

If you want an open and shut businesses case, look no further than benefits of having a strong brand. Greater volume, higher margins and higher levels of repeat purchase are just some of their more immediate benefits. Other, less tangible but important benefits include a greater ability to attract talent (employees, business partners), a greater ability to open new doors (e.g. win consumer trial of new products), higher degrees of word-of-mouth recommendation and a greater willingness on behalf of the public to forgive mistakes. So it's not surprising that every company wants to build strong brands.

Today, however, many packaged goods brands find themselves wrestling with a wide range of persistent challenges: slow or negative sales growth, incessant pressure from own label and/or discounters, rising retailer power and

eroding levels of trust and loyalty. Many brand manufacturers are looking to their brands - and to redoubled efforts at brand building - to help them address these challenges.

Yet there is a risk that many of these efforts will prove counterproductive. In many cases, a greater focus on 'brand building' is not the answer to the problems of own label penetration, rising retailer power and eroding trust: *it's the cause*. Far from being a solution to brand manufacturers' problems, brand building as commonly practised is part of the problem. To see why, we need to take a fresh look at the theory and practice of brand building.

Summed up simply, today's brand building orthodoxy has three mutually supporting pillars.

1) Compared to other products, brands

The curse of brand narcissism

DEBATE

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Under pressure from slow sales growth and rising own label penetration many brand manufacturers are turning to 'brand building' as a way out. But it can make things worse

- add value and deliver superior margins.
- 2) To achieve added value and superior margins, we need to deepen consumer insight that translates into innovations and offers that differentiate the brand in customers' eyes.
 - 3) To complete the circle, we need to deploy the same consumer insight to develop marketing communications which influence consumer attitudes and behaviours in favour of the brand, thereby driving sales and loyalty.

Stated like this, the three pillars of brand building seem innocent enough. Who could possibly disagree with using deep consumer insight to add value and improve communication? And indeed, properly implemented, in the right context, there is little to disagree with. Brand management - the clear targeted communication of value propositions - is an essential link in every business value chain.

However, in reality, each of these three pillars - the quest for added value, for consumer insight, and for effective communications - hides huge dangers and pitfalls. These pitfalls encourage managers to focus attention on the wrong questions and allocate resources to the wrong priorities to create a cycle of

misplaced effort. To distinguish between the thoroughly positive activity of brand management and these pitfalls, let's lump the pitfalls under a different banner of brand narcissism. Brand narcissism takes over when the needs of the brand begin to take precedence over the needs of the consumer. Here's how brand narcissism takes root.

The lure of the premium

Things start to go wrong when, mesmerised by the benefits 'branding' brings, executives set out to 'build a brand' in order to be able to levy a premium.

Seeing brand building in terms of 'creating the added value that justifies premium pricing' may be exactly right for some brands in some circumstances. But it is also pregnant with potential negative consequences.

First, it risks misunderstanding the source of brand premiums leading to misguided actions. Most brand premiums are an *effect* - a by-product of superior underlying business models - not a result of clever marketing per se (see below). To make 'justifying a premium' the *purpose* of brand building puts the cart before the horse. Unfortunately however, when margins are under pressure, this is precisely what many CEOs and brand managers feel compelled to do.

Things start to go wrong when executives set out to build a brand in order to levy a premium. This misunderstands the source of brand premiums.

Their subsequent search for ways to ‘add value’ and ‘differentiate’ their brand then leads them to focus more on their brand rather than their customers. Brand narcissism sets in. Thus, for example, as Patrick Barwise and Seán Meehan argue elsewhere in this issue, many attempts to differentiate brands actually divert managers’ attention from the real challenge: how to get better at delivering the basic category benefits that customers really value. Often, they point out, the quest for ‘differentiation’ encourages executives to invest precious time and resource doing things that don’t matter to customers, while neglecting things that do matter (See *The Myth of Differentiation*, page 16).

