The ten biggest mistakes in brand management: commentary with Iain Ellwood

Iain Ellwood is Head of Consulting at New York-based Interbrand Inc. Before joining Interbrand, Iain worked at Prophet Management Consultancy, where he led worldwide engagements creating high impact solutions for customer proposition development, brand operationalization and marketing strategy.

He writes here about the plethora of pitfalls awaiting the unsuspecting brand manager.

Successful brand management is easier said than done. The truly great brands like Nike, BMW and Disney demonstrate clarity or purpose, consistency of execution across the entire customer experience and leadership of the category through constant innovation.

This combination creates substantial business and brand value for these firms. Nike in particular is a great example of a brand focused company or “Hollow Corporation”. They don’t own any manufacturing facility or the retail channel. But they do own the high added value parts of the business: the Brand, innovation and design and, crucially, the customer franchise and loyalty.

These more intangible assets have driven the Nike business to outperform the S&P 100 Index by more than 50 per cent over the past three years. In order to realize these gains; brands like Nike and BMW must inspire, educate, and coordinate all their employees to do the right thing every single day, everywhere in the world and more importantly; at the same time.

It’s not surprising therefore that brand management has a plethora of pitfalls awaiting the unsuspecting manager. The following are the ten most common mistakes that will rapidly destroy value for your brand and business if you don’t avoid them.

Lack of CEO commitment

Underperforming brands lack senior management support and brand management is relegated to the role of avoiding patent infringement. They are simply the functional descriptor of their service but provide no added customer value. They are an underleveraged business asset that represent anywhere between one third and two thirds of the firm’s total assets. This means that businesses which lack CEO support for the brand are effectively fighting the competition with one arm tied behind their back. They are not providing customers with a compelling reason to buy, nor are they providing a competitive edge against the opposition. Very rarely is a purchase decision purely objective or functional. Even in business contracts; the increased risk of buying an unknown supplier is too great for most buyers who will revert to strong brands in their market. The adage, no-one ever got fired for buying IBM still holds true today.

The world’s leading brands like Apple, McDonald’s or Intel use their brand as a strategic business tool or central organizing principle. They use the brand strategy to inform business decisions from recruitment policies, R&D investment decisions, channel...
management choices, and operational management style. Without brand leadership directly from the CEO, these brands would not have been as successful. These CEOs have recognized that their businesses rely on the intangible value that a powerful brand brings to their organizations. They use their brand to drive clarity of purpose, consistency of execution and leadership of the category through innovation. Only the CEO can direct the organization to achieve all of these things and without their active support brands will underperform in the marketplace.

A name is not a brand

Your brand name is the flag or signifier of your brand and the benefit to the customer; it is not the benefit itself. Too many brands change their name without any underlying benefit to customers. The recent name change in the UK of Norwich Union insurance to Aviva doesn’t create value, because it failed to communicate to its customers why the new name was better for their insurance needs. This meant that customers were left wondering why Norwich Union had spent so much money using expensive Hollywood Stars in their advertising that offered them no better insurance services. Changing a brand name needs to involve a substantive and sustainable behavioural change in the way your firm does business, not just a new wrapper.

A brand extension too far

It’s easy to assume that creating additional brand extensions will be a low cost, low risk way to improve business. The reality is that significantly higher costs and poor management focus will mean that many will not thrive or survive. Ruthless brand portfolio strategy means managing the absolute minimum number of brands or sub brands to maximize the opportunity. Kellogg’s Cereal Mates was a classic case of an extension too far. On the face of it, the small packet of cereal together with a container of milk and spoon looks convenient. However, Kellogg’s had underestimated the need for cold milk. No-one, absolutely no-one on the planet likes warm milk on their cereal. Initial sales were therefore disappointing; and when they did move the packs to the chiller cabinets, consumers couldn’t find them. The whole exercise cost Kellogg’s millions of dollars and a chunk of credibility with their retail partners and consumers.

Ignore digital at your peril

The internet can kill a business in minutes. When a video posted on YouTube showed two Domino’s pizza employees in Conover, North Carolina, putting unhygienic food on a pizza it was watched over a million times in less than three days. The company was slow to respond, hoping the issue would die down. However, belatedly realizing that the Digital Generation love viral communications, they launched their own blog and YouTube video to counteract the mushrooming effect. But they failed however to Twitter their rebuttal and only achieved a half hearted denunciation that left Domino’s with a reputation disaster on their hands. Modern brand management has fundamentally shifted from enforcement and management control techniques to influencer and collaborator techniques. These require openness, transparency and, crucially, active engagement with audiences.

Poor brand execution

One of the things that brands struggle with most is how to successfully execute their brand across the holistic range of touch points and markets. Every time the customer touches your offer it’s an opportunity to build or denigrate your brand.

