1.
What Brands Can Do, and What Makes Them Strong

What has led six companies to pay EUR 100 million each just to secure their place as a sponsor for the 2010 FIFA World Cup in South Africa? Why does Procter & Gamble spend over EUR 6.8 billion on advertising each year? What it is that made companies spend USD 480 billion on advertising in 2008? Why are some people willing to pay enormous sums for a Rolex watch or a Louis Vuitton bag? Why do consumers »google« information on the Internet, instead of searching for it? And how did matte-white in-ear headphones, the Apple iPod's trademark accessory, become the hallmark of urban trendiness all over the world?

The answer is simple: brands. Brands, as these examples show, are the true giants of the modern world of consumption, dominating the household budgets of consumers and the investment calculations of companies. They not only shape millions of purchase decisions and countless company decisions, setting prices and determining profits; they also influence our perception and behavior, our self-esteem, our impression of others, and our value judgments.[1] Put simply: brands shape people and markets alike.

1.1 What Brands Mean for Consumers and Companies

Brands are omnipresent. They address us directly in public and subtly in the most intimate spheres of our lives. They stimulate our desires and form the hubs in the network of goods that typifies advanced consumer societies. No one can escape their influence. They are the emblems of a global economy, reaching new markets well ahead of the rest of the economy and visible from much farther away than the turrets of any company's headquarters.

The message is clear: there is hardly a bank or an insurance company, a company in the automotive or telecommunications sector, a machine tools manufacturer, or a chemicals, electricity, or gas supplier that now ignores the growing importance of brands. Even public institutions such as the

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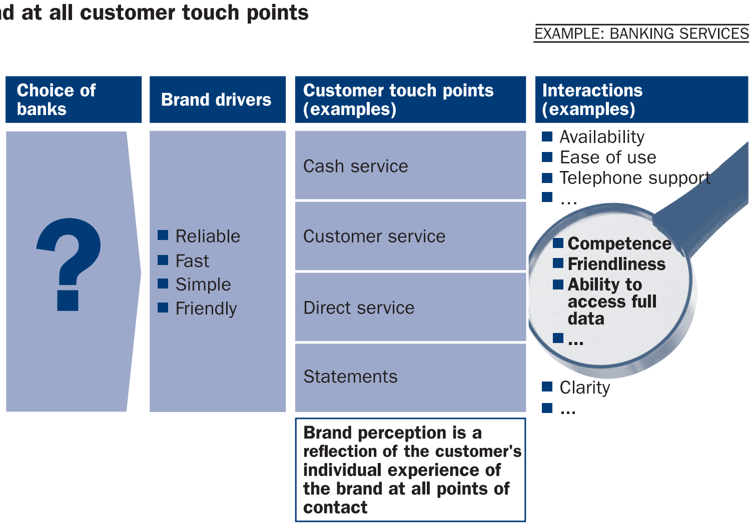
armed forces, state pension providers, the EU, and even individual regions or cities have sat up and taken notice.

Brands shape our perception and our behavior

Perception is reality. It can also determine success or failure. Largely subconsciously, we pigeonhole people according to the car they drive, the clothes they wear, and the accessories they surround themselves with. We use brands as beacons in the flood of signals and information we are presented with. Take the launch event for the last Mercedes A-Class model: Christina Aguilera performs »Hello,« a hit written for Mercedes. Giorgio Armani and Boris Becker are among the guests; a famous television presenter is moderating the program. Coca-Cola, Red Bull, and Beck's provide the refreshments; and reporters from *Time, GQ, Paris Match,* and *Hello!* magazine take endless photographs for their forthcoming editions. Similarly, the new Fiat Cinquecento's introduction in the United Kingdom was hailed by pop phenomenon Mika performing live with the brand-new Cinquecento as his stage partner. The Cinquecento's Japanese launch in March 2008 was staged at the Italian Institute of Culture in Chiyoda, Tokyo, and featured an exclusive ivory-colored edition of the Cinquecento, hand-painted by Tuscan artist Giuliano Ghelli. Lorenzo Sistino, head of Fiat Auto, said the model was specifically designed to help promote the brand's image in Japan.[2] Lancia went as far as prelaunching their new Delta model in Second Life to generate additional buzz for the real-world launch event. How can you resist such corporate seduction? Brands save us time in that we do not have to check, challenge, classify, or critically weigh up everything before we make a decision to act. They are »an established, unmistakable mental representation of a product or service in the mind of the potential consumer.«[3] This representation is formed at all the points where we come into contact with the brand, including the product itself, advertisements, and word-of-mouth (Figure 1.1).

Brands can mark class boundaries – or blur them. For some, owning a Rolex, a BMW, or a Louis Vuitton bag helps demonstrate, to themselves and to others, their membership in a particular social stratum. For others, brands can be used as a way of breaking free from their class shackles. Maybe they starved themselves to be able to afford that BMW – but once in the driver's seat, they moved into a different milieu.

Fig. 1.1: A holistic concept for brand management: Experience the brand at all customer touch points



Source: McKinsey

Branding reaches ever more traditionally unbranded areas. Many formerly anonymous (i.e., no name) products or private labels (also referred to as »own brands,« »store brands,« or »house brands«) are giving themselves distinctive profiles by differentiating their value proposition and investing large amounts in publicity and uptrading. The previously clear-cut differences between branded, no name, and house brand products are blurring in the face of increasing competition for the consumer's affection and loyalty.

Over the past few years, some retailers have even started to promote their private labels with mass media advertising. In a print campaign, the French grocery chain E. Leclerc compared branded products with equivalent private labels. The main message was: »The branded product is available at E. Leclerc at the lowest price permitted by law. But you can get the same quality 30 percent cheaper when buying the private label«[4] (Figure 1.2). German coffee chain and general retailer Tchibo has teamed up with fashion designer Michael Michalsky to establish their range of sports apparel as a kind of budget designer label in its own right, »Mitch & Co.«

As a result, consumer spending on private label consumer packaged goods is rising quickly, having increased from USD 172 billion in 2000 to USD 246 billion in 2005 to account for 23 percent of total consumer pack-

Fig. 1.2: Private label advertising

Source: E.Leclerc, Photo: Sébastien Lucky Studio

aged goods consumption in Europe.[5] In specific product segments (e.g., pet food or paper products) and countries (e.g., Germany or the United Kingdom), the share of private label products is even significantly higher.

Producers of branded products are taking this private label threat very seriously. When the German retailer Rewe launched a mass-media campaign for private label products, the German Brands Association was not very happy. »Rewe has to think exactly where it sees itself in the future,« said a representative. In the past, the Association saw Rewe as an ally of manufacturers of branded products in their struggle against discount retailers and their store brands. Other brands associations even go one step further and are no longer mincing their words. For example, the 2005 campaign run by the Austrian Branded Goods Association treats the competition with private labels literally as »a battle between good and evil.«[6]

At the beginning of 2008, the Austrian Branded Goods Association launched a new campaign, this time showing branded articles as desirable and attainable. According to the Association, the campaign – including TV, print, Internet, and over 10,000 posters – will be one of the largest the Austrian consumer will see in 2008.[7]

No product group is safe from encroachment by private labels. Even the safest, most established areas, where the newcomers were long powerless, are now reporting a dent in sales due to competition from private labels. Take tobacco products, for example, where private label brands have made little headway in Europe overall. The German market is the major exception. Here, while private label brands accounted for only 7.5 billion cigarettes in 1997, just five years later sales had topped 22 billion, an increase of nearly three times. In the two years following this, 2003 and 2004, sales fell dramatically across the market following increases in tobacco tax. But the losses were differentiated: sales of branded cigarettes fell by 22 percent, while sales of private label cigarettes dropped by just 14 percent.[8] The success of private labels should, however, not be interpreted as a sign that brands have lost their former power. On the contrary, it shows that brands have become increasingly important, even in areas previously thought immune to the lure of branding. As a consequence, manufacturer brands must gather their strength to hold their ground as they face new competition from former store brands.

Brands both need and fear publicity. In today's information society, our beliefs, thoughts, and behavior are more and more subject to external stimuli. Companies that do not communicate well across all channels, or that fail to publicize their company and brand profile, soon stop being noticed by consumers and ultimately disappear from the market. What is more, public opinion acts as an independent force and can praise a company or a brand to the skies one day and write it off the next. Such word-of-mouth, powerful as it may be, cannot be steered by the companies themselves.

In October 2006, Unilever's personal care brand Dove published the video »Dove Evolution« on the Internet, showing the transformation from an average woman to a billboard model and thereby criticizing its own industry for creating a distorted beauty standard (as part of their »Campaign for Real Beauty«). In less than a month, over 1.7 million people watched the video on YouTube. In addition, the video gained wide and extremely positive coverage by the media. Unilever estimated the media coverage to be worth over USD 50 million.[9] One year later, Dove published its new online video »Dove Onslaught,« showing a young girl followed by a barrage of commercials showing lingerie models or selling weight-loss products and TV reports about plastic surgery. The video ends with a piece of advice to all parents: »Talk to your daughter before the beauty industry does.«

Again, over one million people watched the video on YouTube and major media covered the video. However, this time the echo was not uniformly positive. The video prompted counterattacks by various bloggers who criticized Unilever for being hypocritical because their private label Axe/Lynx allegedly contributes to the very same problem with its advertising.[10] It turns out that in the peer-to-peer world of opinionated, user-generated content, brands may benefit, but also easily suffer from publicity. A few months later, more criticism ensued when it became known that celebrated airbrush artist Pascal Dangin had retouched the Dove ads showing supposedly natural women to cover up skin imperfections and digitally remove stray hairs.[11] Says Keith Pardy, Nokia's Senior Vice President of Strategic Marketing: »Brands are going to be made and destroyed on the Internet, and there's a whole set of new marketing rules for it. If you start playing games with people, they'll find out and eat you alive.«[12]

As the YouTube videos show, brand communication doesn't necessarily equate to advertising spend. The Spanish fashion chain Zara operates in a world where marketing spend generally amounts to 3 to 4 percent of sales revenue,[13] but it manages to do without any advertising at all. Zara's sole means of advertising is its highly styled stores, always located on the best city streets and designed by a sizable team of top window designers. Potential customers see the goods in the store windows as they walk through the city and hear the store recommended by satisfied customers – and no more is needed to sell fashionable items of clothing by the million. It works beautifully: Zara's sales revenues have grown on average 16 percent per year between 2002 and 2006 (faster than its heavily advertised archrival H&M). At the beginning of 2008, Zara had 1,347 stores around the world, including the Zara Home stores – 816 more than five years before.[14]

Jägermeister is another example of successful brand management without expensive mass-media advertising. A few years ago, after 20 years of being imported to the United States without hitting the big time, the German brand's managers decided to completely change Jägermeister's communication strategy. The brand started to target younger drinkers, particularly college students, and focused its communication on inexpensive, but targeted activities like the sponsorship of student parties and promotions in student bars. The result speaks for itself. Between 2001 and 2006, sales grew at over 30 percent a year, making Jägermeister the fastest growing imported liqueur in the United States.[15]

Companies and their brands: A special relationship

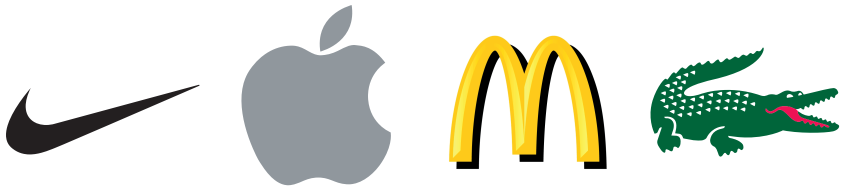
Brands can immunize. While a media push is often very helpful for a company, negative publicity can be very dangerous. Nevertheless, companies that have continually built and promoted their brands in a well-founded and fully rounded way can survive media attacks relatively intact. Thus a top brand like Coca-Cola can shake off an incident, such as the scandal over contaminated cans in Belgium in the summer of 1999, within a few weeks and without much further ado. Leading toy producer Mattel had to recall over 20 million toys between summer and autumn 2007 due to toxic lead-based paint and magnets that could be swallowed by children. Nevertheless Mattel still managed to exceed analysts' expectations in the fourth quarter of 2007, and increased sales by 4 percent and net profit by 15 percent compared to the fourth quarter in 2006.

Brands live and survive. The best product names can even survive attacks of quite a different kind. Entire companies can go under, yet their brands are not sucked into the depths after them. Maybach, the luxury car brand from the 1920s and a symbol of German quality engineering, all but disappeared in the Second World War. However, the heritage of the brand was so strong that it lived on and was revived by the Daimler-Chrysler group in 2002. Although it is far from being a volume brand by modern standards, since its relaunch Maybach has already sold more cars than during the first period from 1919 to 1941. By 2007, Maybach had a brand awareness of 53 percent in Germany, ahead of Aston Martin, the car driven by James Bond in some early installments of the series, as well as in the movie »Quantum of Solace.« Even without advertising, brands do not simply disappear. They can survive the drought like plants in a desert, waiting for the warm rain of fresh investments, to flower once again in abundance.

Strong brands are like living organisms. Their potential for adaptation and renewal seems almost unlimited. Strong brands such as Patek Philip (1839), Nestlé (1867), Heinz (1869), Coca-Cola (1886), Johnson & Johnson (1887), General Electric (1892), Maggi (1897), Mercedes (1902), Osram (1906), and Nivea (1911) have reached a legendary age and yet remain forever young. Market and brand leaders like McDonald's, Marlboro, and Nokia are just as much on everyone's lips today as Apple, IBM, or Microsoft. Classic brands such as Harley Davidson and the Mini or Sinalco can be revived and even attain new heights.

It is the brands that truly claim this longevity, not the companies themselves. After fifty or a hundred years, who can remember a company's

Fig. 1.3: Brand logos create distinctive mental images



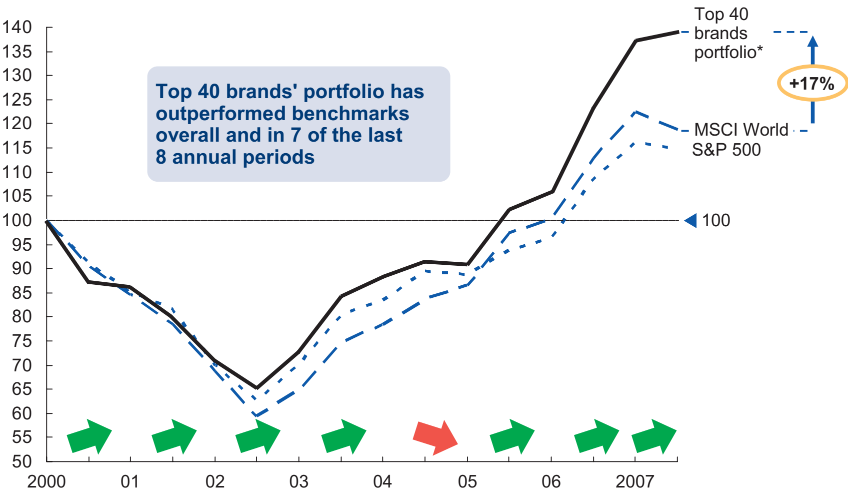
Source: Nike, Apple, McDonalds, Lacoste

founders, its managing directors, the first board, or its core production plants or headquarters? But everyone knows the brands.