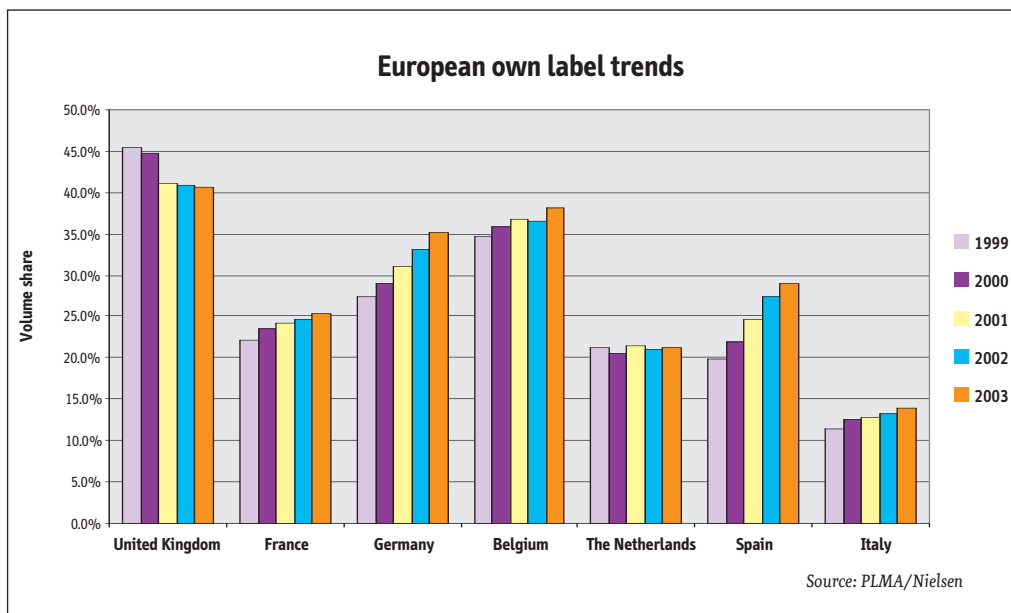
The added value philosophy of always ‘adding on top of’ has other dangerous knock-on effects. It encourages brand managers to over-engineer rather than simplify; to add costs rather than reduce them. Indeed in many companies, brand building is part of a more general ‘cost-plus’ approach to business - taking existing costs as a given and using this as a basis for what to charge the customer. This is in stark contrast to other business philosophies - such as those of Aldi and Wal-Mart - which see the role of the business in terms of taking every unnecessary cost out of the business and passing the benefits on to the customer. (See *Is ALDI really that Special?*,

page 26). Indeed, within many ‘brand building’ cultures marketers come to despise ‘mere’ price competition on the grounds that price cutting equals margin reduction, which in turn equals ‘taking value out of the market’. In contrast, ‘brand building’ ‘adds value’ to the market. This neat opposition encourages brand managers to downplay the threat posed by other business models (such as Aldi’s) and to ignore the possibilities of alternative strategies such as target costing.

The net result of a single-minded quest to create ‘added value premium’ brands can be to dramatically reduce the size of the total market addressed by the brand while opening up huge opportunities for new competitors such as own label and discounters. It can even place the brand in an adversarial relationship with consumers: trying to get the consumer to pay more when sometimes the consumer wants to pay less.

Today, in many major European markets, own label brands and/or discounters account for a growing share of all grocery sales (see Exhibit 1). Why have these challengers managed to grab so much market share? Because branded manufacturers left an opening for them. Why did branded manufacturers leave an opening for them? Because their obsession with building ‘premium brands’ created

Exhibit 1:
Own label
trends in
Europe



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new openings for lower cost/lower price competitors. 'Better brand building' is often posed as the brand manufacturers' answer to the rise of own label. Perhaps it is. But brand narcissism is not the answer. It is one of the causes.

The pitfalls of customer focus

But surely this can never happen if brand manufacturers are truly consumer focused? Isn't understanding your customer - identifying and meeting his needs - the very heart of successful marketing? Isn't this what brand builders are supposed to excel at?

