arise. With a strong brand platform in place, it is much easier to make swift decisions that are consistent with all the values and attributes the company hopes to embody and deliver to customers.

For all these reasons, I believe that business leaders urgently need to adopt the brand-as-business approach described in this book. In uncertain times like these, brand as business has never made more sense.

For one thing, most business leaders are already frustrated by the often-wasteful expense that traditional branding strategies involve. These leaders should be curious, at the very least, about the way Zappos, Method, and Zara have all grown so fast on advertising budgets that are mere fractions of those of their competitors.

The great brands profiled in this book have higher-than-average profit margins in their respective sectors, which is hardly a coincidence. Consumers will pay a premium for products and services from great brands, especially those that manage to deliver on Principle Two, "Great Brands Avoid Selling Products," and Principle Seven, "Great Brands Never Have to 'Give Back.'" If you provide an emotional connection and a sense of identity in a way that is consistent with social and cultural consciousness, your customers will spend extra for the privilege of being one of

your stakeholders. That's only possible with a brand-as-business approach to brand building.

If your company is doing fine right now, the urgent need for change might not seem obvious to you. Often when I'm speaking to CEOs and other business leaders, I find that many of the people who could profit from this message the most are also the most resistant to hearing it. The problem is that profitable companies are often blinded by their success and take their brand advantage for granted. And ironically, troubled companies, which are often short of both cash and goodwill among stakeholders, tend to view brand as business as a life raft when it may already be too late for them. The point I want to emphasize is that the time to change is now—not because your company is sick, but precisely because it is healthy.

About the Author

Denise Lee Yohn is a brand-building consultant, speaker, and writer who has been inspiring and teaching companies how to operationalize their brands to grow their businesses for twenty-five years. A former vice president and general manager of brand and strategy for Sony, Denise now offers her brand-building expertise to world-class organizations including Frito-Lay, New Balance, Oakley, and Jack in the Box. Blending a fresh perspective and a talent for inspiring audiences, she has addressed national audiences at conferences including the Consumer Electronics Show, National Restaurant Show, and American Marketing Association, and has been featured in publications including the *Wall Street Journal*, the *New York Times*, *USA Today*, *BusinessWeek*, *Harvard Business Review*, and *Advertising Age*.

For more information or to get in touch with Denise, please visit www.deniseleeyohn.com.

Want to join the conversation about *What Great Brands Do?* Denise is creating a virtual collage of great brands in action

and invites your submissions via social media. To participate, please take photos of great brands you see and tag them with the hashtag #WGBD on Twitter or Instagram. You can learn more about this campaign to showcase great brands in action at www.deniseleeyohn.com/wgbd.