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# Creating the Brand-Driven Business: A Roadmap for the CEO



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GE. Sony. Xerox. Procter & Gamble. IBM. What they have in common goes far beyond the fact that they are great companies or the fact that their great brands command a tremendous amount of equity. It's how they have tapped into and maximized the power of brand that helps make them standouts. They see brand not as a marketing communications icon, but as a crucial business asset that must be protected and nurtured as much as other assets like people, equipment and capital. At these companies, brand has become integral to the overall strategic dialogue. It has become a critical filter for issues that might, on the surface, appear to be beyond the scope of the brand's «influence». It's the CEO who is ultimately responsible for making sure the organization embraces brand in this fashion, and it's he or she who must deliver the message that brand is the responsibility of every employee. Everyone in the organization needs to understand the benefits of a brand driven approach as well as their individual role in bringing the brand's promises to life.

## ■ Brand's Power as a Strategic Asset

The problem facing many organizations – and the pragmatic, bottom-line-oriented types that lead them – is that brand is such an intangible concept. Small wonder, then, that it's often misunderstood or disregarded, since it's equated with the more tangible marketing communications elements that are used to support it – whether advertising and advertising icons; logos; taglines; a jingle; or even a spokesperson.

In fact, brands are much more than those representations. They are a set of expectations and associations evoked from experience with a company or product – how customers think and feel about what the business or product does. To that end, brands are built from the customer's entire experience with a company, its products and its services, not just its marketing efforts. One simple question clearly illustrates this concept: “What are all of the ways that one of our customers or potential customers can

form an impression of our brand, our company or our products/services?” The answer highlights all of the brand's touchpoints – or points of interaction with the customer, ranging from both inbound and outbound call centers to the sales clerk at the retail store. It also underscores how brand's influence extends well beyond the marketing department and into all reaches of the organization.

The financial impact of a more brand-oriented business strategy helps make the case for a more holistic approach to brand management. One of the most compelling illustrations is EquiTrend's study of how a company's brand equity (a combination of awareness, perceived quality, brand associations and brand loyalty) impacts its return on investment (over time). The study showed that firms experiencing the largest gains in brand equity saw their ROI average 30 percent; those with the largest losses in brand equity saw their ROI average a negative 10 percent.

And consider companies that have

realized a solid financial impact as a result of their brands. For example, when Rolls-Royce was sold to BMW and Volkswagen in 1997, Volkswagen bought all the plants and hard capital for over USD 1 billion; BMW bought the rights to the Rolls-Royce brand for USD 66 million. Many pundits thought BMW garnered the greatest value from this deal.

## ■ Commitment to Brand Building Starts at the Top

However, the tendency is still to relegate brand to the marketing department and to view it as a discretionary line item. Prophet's 2002 Best Practices Study showed that executives understand that actual product/service usage and experience are the most important tools in brand building. Still, they believe their brand strength is most heavily reliant on the marketing budget.

Building a brand-based business strategy requires several key changes in

organizations. First and foremost, the CEO must embrace brands as strategic assets that need to be nurtured and built over time. Other members of the senior management team must in turn support that message.

In some companies, such a senior-level team is referred to as an Executive Brand Council (EBC).

These typically bring together the heads of business units and functional areas to act as a team to tackle the tough brand-building issues that may arise, like the acquisition of new brands, launching of a major new product, and licensing agreements.

Kodak has also successfully implemented an EBC. Paula Dumas, Kodak's vice president of industry marketing, says its EBC, comprised of the chief executive, chief operating officer, chief financial officer, chief marketing officer, business unit presidents, and external consultants, basically serves as an advisory board for the company's CMO. The corporation's annual operating plan reflects specific strategies the brand council has approved, and if the company is interested in changing policies tied to brand, or wants new investments to support brand, these requests must go through the EBC for approval. With the implementation of the EBC, Dumas says, "Brand stewardship is shared by everybody within the company". The Executive Brand Council ensures commitment at the top, which then filters down throughout the organization.

A second change lies in realizing that brand building is a holistic effort. Companies must understand every way in which their brand touches their various stakeholders, and how to most effectively and consistently manage it, across each point of interaction. This is how great brands are built.

It's essential that all employees understand their responsibility to deliver on the brand promise in order to maximize their company's potential for long-term success. This understanding, coupled with an understanding of the power of brands, is how a holistic approach to brand building becomes part of the culture.

## CEO's Checklist: Toolkit for Building the Brand-Enabled Organization

Since it is ultimately the CEO and his/her senior leadership team that must lead the charge to brand-enable the organization, the executive team must develop skills that will enable it to manage brands as the strategic assets that they are.

At its simplest, there are two elements involved in doing so:

1. The ability to bring world class strategic brand thinking to bear on market opportunities and business challenges or "Think Strategically";
2. The ability to consistently deliver on the brand and its promise in high impact and relevant ways, in the face of limited resources and the need for prioritization and tough choices or "Operationalize Consistently".

