



PROPHEET

Building Great Brands
and Businesses

By aligning every customer touchpoint in your organization, your brand accumulates power and your customer relationships gain depth through the coordinated effort of your entire organization.

Brand-Customer Relationship

The Face of Your Business Strategy

SAN FRANCISCO • CHICAGO • NEW YORK • LONDON • TOKYO

Brand-Customer Relationship

The Face of Your Business Strategy

From dot-com mania where “branding” was king, to the current proclamations announcing the “end of branding,” the misunderstanding and confusion that exists around the concept of brand has reached unprecedented levels.

Are brands dead? Nothing could be further from the truth. We have been through economic slowdowns before and brands have been given their death sentence more than once (remember Marlboro Friday in April 1993?), but brand has always emerged as a key factor in distinguishing the winners from the losers. But, while brands are clearly not dead, the way you think about them must change. The days of brand-building defined simply by awareness and driven by marketing alone are over.

In today's operating environment, customers have more information, more choices, more access and as a result, higher expectations. Maintaining relevance and avoiding commoditization are even greater challenges than they have been in the past. Prophet believes that in this environment, brand, in its holistic sense, is more important than ever. Those companies that thrive will be the ones that create the most compelling and consistent brand experience for their customers. These organizations will build their brand in conjunction with their customers and supported by all parts of the organization. The depth of the relationship between the brand and its customers will be the foundation for ongoing success and sustained competitive advantage despite disruptions in the marketplace.

Prophet has created a model to guide the development of the *brand-customer relationship* and this is presented in the pages that follow. Creating a *brand-customer relationship* entails clearly defining your brand identity and customer value proposition and using this to drive alignment of every touchpoint in your organization. The goal is to ensure that every customer's brand experience is coherent, accessible, and satisfying at every contact. Like a Pointillist masterpiece, such as Georges Seurat's "A Sunday on La Grande Jatte," where every point of paint is controlled and focused toward creating a single image, your brand accumulates power and your customer relationships gain depth through the coordinated effort of your entire organization.

The Conventional View of Brand

Brand is often limited in its definition to awareness of a product or service. A company markets its brand – creates the name, broadcasts it to target customer segments, and applies it to its corporate identity or a set of products and services. The brand makes the company, product, or service recognizable.

Marketing manages this process, using product attributes, logos, taglines, and so on to distinguish its brand from its competitors'. Advertising, promotions, CRM, and the Web give marketers further reach,

helping them create the visage of a relationship, though underlying the brand-building effort is usually an assumption that if you tell people what the brand is loudly and persistently enough, people will believe it.

The Limits of the Conventional View

This limited view of brand is destined to fail in today's business environment. Marketing, which orchestrates only a small part of the *brand-customer relationship*, puts the face on the brand, making a set of promises. Brand is highlighted in multimillion dollar advertising and promotional campaigns, but it can end up being isolated. Organizational structures prevent the creation of a relevant, holistic customer experience based on the brand. Product design, merchandising, inventory management, customer service, and other functions should play an essential role in creating the customer experience, but their departmental goals are often disconnected from the brand. Companies end up saying one thing and doing another, causing already impatient customers to feel dissatisfied and confused.

Managed this way, the *brand-customer relationship* is like looking at a painting that's been created by ten or twenty people, all with a slightly different image in mind.

Creating a Coherent Brand Experience

Creating a coherent brand experience requires aligning every touchpoint of your organization with your brand. The more perfect that alignment, the more perfect the customer brand experience.

Before launching an online store, Williams-Sonoma made sure that its Internet brand experience was consistent with the brand experience it had crafted for its retail stores. It defined new business processes so that every functional area would support the new channel. Prophet and the Williams-Sonoma Internet

team worked closely with merchandising, inventory management, the call center, the distribution center, database marketing, and financial reporting to make sure that the mail order systems, retail systems, and the website worked together. Distribution center employees went through training in breaking up bulk shipments for individual mailings and in wrapping gifts. Retail store employees were trained in giving customers information about the website's capabilities. Williams-Sonoma retail stores offer an open-shelf display, where customers can touch every product; in going online, it tried to create a similar experience, with a clear, elegant layout, accessible search paths, and ample product information. Every detail of the online store was created to deliver a seamless experience, complementary to the customer shopping experience through the retail and mail order channels.

Williams-Sonoma created a great Web shopping experience, and so far the results are a resounding success. Williams-Sonoma expected approximately \$50 million in sales for 2000 through combined e-commerce efforts (including Pottery Barn and Williams-Sonoma sites). And since the June 1999 launch of *wsweddings.com*, a bridal site, Williams-Sonoma's total bridal business has grown 40 percent.