Brands generate strong impressions and powerful feelings. When consumers hear the name Marlboro or just see the red Marlboro box, they immediately associate it with freedom and adventure, the cowboy riding across the plains. Nike evokes similarly strong, if quite different, associations, with its images of athletics, performance, and lifestyle. The Lacoste crocodile immediately triggers thoughts of sporty luxury, or even the tennis court at Wimbledon, while McDonald's golden arches make many people's mouths water (Figure 1.3).[16]

Brands generate tangible value. Apart from creating strong impressions, brands also generate tangible value. They create price premiums, help to recruit the best talent, and save sales cost due to their inherent appeal to customers. Perhaps most important of all, companies with strong brands frequently outperform the stock market. A recent McKinsey analysis shows that a portfolio of 40 stocks, with their brands (or parent companies) being top ranked in *BusinessWeek*'s annual »Best Global Brands« report, has outperformed traditional benchmarks like the MSCI World or the S&P 500 index in seven of the last eight annual periods. From a total return to shareholders perspective, the MSCI World was outperformed by a more than respectable 17 percent since the *BusinessWeek* ranking was first published in 2000. (Based on stock price alone, i.e., when disregarding dividend, the gap would be even more dramatic.) With the exception of a single period (2004/05), top brands have beaten the stock market both in its bear and bull phases, especially since 2006. Brand strength, it turns out, is a reliable indicator of economic performance (Figure 1.4). This analysis is one of the first to avoid the self-fulfilling prophecy of assessing the *past* economic

Fig. 1.4: Strong brands outperform the market
INDEX, TOTAL RETURN TO SHAREHOLDERS



* Portfolio consisting of the 40 top-ranked listed companies, picked from Business Week's "BestGlobal Brands" report, published each summer since 2000. Stocks in local currency, equally weighted and adjusted every July 1
Source: Datastream, Business Week/Interbrand, McKinsey analysis

performance of strong brands. Since brand strength, to some extent, reflects past economic performance, top brands will come out as strong stock market performers almost by necessity. This effect is eliminated in the analysis by assessing stock market performance *after*, rather than *before*, the publication of the annual brand strength ranking.

Three factors determine the brand's perceived added value

As shown by many examples, three factors determine the impact of a brand as perceived by the consumer – and thus its value for a company (Figure 1.5).

1. **Information efficiency (the »time« factor)**. Brands are information carriers. They say something about the provenance of the item, help with recognition, and provide us with orientation. They act as consumer beacons in the flood of signals and information, making it easier to gather and process information about a purchase option. Brands as carriers of information help save time.

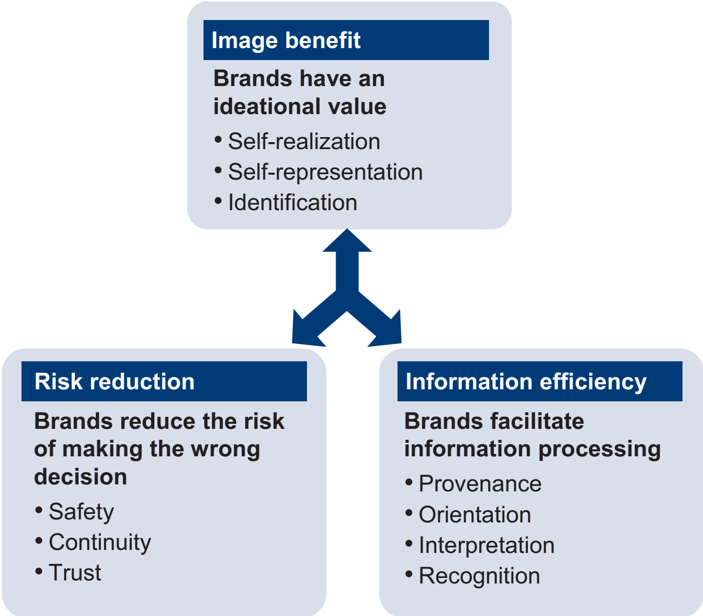
2. **Risk reduction (the »trust« factor)**. Brands reduce the consumer's (subjective) risk of making a purchase mistake. Branded products promise consistent quality and a lower level of depreciation. Brands offer a safe choice, creating a basis of trust between the manufacturer and the consumer and then providing continuity in this relationship, e.g., continued predictability of the product benefit.
3. **Image benefit (the »identity« factor)**. Brands help consumers express who they are, contribute to self-esteem, communicate this to others, and enable them to claim allegiance to particular ideas or social groups.

The Volkswagen Golf brand (some models are badged »Volkswagen Rabbit« in North America) provides a good example of these three components of added value. For decades, the Golf brand has been a constant, almost universal presence on the roads of Europe and the US coastal states. The Golf brand bundles together everything that the consumer needs to know about the vehicle. Reliable quality and solid construction combined with decent prices in the used-car market limit the risk in buying a Golf. Combining a well-balanced drive with time-tested reliability and resale value, the Golf is a widely accepted safe choice for all but the most expressive drivers (in North America, the Golf has a slightly younger and sportier image). However, the difficulties faced by the more recent larger and pricier Golf models in defending their position in the market show that even strong brands can face challenges; the strengths of the brand have not transferred automatically to the new models.

The Golf is typical of the current challenge. Today, even the strongest brands must make headway in turbulent waters. Two trends can be observed: on the one hand, the number of registered brands is increasing dramatically. In 2007, there were nearly twice as many internationally registered trademarks worldwide as there were 10 years before.

The dramatic expansion in the number of brands has inevitably given the consumer almost too much choice. Over the past 15 years, both the number of products advertised on German television and the number of brands available in a large supermarket have tripled, the latter having risen from 15,000 to over 45,000. On the other hand, in consumer goods there is greater concentration, with fewer manufacturers and a greater focus on core brands. Despite having a portfolio of around 300 brands, Procter & Gamble still finds that the 41 largest brands account for over 90 percent of the company's profit. Only those largest brands and some selected promising brands in emerging markets are allowed to increase cost; all other brands have to maintain or decrease their expenditure. Procter & Gamble's competitor Unilever even reduced its brand portfolio from some 1,600

Fig. 1.5: Brands fulfill three basic functions



Source: MCM/McKinsey

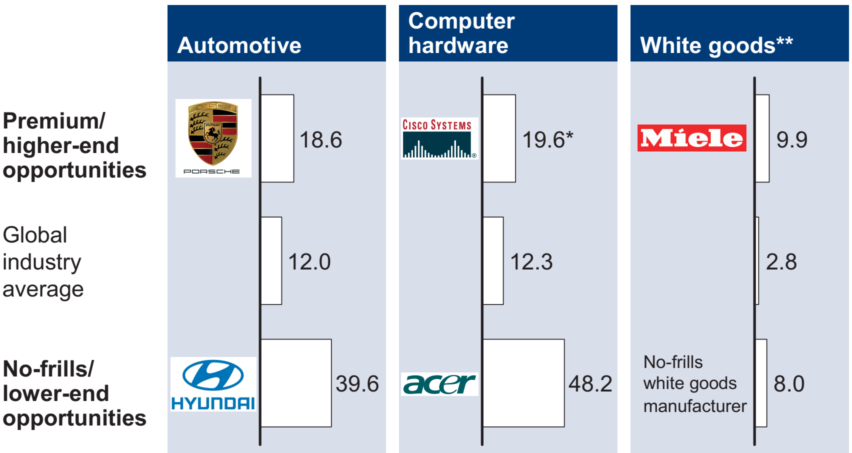
brands in 2000 down to 400 core brands in 2005. So, despite the overall proliferation of brands, the leading companies are thinning out their brand portfolios and are focusing only on the brands that are strong enough to face tomorrow's challenges. For brands, it is quality that counts.

To complicate the situation even further, proliferation is by no means limited to brands proper. The number of distribution channels, consumer touch points, and marketing messages is constantly increasing. At the same time, complexity is increasing on the demand side as well. Partly driven by the wide variety of available options, consumer choice is harder to predict than ever. For many consumers, it's coffee-to-go in the morning, fast food at lunch, and a three-course dinner at a fancy restaurant in the evening. But at the weekend, the same person may go for a healthy breakfast with wholegrain cereal and fresh fruit from an organic food store, no lunch at all, and a late-night microwaved TV dinner after a long day on the road, driving back from the in-laws. Old patterns no longer apply in the world of proliferation. The polarization effect can be seen across industries; consumers are both trading up (and prepared to pay premiums for products they emotionally relate to) and trading down at the same time (and looking for savings on products that they don't feel passionate about) (Figure 1.6). While a business traveler will often fly with major airlines booked through a trusted ticket agent, the same person will book cheap tickets online from no-frills carriers for private travel. As a result, companies that find themselves stuck in the middle are facing increasing challenges and are showing much lower growth rates than both the premium and the no-frills providers. Alex Myers, Senior Vice President for Western Europe at Carlsberg, summarizes the dilemma, »Historically, brewers have been big in the middle of the market. Now there is a polarization between the top and the bottom, and the risk is getting stuck in the middle.«[17]

Fig. 1.6: Polarization effect

Net sales growth (compound annual growth rate), 1998 - 2005

Percent



* 1998 - 2004 CAGR for Cisco

** 1998 - 2003 data was used, later data was not available for Miele

Source: Global Vantage, Bloomberg

Tougher times require more effective brand management tools

In this environment, efficiency is more important than ever. The good news is, that proven tools and approaches are available to fine-tune branding investments for the highest possible impact. »Scatter losses« of 50 percent or more are by no means a law of nature. Rather, they are the result of insufficient analysis, shaky methodology, and dubious strategies.

It's no longer only the advertising gurus who dominate the scene with their creativity. Admittedly, creativity helps to increase advertising effectiveness; consider the findings from a recent analysis by McKinsey and the Art Directors Club on the success of creative campaigns in the next section (editorial insert by Sebastian Turner). But brand managers cannot do without deep customer insights and thorough market analysis to complement creativity. After all, investing in brands is in many ways similar to other investments. Who would invest in a production facility, a research and development center, or a new head office without first examining the necessary commercial and financial groundwork to make a clear assessment of the probable payoff?

A shift towards a more professional approach to marketing and more efficient processes has been gaining pace recently. A literature search of the international journals reveals that more than 5,000 articles on branding have been published in the past five years alone.[18] Despite this flood of academic and practice-oriented publications, the right tools for effective and efficient brand management are still under debate. Experts are currently analyzing the basic factors underlying brand power, how best to describe them, and what their precise functions are for consumers. They are also looking into what makes brands strong, and what makes them weak.

While this debate continues, McKinsey has developed its own approach called BrandMatics®. This book uses this approach to reveal how companies can measure, make, and manage brands effectively without throwing creativity overboard.

1.2 The Secret of Strong Brands

What makes a brand strong? What distinguishes Marlboro from Camel, Nokia from BenQ Mobile, and Giorgio Armani from Pierre Cardin? One answer that is commonly given to this question is that a brand becomes dominant and full of life when everyone in its target group has internalized it as »well known.« Though this might be a very common assumption about what makes a brand successful, it fails to distinguish the great brands from the also-rans.

Brand awareness, and the often corresponding high scores for brand recognition in market research evaluations, is not enough in itself to secure a place among the front-runners. Such indicators, however popular they are, actually say very little about consumers' buying preferences. BenQ Mobile, for example, was probably never more widely known than at the time when it went out of business in early 2007. Market share and profit margins are far more revealing when it comes to describing a brand's position. Companies that achieve a bond with buyers and produce customer loyalty that cannot be matched by the competition are the brand winners. The right strategy for brand management can be summed up in a single, simple sentence: strong brands need buyers – and repeat buyers.

Coca-Cola is a good example, Coca-Cola drinkers are particularly loyal to their brand. In Germany for example, 52 percent will only drink »their Coke.« By comparison, just 10 percent of Pepsi drinkers will drink only Pepsi-Cola.[19] This one fact is enough to indicate the relative strength of those two major cola brands in that market. Pepsi's endless celebrity endorsements, including Britney Spears, Michael Jackson, and David Beckham (to name but the most prominent), may have increased the public's general attention, but have failed to turn around drinkers' choices in many markets. Although Coca-Cola's market share has slipped, it is still the world's leading carbonated cola. Specifically, Coca-Cola is far ahead of Pepsi in much of Europe and South America.[20]

Three elements of success: The trinity of *art*, *science*, and *craft*

For management, the strongest indicators of brand success are market presence, profitability, and customer loyalty. Companies that want to ensure this sort of brand strength for the long term need to achieve a harmonious blend of three elements underlying good brand management: *art, science,* and *craft*.

The *art* is in endowing the brand with a superior brand proposition, keeping it consistent yet up-to-date and executing it as creatively as possible. The *science* is measuring and understanding the brand's performance. The *craft* is managing the brand rigorously in all its individual aspects throughout the organization.

Naturally, brands do not have to attain perfection in all three areas in order to be strong. Inevitably, companies have different approaches, as well as different strengths and weaknesses. Nonetheless, however well a company masters an individual element, this will be of little use unless the brand achieves a minimum standard in the other two elements as well (Figure 1.7).

We will now look at each element in some depth. We will start with the *art* of the brand, as this is the most familiar and widely accepted aspect of brand management, before moving on to the *science* and the *craft*.

Art: **Superior content generates emotions**

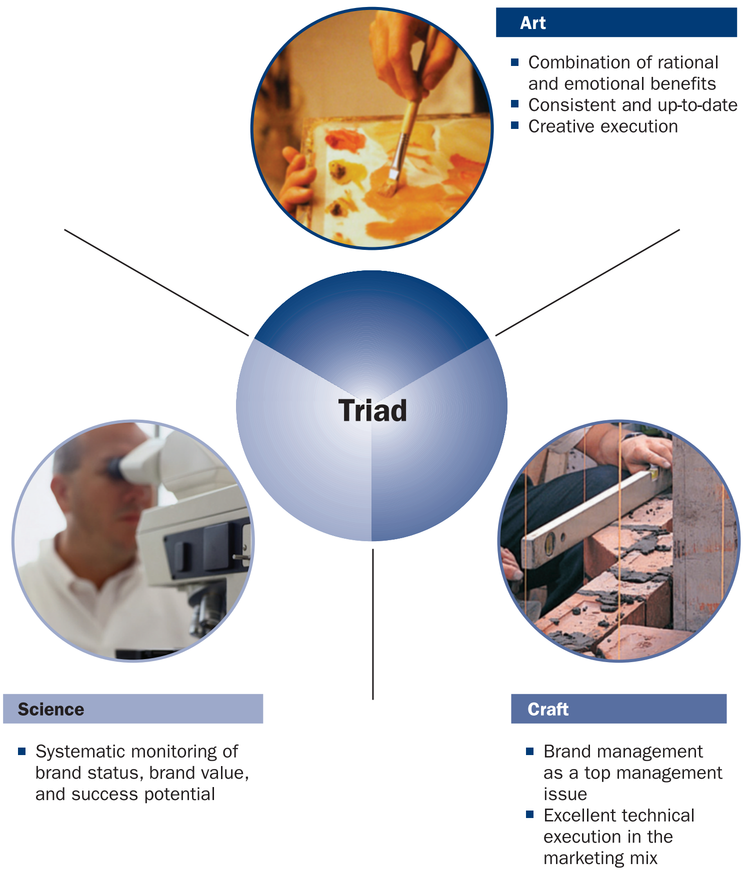
First, brands must have the right content in order to appeal to customers and to generate demand. They need to move us emotionally so that we find them appealing. They need to appear trustworthy in their claims. Companies, faced with the challenge of choosing the right attribute from among a mass of similar-looking technical and non-technical features, hardly know where to start. Should they focus on rational elements, or on the more emotional elements that they think will speak to customers' feelings?[21]

In fact, strong brands always do both, although the balance between the two varies. There are hardly any strong products or services that are not at least as good as the competition in their rational elements, and they are usually better in one or two attributes. At the same time, real brand champions, Marlboro, Nike, or Porsche, for example, show champion-like qualities in their emotional elements, too.