Yes it is. But brand building and consumer focus don't necessarily walk hand-in-hand the way marketing theorists tell us they should. In fact, much brand building rhetoric is just a more 'politically correct' way of saying 'product focused'. We can see how this happens by exploring the logic of customer focus a little further.

What is a customer? A customer is someone who buys what we sell. When companies say 'we are truly customer focused', what many actually mean is 'we are truly focused on what we sell'. And what is a brand? A brand represents 'what we sell' to the consumer. So brand building means, simply, finding ways to present what we sell to consumers so that more buy, more often.

In this context, rhetoric about consumer focus and insight becomes shorthand for something much more specific and limited: 'identify and meet those particular customer needs that we can address easily and profitably using existing skills and infrastructure ... and ignore the rest'. By virtue of this neat circle, endless talk of 'real customer insight' and brand building quickly degenerates into little more than a smokescreen for profound, product-centric conservatism: how to sell more of what we currently make.

That's not necessarily a bad thing. When there is a good fit between what the company makes and what consumers want, a 'golden age' of value creation can ensue. But such a production-driven mindset has its limitations.

For example, it creates an assumption that consumer value always comes from the value embedded in a product. To be sure, this is a hugely important source of consumer value, but it is not the only source. Helping consumers improve the efficiency and productivity of their own personal processes - to save time, effort and hassle 'managing my home' or 'administering my personal finances', for example - is another huge source of potential consumer value. The emerging concept of 'lean consumption' shows how

Many companies say 'we are focused on our customers' but what they really mean is 'we are focused on what we sell'. Not the same at all.

companies can work with their customers to create more rounded consumer solutions while reducing non-value adding processes for both sides to cut costs and improve outcomes.¹

Another consumer process of huge potential value is going to market: helping consumers search for and find the best value products for their particular priorities and circumstances in the most efficient way possible. But most brand builders all but ignore this dimension of consumer value. 'Brand building' addresses the *seller's* go-to-market problem (the company's search for customers). It does not address the *consumer's* go-to-market problem (the consumer's search for value).

Yet almost by definition, any service that helps consumers improve their go-to-market processes - to get the best value from the available choice of brands - offers potentially more value than any single brand can offer individually. A service that helps consumers access value from all brands subsumes the value offered by individual brands into a 'bigger, better' offer (see Exhibit 2).

Thus, the more manufacturers focus on 'building their brands' (i.e. the more they focus on the attributes and go-to-market needs of their products), the less likely

they are to pay attention to the consumer's go-to-market needs. In doing so, they create another gap in the market: one which retailers (and now, emerging online models) have been only too happy to fill.²

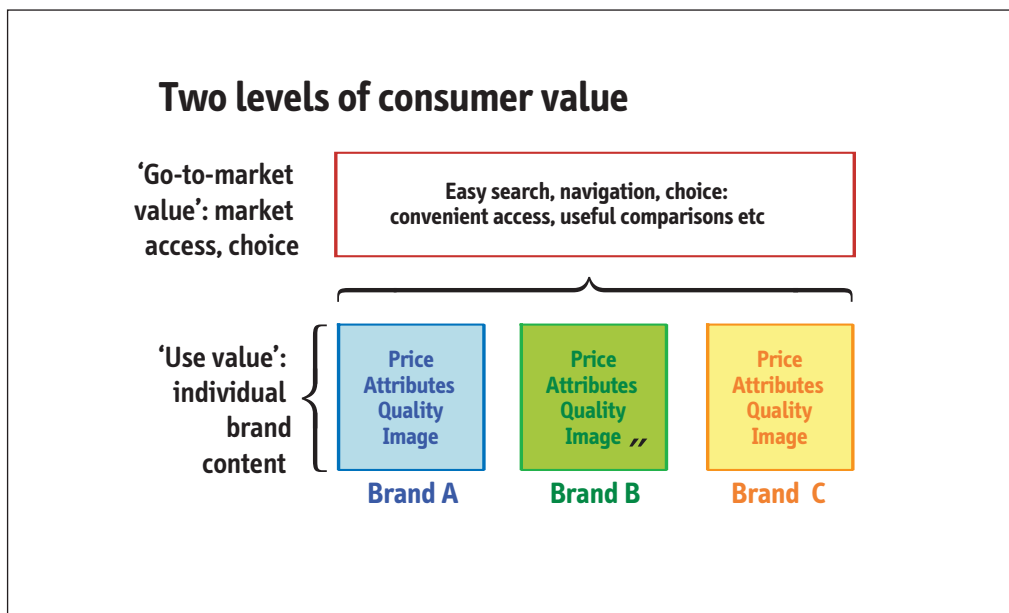
Like own label, the instinctive response of the 'brand builder' to the rise of retailer power is to 'work even harder at building our brands'. But like own label, brand narcissism is not the answer to rising retailer power; it is a cause.