In the business-to-business market the stakes can be higher, and the lesson is the same. Consider Dell, which aligned R&D, merchandising, delivery, sales, and its database of customer information to turn the PC industry on its head. The Dell brand quickly became an experience controlled at every touchpoint based around fast, efficient, and customized products. Competitors such as Compaq couldn't keep up. In the high-stakes PC market Compaq's inability to create a coherent and satisfying customer experience cost it dearly in sales.

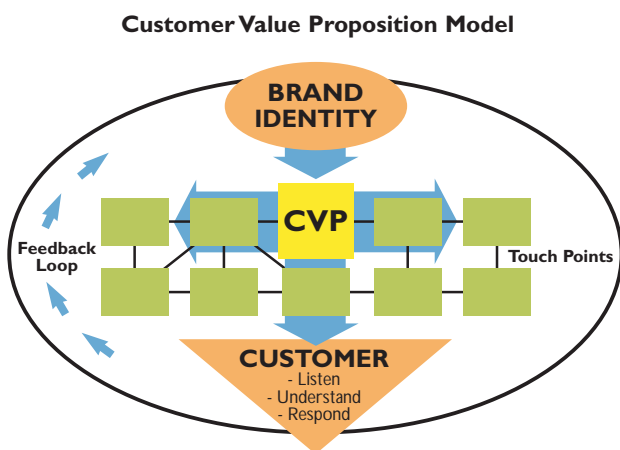
Creating a coherent brand experience requires aligning every touchpoint in your organization with your brand.

Visionary Brand Management

You can't escape your brand. Either you make the customer experience, or it gets made without you. Brands are essentially the collective perceptions of an organization's key constituents (customers, suppliers, investors, employees, etc.) and are defined more by deeds than by words. Brand is how your customer experiences what you do.

Visionary companies recognize that responsibility for brand management belongs with the organization as a whole. They realize that by aligning their organization in a way that anticipates and fulfills their customers' emotional expectations at every touchpoint, they create meaningful relationships and lasting competitive advantage.

Prophet has developed a model that expresses this vision (see figure). It starts with your brand identity, which captures the aspiration you have for your brand. By creating a clear, centering vision for your brand, you create a filter for strategic and tactical decision-making. The customer value proposition (CVP) translates the strategic purpose embodied in your brand identity. Think of the customer value proposition as the marching orders for each department. It provides guidance in how each customer touchpoint is manifested and will largely impact customer perspective.



Customer perspective should inform the brand identity, the customer value proposition, and ultimately translate into a compelling and consistent customer

experience. Every function should align the brand with the customer perspective. Finally, you need to nourish your brand identity and customer value proposition in order to evolve them. You nourish them by listening to customers, understanding what they tell you (and what they don't tell you), and responding.

When you bring these pieces together, the result is a compelling *brand-customer relationship* firmly based in every experience with your organization's brand at every touchpoint.

Brand Identity

A brand identity is the centering idea of an organization. Think of it as the set of associations you want to create or maintain. It should be customer-centric, differentiated, and, given the organization's capabilities, be possible. The brand identity captures that which you'd like to become, giving your organization and its people something to aspire to. It focuses your organization's energy. And it informs a value proposition that guides the work of each of your various departments. (For a thorough explanation of brand identity, see *Brand Leadership* and *Building Strong Brands* by David Aaker, Prophet Vice-Chairman).

Walt Disney's brand identity can be expressed through the idea of "magical, family entertainment." That identity tells whom the brand serves (families), what it gives them that's different from its competitors (magic), and what it does (entertainment). The identity guides the customer value proposition and strategic decision-making across the organization. Customers come to expect a particular experience as a result of the brand association they have with Disney. Thus it makes sense for Disney to enter the cruise ship business (entertainment) because it can offer a compelling and differentiated experience (magic) that finds full expression for those Disney serves (families).

Customer Value Proposition

The customer value proposition is made up of functional, emotional, and self-expressive benefits of the brand that are delivered in a superior or unique way compared

to competitors. These benefits provide direction for the work and action of each department. Where your brand identity is a big picture vision, the customer value proposition provides the strategy for achieving that vision, linking the brand to the customer experience. It's because of the customer value proposition that people move from shopper to buyer, and then from buyer to convert. The customer value proposition is what makes the brand special; it's why people buy your products and not those of your competitors.

Red Envelope, an online and catalog retailer, has a brand identity based on “inspired gift giving.” Red Envelope’s functional benefit is the gift. It confers an emotional benefit by making both gift giving and gift receiving special. The self-expressive benefits come through validating the consideration, thoughtfulness, and love of the gift giver. Together, these elements make the experience with Red Envelope’s product (the gift) and service (wrapping and delivery) desirable in a way that is distinct from its competitors. Each department lines up behind the customer value proposition. Merchandising selects high-quality gifts. Fulfillment packages the gifts in red boxes with hand-tied white bows. The design team creates an attractive, elegant site, with straightforward navigation. Technology creates a seamless buying and selling experience. Customer value drives the day-to-day work of every function.