Nivea is another good example. Every Nivea product features a rational product benefit and backs this claim up with research and information. This approach goes back to its introduction in 1911, when Nivea produced the first long-lasting oil-in-water emulsifier that was not based on animal and vegetable fats and so would not go rancid. This scientific approach continues. The company's research center employs over 150 dermatological and cosmetics researchers, pharmacists, and chemists. Today, according to the company, Nivea Visage DNAge products contain a »combination of Folic Acid and Creatine to protect the skin cells' DNA against future external damage«; their Anti-Wrinkle & Firming Creme features a »unique patent-pending antioxidant complex, including Vitamins A & E and sunscreen (SPF 4)«; while the Nivea for Men Revitalizing Lotion Q10 has a »combination of Vitamin E and SPF 15« to help protect against UV rays.

The rational product benefits are not just displayed on the packaging, they are also backed up by numerous product tests and, even more importantly, by the trust placed in them by large numbers of customers. Since 2005, Nivea has won the award as the most-trusted skin care brand by Reader's Digest every single year in every one of the 16 participating coun-

Fig. 1.7: Three elements underpin excellent brand management



Source: McKinsey

tries. At the same time, the brand is positioned in a clearly emotional way as a »gentle care« brand, supported by soft-focus photos and carefully chosen images that build a consistent identity, closely tied to central values of the blue »aura,« true values, and a code for genuine »close to touch« human togetherness. The product's appeal is thus aimed equally at customers' emotional and rational sides; this is what gives the brand its competitive advantage (Figure 1.8).

Fig. 1.8: Nivea: Appealing to emotions and reason simultaneously

Energy Fresh Deodorant	Visage Anti-Wrinkle Q10 Plus	Body Good Bye Cellulite
New Zealand 2007	United Kingdom 2008	United States 2008

Source: Beiersdorf AG

This combination of emotional and rational elements is also part of the brand appeal of luxury goods, even though these are commonly perceived to be purely emotional. For Louis Vuitton products, for example, the customer's self-profiling plays a major role in the purchase and justifies the price difference compared with competitor products. At the same time, however, the materials used in the product are very high quality: the finest leather, tanned by hand (using plant extracts), and water- and scratch-resistant. It is this combination of quality (rational) and prestige (emotional) that is fundamental to the brand's strength.

Audi is another example of a brand that successfully blends rational and emotional elements. The brand stands for technological leadership as well as emotional appeal. Audi's technological assets, condensed in the claim «*Vorsprung durch Technik*» (»Advanced engineering«), include the permanent all-wheel drive »Quattro« technology (a major factor in Audi's long-standing success in the World Rally Championship), the TDI diesel engine concept pioneered by Audi engineers to wide acclaim in the late 1980s, and the FSI injection technology derived from successful trials in motor sports. On the emotional side, recent milestones along Audi's development towards more progressive design include the introduction of »halo« cars such as the company's first modern convertible in 1991, the immensely successful TT model in 1999, and the launch of the R8 mid-engine sports car in 2006. As a consequence, the Audi brand radiates both technological excellence and technological sex appeal. As a result, after years of playing catch-up with brand leaders BMW and Mercedes, Audi secured the top spot in the half-yearly AutomarxX survey by Germany's motoring organization ADAC December 2006 and has retained it ever since.[22]

At the same time, emotional positioning alone will not make a brand strong if rational benefits are missing. Apparel manufacturer and retailer C&A faced this problem in the early 1990s with its television and cinema commercials (including its Daydream campaign). The commercials appealed greatly to the young target groups and even won industry awards, but the reality in the stores was different. Large rummage tables with cheap T-shirts and other bargains conflicted with the emotional world depicted in the commercials in terms of store design and product presentation. Potential customers were so disappointed that they seem to have avoided the shops for a long time afterwards. C&A managed to resolve this problem at the end of the 1990s. It did so by refocusing on the brand's traditional core positioning and values. This change in focus in its campaigns has seen C&A become increasingly successful in attracting its target group of families with below-average to average incomes back into its stores. As a result, the company is managing to hold its ground.[23]

For consumers, emotional advertising without a rational basis is like a vacation brochure's misleadingly attractive pictures. This is ultimately a form of advertising that can have a negative impact.

Art: **Modern creativity and consistency are no contradiction**

Strong brands are consistent, preserving and maintaining their brand names. They do not make constant changes to their positioning, their target group, or their image. At the same time, strong brands innovate constantly, building on the brand promise.

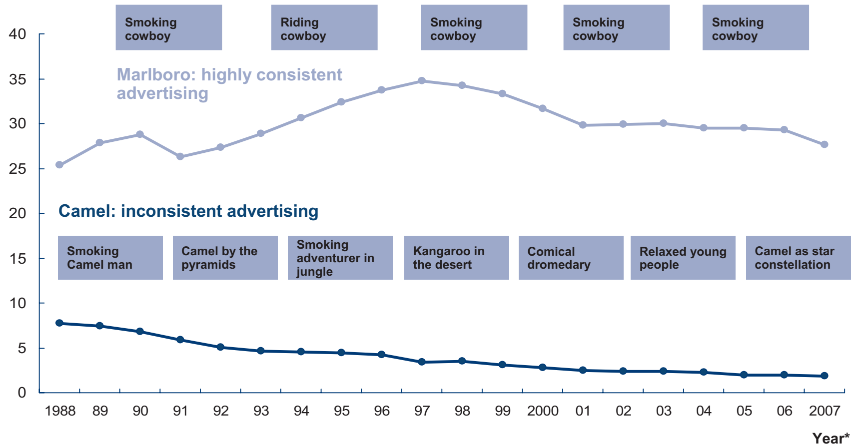
At first sight, being both consistent and innovative might appear something of a contradiction. Nivea provides a good example of how a brand can be both highly innovative while always remaining consistent with its brand values. Nivea Creme's distinctive packaging, a blue container with the Nivea name spelt out in prominent white script, is a vital part of this. Today's packaging has a long pedigree and can be traced back to 1924, when the distinctive blue container was first introduced. Just as important is that Nivea's brand promise from its introduction has been that of providing high quality and gentle skin care at a reasonable price, using a straightforward approach. It is this reputation for dependability and trustworthiness that has stood the company in good stead throughout the decades. At the same time, Nivea has innovated constantly. As far back as the 1930s, Nivea introduced sunscreen into its product range. Since then there have been regular product innovations, with a large expansion in products from the 1980s onwards. Today Nivea's products include specific care products for different skin types, shampoos designed for various hair types, and products for men as well as women. All these innovative products are distinguished not only by their packaging, but also by Nivea's brand values of gentle care. Nivea's consistent innovation and brand promise are well recognized in the industry, and Nivea has won many international prizes for its products, including the 2006 Beauty Glammies Award in Greece for Nivea Visage DNAge and the 2007 New Best Product Award in Canada for Nivea Lip Care Effect Q10 Plus.

Let's look at an industry many would say is dominated by engineering and rational buying factors: cars. BMW's well-known and successful brand promise of »The Ulimate Driving Machine« has been at the heart of the brand since the 1960s and has made a large contribution to BMW's global success. »Our brand delivers performance and sportiness. That's our brand promise,« the company board was quoted as saying in early 2008. In 1962, BMW launched the 1500, a dynamic compact sedan with front disc brakes and independent suspension. This innovative specification cemented BMW's reputation for fast sports cars, especially when the car won races in motorsports. Since the 1970s, BMW has been building its M models as especially powerful cars. After the launch of the M1 in 1978, BMW started to create extra sporty versions of the (already sporty) regular BMW vehicles. Not surprisingly, the M model of the 3-Series is the most successful motorsports car in the world, having won more than 1,500 races over the past 20 years. More important, BMW has pledged never to introduce a car that does not fulfill the brand's promise of performance and sportiness. Therefore BMW decided not to launch a minivan. »The more sporty you make it, the less room you have. But as we continued to work on it, it involved too many compromises, and we felt it wouldn't be a BMW in its own right,« said a BMW executive. Even BMW's way of communicating the improvement of the carbon footprint of its fleet still incorporates the promise of sportiness (»Efficient Dynamics«). Commercials highlighting the fuel efficiency of the latest BMW models make sure to point out a BMW is sportier than most. This combination of a consistent message and constant innovation has led to global success for the company. In the United States, for instance, sales have increased at a compound annual growth rate of 12 percent since 1991.[24] Compare the example of Skoda's decision not to introduce a convertible for consistency's sake. Despite the considerable revenue potential, management decided against it because a convertible would unavoidably be more expensive and more extravagant than a sedan and, hence, contradict the Skoda brand's no-nonsense promise of solid quality at attractive prices (see section 3.2).

The contrasting example of Pontiac shows what can happen to a brand that is not consistent. In the 1950s, Pontiac started to focus on young and performance-oriented drivers and managed to climb to third place in car sales in the United States. Over the next 20 years, Pontiac continued along this path with the launch of sporty models like the Firebird and the GTO, which became an icon for power and performance and was instrumental in starting the »muscle car« era in the United States. But when insurance and fuel costs increased at the beginning of the 1970s, Pontiac shifted towards a positioning that included safety and economy by decreasing the power of its engines and by launching models like the Astre, the brand's first venture into the fuel-economy category. Pontiac tried to be all things to all people. As a result, the brand image became fuzzy and satisfied fewer and fewer customers. In the 1980s, Pontiac refocused its positioning with performance as the core attribute, supported by the redesign of the Firebird in 1982 and the launch of the Fiero in 1984. This »back to the roots« approach was rewarded by car buyers almost instantly. For the first time in more than a decade, Pontiac was the number three brand in the United States. The median age of its buyers dropped from 46 in 1981 to 38 in 1988. More recently, Pontiac got off track again by launching a range of cars out of line with the brand's performance promise, including minivans and family SUVs. But what was even worse, the brand continued to claim it was first choice for performance-oriented customers, when in fact its products could not fulfill this promise. Models offered aggressive styling, but lacked actual performance. This was partly due to the fact that Pontiac's models often used the same engines as other, less performance-focused General Motors brands. Between 2000 and 2007, Pontiac's sales decreased by over 40 percent. Of course, there are always multiple factors at work when it comes to sales development. Products, prices, dealers, competitor moves, and external factors such as the 1973 oil crisis may well have been at least as influential as Pontiac's brand identity in the case in question.

Another example of the advantages of consistency is that of Coca-Cola. While Coca-Cola has always stuck to its classic curly logo and the color red, Pepsi has changed its logo nine times since the brand was created. Perhaps the most radical change was that made in 1998. With a budget of USD 500 million, Pepsi changed its colors from red, white, and blue to just blue. The reason given by the company for the redesign was that the old logo was not distinctive enough and that it was imperative that Pepsi distinguish itself from Coca-Cola.[25] In 2003 the next update occurred, aimed at stressing

Fig. 1.9: The cowboy is constant – The camel wanders
Share of branded cigarette market
Germany, percent



* West Germany only up to 1990, all Germany from 1991
Source: Die Tabak Zeitung

the brand's youthful image. Yet in the vast majority of markets, these continuous makeovers have neither helped it catch up with Coca-Cola nor ensured it a better brand image.[26]

Marlboro has shown nearly the same persistence as Coca-Cola. Since Marlboro's makeover by Leo Burnett in the 1950s, it has never questioned its positioning as a cigarette brand associated with freedom and adventure. The image of the cowboy (since 1963) and the Marlboro red (since the 1950s) has remained constant over a very long period, while the contents of the advertising campaigns have been adjusted many times in line with current fashions, and new innovations in cigarettes have been used to refresh the brand. The umbrella brand name Marlboro was only extended with the launch of Marlboro Lights in 1986. In 1994 Marlboro Medium was introduced, and today there are additional product extensions such as Marlboro Menthol, Marlboro 100, and Marlboro Blend 29 (Figure 1.9).[27]

Outside the United States, where there has been somewhat greater consistency, Camel, the number two brand, has changed its positioning constantly over the same period. In Germany, for example, it has moved from the Camel man as an adventurer with a hole in his shoe in the 1970s and 1980s to the leather-clad toy camel in the 1990s, to the image of the relaxed young professional between 2001 and 2004, and finally back to the camel.

The image of the brand has been altered so many times that it has become almost devoid of meaning. Today, while Marlboro controls 19 percent of the European market, Camel has a share of slightly less than 5 percent.[28]

The importance of consistency is shown in the results of a survey conducted in late 2006 among 300 marketing experts as well. When asked about the aspects of successful branding in an open-ended question, the experts rated consistency the most critical aspect by far with 38 percent of all answers.[29]

However, consistency is not to be confused with stagnation; without the courage to change, brands that were once weak or undifferentiated – like Puma, Audi, and Burberry – would never have managed to become the premium brands they are today. Samsung Electronics is another good example of a brand making the journey from a mass-market image to a quality brand, a transition that requires careful management of brand positioning – and a great deal of patience.

Until well into the 1990s, the Korean electronics manufacturer Samsung earned its way by producing cheap Samsung-branded products, and by acting as a third-party manufacturer of components or entire devices for premium brands such as Sony.[30] The transformation began at the end of the 1990s. This was prompted by the Asian financial crisis, which led to staff reductions of around a third and the realization that, as an increasingly high-wage country, Korea would soon no longer be able to compete with China in the mass-market segment. As a first step, management established a global marketing function, thus underlining the importance of marketing for a company that had previously been dominated by an engineering mentality. Next, Samsung supported the development of the brand by bundling marketing activities across the company, stopping the production of cheap products in many countries, and concentrating instead on innovative digital products with exclusive design. While its competitors were still clinging on to cathode ray tube technology for television sets, for instance, Samsung made the strategic move into new digital technologies such as liquid crystal displays and plasma screens. This helped it overcome its image as a budget manufacturer, and move into the category of premium manufacturer. At the same time, the company tried to strengthen the emotional promise of the products and raise the brand's profile. As part of this strategy, Samsung became a leading sponsor of major sporting events, such as the soccer World Cup and the Olympic Games, and paid EUR 73 million to have its name displayed prominently on the chests of the London soccer club Chelsea.[31]

Today, the results of this transformation are evident. The company's claim to be »leading the digital convergence revolution« is reflected at the product level; Samsung developed the first-ever speech recognition phone in 2005, launched the world's first Blu-ray Disc player in 2006, and released the world's thinnest liquid crystal display (a mere 0.82 mm) in 2007.[32] At the brand level, Samsung not only manages to increase its brand value continuously, which – according to Interbrand/*BusinessWeek's* ranking – has doubled in five years to reach USD 16.9 billion in 2007, but is also trying to strengthen the emotional elements of the brand in order to develop it further. In an interview with *Business Week*, Samsung's Global Chief Marketing Officer Gregory Lee stated: »In the past, our communication was all about the product. There wasn't a real story to it. We are really trying to tell a story about how it fits into consumer lives in our newer communications.«[33] To accomplish this, the company launched a new advertising campaign – »Imagine« – in 2005 to accelerate their transformation into a truly premium brand. The earnings from the first quarter of 2008 confirm the success of the new approach. Samsung's overall profit is up 37 percent from the first quarter of 2007. But more important, there was a shift from the company's traditional semiconductor component B2B business towards consumer sales of devices, such as mobile phones, liquid crystal displays, and television sets.[34] This shift lends further momentum to Samsung's aspiration to break free from its past as an original equipment manufacturer to offer upscale products that are bought not only for their functionality, but also for their appeal as branded items.