The CEO's Checklist in figure 1 is the ultimate tool kit for building a brand-driven business. To develop it, we have drawn on the rich thinking of well-known brand strategists, including David Aaker and others, and distilled five key strategic capabilities for building a brand-driven business. These capabilities need to be cultivated, nurtured and developed so that they can be applied repeatedly, flexibly and accurately, over increasingly complex business domains, with a speed that was unthinkable as recently as ten or fifteen years ago.

### Think Strategically

- Dynamic customer modeling
- Brand identity and positioning development
- Brand portfolio management
- Multi-disciplinary, general management perspective
- Maintain brand portfolio relevance over time

### Operationalize Consistently

- Brand touchpoint analysis and prioritization
- Multichannel marketing execution
- Purchase and post-purchase brand delivery
- Brand-driven reengineering and brand metrics
- Employee brand assimilation and culture

Fig. 1: CEO Checklist

## Think Strategically

Thinking strategically requires organizations to shed the inside-out perspective that is so predominant in many corporations. It is far more important to develop a deep and abiding understanding of the customer's relationship with, and expectations of, the brand and its promise. In order to think strategically about their brand and business, CEOs and their executive teams must have the following five capabilities in place:

- **Dynamic Customer Modeling:** This involves developing an in-depth understanding of customer segmentation, customer needs, customer behaviors, and influence patterns across the purchase process. The idea is to gain deep customer insights and knowledge that will help support strategy decisions.
- **Brand Identity and Positioning Development:** This involves such traditional marketing skills as distinguishing features from benefits, understanding the interplay between rational, emotional and self-expressive benefits, and acknowledging that positioning concepts should be differentiated (from competitors), relevant/compelling (to target customers/stakeholders), and ultimately own-able (for the company and brand trying to claim it).
- **Brand Portfolio Management:** This is the capability to manage multiple brands, sub-brands and other brand assets with potentially complex interrelationships and dependencies, in a way that provides optimal flexibility and leverage, given a company's growth objectives. Businesses that fully develop this capability have the potential to gain a significant competitive edge.
- **Multi-Disciplinary, General Management Perspective:** This capability is well developed in companies with sophisticated brand management cultures like, Disney or Coke. Here, "brand people" are business people, rigorously trained in how financial, operational, and strategic priorities and brand strategy are linked. They understand how culture and organizational structure impact brand

building. And with balanced perspectives, they build multi-disciplinary paths across all elements of a company's value chain.

- **Maintaining Brand Portfolio Relevance over Time:** Brand portfolio relevance is the existing customer and stakeholder equity (meaningful feelings, thoughts, perceptions, and/or motivational power) that resides in each of a company's brand assets. Maintaining relevance is a key driver of a company's ability to extract material economic value from its brand at any given point in time. Even some of the greatest brand-driven businesses have difficulty achieving this consistently over time. It requires the ability to weigh short-term brand leverage against the dangers of medium-term over-extension and the willingness to consider timely retirement of brands that are no longer relevant.

Once all of these capabilities and strategic brand constructs are in place, organizations will be better equipped to come up with and apply a more compelling business strategy, one that is led by brand.

To gain true insights as to the success of the strategy requires tracking its progress through a viable, effective metrics program that will help to strengthen both the brand and the business. Brand metrics typically fall into two general categories: performance and perception metrics. Performance metrics are those that help assess how brand-building activities have driven overall business results, and range from price premium to loyalty, to the lifetime value of a customer. Perception metrics monitor the more intangible aspects of brand such as relevance, awareness and performance, and help gauge the effectiveness of various brand-building activities.

The best-designed and most effective metrics can only be developed if the link between brand and business strategy is clearly understood. Such metrics will serve to show how the brand can be better managed while providing the rationalization for more effective brand and business resource allocation. The business as a whole will reap the benefits of

having a measured approach to gauging brand's performance.

## Operationalize Consistently

If "think strategically" is the first half of the mantra for creating and reinforcing a holistic approach to brand management, then "operationalize consistently" is the other. What this translates into is all the things that must be done to consistently make the brand and its promise come alive first within the organization and ultimately with the end user.

When operationalizing a brand, the important thing to remember is that every interaction a customer has with a brand whether through advertising, a customer service person, or a mention in an article, leaves an impression in that customer's mind. That is why there is really only one question for leaders of an organization to ask themselves to maximize their brand's potential for success: "Do we want to reinforce the brand and its promise by controlling all of our customer touchpoints or do we want the touchpoints to control us and risk denigrating the brand and its promise?" For organizations that are truly interested in cultivating their brands as assets the answer is clearly the former and should be the genesis for thoughtful analysis of its customer touchpoints.

## Customer Experience Brand Touchpoints

Touchpoints can be segmented into three categories that generally represent the different dimensions of a brand's relationship with a customer. They are defined as:

- **Pre-Purchase Experience Touchpoints:** A collection of brand touchpoints (the company employs) that significantly influences whether or not a prospect will place a brand into their final purchase consideration set, on their way to making an actual purchase. Typical pre-purchase brand touchpoints include advertising, word-of-mouth, direct mail and the Internet.