Customer Perspective

Customer experience is shaped by a series of interactions with an organization. What products or services are offered? Does the package arrive on time? Does the help desk answer the phone promptly? If you don't take a customer perspective when creating the customer experience, you'll make it much easier for a competitor to copy your product or service and steal market share. Each department in your organization should trade places with the customer and base their relationship on an outside-in perspective, creating a customer-centric experience.

Originally, Red Envelope was named 911Gifts. “911Gifts” suggests an emergency problem-resolution.

The photography on the site was poor quality, and the gift selection was limited. Nevertheless, with a myopia similar to that of many failed dot coms, 911Gifts considered itself upscale, stylish, and a specialty retailer. Customers, of course, experienced something different. They liked the service, but considered the company flat, middle-of-the-road, and no better than a department store. As 911Gifts came to understand this customer perspective, it realized that its current positioning couldn't carry it where it wanted to go.

Prophet worked with 911Gifts to take this customer feedback and use it as a basis for reformulating its brand identity. Once it determined its brand identity and customer value proposition, it took an outside-in perspective. It saw that both gift buyers and recipients approached the gift giving and receiving process out of love, fun, anticipation, excitement, and sentiment, and it set about creating an experience that heightened these positive emotions. Its aspiration was to become an authoritative and tasteful online gift store, where the process of gift buying and giving was effortless, and both shopper and receiver found the entire experience memorable. It set out to create an experience about “inspired gift giving.”

911Gifts started by considering every touchpoint from a customer perspective. A clean and elegant website organized to help users find and buy gifts easily would make the gift selection and buying process effortless. The copy, photography, and positioning of gifts should inspire the gift giver. Gifts would need to be tasteful. If it wished to be authoritative, selection would need to be excellent. Customer service should be high touch on every order. And the name should change. 911Gifts became Red Envelope. “Red Envelope” comes from an Asian custom where red envelopes are used for gifts that confer good fortune on the recipient. The new name suggests a joyful experience rather than a problem resolution.

The entire organization oriented itself around the customer perspective and the goal of “inspired gift giving.” Red Envelope is credited with having established

one of the first “aspirational” brands on the Intranet. This brand equity has led to what are atypically high gross margins for an Internet “pure play” (48%), and growth in 2000 was a whopping 400 percent. Red Envelope considered every touchpoint from a customer perspective, thought through the value each department would provide, connected that value with its brand identity – and has shown impressive results.

Listen – Understand – Respond

The final ingredient that ties brand to customer in a salutary, lasting relationship is a dialogue where you listen carefully to your customers, understand what they say, and respond by modifying your value proposition and brand identity, extending your businesses appropriately to fulfill their desires. Brand identity isn't simply a monolithic and hermetic face for your organization; it's an evolving aspiration that becomes more powerful the more you engage your customers in shaping and creating it. If you fail to listen, understand, and respond, you waste the good work of defining the brand identity, aligning each department around a customer value proposition, and delivering customer-centric products and services.

Innovation is a key part of the 3M brand. Many of the company's best ideas come directly from employees and customers. 3M encourages its salespeople to visit the people who actually use 3M products, and not the offices where members of the purchasing department sit. By watching how people use existing products, salespeople can come up with ideas for new products. In addition, cross-departmental teams regularly meet with customers and try to identify unarticulated needs so that they can invent products that fulfill them. 3M's *brand-customer relationship* is threaded throughout its organization. By listening, understanding, and responding, 3M finds out what it should innovate, and as a result it consistently fulfills customer desires. More than a quarter of each year's sales come from products



If you don't take a customer perspective when creating the customer experience, you'll make it much easier for a competitor to copy your product or service and steal market share.

less than four years old, and 3M consistently ranks high among America's most admired corporations.

Getting It Right: Harley-Davidson

Harley-Davidson Motorcycles also excels at listening, understanding, and responding. The 550,000-member strong Harley Owners Groups (HOG for short), which was started in 1983, creates a relationship with the Harley brand grounded in the motorcycling experience. Throughout Harley-Davidson, employees, including executives, are active in these groups. A number of products have emerged from their participation in HOG and at motorcycle rallies. Design changes suggested by one rider turned into one of Harley's most desired models. By observing the attention and energy Harley riders put into customizing their bikes, Harley built some of these refinements into new bike designs and provided accessories for further customization, creating a valuable new revenue stream. By listening to customers, understanding what they want, and giving it to them, Harley has created a powerful experience that has evolved with its customers, and which is deepened through every interaction.