Art: **Creativity doesn't necessarily mean winning prizes**

In addition to ensuring that the brand has superior content and stays up-to-date (while consistent), a very important aspect of the *art* of brand management is the creativity of its communication. As a source of creative ideas, the advertising industry has always been an important partner to brand management. Today, however, in a society flooded by multimedia, many believe that advertising is no longer as effective as it once was. As a result, many companies are questioning the service offered them by advertisers, and greater financial discipline is being brought into marketing, moving it into line with other functions in terms of measuring profits and losses. The demand is that advertising must deliver measurable results.

Plainly, some brands do manage to achieve consistent competitive advantage by means of superior creativity in their communication; they know exactly where to place the bait so that the fish will bite. Strong brands are highly effective in the way in which they use creative campaigns to distinguish themselves from the competition, to strengthen their brand image, and thus ultimately also to generate correspondingly high sales. Examining the advertising used by brands over many years reveals a number of particularly successful long-lasting examples: Lucky Strike's minimalist approach limited to the packaging and a witty headline, Red Bull's unique scribbles, and Sixt's smart and often provocative advertising tag lines.

Creativity can take different forms, as the results of the »creativity in advertising« study show (compare the insert on creative advertising on the next page). Often, really effective creative advertising contains something that might be irritating, provocative, or funny, whether in pictures or in words, as the aforementioned illustrate. Many other major brands take a less radical approach, however, and are no less successful for it. For brands such as Nivea, Beck's, and Marlboro, creativity is primarily about constantly renewing a consistent brand in as simple and catchy a way as possible, occasionally introducing new elements to revitalize the message. This ensures that the brand remains up-to-date over the years and, although it may appear less original to the judges of creativity contests, it often delivers higher dividends.

Even if the advertising industry has stopped focusing exclusively on creativity, prizes remain as important as ever. One of the most respected advertising awards worldwide is the Effie, which recognizes ideas that work commercially. Mary Lee Keane, executive director of the Effie Awards says, »Effie winners share the honor of finding the perfect combination of strategy, creativity, and media to resonate with consumers« (Effie press release).

Bartle Bogle Hegarty's campaign for Unilever's Vaseline brand »Keeping Skin Amazing« won the global top prize in 2008. The campaign repositioned Vaseline as the skin authority in 15 countries and led to double-digit growth for the brand, which had suffered a 30-year share decline.

The Global Golden Effie in 2007 was awarded to Cayenne Communication for their campaign »It's Playtime« for Canon's EUR 1,000 single-lens-reflex camera EOS 350D. The big idea was to position the product not as a professional tool, but as license to play, a toy for adults to explore the world. As a result, Canon's sales in the segment grew by 135 percent and its market share increased by nine percentage points while its main competitor, Nikon, lost twelve percentage points.[35]

Jim Stengel, the former CMO at Procter & Gamble, is another firm believer in the significance of advertising awards. At the 2008 Cannes Lions awards ceremony, he said: »There is a correlation between awards for creative advertising and an increase in market share.«[36]

Art meets Science: Creative Advertising Examined

by Professor Sebastian Turner. A partner and supervisory board member at Scholz & Friends as well as a board member of the Art Directors Club for Germany (ADC), Sebastian Turner teaches at the Berlin University of the Arts.

Who doesn't like creative advertising? Think of Dove's Campaign for Real Beauty. For perhaps the first time ever, Unilever's skin care advertising featured real-life women, complete with their curves and imperfections, rather than the skinny models we have come to take for granted in print advertising and on billboards. Who wouldn't give this unusual sight a second look? The Campaign for Real Beauty is nothing short of a show stopper. It surprises, amuses, and inspires. In short, it's creative advertising.

We all love it, remember it, and tell our friends about it. But does creative advertising work? Everybody knows recall isn't everything. Some go as far as claiming creativity doesn't matter at all. The head of marketing at a major fast-moving consumer goods company says, »Creativity is irrelevant at best. Often, it is downright harmful to advertising success.« Traditionalists focus on making sure advertising content and messages are tailored to the brand, the product, and the target group in question. For them, »content fit« is much more important than creativity. Campaigns based on this belief may sometimes come across as conventional, but often have credibility on their side.

But can there even be a winning strategy irrespective of the industry? McKinsey, the Art Directors Club of Germany, and the Berlin School of Creative Leadership have teamed up for a pilot effort to quantify the success of German marketing campaigns. Some one hundred television commercials submitted for the 2005 GWA Effie award have been examined; advertising recall and changes in market share were used to measure their respective psychological and business impact. The findings are likely to surprise the »purists.« In fact, both types of advertising – creative and conventional, content-fit focused – work. But not for any product, and not always in the same way. The more creative a campaign, the higher the likelihood that the featured product will sell. But at the same time, not all successful campaigns are particularly creative.

Advertising success can be measured

Despite the best intentions, most past attempts to measure advertising success have been controversial, simply because there are no widely accepted, objective indicators. This is especially true for the creative quality of campaigns. Creativity is typically assessed by jury votes that many would say are mostly subjective. The ADC/McKinsey study has chosen a different course. To determine the relative importance of creativity and content fit, a set of five criteria each was used, as shown in the checklist in Figure 1.10.

Fig. 1.10: Criteria for advertising assessment: Creativity and content fit

Creativity	Content fit
Originality • New? Surprising? Innovative?	**Relevance** • Reflects target group needs? Fits strategy?
Clarity • Content easily and quickly understood?	**Differentiation** • Stands out from the clutter?
Conviction • Arguments persuasive and coherent?	**Consistency** • In line with previous work/ general brand communication?
Execution • Execution consistent and professional?	**Credibility** • Value proposition believable?
"Want-to-see-again" factor • Enjoyable? Entertaining? Likable?	**Activation** • Moves consumers to buy?

Source: ADC of Germany, McKinsey

Using these criteria, all advertisements submitted as Effie contenders were assessed on a scale from 1 (poor) to 5 (excellent). A panel of art directors, including the author of this insert, assessed the creativity criteria, while a group of McKinsey marketing experts, including the authors of this book, analyzed each advertisement's content fit. This assessment was then tested for correlation with advertising recall and post-campaign changes in market share. Audi's »Tomorrow has arrived today« brand campaign came out as the most creative campaign with a score of 4.7. Lenor's »Poetry« commercial for their fabric softener, a classic spot focusing on the product features »softness« and »freshness,« only achieved a creativity score of 1.5 (Figures 1.11 and 1.12).

Fig. 1.11: Audi's "Tomorrow Has Arrived Today" campaign

1 = poor
5 = excellent

Pure creativity – Example: Audi

© Propaganda GEM - 2004

- Highly creative – highly unique in execution and media selection (cinema), clearly differentiated from other automotive advertising
- Weaker content fit – the key message (new design of front) not explicitly communicated; limited link to current models
- Very high recall – latent communication of key attribute "innovative" works well and engages emotionally

Creativity* 4.7		Content fit* 2.2	
Individual dimensions		**Individual dimensions**	
Originality	4.8	Relevance	1.9
Clarity	4.3	Differentiation	3.2
Conviction	4.2	Consistency	2.5
Execution	4.4	Credibility	2.5
Want-to-see-again factor	4.5	Activation	2.9

* Weighted average of individual dimensions
Sample: 100 German TV campaigns from 2003 to 2004
Source: ADC of Germany, McKinsey

Fig. 1.12: Lenor's "Poetry" campaign

1 = poor
5 = excellent

Pure product benefit – Example: Lenor

- Low creativity – message and execution not very original (well-known portrayal of nature/green meadows)
- High content fit – focus on key product features "softness" and "freshness"
- High economic success – believable communication of product benefit and high degree of consumer activation led to significant market share increase while campaign was on the air

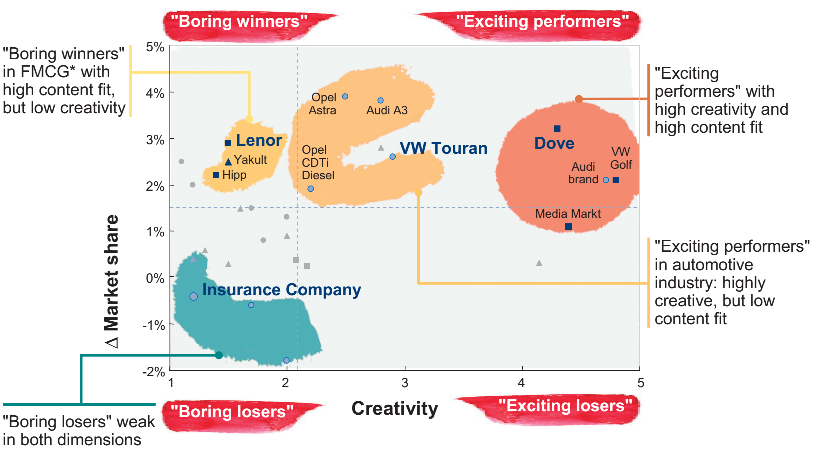
Creativity* 1.5		Content fit* 4.3	
Individual dimensions		**Individual dimensions**	
Originality	1.5	Relevance	4.1
Clarity	3.2	Differentiation	4.3
Conviction	2.4	Consistency	4.8
Execution	2.2	Credibility	3.9
Want-to-see-again factor	1.5	Activation	4.0

* Weighted average of individual dimensions
Sample: 100 German TV campaigns from 2003 to 2004
Source: ADC of Germany, McKinsey

Things looked different, however, as far as content fit was concerned. Thanks to its product focus and inherent consistency, the Lenor spot came out on top with a score of 4.3. Yakult's yoghurt commercial and Hipp's baby food spot achieved similarly respectable values for content fit. Because of their comparatively low profile, these campaigns were less well recalled than the highly creative spots, but performed equally well in terms of economic impact.

Although both highly creative and, in terms of content fit, highly relevant campaigns can be economically successful, there are some notable differences (Figure 1.13). While successful creative campaigns come mostly from the automotive industry, the campaigns that succeed thanks to their content fit were typically created for FMCG companies such as Lenor or Hipp. A similar category bias can be observed among the low performers. Many of the advertisements that the jury's verdict sent to the »Boring losers« corner came from financial institutions. Their messages are often abstract and hard to bring to life, which frequently leads to less exciting and less appealing spots. As a consequence, these campaigns also have lower sales impact.

Fig. 1.13: Both creativity and content fit contribute to economic success



* Fast-moving consumer goods
Source: ADC of Germany, McKinsey

As a general rule, one could say that the more emotionally charged the product, the more creative the campaign should be. This is especially true for high-involvement products characterized by long life cycles and high purchase prices: cars, watches, jewelry, or high-end consumer electronics. By contrast, fast-moving everyday products and items with low ticket prices typically derive a high sales benefit from campaigns with a good content fit. We will find this differentiation substantiated once we look more closely at three categories with very different involvement values: cars, short-lived consumer products, and financial services. Despite the differences, the analysis also shows that creativity almost always leads to success. In Figure 1.13, you will find the bottom right »exciting loser« quadrant almost empty. In other words, there are next to no highly creative campaigns that are not successful. Other things being equal, creativity is an advertiser's best bet.

Automotive advertising: Pure creativity

The German car industry thrives on emotional benefits, and creativity is the instrument of choice to make them come to life. The price of a new car is so high that buyers will have the basics covered anyway. Most of them are sure to research features, fuel economy, resale value, and the like by studying catalogs, checking test results, and visiting the dealer lot. This makes it imperative for automotive advertising to appeal to the heart and soul rather than reason. It must strive to generate desire by conveying emotional benefits: freedom, power, luxury, or simply »fun to drive.« This makes the creation of successful automotive advertising a real and present challenge for advertising executives. Compared to other industries, an above-average creative effort is required to make a given brand or model stand out among its competitors. Small surprise automotive advertising is considered the hallmark of creativity; car campaigns have long dominated the advertising award scene. The Cannes Golden Lion, seen by many as the equivalent of the Oscar for creative advertising, has been awarded to car manufacturers such as Volkswagen, Honda, Mercedes, and Mini in recognition of their leading positions among the most creative advertisers in the world. According to the Gunn Report, an independent publication listing award winners from multiple such competitions, Volkswagen has consistently come out as one of the most creative global advertisers in past years.[37] This study underpins the economic payoff of creative excellence in the automotive industry.

Creativity, however, is not the only success factor, not even in automotive advertising. Especially in the budget segment of the market, most buyers make their decisions largely based on rational benefits. They want to see their buying factors reflected in advertising campaigns: small on the outside, yet roomy on the inside, and high mileage per gallon. In other words, low- to mid-range cars call for advertising with high content fit, ideally combined with creative delivery, of course, since nowadays even an affordable compact car needs to be more than just a vehicle. It remains to be seen whether the current trend of eco-advertising focusing on rational benefits like fuel efficiency and low carbon emissions will change the way automotive advertising works.

Soap and snacks: Up close and personal with the customer

Content fit is what matters most in the fast-moving consumer goods category. Very few people develop emotional ties to their detergents or groceries. And because of the relatively low ticket price, most customers rarely use sources other than advertising for information gathering. As a consequence, fast facts are what counts in this area. Successful campaigns convey the brand's or product's value proposition clearly and believably; examples include »softness« and »freshness« for the fabric-softener category Lenor competes in, or »health« and »well-being« for prospective buyers of Yakult dairy products.

But even in this category, creativity can certainly tip the scales. One of the most prominent examples is Dove's legendary Campaign for Real Beauty mentioned above. Unilever's idea to go against long-established beauty stereotypes and have the company's skin care products endorsed by »girls next door« rather than skinny models was a surprise hit in the category. Recent allegations that extensive retouching was done in the final stages of post-production didn't harm the campaign's basic appeal. The Campaign for Real Beauty remains a prime example of how to combine creativity and content fit. It was doubly rewarded, not only with considerable industry buzz, but also with a high economic payoff (3.0% growth in market share as shown in Figure 1.13) (for details, see section 2.2 on brand communication at Dove). So the answer to the question raised above is: yes, creative advertising does work. By and large, it is effective advertising, even in allegedly rational categories such as fast-moving consumer goods.

Fig. 1.14: Dove's "Campaign for Real Beauty"

1 = poor
5 = excellent

Creative and coherent – Example: Dove

- High creativity – outstanding, innovative campaign idea (real women instead of models)
- High content fit – advertising message highly relevant to target group and differentiating in beauty category
- Clear economic success – unconventional approach with high activation impact lead to significant market share increase while campaign was on air

Creativity*		Content fit*	
4.3		4.6	
Individual dimensions		**Individual dimensions**	
Originality	4.5	Relevance	4.1
Clarity	3.8	Differentiation	4.8
Conviction	4.1	Consistency	4.8
Execution	4.5	Credibility	4.0
Want-to-see-again factor	4.2	Activation	3.9

* Weighted average of individual dimensions
Sample: 100 German TV campaigns from 2003 to 2004
Source: ADC of Germany, McKinsey, Picture: Unilever/Dove

Financial services: Make it snappy

There is no disputing the fact that banking and insurance are among the more challenging advertising subjects. The reason is that when choosing financial products and services, customers apply a combination of emotional buying factors, such as the need to feel safe, and rational factors, such as achievable rate of return. To make things even more difficult, most messages in this industry are fairly complex to begin with; they require both explanation and clarity to get the customer's attention.

