The growth-brand trade-off

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If you made a list of all the things your brand is able to do, you'd probably find that the list is quite long. Now try compiling another list, the list of what your brand was made to do. That list is probably a lot shorter.

It makes good sense to examine what your company's founders intended your company to do back when they started. What purpose did they want the company to fulfill? What did they design the organisation to do well? What impact were they hoping to create? A quick audit of some of the world's most admired brands - Apple, Nordstrom, Nike, to name a few - illustrates this point quite well. All of these companies continue to do what their founders made them to do.

It's also clarifying to consider the timeless appeal of your brand. Amazon's CEO Jeff Bezos practices this thinking by asking, "What's not going to"change over the next 10 years?" His company's commitment to three things - the best selection, the lowest prices, and the cheapest and most convenient delivery - has informed decisions that enable it to thrive while others stumble, including having enough warehouses to meet intense holiday sales demand. With a long-term view of the value that your brand delivers, he explains, you focus on "more fundamental things" than the transitory nature of competition and you develop plans that are "durable and meet important customer needs."

The Krispy Kreme doughnuts brand looked a lot like a great brand in the late 1990s. The chain of doughnut shops based in the Southeast United States distinguished itself by offering a fresh, hot-doughnut experience at most of its locations. After going public in 2000, Krispy Kreme rode a wave of growth, fueling earnings through rapid national expansion. The Krispy Kreme experience suffered as a result. In an attempt to continue fulfilling shareholders' expectations for growth, Krispy Kreme pursued new distribution points like gas stations and grocery stores, which only ended up detracting from the specialness of Krispy Kreme as a fresh, hot treat. A downward spiral took hold by 2004 as the company ended up shipping out so much product that it outpaced customer demand. Product quality suffered, sales and profits plunged, and the brand's perception was damaged almost beyond repair. Only through its renewed commitment in recent years to what drove its brand success in years past has Krispy Kreme returned to profitability and regained the trust of consumers and investors alike.

The challenge of growth

Krispy Kreme is only one extreme example of a very common phenomenon, in which growth disguises what is in fact brand cannibalization. As business professor and franchise expert Scott Shane told CFO Magazine, "You can often get a [retail] system to grow really large even when particular outlets aren't really profitable. . . . You might add another outlet in a market and increase your sales by 50 per cent, but you might have turned franchisees in that market from profitable to unprofitable." What looks like growth from the outside is actually a setup for failure. And yet, it's a fact of life that most executives are under pressure to introduce new products and expand into new areas on a regular basis just to make their numbers and demonstrate their intent to sustain the health and valuation of the company. This is particularly true in industry categories measured on a "comparable sales versus prior year" basis, like retail and restaurants. Most of these ad hoc moves are not well aligned with the company's overall brand platform and so they tend to detract from the brand's image. In effect, they spend down the brand's equity in little ways that ultimately add up to a big deficit. In some cases, these revenue-driven moves can undermine the company's other costly brand-building initiatives by sending mixed messages and leaving customers confused.

What Great Brands Do: The Seven Brand-Building Principles that Separate the Best from the Rest
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