Communication between the Harley organization and its dealers and customers is ongoing, and Harley has positioned itself to recognize what customers want even when customers don't realize they want it. The results speak for themselves: Harley owns almost 50 percent of the U.S. market for big cruisers and its stock price is up some 2,600 percent over the last ten years.

Where Good Brands Go Wrong: Saturn

Like Harley, Saturn, at least in its early days, demonstrated to its customers that it was what it said: “A different kind of company. A different kind of car.” It set out to treat customers with respect and as friends. The product was thought by many to match or exceed the performance of Japanese automobiles. Saturn revolutionized the customer-dealer relationship by

introducing the no-dicker sticker and paying salespeople a salary, not a commission. It trained dealers carefully, so that they understood the automobiles that they sold as well as the company that made them. Cars came with a money-back guarantee. Dealers took part in customer-oriented activities like barbecues. When there was a defective car seat, a Saturn engineer personally delivered a new seat to a customer who lived in Alaska. And in 1994, Saturn owners were invited to a homecoming at the Spring Hill, Tennessee plant – a celebration based on the Saturn brand.

At Saturn, the product, the process of buying it, and the access to information and add-on events established strong relationships between the company and customers. Saturn quickly became an experience, and proved to be one of GM's most popular automobile lines. Saturn really was a different kind of company. And Saturn buyers really felt they had a relationship with the brand. However, despite a booming economy, sales have been on a downward slide since 1995. The L-Series, launched in July 1999, is selling at half its projected rate, and sales of its original line, the S-Series, have continued to slide as buyers turn away from small cars. What happened?

Initially, Saturn had a clear brand identity, a great customer value proposition, and an excellent customer orientation. However, it failed to evolve its delivery against its positioning and listen to its customers. Current GM Chairman Jack Smith's motto is "common parts, common systems," and Saturn has found it difficult to remain "a different kind of company" within the GM family. After nine years with the same product line up, Saturn finally launched the L-Series in 1999, based on the same components as GM's Opel and with an appearance largely undifferentiated from the old Saturn. GM workers built it in an ex-Chevrolet factory, not the heavily advertised and renowned Saturn team in the original Spring Hill plant. Saturn created a strong experience and relationship with its customers, and gained remarkable competitive advantage, but squandered that advantage when it ceased to cultivate the relationship and provide ongoing relevance.

Five Steps to a Strong Brand

It's your choice: deliver an effective brand experience or don't. If you're active in shaping the customer experience you can develop a rich and long-lasting relationship, firmly based in your brand. Where you fail to create a strong relationship with customers, a competitor will. Here are five places to start:

- 1. Clearly articulate your brand identity.** If you can't clearly articulate your brand identity, you'll be unable to control how customers interpret it. A clear brand identity sets expectations across your organization for your products and services.
- 2. Establish a customer value proposition and use it to guide each department.** The various departments responsible for delivering against your customer value proposition need to understand what the customer value proposition means to them.
- 3. Define the optimal customer experience.** Identify the contact points where customers interact with your company. To create a holistic brand experience, you need to create a consistent and compelling experience at each of these touchpoints. Take an outside-in perspective when aligning each department with your customer value proposition and brand identity.
- 4. Cultivate relationships with customers.** Treat these relationships carefully. Listen attentively to what you're being told, learn from it, and respond.
- 5. Strengthen your brand over time.** Based on what you learn from your customers, recalibrate your brand. Always be aware of how your brand can strengthen your *brand-customer relationship*.

Lessons from Brand-Savvy Companies

Creating a *brand-customer relationship* requires an organization-wide commitment to your brand. It means building a compelling and consistent brand experience for customers. It means measuring the success of every department on a set of metrics directly tied to your brand identity. And it means being disciplined about constantly cultivating your customer relationships to elicit information on how you can improve their experience.

A *brand-customer relationship* is the bedrock on which great companies rise, or, mismanaged, they're the chalk on which mediocre companies fail. Great brands that aspire to perfect touchpoints create the coherent

experience to which customers respond. If you fail at those touchpoints, you'd better watch your back.

In today's operating environment, the organizations that thrive, and those that survive, will be the ones where brand is resonant in every act of the organization. As if a Pointillist, they'll create a stunningly powerful and coherent brand out of thousands of touchpoints

and evolve that brand over the course of long-term relationships with their customers. In lesser hands, these points will be a chaotic assemblage of dots, confusing, unmemorable, and disregarded. Visionary brands will instead control every touchpoint, orchestrating the color and shape and texture of the brand into an experience of unrivaled depth. ●



Building Great Brands and Businesses

*Prophet is a strategic consulting firm specializing in business and brand strategy.
For more information on building strong brands, please refer to our website.*

www.prophet.com

SAN FRANCISCO • CHICAGO • NEW YORK • LONDON • TOKYO

©Prophet 2001