As a consequence, the demands on creativity and content fit are equally high in financial services and present a major challenge, as the poor performance of many financial advertising campaigns in this study shows. Only Allianz stood out with its original and appealing way of packaging the touchy subject of retirement funds. Thanks to the unusual and surprising image of young soccer fans having a nice cup of tea, their campaign »It pays to stay alive« cut through the cliché of the contented retiree. It was rewarded with significant market share growth while the campaign was on air.

Bottom line: Mix and match!

What are the practical implications of these findings for day-to-day brand communication planning and campaign management? The analysis conducted by McKinsey and the ADC yields three guiding principles:

(1) Content fit and creativity both have a substantial impact on advertising success. Even the biggest budget can't make up for a weak campaign that misses out on both dimensions.

(2) The appropriate mix depends on the category. Emotional products call for highly creative advertising, while for fast-moving goods a high content fit is a necessary condition for success. That said, higher creativity almost always translates into higher impact regardless of the product category.

(3) The biggest hits among advertising campaigns tend to combine creativity and content fit.

Once and for all, this study refutes the misconception that advertising can only be either of two things: innovative or informative, noticeably different or optimally adjusted. It's the appropriate mix that makes successful advertising. The criteria identified in the analysis will help to find the right proportion of creativity and content fit in a given situation, and will help to make advertising success more predictable. If they get it right, advertisers will walk away with real returns – and real beauty.

Science: The challenge of accurate measurement

The second element of good brand management is *science*. Most marketing managers and agencies use primarily, or even exclusively, brand awareness and advertising recall to measure the success of their brand management. But experience shows that this is an insufficient basis to assess the specific strengths and weaknesses of a brand. In some cases, such limited measurement can even create the illusion of a healthy brand, when in fact the brand is in trouble. The way out is to expand the toolbox of brand metrics, and to leverage it more comprehensively in brand management.

Despite recent innovations in brand measurement, advertising tracking instruments used for confirming the value of advertising investments still tend to focus on the level of awareness and recall. Determining that the brand enjoys a high level of awareness and recall can all too easily lead to the conclusion that the investment is well spent and the brand is strong. But often this is a false inference. This problem can be seen in teaser campaigns, for instance. Companies have wasted millions on advertising aimed to attract attention to a brand before it actually appeared on the market, or in situations where general brand awareness was of little relevance to a company's success. Take Evonik Industries for example. Evonik is the new name for the German RAG (»Ruhrkohle«), which was renamed after spinning off its former mainstay, coal mining. The company worked on the new name and the launch campaign for almost two years, but never disclosed anything. Halfway into the relaunch, Evonik found they had prematurely struck a sponsorship deal with Borussia Dortmund's soccer team worth EUR 12 million in licensing fees. Since they were not ready to launch the brand, they put a simple exclamation mark on the players' shirts for two seasons. A few weeks before actually introducing their new name, Evonik started a mass-media teaser campaign that showed creative images (such as an elephant stuck to the side of a building) and the question »Who is doing this?« In September 2007 the company gave the answer, »We are doing this. Evonik Industries.« Evonik spent over EUR 20 million on advertising within one month to make the brand known and establish »innovation« as its core promise. It is questionable whether this level of mass-media investment is justified for a B2B-focused company that generates two-thirds of its revenues from its chemical business unit. The objective of the mass-media campaign was therefore not to sell, but to generate attention for the company's upcoming initial public offering. However, a few months later, Evonik announced it would postpone the initial public offering at least until 2009. It remains to be seen whether Evonik will ever achieve its branding objectives, or what those objectives even are. But simple brand awareness is obviously an insufficient metric in a complex situation such as this, where multiple stakeholders are involved.[38]

The experience of E.ON was similar. Arising out of the merger of Veba and Viag in June 2000, E.ON needed to establish itself both as a corporate brand and as a product brand for electricity. When the campaign started, it only showed a red screen accompanied by dramatic music. After two weeks, the brand name E.ON and the nametag »new energy« appeared. Another three weeks later, E.ON started to position itself as an innovative brand by showing new energy products like the possibility to switch off your light from a distance via a hotline. Finally, E.ON launched its »Mix it, baby« spots with Arnold Schwarzenegger, introducing a product that allowed the consumers to create a personal energy mix by choosing from several energy sources like wind or water. From a corporate branding point of view, the E.ON campaign was successful. E.ON certainly was able to strengthen awareness of its corporate brand among corporate stakeholders, for example, the capital markets. From a product marketing perspective, however, the success of the advertising in financial terms was, not unsurprisingly, modest.

The »Mix it, baby« part of E.ON's campaign initially won great plaudits for its creativity. But in terms of product marketing and branding, it did not produce the desired results. Only just over a thousand customers switched to E.ON as a result of the campaign, which cost the company an estimated EUR 22.5 million for product advertising alone (resulting in an acquisition cost of around EUR 20,500 for each new customer).[39] Given an average annual revenue of approximately EUR 600 per customer, this campaign could never pay for itself, even if customers remain loyal to E.ON for the rest of their lives. Yet the E.ON brand was considered strong because it achieved a high level of brand awareness within a short time. Just four months after its launch, market research showed aided brand awareness of 93 percent and unaided advertising recall of 66 percent. Fifty percent of Germans knew the »On« slogan, and 85 percent knew it came from E.ON.[40] The problem wasn't recall, the problem was revenues. McKinsey analysis shows that the brand is, in fact, not an important driver in the purchasing process for electricity. It is a low-interest product. As a consequence, content fit of the communication is far more important than creative advertising campaigns. The providers need to communicate clear benefits like »low-price guaranteed« instead of the emotional or innovative appeal of their brands. Again, focusing on brand awareness or advertising recall is insufficient to uncover this causal relationship between corporate image and consumer purchasing behavior.

The German power sector appears to have learned from E.ON's failed trial; in 2004, the sector invested a mere EUR 52 million in traditional advertising, just over a fourth of the level of five years earlier. German energy providers are only now regaining confidence when it comes to brand communication and spent EUR 101 million in 2007. But this time, they are placing far greater emphasis on connecting the advertising to relevant products and benefits offered to specific target customer segments. A good example is E.ON's subbrand e-wie-einfach (e-like-easy, or s-like-simple to be precise), launched in February 2007. If you look only at the awareness e-wie-einfach managed to generate for the new brand (a meager 36 percent in January 2008), you might think it is a failure. But thanks to its more targeted and more rational positioning, the brand won over half a million new customers in less than a year. Although about half of these are in-house switchers from other E.ON subsidiaries, the remaining 200,000 first-time subscribers exceed the company's original target of 100,000 new customers in year one by 100 percent. In total, e-wie-einfach attracted one fourth of all consumers who switched energy providers in Germany in 2007. It seems E.ON originally fell prey to the first-mover curse: after the deregulation of the German energy market, they paid a high price to bring about a change in consumer mindset, the effects of which are becoming visible only now. Says Matthias Kurth of the Federal Network Agency, Germany's energy and telecommunications regulatory body, »It took some getting used to for consumers, but these days they are well aware of the possibility to switch providers.«[41]

To sum up, the success of e-wie-einfach is driven by two factors. Firstly, brands like e-wie-einfach (and its competitors) are reaping the benefits of a mindset change initiated years ago. Secondly, E.ON has shifted the focus of its marketing campaigns from pure brand awareness in the general population, built on emotional appeal, to serious consideration among likely switchers, brought about by clearly communicated rational benefits like »hassle-free« and »affordable.« The promise of simplicity that is built into the e-wie-einfach brand turns out to be more relevant to consumer decision making in this category than the vague appeal of a heavily advertised, celebrity-endorsed brand awareness building. Unlike a watch, a pair of sunglasses, or a car, an energy provider contract is not something you are seen and associated with. Therefore what those consumers who are willing to switch in the first place are looking for in an energy provider brand is a credible and fail-safe promise of the lowest rates and the least amount of trouble. But this also means that a brand's sheer high profile is at best irrelevant, if not harmful; expensive advertising may be taken as a sign of expensive tariffs (the different functions of a brand are discussed in more detail in section 2.1).[41]

Strong brands generate strong sales and profits. They need buyers, repeat buyers, and a price that ensures they will continue developing and bringing in revenue. Accordingly, the tool used for measuring the brand needs to be one that is able to dissect brand performance in terms of its impact on the bottom line and not just its effect on consumer consciousness.

Even the notoriously advertising-savvy automotive industry sometimes misses the mark. Assuming attention was what would help them conquer the compact car category in Germany, Toyota focused on generating the maximum amount of advertising noise prior to the introduction of the Auris. In March 2007, Toyota launched its new model with the largest outdoor advertising campaign in German history. Toyota spent over EUR 30 million in March alone (EUR 43 million in 2007) to present the Auris on over 200,000 billboards in 82 major cities, more than 60 percent of all available billboards in Germany. Although Toyota achieved an impressive 300 million advertising impressions in one month, it turned out 85 percent of all viewers were not even interested in buying a new car. With 18,561 cars sold in 2007, less than 10 percent of its main competitor, the Volkswagen Golf, the Auris fell far short of Toyota's expectations. The company ended up spending EUR 2,334 per Auris on advertising. This amounts to 15 percent of the car's starting price (EUR 15,500). It is also more than six times the amount Volkswagen spent per car in 2007 (EUR 354).[42]

The main lesson from these examples is that any measurement focused on awareness does not provide sufficient insight into whether the advertising investment will translate into a tangible payoff for the company. If you look only at brand awareness, you remain in the dark as to whether the consumer is clear about the product benefits and, if they are clear, whether these benefits are relevant to consumer purchasing behavior. To get closer to measuring advertising impact on actual purchase decisions, what brand managers need is a measurement approach that helps them understand how advertising can promote the emotional and rational benefits of the brand itself.

Naturally enough, measuring brand strength will always take brand awareness as its starting point. But high awareness is only the start for a strong brand; though a prerequisite for success, high brand awareness is not enough in itself to make a brand truly strong. For this to happen, consumers must also be familiar with the contents of the brand in terms of the product or service offer, and the target group must be willing to give greater consideration to the brand than to its competitors when making purchase decisions. In other words, the brand must perform well along the entire purchase funnel (see section 2.4 for details on the purchase funnel).

This is not to say that a strong brand performs equally well at each stage of the purchase funnel. It is rare that a brand outperforms the competition at every stage, from initial awareness right up to brand loyalty; most brands reveal slight weaknesses at one stage or another. Nevertheless, for strong brands these weaknesses are rarely severe.

Accurate measurement of a brand's relative strengths and weaknesses in the brand purchase funnel is the starting point for making further improvements to the brand. Nivea is an example of a brand that has strengths throughout the funnel. Nivea is today one of the leading cosmetics brand in Europe and a world leader in skin care, as well as in many other personal hygiene segments, such as baby care, sun care, and deodorants. Brand awareness for Nivea Creme is very high; in Germany, 85 percent are aware of the brand, 48 percent say they like it, and, most importantly, 39 percent use it regularly.[43] This funnel performance has been rewarded by Nivea's global sales increase by five times since 1990, reaching EUR 3.1 billion in 2006.[44] At each stage, Nivea's brand managers measure the brand's success in the funnel, dissecting every aspect of the indicators, reinforcing positive trends, and taking immediate action to compensate for even the slightest negative change.

Good brand managers look below the surface at their brand's strengths and weaknesses. They make detailed measurements using objective standards and constantly hone their measurement techniques. Companies such as Procter & Gamble, Henkel, and Unilever spend millions of euros each year on market research, and the heads of their market research departments are some of the best-known experts in the field; top management listens to them before making decisions.

Craft: Brand management is CEO business

Ultimately, brands can only survive if their management is first class. Such excellence requires continuity and a steady hand. This usually means the leadership of one person who has the depth of experience to ensure that the brand core remains unchanged over years (better still, decades) while being kept up-to-date through innovation and advertising. At Apple for instance, every new product design and every global advertising campaign has to be personally approved by the CEO Steve Jobs. Moreover Steve Jobs even represents some of the core attributes of the brand (cool, individualistic, revolutionary, different, creative) in his personal appearance. The more senior the manager, the more likely that the brand management will be successful. Two of the best examples of how to do this well come from Puma and Porsche, which are seen as the most successful turnarounds in Germany over the past 20 years. When Jochen Zeitz became CEO of Puma in 1990, he made brand building the corporate priority number one, taking the leading role himself. In a recent interview with the *Sunday Times*, Zeitz said that he made re-positioning the Puma brand his top priority in the 1990s: »I said let's become premium. Let's bring fashion and style into play.«[45] Wendelin Wiedeking, CEO of Porsche since 1992, believes that brand management is a key part of his job: »A company's brand is like its crown jewels, and it requires the same care. You don't keep hauling them out and you don't wear them on every occasion, but you have to remember that they are there and need careful cleaning and looking after.«[46]

These are words that many an advertising agency would do well to listen to. Too much tinkering is more likely to damage the brand than enhance it. Deciding what will add to the brand's strength and what will not is a top management decision. The Smart car did not fit the Mercedes-Benz image, so it was better to choose a new brand name. Nivea can offer shampoo and perhaps nail polish besides its creams and care products, but it should not offer a household detergent. The core of the Porsche brand will always be in its sports cars, even if certain models, such as the Cayenne or the upcoming Panamera, may succeed in breaking down category barriers.

The CEO or other chief caretaker of a brand must have internalized the brand core in order to be able to manage the trade-off between generating additional revenue potential and weakening the brand. Brand management is a top management issue – it should not be delegated to product managers, external agencies, or another third party.

Craft: Using the brand's strength to its greatest extent

Besides requiring an experienced guiding hand, craft also means translating the power of the brand concept into a reality on the street. In a word: execution. Companies with strong brands ensure attention to detail.

Take McDonald's, for example. The company unfailingly achieves the same quality in its products in every McDonald's restaurant and in every country in which it operates. It insists on perfection in every detail and on scrupulous adherence to fixed standards and documentation in each stage of the process, from selection, purchasing, and processing of raw materials, right up to the preparation of individual products. To ensure that all staff members are aware of these operating standards, McDonald's managers around the world are trained in special »Hamburger Universities« where they learn the basics as well as the latest developments.