- **Purchase Experience Touchpoints:** All of the brand touchpoints that move a customer from consideration of a brand to purchasing it. Typical purchase brand touchpoints include direct field sales, physical stores and customer center contact.
- **Post-Purchase Touchpoints:** All of the brand touchpoints that are leveraged after the sale, including the actual product or service usage, to help maximize the brand experience. Typical post-purchase brand touchpoints include installation, customer service, warranty/rebate activities, customer satisfaction surveys, regular maintenance, and reminders of product or service innovations that are tied to the brand.

Regardless of category, prioritizing customer touchpoints will help the organization ensure it is spending the right amount of attention and resources on those touchpoints that customers deem most important, impactful, and relevant. This, in turn, will help in building longer-term relationships and deepen brand loyalty.

## The Marriage of Strategy and Operations: How Amazon.com Applied the Lessons

Amazon.com provides a compelling example of a company that has recognized the importance of thinking strategically and operationalizing consistently to build the brand. As the following example illustrates, it's a better understanding of brand, its power, and its role that facilitates the application of a brand filter, which in turn allows the company to examine strategic issues such as operational optimization. For Amazon and other forward-thinking organizations, this has been shown to increase the probability that the end results will ultimately create value for the organization rather than destroy it.

As revealed in Prophet's 2002 Best Practices Study, Amazon was faced with a challenge. Customer service costs were too high – on both an absolute and on a cost-to-serve-per-order basis. In its

quest to lower them, the company's team could have taken various steps that would have generated short-term cost savings at the expense of long-term growth. Such alternatives ranged from reducing the number of customer service representatives to shutting down a call center.

But the team realized that such moves could have a negative impact on Amazon's brand promise – to provide friendly, accessible, reliable and personalized access to product at a fair price. As such, a rigorous process was designed to identify the issues underlying customer service requests and find opportunities to re-engineer the root causes. Among the findings: The confirmation e-mail with its nebulous promise of shipment within two to four days produced a fair number of inbound service requests. If they could find a way to narrow the shipment window, and communicate it

more clearly, a significant reduction in such customer service requests could be achieved.

In applying this approach on an ongoing basis, Amazon ultimately achieved a complete overhaul of its customer service process, with significantly more self-service components. Costs were reduced, operations were optimized, the customer, on average, felt well served, and brand relevance was actually strengthened. As the company found, applying a brand filter to operational issues can be crucial to ensuring their long-term effectiveness.

## Conclusion

Branding is still not widely considered a strategic driver of business, despite the proven success of many brand-centric organizations. However, this is begin-

ning to change, and businesses deciding to take this path must start by adopting a top-down understanding of brand and the implications of broader strategic decisions on customer perceptions. Once brand has been embraced by the CEO and throughout the executive suite, a concerted and ongoing effort must be made to operationalize it throughout their organizations. Only then will companies be able to reach out effectively to the true arbiters of effective brand building – their customers.

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## Spitzenleistungen im Key Account Management

Das St.Galler KAM-Konzept

St.Galler Key Account Management für eine ganzheitliche und systematische Bearbeitung der wichtigsten Kunden

Jeder professionelle Verkäufer bearbeitet seine grössten Kunden anders als die kleineren. In Unternehmen hat sich für diese Art der Kundenbearbeitung seit vielen Jahren der Begriff Key Account Management (KAM) etabliert. Professionelles KAM kann heute ein echter strategischer Wettbewerbsvorteil eines Unternehmens sein. Dazu ist allerdings ein systematisches Konzept notwendig, das nicht nur die Arbeitsweise einzelner Personen oder Teams betrifft, sondern das gesamte Unternehmen. Das Praktikerhandbuch «Spitzenleistungen im Key Account Management» behandelt das systematische Konzept des Key Account Management. Das St.Galler KAM-Konzept bietet einen Bezugsrahmen für die professionelle Entwicklung und Implementierung. Das Institut für Marketing und Handel befasst sich seit mehr als 10 Jahren in Praxisprojekten und Forschungen mit diesem Thema. Das Buch integriert die bestehenden Strategien und Werkzeuge und erfasst damit den «state of the art» in Praxis und Wissenschaft. Das Buch enthält zahlreiche Praxisbeispiele. Der Fall der Hilti AG (FL-Schaan) prägt als durchgehender Fall die gesamte Veröffentlichung. Es ist nicht allein für Key-Account Manager eine wertvolle Toolbox, es richtet sich ebenso an die Geschäftsleitung, die sich mit den Möglichkeiten eines Key Account Management beschäftigt.

«Das Key Account Management baut auf der Erkenntnis auf, dass Win-Win-Partnerschaften systematisch entwickelt und persönlich betreut werden müssen. Das St.Galler KAM-Konzept ist ein ganzheitliches, systematisches Modell, dessen Logik und Praxistauglichkeit von keinem Unternehmen ignoriert werden kann.» Jens Alder, CEO, Swisscom AG

Belz, Christian/Müllner, Markus/  
Zupancic, Dirk  
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