Even with the best brand positioning and guidelines, it often relies on your frontline staff to deliver the product or service. High street banks like Citigroup and HSBC are notorious for providing slick advertising that has the production qualities of a Hollywood movie. Yet most of us experience our local branch as a mixture of poor service, long queues and inexpert staff. There is a huge gap between the brand’s grand promise through its advertising and the delivery through local staff. Customers find this deeply confusing and hugely disappointing. It corrodes brand clarity that bewilders consumers and encourages them to choose a clearer, stronger brand.
Being overtaken by the market

Having founded a strong brand it is tempting to assume its unassailability and disregard the dynamics of the marketplace. While it is critical not to change too rapidly in the marketplace, it is equally disastrous to myopically ignore new entrants or changing consumer tastes. The Gap is a classic brand that founded a category. It invented casual wear for the masses with staples like chinos, shorts and the varsity look. Back in the late sixties it expressed the original life stage ‘Gap’ between college and work. Today it has been stifled by faster, leaner and more agile rivals like H&M and the Zara phenomenon. Both these brands have been hugely successful by rapidly mass merchandising catwalk fashions. Their high style turnover business model ensures there is an exclusivity to their limited production runs that generate additional desirability. The Gap on the other hand has lumbered under the weight of a vast retail franchise that is suffocating under too many similar lines that lack the freshness or high street relevance of the competition. Having watched this over the past few years it’s staggering that while the Gap group’s other brands, Banana Republic and Old Navy have found their niche, the original mother brand appears transfixed in the white glare of the competition.

Schizophrenic brands are confusing and inefficient

Too much change in a brand only confuses consumers and what’s worse is that it’s hugely inefficient for the business. Weak brands allow too much localization without reinforcing a set of agreed, non-negotiables that are the foundation of the brand’s DNA. This means that the same brand can mean radically different things with different audiences. The automotive brand Ford has always struggled to maintain the clarity and consistency of its brand marketing in different markets to diverse audiences. This has resulted in consumers perceiving the brand very differently. For example, some consumers believe they are boring and poor quality; while others that they are tough and reliable (brandtags.net). This inconsistency creates enough uncertainty in consumers’ minds about what makes Ford special or distinct and therefore undermines Ford’s brand and marketing efforts. Brands like BMW that have a ruthless clarity and consistency of brand experience are vastly more efficient at getting their message across and therefore more effective in activating positive choice with consumers.

Failing to check your brand ROI

Not all your customers or marketing efforts are profitable. Too many marketers fail to build the hard linkage between brand marketing efforts: the cost of customer acquisition and retention and the Return on Investment. This often leads to retention of too many unprofitable customers or customers that destroy the value of your brand.

It’s an easy and frequently used tool to offer discounts to attract new customers or retain them. But careful analysis of their profitability and long term value may confirm that these customers have a higher than average cost to serve and generate lower than average returns. British Airways, for example, makes the most of its profits from lucrative business class customers than those at the back of the plane. This is a challenge when most of their advertising is focused on demonstrating that they can compete effectively with low cost carriers such as Easy Jet. Clearly, that investment in acquiring and retaining economy passengers is unlikely to produce positive returns. Their Marketing Director needs to carefully model the ROI of both customer audiences to ensure that profits from one half of the plane is not being squandered serving the other half.

Local cultural disasters

Product names and slogans frequently don’t travel well. The world of branding is littered with the corpses of successful brands in one market failing or even worse offending consumers when exported to another country. Examples include the Vauxhall (Opel) Nova, a highly successful small car in the Anglo Saxon markets of the UK and Germany. However, when translated into Spanish ‘Nova’ means ‘Doesn’t go’, which explains why it wasn’t successful in Spain or Latin America. Unfortunately, but not as embarrassing as when Clairol launched its ‘Mist Stick’ in the German market. The name ‘mist’ is slang for
“manure” in German and not surprisingly, few women were rushing to the stores to buy one.

You can’t be all things to all people

You’ll end up not being loved by anyone. Be brave and make choices about exactly who is your target audience. Many businesses try to target too many customers because they believe their product is universal. The mobile provider Orange began its life with a singular brand idea that was fastidiously executed across all its touch points from advertising to in-store design and the behaviour of its staff. Over time this became more diffuse as it tried to appeal to a broader group of audiences. This has resulted in three different advertising campaigns that try to make an emotional connection with three distinct audiences. It fails because all three feel that Orange is not for them. A once deeply loved brand is now just another nice to have functional brand with little emotional loyalty. Targeting is about being clear about the brand positioning that a customer with a specific attitude will find appealing. For example, Nike’s positioning is for an athlete. But for many of us it’s the athlete inside each of us they are appealing to; not the true, few Olympians who will also use their products. Narrow targeting is rarely reflected in narrow sales. In fact, counter intuitively; narrowing your target usually helps increase the clarity of your brand and therefore makes it easier for more people to buy it.

Good luck with managing your brand; hopefully these examples will help you avoid the commonest mistakes.

May 2010.