McDonald's ensures that all raw materials and ingredients are subject constantly to almost obsessive visual, physical, chemical, microbiological, and nutritional checks. Suppliers, like the restaurants themselves, work according to the HACCP principle (Hazard Analysis and Critical Control Point), a risk analysis method for production processes originally developed by NASA to protect astronauts from the risks of food poisoning.[47] All McDonald's products have sell-by times (not dates), after which they are disposed of. Fries must be sold within seven minutes of frying, and hamburgers can remain on the prewarmed sales racks for a maximum of ten minutes. After this, the food is thrown out. Another factor in McDonald's success is the speed with which customers are served. McDonald's prescribes, down to the second, exactly how long different operations should take. A Big Mac bun, for example, is toasted for exactly 35 seconds and no longer.[48]

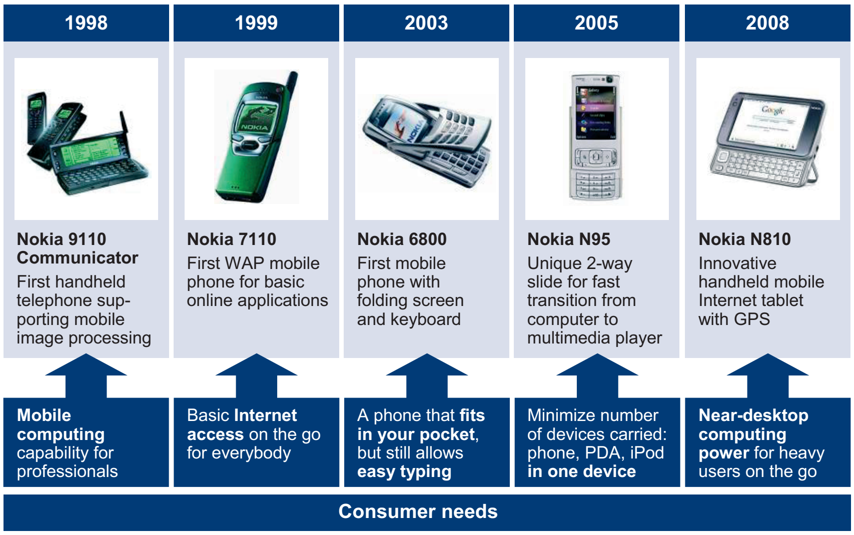
McDonald's beats other fast-food providers in the areas of product quality and speed. In other areas, such as restaurant decor, friendliness of service, and location, McDonald's does not have a decisive edge over the competition. It doesn't need to. McDonald's corroborates the statement made earlier: a strong brand needs only one or two outstanding attributes in its rational product benefits in order to hold its own against the competition. In its remaining attributes it doesn't need necessarily to be better, but neither should it have any significant disadvantages in the eyes of the target group.

Nokia also executes its brand strategy excellently. Jorma Ollila, former CEO of Nokia, said: »Why have we been a successful company? If you want a simple answer, it is getting the balance right between innovation and execution. In a technology business you need a tremendous amount of innovation, but with these volumes and growth, you need to execute or it will kill you. So, it is balance. I think we have done this better than anybody else.«[49] Nokia's success arises from the fact that it focused on getting not only its product and brand right, but its production and distribution as well.

The company takes its customer insight functions and knowledge gathering very seriously. »Our approach is all about putting people at the heart of the way we design and market products. First we observe, then we design. We have teams of anthropologists, ethnographers, psychologists, and consumer insight experts observing and understanding people's behavior. Their insights are used to shape our research and development and design focus. People don't buy features. What they are after is benefits,« explains Keith Pardy, Nokia's Senior Vice President of Strategic Marketing. Within a few months, Nokia demonstrated that it was able to respond to customer needs. In the first half of 2005, Nokia's market share recovered visibly.[50] Within the 10 years from 1997 to 2007, Nokia was able to double its global market share from 19 percent to 38 percent.[51] These days, Nokia thinks of itself as a fast follower that excels not so much at cutting-edge research and development, but at selecting, refining and communicating innovations that matter to the company's target groups. Says Are Thu, Vice President Brand Strategy at Nokia: »Nokia's brand promise is of ›very human technology helping people feel close.‹ [...] The way we summarize it in one line is ›connecting people in new and better ways,‹ which is a powerful filter for us to put against the technology.« Are Thu admits that it can be a bit of a »culture clash« to try and make development engineers adopt a consumer mindset, but thinks it's worth it to come up with relevant value propositions for a wide variety of audiences: »I want the grandmas, my mom, to upgrade to a camera phone« (also see the interview at the end of chapter 2). Figure 1.15 takes some examples from Nokia's product portfolio of the past 10 years to show how device and feature development has consistently reflected specific consumer needs.

The Porsche 911 is one of the world's most successful car brands. Porsche has shown outstanding execution in the brand, positioning the product for that small segment of the market that values well-above-average acceleration, a sporty chassis, and unique design. Porsche has implemented this positioning in the 911's development from the design phase right up to vehicle testing. The concern for detail is particularly noticeable in the design. The typical Porsche boxer engine (featuring horizontally opposed cylinders) should sound »powerful, somewhat metallic in places, unmistakable, but always pleasantly sonorous and restrained.« This sound is monitored by no less than 50 engineers in Porsche's acoustics and vibration technology section. They listen not only to the six-cylinder engine but to wipers, blinkers, door locks, and light switches as well. The sound technicians check every moving part and correct even the slightest dud note. Every 911 has the distinct 911 sound.[52]

Fig. 1.15: Nokia: Consumer needs are driving product development



Source: Nokia * WAP = Wireless Application Protocol

Excellent execution is not necessarily limited to the product. Price, sales channel management, and details of communication can form key characteristics in strong brands. For the discounter Aldi, for example, price is the key; this is the competitive advantage that has made the brand strong. Right from the outset, Aldi stressed that every article they sold was cheaper than the equivalent elsewhere.

Aldi has turned simplicity of execution into a guiding principle, from its spartan stores to its narrow assortment of around 750 products. Logistics costs play a role in the renting of new branches: the stores must be accessible for articulated trucks and the aisles wide enough for maneuvering pallets. Aldi's stores are usually located either on side streets near high-traffic areas, or on the edge of town where there are good parking facilities and low rental costs. The comparatively narrow assortment of goods ensures simplicity in buying and handling, and the scale advantages give bargaining power in negotiations with suppliers. Aldi also keeps labor costs down by reducing management to an absolute minimum and having notoriously low-headcount central functions.[53]

The rapid rise of Lidl, Germany's second-largest discounter, is challenging Aldi in its market leadership. Lidl has copied many basic business processes from Aldi, but offers a wider assortment of products, with some 1,200 different stock-keeping units, including substantially more branded articles than its competitor. At the end of 2007, Lidl surpassed Aldi for the first time regarding the number of outlets in Europe. In response to this, recently Aldi has also started stocking branded articles such as Ferrero's Kinder Country, Mars, or Bounty.[54]

One brand that has always been excellent in every aspect of execution is Coca-Cola. As early as 1923, the then-CEO Robert Woodruff made execution a key part of the brand by announcing that Coca-Cola should always be »within an arm's reach of desire.«[55] Coca-Cola has stuck to this motto, implementing it around the globe with great attention to detail.

To realize this objective, Coca-Cola has developed new sales channels systematically: in addition to traditional food retailers, gasoline stations, and kiosks, it targets major sporting events and the like. Any remaining gaps in distribution are closed by means of vending machines; there are some one million of them in Japan alone, for example.[56] Coca-Cola continues to develop and perfect these machines, some of which feature the very latest technology, for example in allowing customers to pay by using their mobile phones.

Similarly, Coca-Cola's supply chain management is excellent: the product is always available in every sales channel. This is a critical competitive advantage for an impulse drink such as Coca-Cola, which needs to be available whenever the customer wants it. The product quality is reliable, the packaging is constantly being improved, and the brand has an enormous emotional appeal.[57]

It is top management's job to ensure that day in, day out, the core elements of the brand retain their quality in every aspect. This is no easy task, of course, and things can go seriously wrong, as was demonstrated by the infamous Howard Schultz Starbucks memo, which was leaked to the public in 2007. Schultz had bought the Starbucks chain in 1987, then only a medium enterprise, and transformed the company into a global coffee shop chain with more than 15,000 stores today. In 2000, he stepped down as CEO and became Chairman. In 2007, Schultz had seen enough of what he called »the commoditization of the Starbucks experience.« In a memo to the top leadership group of the company, he criticized a series of decisions that had seemed right on their own merit, but, in sum, diluted the Starbucks brand. For example, the introduction of automatic coffee machines increased the speed of service and efficiency, but destroyed much of the romance and theater that was in play with the old machines. Moreover, the height of the new machines blocked the line of sight the customer previously had to watch the drink being prepared, and made eye contact with the barista near impossible. The introduction of flavor-locked packaging clearly improved the quality of the fresh-roasted bagged coffee, but at the cost of the loss of aroma filling the premises, the perhaps most powerful non-verbal signal Starbucks had in its stores, a signal that stood for tradition and heritage. The streamlining of store design increased economies of scale and satisfied the financial side of the business. However, the stores lost their former soul, the warm feeling of a neighborhood store, and instead seemed increasingly like just a random chain of stores. Finally, the increasing number of merchandising articles, such as music CDs, took Starbucks even further away from its heritage as a coffee shop. »In fact, I am not sure people today even know we are roasting coffee. You certainly can't get the message from being in our stores,« Schultz wrote. Less than 12 months later, Schultz returned as CEO to help the company to refocus on the original Starbucks experience. One of his first decisions was to stop selling hot breakfast sandwiches. These sandwiches accounted for revenues of around USD 500 million for the company. But on the other hand they made the stores smell like cheese factories, and the baristas felt like they were working in a fast-food store. »The decision and the courage it takes to remove something when there's pressure on the business – like the sandwiches – is emblematic that we're going to build for the long term and get back to the roots and the core of our heritage, which is the leading roaster of specialty coffee in the world.«[58] Most recently, Starbucks ordered all-new espresso machines from Thermoplan, a relative newcomer in a category long dominated by traditional Italian manufacturers. Thermoplan's USP: the coffee is ground individually for each cup of espresso. What is more, the machines are much lower than the current models, making customer-to-staff eye contact possible again. Schultz says the new machines are meant to bring back some of the old charm: »Once again, it will be all about the coffee.« James Alling, responsible for the company's overseas business as President of Starbucks International, sums up the brand management challenge as follows: »There's always going to be someone selling okay coffee at a low price. It's our job to make sure Starbucks is more than okay coffee.«[59]

The secret of brand success: The brand trinity

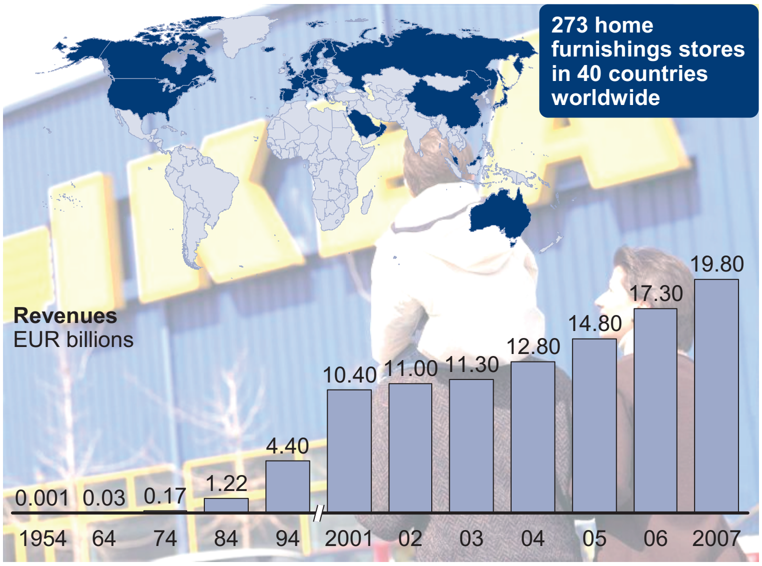
Strong brands develop and prosper by achieving a harmonious trinity of *art, science,* and *craft*, whatever their particular focus. High-powered brands need powerful content – in both emotional and rational terms – and an image that remains consistent over many years without ever becoming outdated. Top brands maintain and develop their strength by tracking their status continuously according to qualitative criteria, such as their image, and quantitative indicators, such as market share and customer loyalty. Strong brands are also executed in a consistent and effective manner, as reflected in the marketing and through the actions of the entire organization, from CEO to the front line.

Only a few brands have been able to achieve this balance and maintain it over the longer term. Top brands do not usually excel in all three disciplines, as already mentioned. Instead, they tend to have one or two areas where they really shine, and they keep plowing away at the other areas.

Ikea: Brand trinity, Ingvar's way

Ikea, the largest furniture retailing chain in the world, provides another good example of how it is possible to produce harmony in the trinity of *art, science,* and *craft*. As of early 2008, the Swedish furniture empire operated more than 242 home furnishings stores in 24 different countries (273 stores in 40 countries if one includes franchised stores) and had revenues of EUR 19.8 billion in 2007. Around the globe, Ikea still stands for the concept launched by founder and owner Ingvar Kamprad in the 1940s: furniture and home accessories that combine function and design at affordable

Fig. 1.16: Ikea: Expertly developed into a global brand



Source: Inter IKEA Systems B.V.

prices (Figure 1.16). What is it that makes Ikea so successful? It is a unique combination of the three pillars of successful brand management: *art, science*, and *craft*. Ikea excels in all three areas, with a particular spike in the »art« department. The combination leads to a unique, almost cult-like relationship between the brand and its customers, a deep attachment rivaled by perhaps only a handful of other brands. Ikea reports it had 583 million customers in 2007. This is a magnitude achieved by very few companies and certainly by no other furniture retailer. Let's look at the three components in some more detail to find out how Ikea does it.

Art: Creative communication leads to emotional appeal. Since 1985, the company's campaigns have spotlighted ingenious solutions using Ikea products. When launching new stores in Tokyo, Ikea ran a major outdoor campaign in the city center and near the stores. Among other things, Ikea built 14 small »Ikea 4.5 museums.« In an area measuring just four and a half tatami mats (around 7.5 square meters) – slightly smaller than the standard room size in Tokyo – Ikea showcased how to make the most of small rooms by using Ikea furniture. The campaign led to a new record in store visitors and was awarded a Cannes Golden Lion in 2007.

In Germany, Ikea uses a more emotional communication strategy. In its 2007 brand campaign, Ikea created a fictional town to illustrate the almost unlimited possibilities that come with the company's flexible, multipurpose products. The campaign not only achieved great results in terms of recall, but created real impact by increasing the number of store visitors by 9 percent compared to the same period in the previous year, and by making Ikea the number one choice in 37 of 40 regions. In the previous »Started living yet?« campaign, Ikea depicted home decoration as a lifestyle activity. The slogan they came up with has already become an advertising classic and won the agency, Weigert Pirouz Wolf, a silver Effie in October 2004.[60] Today, Ikea is the best-known home furnishings brand in Germany, with current brand awareness at 87 percent (up from 77 percent four years ago). Other brand funnel measurements are similarly healthy; 47 percent of consumers say they are likely to make a purchase; the industry benchmark.[61]

Ikea's most important tool for building relationships with its customers, apart from the stores themselves, is its catalog. Some 191 million copies of the catalog are printed worldwide in 56 different editions and 27 languages. In most countries, this circulation is rivaled only by Harry Potter and the Holy Bible.[62] Most recently, Ikea has introduced the unique concept of a personalized catalog. Customers have their pictures taken at one of the stores, and pick up a copy featuring themselves, rather than a random model, in the living room shots. It brings customers back into the stores, and it creates a deep personal connection to the brand. The personalized catalog is yet another example of how Ikea's communication conveys the impression that the brand has a lot more to offer than just decently priced pine furniture. The message conveyed is that Ikea is a lifestyle brand, that its products are attractive and stylish, and that they enrich people's lives.