Marketing schizophrenia

So far, we have discussed two dangerous half-truths surrounding the notion of brand building. First, the assumption that the purpose of brand building is to levy a premium encourages companies to adopt 'cost-plus' strategies that cannot cope with new forms of price competition. Second, by focusing management attention on the *product* ('what we sell') it diverts attention away from surrounding consumer *processes* even when, as far as the consumer is concerned, improving these processes may well be a source of even greater value.

These two half-truths are dangerous enough, but they are compounded by a third: the assumption that 'brand building' is a separate process undertaken by a separate group of specialists such as marketing professionals and their agencies.

Exhibit 2:
Different
levels of
consumer
value:
consumption
need and go-
to-market
need



The argument for this assumption goes like this. While products are built in factories, brands are built in consumers' heads. In the end, the brand (all the associations and imagery that consumers connect to a particular product) resides in the consumer's mind and influence his choices from there. So therefore the main task of brand building is to 'manage' the associations in consumers' minds via the communications process.

In this way, 'brand building' quickly becomes a narrow communications activity focused on lodging the 'right' messages in target consumers' brains. Slowly but surely, the activity called 'brand building' becomes divorced from the rest of the business.

Even worse, the company finds itself torn apart by two conflicting priorities:

- identifying and meeting customer needs to make the products the customer really wants.
- issuing communications whose main aim is to change consumer attitudes and behaviours in favour of the brand.

In the first case, the process revolves around getting the company to do what the customer wants it to do. In the second case, the process focuses on getting customers to do what the company wants them to do - 'buy our brand!'

Put too much emphasis on the second process and brand narcissism takes over: prioritising the needs of the brand as separate to the needs of the consumer. One result: a widespread consumer mistrust of marketing; a perception of marketing as being about persuasion and even manipulation, rather than value creation (see Exhibit 3).

But there is more to this 'split personality' than meets the eye: it expresses a deep-rooted assumption about how and where companies add value for consumers, and where they do not. Marketing, as we know it, has its roots in an industrial age which tells us that the source of value for the consumer lies only in the product. Companies then turn to their marketing communications to help realise this value by closing a sale, via 'brand building'. So the information contained in their marketing communications is designed to address the company's (go-to-market) need. It is not designed to meet the consumer's information needs; it is not seen as a source of value for the consumer.

Instead, as different advertisers go to 'war' with each other - at escalating expense - in a bid to drown out their rivals' brand messages and to grab consumers' attention for themselves, little or no attention is paid to how these wars

Exhibit 3:
Consumer
resistance to
marketing
messages

Consumer resistance to marketing

- 60%** Try to resist or avoid being exposed to marketing and advertising
- 69%** Interested in products and services that enable them to block, skip or opt out of being exposed to advertising
- 54%** Avoid buying products that overwhelm them with marketing and advertising
- 58%** Want to see advertising eliminated entirely in email
- 51%** Want to see advertising eliminated entirely in mail

Source: Yankelovich Marketing Resistance Survey, 2004

help or hinder consumers in their search for value. Far from creating win-wins between consumers and brands, the resulting cacophony - another by-product of 'brand building' - increasingly places consumers at loggerheads with marketers as they strive to edit the clutter of marketers' messages from their lives. Exhibit 3 shows data from recent research in the US. If trends in Europe are at all similar, then European brand advertisers now have a major challenge on their hands.