Science: Systematic consumer research ensures fact-based brand management. Ikea engages in extensive market research to ensure the brand meets consumers' needs at key touch points, such as the product and store experiences. Partnering with AC Nielsen, Ikea explores what it calls the »three moments of truth« in its research: the shopping planning in the consumer's home, the core brand experience at one of the Ikea stores, and the product experience back at home. Using a wide range of observational techniques, Ikea aspires to generate the type of insights that enables the company to develop inventive interior decoration solutions that actually *solve* consumers' problems, rather than (just) pieces of furniture. One example are the extensive store design tests conducted by the company to ensure customers are guided so that they get to see the entire assortment. Says

Wim Neitzert, former Head of Ikea Southern Germany: »We tested what happens when we let customers roam freely in the store. They made straight for the exit, missing the bulk of our floor space. Also, 40 percent of the shoppers never get to the second level in a traditional store. That's why we make them *start* on the second level.« Products are also thoroughly tested to ensure their quality and generate improvement ideas. For example, children's furniture is deliberately pressure-tested in the rough environment of child-care facilities.

Consumer feedback management is another area in which Ikea adheres to strict and systematic standards to ensure continuous input on the quality of its products, stores, and services. To get consumers' help in the area of product innovation (and foster loyalty at the same time), Ikea runs design contests (»fiffiga folket«). The winning designs are made into prototypes. As far as the store experience is concerned, consumers are rewarded with food vouchers for their improvement ideas, the best of which are presented directly to the store manager. On a broader level, shopper insights derived from cash registers (where shoppers are asked to give their ZIP codes) and, more importantly, the »Ikea family« loyalty card, are pooled and leveraged systematically. Partly thanks to targeted offers based on these insights, Ikea generates more than half of its total revenue with non-furniture items, including small design items, as well as food and snacks. One of the insights behind the revenue mix is the low purchase frequency of larger items Ikea detected in the shopper data. But even when their apartments are fully equipped with the necessities, shoppers can be lured to come back for smaller, more decorative items, or for the sheer experience. Says CEO Anders Dahlvig: »We are trying to become like Disneyland.«[63]

Craft: Consistent global brand promise, carefully adapted to local needs. At Ikea, brand management is all about consistency. The store experience (size, number of stock-keeping units, corporate identity, and color scheme) is largely standardized globally. The same is true for the product lineup. Says product developer Tomas Lundin: »A product must do well in all countries to be successful.«[64] The catalog, however, can be more easily and cost-efficiently adapted to make Ikea come across as a company that thinks globally, but acts locally. Although produced in Sweden for all countries, the props reflect local peculiarities. Television sets in the American edition are bigger than anywhere else, while the Chinese edition features kitchen supplies with Chinese *kaishu* characters.

To ensure a stream of consistently well-designed and innovative products, Ikea shares the common language and standards of its »design culture« even outside the organization, especially with its supplier community.

Innovative designs and materials are consistently requested and rewarded to ensure a steady influx of simple, reliable, and profitable products. Ikea summarizes its brand promise as follows: »To offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.«[65]

Ikea's version of the brand trinity of art, science, and craft is so successful that it is even spinning off its unique approach to a new category. In 1996, Ikea set up a joint venture with the building company Skanska with the aim of building apartments and houses. For decades, Ikea had been providing furnishings for homes, so it seemed logical to start building the homes, too. BoKlok (Swedish for »smart living«), as the joint venture was called, set itself the task of developing living spaces that were of high quality, yet affordable. Priced competitively at around EUR 150,000 per unit, more than 1,000 houses are built every year in Scandinavia. Who knows what's next?

Strong brands can survive occasional mistakes

Trying to maintain the consistency of a brand at the same time as keeping it up-to-date is a tall order, and managers sometimes make mistakes. But consumers forgive strong brands for such mistakes if they are corrected quickly and in full: brands can, in fact, immunize at least against minor to medium hiccups in corporate conduct. A classic example is that of New Coke in the 1980s. In the attempt to counter falling market shares and consumers' preference for Pepsi-Cola in taste tests, Coca-Cola's management decided, in what was in retrospect surely a moment of madness, to change the recipe of Coca-Cola, a closely guarded secret that had remained unaltered for 99 years. After extensive testing, the company believed it had come up with a mixture that people would prefer to both Pepsi-Cola and traditional Coca-Cola. The results of consumer acceptance tests looking into the psychological aspects of a new Coke were also positive. Thus in April 1985, the company decided to break all taboos and launch New Coke, spending a suitable amount on advertising, of course.

To say that New Coke was something of a disappointment is probably a masterpiece of understatement. The financial writer Stuart Crainer described it as »the marketing mistake of the century.«[66] The disaster took its course, accompanied by a storm of protests from customers. »It's as if God had dyed the grass pink,« complained a Coca-Cola fan. The company had to deal with up to 8,000 calls of complaint each day and was bombarded with tens of thousands of letters of protest. Coca-Cola was taken by surprise by this massive rejection of its product but soon took appropriate remedial steps: it admitted to making a mistake and asked its customers for forgiveness. Within three months, in July 1985, the old Coca-Cola was reintroduced under the name Classic Coke and enjoyed a massive comeback. New Coke was still supplied to retailers, but its market share plummeted until it was finally dropped by the company. The big surprise for many was that the New Coke affair did not inflict any serious damage on the company's sales: between 1984 and 1985 sales rose by 7 percent. Coca-Cola had inadvertently proved that no brand is stronger.

It is not only Coca-Cola that can survive shooting itself in the foot. Mercedes-Benz shows how a strong brand can overcome even the most spectacular public relations disaster. In November 1997 the company had assembled journalists from the Swedish automobile journal *Teknikens Varld* to watch its brand new A-Class compact perform the 50-meter slalom-shaped »Avoidance Maneuver Test,« commonly known as the »elk test.« At 60 kilometers an hour, watched by television cameras and with journalists aboard, the A-Class teetered on two wheels and then turned over. One of the journalists was injured. Soon the television footage was being broadcast around the world, and the A-Class had been labeled unstable and unsafe. New deliveries of the A-Class were suspended until February while engineers considered the situation. In just 19 days, Mercedes announced a plan and a timetable by which to set the problem aright. The introduction of an »electronic stability program« (ESP) cost Mercedes a little more than EUR 80 million. Within two months, the number of positive articles about the A-Class's stability had overtaken the negative. Brand perception for attributes like high safety standards or high reliability did not even suffer during October and December 1997. Up to 95 percent of sales targets for the first year were achieved even though delivery was stopped for a few weeks. During the whole product life cycle of seven years, Mercedes sold 1.1 million cars of the A-class model. For any lesser brand, failing the elk test so spectacularly would have inflicted severe, long-term damage. For Mercedes, there was no lasting damage to its reputation for producing well-engineered cars.

Companies also make mistakes with business-to-business brands, but even here the strong brands survive. In 1994, a calculation flaw came to light in the Intel Pentium chip, which according to Intel advertising was the best on the market. Thomas Nicely, a professor of mathematics at Lynchburg College, Virginia, had noticed that his new PC, fitted with an Intel Pentium processor, made rounding errors from the fifth digit onwards, even when making simple divisions. He complained to Intel straight away, but the company's reaction was dismissive. It said that it saw no grounds to take action, since the rounding error would be a problem for only a few specialists and thus not significant for the average user.

That this position wasn't sustainable should have been immediately evident to Intel. Intel's response provoked Professor Nicely to vent his anger publicly on the Internet at the end of October 1994. This led to over 10,000 further responses, all of which expressed outrage at the calculation flaw on Intel Pentium processor. The problem was discussed in more than 20 chat-rooms, and soon a parody of Intel's co-branding slogan was making the rounds: »Intel inside. Can't divide.« The stakes rose and soon news media from around the world were reporting on the plight of the dumb chip.

Somewhat surprisingly, Intel was still unwilling to listen. Andy Grove, CEO of the computer chip giant, even went so far as to demand that customers prove they were carrying out such advanced mathematical calculations before he would replace the faulty chips. This led to practically full-scale mutiny against Intel.

The problem escalated still further in early December 1994. Computer giant IBM, then one of Intel's major clients, announced that it would replace all personal computers fitted with Intel Pentium processors and that from now on no computer would leave IBM's production sites with the faulty chip fitted. The stock markets were not slow to react; within minutes Intel's stock fell dramatically, reaching the point where trading was temporarily suspended. To top it all, the *New York Times* awarded Intel a Consumer Deception Award. After having made a mountain out of a molehill, a few days before Christmas 1994, Intel finally reacted. Three board members publicly apologized to customers and offered to replace all processors free of charge, no questions asked.[67]

The most surprising thing was that following these events, Intel's sales did not ultimately suffer: between 1993 and 1995, sales revenue almost doubled from USD 8.8 billion to USD 16.2 billion.[68] The lesson is clear: strong brands like Intel can even compensate for (temporary) poor management.

Strong brands that get the trinity of *art, science,* and *craft* right have such power over customers that, in extreme cases, they can even function successfully without any research and development, production, logistics, or sales of their own. Branded companies such as Red Bull, Adidas, and Porsche can ignore certain parts of the value chain altogether, outsourcing certain steps to third parties without damaging the perception of the brand.

Red Bull, for example, has concentrated from the very beginning on the concept of the drink and its communication. The company does not own a single bottling plant, warehouse, or delivery truck. The fruit juice company

Rauch, based in Rankweil in western Austria, takes care of worldwide production, and forwarding agents transport the product to the various national distribution companies.[69]

Similarly, the Adidas brand is so strong that consumers aren't worried about how the shoes are produced. This enabled Adidas to switch its production strategy in order to copy that of its major competitor Nike, which since its creation in 1962 has never owned its own production facilities and has had all its goods produced in Asia. »We don't need production expertise,« said CEO Herbert Hainer.[70] To minimize production cost, Adidas outsourced over 95 percent of production to independent third-party manufacturers, primarily located in Asia. As a consequence, in 2007 only 6 percent of all employees worked in production, compared to 27 percent in 2001 when Hainer took over.[71]

It is undoubtedly the case that brands such as these are highly valuable assets, but for those struggling on the periphery the question remains: How does one develop a strong brand? The remaining chapters set out the right approach to brand management, analyze what makes a strong brand strong, lay out the tools that managers will require for a full understanding, and look at the ingredients for success in developing a strong brand.

1.3 McKinsey BrandMatics® – Mastering Brand Management

More myths surround the process of creating and developing a brand than any other area of business management. This is because the art of a brand flatters the consumer, appeals to the emotions, and develops a resonance that it is hard to quantify. Indeed, the wit, originality, and imaginativeness of successful brands such as Red Bull, Apple, and Nike show the importance of the intuitive and the creative. Strong brands are able to create their own myths. Iconic brands such as Chanel have even been immortalized in the works of artists such as Andy Warhol (Figure 1.17).

Nonetheless, despite the undoubted importance of art, strong brands are seldom developed by art alone but by a careful mix of art, science, and craft; the role of science and craft in this mix often being underestimated. Take Red Bull, for example, a brand with strong appeal to the younger generation. Science played a vital role in developing a detailed understanding of the brand's market appeal to target groups; craft was central too, in ensuring outstanding execution and consistency in the management of the brand.

Fig. 1.17: Example of "branded" artwork: Chanel

Source: The Andy Warhol Foundation, Inc./Art Resource, NY

The story of Red Bull is illustrative of how art, science, and craft combine. Dietrich Mateschitz, the founder of Red Bull and former marketing manager of Blendax (later acquired by Procter & Gamble), spent five years developing his idea for launching a sweet, caffeinated beverage. His idea was to introduce a pick-me-up of the type he had come to know and appreciate during his travels in Asia. The brand concept was carefully planned. He developed every process in detail, from packaging to communication. Mateschitz then ensured the precise coordination of all the processes before launching and distributing the beverage in its first market, Austria, in 1987.

He was equally meticulous in introducing the drink in each subsequent market. Each national market was divided into »cells,« in which the goal was to make consumers aware of the new product within three to six months. The initial customer base was sought out and developed by specially trained teams that focused on locations where the young congregate, such as universities or clubs and bars. Once a loyal customer base had been developed in this manner, wide-scale distribution followed, typically two to three months later, using all the normal distribution channels, with a slight preference for restaurants over food retail. Only then did classic advertising begin, focusing primarily on cinema, television, and radio.

The focal point of the Red Bull communication was and remains the product itself, with its clear positioning: stimulation of mind and body. The design and color scheme of the drink cans reflect the product's positioning and demonstrate the meticulousness of the brand's planning. Some 100 different draft designs were commissioned before the final ones were chosen.

The intention of the final design is carefully thought out. The bull embodies strength, courage, and stamina. Cold colors, blue and silver, were used to represent the intellect, while hot ones, red and gold, were used to symbolize emotion. On the Red Bull Energy Drink, the logo is rounded out by the claim, »vitalizes body and mind.« This claim was reinforced with the slogan »Red Bull gives you wiiings!« This catchy motto is designed to convey individuality, innovation, fun, and agility and thus promote the emotional values of the brand.

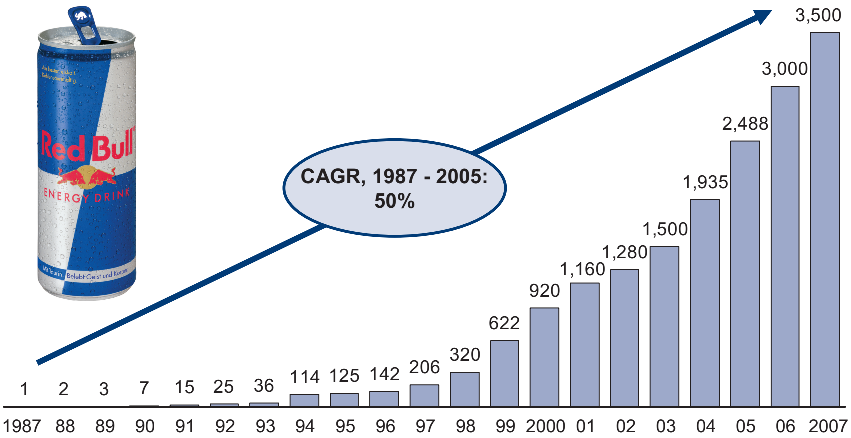
Red Bull's advertising creativity is kept direct, simple, and fun using cartoon sketches that, through their humorous depiction of a bull, have achieved a high degree of consumer recognition. New motifs and ideas for advertisements follow the same design principles, ensuring that the product remains unmistakable for its market.

Red Bull has gone well beyond traditional media in many aspects of its campaigns. Nowhere is this better exemplified than in its sports event Red Bull *Flugtag* (or »Flight Day«). These events are an innovative and creative form of marketing that supports the claim »Red Bull gives you wiiings!« Teams have to build and fly their own aircraft. What constitutes an aircraft is left to the imagination of the teams participating in the event. The teams are judged on three criteria: distance, creativity, and showmanship. The first Red Bull *Flugtag* took place in Vienna, Austria, in 1992. Since then, more than 70 events have been held around the world – from Wellington, New Zealand, to San Francisco, California, – attracting huge publicity and up to 300,000 spectators each time. By 2007, Red Bull achieved sales of more than 3.5 billion cans (Figure 1.18). Red Bull succeeded in achieving high brand recognition and market success through a well-measured combination of art, science, and craft.