The underlying distinction between 'the product' and 'the communication' may have been tenable in the past. But in today's information age consumers not only look to companies to provide quality products - products that are safe, reliable and relevant to the consumer's *consumption* need - they also look to companies to provide *quality information* too: safe, reliable, easy-to-use relevant information that addresses the consumer's *information* needs.

Brand narcissism does not allow for this possibility, however. By seeing marketing communications narrowly, as a process by which the company changes consumer attitudes and behaviours to suit the needs of the brand, brand narcissism does not see the need for communications and information to be a source of value to

consumers in its own right. As with own label and retailing, the net effect is simple: brand narcissism leaves the market wide open to others - such as media owners, pressure groups, regulators, and consumer advocates - to fill the consumer's need for quality information and to build trust on this basis.

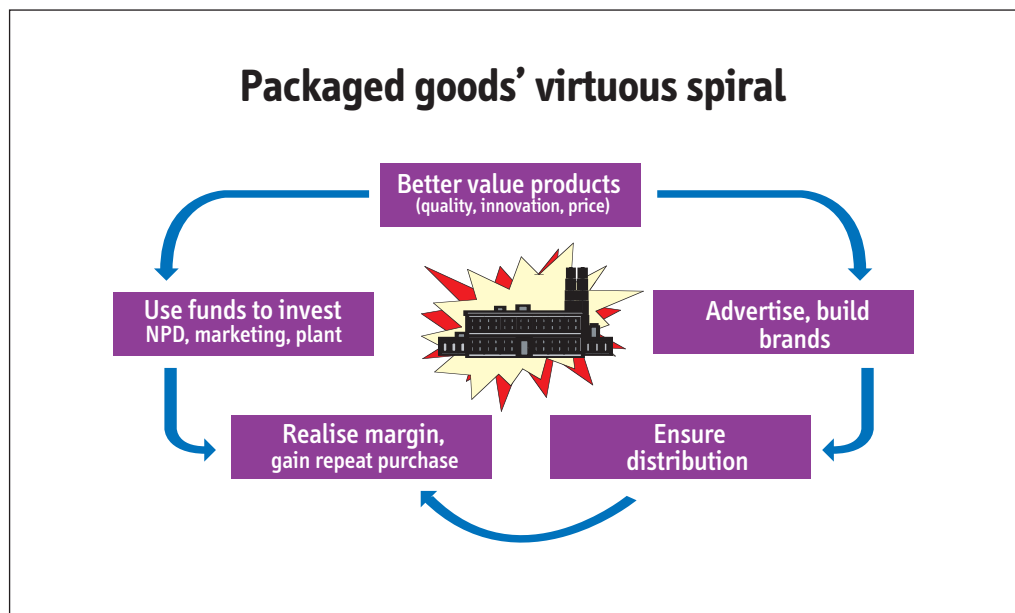
Faced with declining trust in brands, 'brand builders' respond with calls to redouble brand building efforts. But as with own label and retail power, brand narcissism is not part of the solution. It is part of the problem.

An alternative view

What do the following companies have in common? Toyota, Southwest Airlines, Ryanair, Dell, Wal-Mart, Hennes & Mauritz, Inditex, Ikea, Aldi, Starbucks and Tesco. The answer is simple. In each of their industries, they have emerged as clear winners with performance that's not just marginally better than their peers but outstandingly better.

Toyota, for example, is now so successful that its market capitalisation is greater than that of GM, Ford, Daimler Chrysler and Volkswagen combined. Likewise, Southwest Airlines has long been the only consistently profitable airline in the US, with a market

Exhibit 4: The virtuous spiral behind packaged goods brands



capitalisation larger than all of its competitors combined. Dell sales and profits growth over the last ten years has been ten times greater than its computer industry peers. And over the last decade, Wal-Mart's annual sales growth has been bigger than the total global sales of the Coca-Cola Company.

But now ask yourself this. How did these companies build such strong brands? Was it because they excelled in a special black art called 'brand building'? Hardly. For the most part, their marketing communications have been low-key to the point of being prosaic and dull. Yet they and their brands are triumphant. Why?

One reason is that these companies are simply excellent at doing what they need to do to deliver basic consumer value (see page 18). Another reason is that they have all innovated - not at the relatively superficial level of communications strategy or product formulation and design, but at the more fundamental level of business model. Toyota with lean production; Dell with its make-to-order system; Southwest with its point-to-point model; Aldi and Wal-Mart with their own variants of discounting; Inditex and H&M with quick response fashion supply, and so on. Their 'secret' of success (if there is ever just one secret of success) is that they have each pioneered new breakthroughs

in consumer value. They have discovered a new 'sweet spot' where superior economics (business model) connects with superior value for the consumer.

The origins of packaged goods brands lie in a similar sweet spot. Using the emerging techniques of mass production, companies invested in productive capacity to make more of a product, at an assured level of quality, at prices lower than previously possible. To alert potential buyers to this value opportunity companies advertised and built easily identifiable brand identities. This advertising sucked buyers into retail outlets looking for the brand in question, which in turn delivered increased sales. The increased revenues, in turn, provided the company with the funds (and the confidence) to invest even more in R&D and economies of scale to innovate and improve product value. At which point, it was possible to start the cycle once again, with an even greater momentum.

Like Toyota, Dell, Wal-Mart and other clear winners, packaged goods brands represented the tip of a business iceberg. The brand encapsulated and articulated the value generated by the iceberg as a whole. Brands' superior margins were a byproduct of the strength of the underlying business: its scale and efficiency, its low unit costs, its market

Brands' superior margins are a by-product of the strength of the underlying business. Brands help to crystallise value, but they do not create it.

penetration, rates of repeat purchase and so on. 'Branding' played a crucial role in crystallising this superior value, but it was not the source of this value.

But no virtuous spiral lasts forever. Over time in packaged goods, increased economies of scale turned into overcapacity; new product development made way for fast copying and line extensions; compliant distribution channels made way for retailer power; and brands which were invented to articulate 'differentness' increasingly found themselves trying to hide sameness.

Because of all these trends, the win-wins that lay at the heart of the model began to dissipate. For would-be brand builders this context is critical: you cannot build a bigger iceberg tip if the iceberg underneath is melting.

Consider the following two scenarios. In Scenario One, the underlying business system's momentum is on the upswing, as depicted in Exhibit 4. Investment is pouring into capacity, market research and R&D, in a relatively young market where new economies of scale are still opening up. So New! Improved! products are continually coming to market, generating genuine consumer interest and offering genuinely better value.

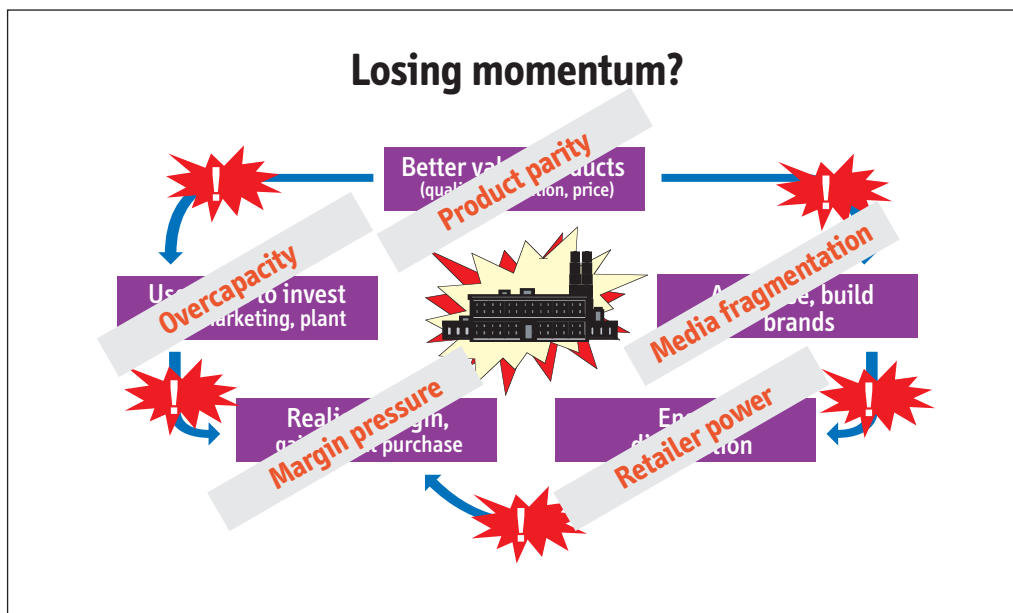
In Scenario Two, the old win-wins are dissipating, as illustrated in Exhibit 5. Now put exactly the same resource to work on building the brand: the same budgets, the same talent, the same insights, the same commitment. Which brand building exercise is likely to be more effective? The answer is obvious. If the underlying system is young, growing and vibrant, brand building works a treat. But if the underlying system is mature or declining, 'brand building' easily degenerates into brand narcissism.

Summary

In many circles 'brand building' is seen as a magic bullet; the answer to brand manufacturers' problems; the secret of their success. Having strong brands is indeed crucial for every successful business. Brand management is an essential skill. But ultimately, brands are not built by a separate activity called 'brand building' any more than races are won by a separate activity called 'winning', or the tips of icebergs are made bigger by a specialist activity called 'tip building'.

Applied in the right way and in the right context, the modern three-pillared approach to brand building - add value via consumer insight and superb communication - can work wonders. But applied narrowly, out of context, it has a tendency to breed brand narcissism.

Exhibit 5: Why packaged goods brands risk losing steam



Brand narcissism generates a crucial series of blind spots for organisations. These blind spots divert attention away from:

- the momentum and competitiveness of the overall business model, to focus excessively on the isolated performance of isolated parts such as advertising.
- consumer needs as a whole, including consumers' solution assembly and go-to-market needs, as well as their immediate consumption needs.
- consumers' need for quality information as well as for quality products.

The negative effects of brand narcissism include pitting the interests of the brand against those of the consumer (the quest to levy a premium and to use 'marketing' to organise consumer attitudes and behaviours around the needs of the brand) while leaving gaps for new forms of competition to attack, such as own label (on the product front) and pressure groups (on the information front). Many of the problems that brand manufacturers turn to 'brand building' to solve - such as the rise of own label, of discounters, of retailer power and consumer pressure groups - can be laid, at least in part, at the door of brand narcissism.

Brand narcissism is the enemy of good brand management. It severs the connection between 'superior economics' and 'superior consumer value', eroding the win-wins between consumers and companies that make great brands great.

Ultimately businesses build brands, not the other way round. Strong brands emerge from strong businesses that create superior economics and offer superior value to consumers. Companies that focus on value, and manage their brands on this basis, find that strong brands follow in their wake. Companies that emphasise a separate activity called 'brand building' discover that all too often value disappears out the window.

Further reading

- 1 See *Lean Consumption*, by James P Womack and Daniel T Jones, *Harvard Business Review*, March 2005.
- 2 In recent years, many manufacturers have broadened their interest from one 'moment of truth' - the moment of consumption or use - to two, recognising the need for 'shopper insight' as well as 'consumer insight'. We now need to consider a third moment of truth: the consumer's choice of shopping channel or go-to-market mechanism. 'Which route to market is best at helping me in my search for value?'

Brand narcissism pits the needs of the brand against those of the consumer and erodes the win-wins that make great brands great.