There is no question that the creativity of advertising agencies is crucial in brand management – and will remain so for the foreseeable future. But their creativity needs to be applied in the context of the science and craft of brand management, and not independently of them. For many companies, accepting this simple fact requires stepping back from their current way of doing things, and it involves a complete readjustment of their brand management approach. It is senior management who must set this course.

It is clear that management, in its desire to integrate the creative aspect of brand management with its other management processes, is looking beyond market research institutes, and turning increasingly to academia and strategic management consultants. Until now, there has been little light even here. Instead, management is presented with a nearly incomprehensible jungle of concepts that all make the claim that they lay bare the economic value of the brand without producing the necessary transparency.

Fig. 1.18: Red Bull: Painstaking planning gave the brand wings
Red Bull unit sales
Cans, millions



Source: Red Bull

That this situation should prevail today is somewhat surprising. Whereas top management is used to receiving concrete facts and figures for revenues, returns, capital ratios, costs, volumes, and productivity every Monday from virtually all areas of its business, branding has so far been the exception to the rule. This handicaps sound decision making and alienates top management from the management of one of the most vital components of success – the control of the brand. This is something we seek to redress here.

We believe that top management requires the integration of art, science, and craft for systematic, fact-based brand management. This requires creating a degree of transparency that has so far been lacking in the branding world. This transparency is essential if executives are to base their brand management decisions on sound foundations. The following chapters present a holistic approach to brand management. This includes systematic, qualitative indicators (e.g., brand image) and quantitative ones (e.g., revenue potential). We refer to this approach as BrandMatics®, as it provides a systematic framework for brand management. In the following pages, the individual tools and detailed concepts are organized into three topic areas: measuring, making, and managing power brands.

Measuring brands

When setting out to measure the brand, the starting point should always be a thorough survey of the current perception of the brand, from the point of view of both established customers and potential new customers.

The *Brand Relevance Calculator* provides answers to the often-neglected (but critical) question of whether and to what extent it is worthwhile to develop and invest in brands in a certain sector.

The *McKinsey Brand Diamond* is a framework for conducting a complete (image) analysis of all of a brand's emotional and rational benefits to reveal what the brand represents to customers and non-customers.

The *Brand Purchase Funnel* gauges the strength of the brand in comparison with competing brands, from the point of the initial awareness of the consumer to that of repeat product purchase by loyal customers. This analysis provides information for the refinement of the brand. It also helps to identify which brands in a brand portfolio will be the most effective in reaching a target group of customers.

Using the *Brand Potential Approach,* brand managers can quantify the brand sales potential embedded in the purchase funnel and reallocate their brand investments in order to tap this potential.

Making brands

Building on the results of the brand diagnosis, the next step is to identify what actions need to be taken to build the brand.

First, the *Analysis of Brand Drivers* helps identify those factors and customer needs that distinguish strong brands from weak ones in the purchase funnel. This defines the strategic direction and the initiatives that need to be taken to grow the brand. In most cases the fundamental *Brand Promise* will need to be adjusted (or even completely reformulated) to take account of the brand's current weaknesses. Of course, for this process to be effective in growing the brand, the brand promise needs to be anchored in the actual capabilities of the company's operating units (rather than those that the company might wish for).

The next step is to engage in *Brand Driver Disaggregation*, and create a Matrix of Options for Action. This step translates abstract brand elements into practical and understandable terms, for instance, for the creative brief. Techniques such as pathways analysis help ensure that the brand is manageable within the company.

Brand Portfolio Management: While the professional management of a single brand requires the right mix of *art, craft,* and *science,* the task of managing an entire portfolio of brands is substantially more complex. However, with the support of some selected portfolio instruments, the BrandMatics® approach can also be used for systematic and successful Brand Portfolio Management.

Many brands appeal to their customers in a primarily rational manner and thus appear relatively unattractive emotionally from a customer's point of view. To overcome this weakness, the *Brand Personality Gameboard* provides an analytically grounded and almost playful tool for building or expanding the brand personality, especially with the help of suitable celebrity endorsements and testimonials.

Managing brands

Even a brand with a well-defined brand promise can fail, however, if it is not established consistently across all the relevant stakeholders within and outside the organization. A positive brand image is created through the individual's experiences of the brand on a daily basis. This image will only become anchored in the customers' minds if it is consistent over a long period. The *Brand Delivery Approach* provides a systematic, three-step approach for creating a brand mindset in the organization, for translating the brand promise into concrete actions along all the customer touch points, and for ensuring its longer-term institutionalization.

Once the desired brand promise has been defined and translated into a suitable touch point strategy, the new or improved brand content will need to be put in place. This requires identifying the optimal budget and suitable media – the basic concept of *Marketing Return on Investment*.

The *Brand Cockpit* then ensures that the main criteria for brand success are continually measured and assessed. If the market environment changes or competitors react, the bird's-eye view created by the Brand Cockpit allows the brand manager to initiate actions to manage the brand in a timely manner.

Finally, in order for brand management to remain a top management priority, an appropriate *Brand Organization* is needed. The brand organization concept explores the range of alternative organizational structures that can develop effective and efficient processes to integrate all business units around the goals of brand management. These alternatives include, for instance, those that appoint a brand management board or that establish marketing and consumer intelligence departments that report directly to the CEO.

BrandMatics® is a holistic and consistent approach to brand management. That said, successful brand management is nearly always the result of strong partnerships. Often a key factor for success is the involvement of external service providers, that is, hiring a market research agency to conduct surveys or commissioning an advertising agency to design ways to communicate the brand proposition. The following chapters cover all these topics. They reflect the experience of McKinsey's Marketing Sales Practice regarding how senior management teams have used the tools and concepts of BrandMatics® to put brand decisions on a more objective footing, combining qualitative brand features with precise and reliable economic data, and thereby minimizing the risk of making serious investment errors.

Interview with Pieter Nota: »Brand Communication is a Top Management Responsibility«

NIVEA is one of the world's leading personal care brands. The brand was launched in Germany in 1910/11 with a gentle skin cream in a characteristic blue tin that has long since become a packaging icon (see the illustration between chapters 2 and 3). NIVEA Creme remains the brand's trademark product to this day. Over the decades, NIVEA has expanded into neighboring categories such as body care (1963), men's care (1986), hair care (1991), deodorant (1991), and decorative cosmetics (1997), as well as into new territories such as China (1938), South America (1966), and the United States (1978). As of 2008, the brand is present in more than a dozen categories and some 160 countries. Pieter Nota is the Executive Board Member for Brands at NIVEA's parent company, Beiersdorf AG. A Dutch native, Pieter Nota started his career at Unilever in the Netherlands and held positions with the company in four different countries, most recently as Marketing Director for Germany. Jesko Perrey spoke to Pieter Nota about brand management at NIVEA.

Jesko Perrey: Let's start with a personal question. What is your daily beauty routine like?

Pieter Nota: It starts with a shower. My favorite shower product from NIVEA is the Lemongrass and Oil Shower Gel. Then I shave, using NIVEA Extreme Comfort, our newest shaving gel, and treat my skin with NIVEA for Men DNAge, with anti-wrinkle ingredients. DNAge was originally only for women, but this year we have extended it to men's care. It's really perfect for my age, early forties, to fight the first wrinkles.

Jesko Perrey: Yet you're a youngster compared to the NIVEA brand. NIVEA dates back to 1911; its hundredth anniversary is coming up in three years. What is the secret behind its success?

Pieter Nota: The company's first success was an excellent and honest product, NIVEA Creme. In marketing, everything starts with consumer needs. NIVEA Creme succeeded by meeting those needs. It's a very honest, nicely textured cream that can be used for many different needs. Over the years, consistent brand management has become another key success factor. I strongly believe that great brands are made by consistent and constant development. Zigzag courses are a danger for brands. Consistency matters most with tangible things like product or packaging design. If it's blue and white, people know it's NIVEA. The brand is very recognizable for consumers. But consistency is also important in other areas. There is very little fluctuation in Beiersdorf's top management. You can almost count the CEOs the company has had in its 100-year history on one hand. This has contributed to a very consistent approach to brand management. But I also think that Beiersdorf stays loyal to its roots: honest products of high quality. Despite a lot of internal discussions about our rigid standards, in general, we'd rather go for the higher quality and sacrifice a little profitability.

Jesko Perrey: What fascinates me is that you see NIVEA everywhere: it seems as if NIVEA is a brand for everybody. Yet experts tell you that a brand is only successful if it is positioned for a specific target group. How does NIVEA manage to focus on specific needs and appeal to so many different people at the same time?

Pieter Nota: NIVEA is clearly a mass brand. Indeed, it is for everybody. It's comparable to the Volkswagen Golf. It is almost classless. This is due to NIVEA's core values. They are centered around care, something that is really good for your skin, quality you can rely on. That's in everybody's interest. In conjunction with consistent brand development, this explains NIVEA's wide appeal. People probably are sometimes positively surprised by our product offerings, but NIVEA will never negatively surprise you by poor product quality or weird moves you wouldn't expect from the brand.

Jesko Perrey: In light of NIVEA's recent advertising campaigns, how have you managed to combine its emotional benefits with very concrete, functional benefits like »anti-aging« or »for shiny hair«?

Pieter Nota: Your question brings me to another success factor of NIVEA – innovation. NIVEA has always been innovative, both in expanding existing categories and in opening up new categories for the brand. In the care and cosmetics sector, we are very carefully opening up the brand right now. We are enhancing care, the traditional core of the brand, with beauty. Good care is a main contributor to beauty. This is something that will allow the brand to strengthen its footprint in exciting categories like hair care and decorative cosmetics. NIVEA will, of course, always stay true to its roots. If you look at the images we use and the way we show skin, it's always about care. You don't necessarily have to use the word »care« if you communicate it through the images.

Jesko Perrey: Consistency has always been one of the main strengths, if not the key competitive advantage of NIVEA. Isn't it a challenge to balance the kind of innovation you have just described with the need for consistency?

Pieter Nota: Yes, of course that's a big challenge, especially with regard to the future development of the brand. NIVEA, as of 2007, is the biggest skin and beauty care brand in the world, generating over EUR 6 billion in retail sales. Being so big and being so active in so many countries makes it a challenge to stay loyal to your roots. Take packaging design. The Lemon Grass shower gel I mentioned before is a borderline case because the bottle is a little too greenish, and maybe not quite »blue and white« enough. But when you look at the shelves, the NIVEA range is still predominantly »blue and white« – even though we have over 500 different products under the NIVEA brand alone. This is where the guidance of the top management is very important. Brand communication is a top management issue, so strong individual leaders who identify with the brand are a key success factor.

Jesko Perrey: Recently, there has been a lot of press coverage of Dove's »Campaign For Real Beauty,« highlighting its creativity. How important is creative advertising for NIVEA?

Pieter Nota: I think creativity is a means to an end, not an objective in its own right. Consumers always come first. What we offer our NIVEA customers are really honest skin and beauty care products with excellent product performance. This is what they appreciate about NIVEA. I think creativity has to be managed in a consistent way. It is always very tempting to go for a very creative short-term solution, like using humor in advertising. It's very tempting but it is rarely productive. Creativity comes into play when we talk about innovation. NIVEA has a very high innovation rate. In advertising, creativity is important for bringing out our new product concepts in a fresh and positive way, but it is not an objective in its own right.

Jesko Perrey: How do you manage your agencies to ensure these principles are reflected in NIVEA's advertising?

Pieter Nota: We work with a very systematic process. Concrete, detailed briefings are a key element. Of course, agencies sometimes have spontaneous ideas and, of course, we listen to them. But the normal process is that they work off the page of very strict briefings. Directional decisions about advertising are made at the executive board level of the company, basically by me. That doesn't mean that I decide on every advertising film or every single execution, but the concepts, the main ideas are decided by me and are not delegated.

Jesko Perrey: What is your perspective on keeping the evolving NIVEA brand alive and consistent across different touch points?

Pieter Nota: It is, in fact, getting increasingly difficult and complex to reach the consumer, especially because there are so many contact and interaction points.[72] What we have really been very adamant about is creating one look and feel for the brand: across all categories, across all the different touch points, across all countries. Take the example of NIVEA face care, e.g., the recent innovation NIVEA Visage DNAge. Across the globe you will find the same kind of images, the same kind of messages, whether you talk about television advertising, print, Internet, outdoor advertising, or point of sale – everything. And, of course, the touch points all reinforce each other. The same is true for different territories. Consider NIVEA's online presence. All our affiliates have the same platform for NIVEA. So if you were to go to the Dutch site, NIVEA.nl, or NIVEA.sa, the South African site, you would find NIVEA has the same look and feel. I think a lot of energy, a lot of efficiency in brand communication can be lost if the different departments don't talk to each other. But getting the mix of touch points right is an increasingly complex matter, depending on which target group we want to reach. This is a very sophisticated part of the business today. We work closely with our media agencies on this. The ultimate challenge is to get the mix of messages and touch points right across all categories and markets, and still maintain a consistent brand image. In terms of brand development, NIVEA will never see a revolution. The brand will always evolve step by step.

If you look at some of the great brands, they are big on consistency: Coca-Cola is red, NIVEA is blue, Marlboro is red. But it goes beyond colors in advertising and packaging. Marlboro is always about the freedom of the Wild West. That's a recipe for success, but it also requires very strong leadership. You need people who really put their foot down and decide where the brand is going. If you let it slip, it will drift.

Jesko Perrey: What is the role of the NIVEA House in NIVEA's touch point strategy? Is it a one-time effort, or do you plan to roll it out to other locations?

Pieter Nota: The NIVEA House is really an experiment in brand experience. We don't necessarily plan to start our own global retail effort. Of course nothing is impossible, but the objective is really to make people experience the brand just by touching and feeling it, getting facial treatments, getting hair and skin care advice. But there's no rush. We are taking our time to find out about the do's and don'ts at this unique touch point. We are about to take the most attractive elements of the NIVEA House and open smaller versions in Berlin and Dubai. If the concept works abroad, there may, in fact, be NIVEA Houses all over the world some day.

Jesko Perrey: From my perspective, marketing is as much a craft and a science as it is an art. Let us explore the science aspect. How do you use insights to develop the NIVEA brand?

Pieter Nota: We are pretty good at gathering consumer insights, but we are not as good as we want to be at gaining *shopper* insights. For the brand, however, our primary objective is to gain consumer insights. We have a new and innovative process in place to understand what consumers expect. It's called InTouch. It's something we've installed globally during the past three years. We have made it a point to empower our local affiliates to gather insights. Of course, we provide them with tools, but it's an illusion to think that, sitting here in Hamburg, we could know better than our Chinese colleagues about what makes the Chinese consumer tick. Once all the insights have been gathered, however, the responsibility for turning them into product concepts lies here in Hamburg with our brand leadership units. Many companies get this wrong: they confuse insights with product concepts and end up with mixed-up responsibilities.

Jesko Perrey: What would you say is Beiersdorf's competitive edge, from a brand management perspective?

Pieter Nota: I think it's the focus that comes from giving top management attention to brand development, and from balancing innovation with consistency, from developing the brand in an evolutionary, not a revolutionary manner, and in maintaining a consumer focus at all times. Of course, it helps that we concentrate on a few big brands, of which NIVEA is number one. As a company, Beiersdorf doesn't have to spread its attention over hundreds of brands. We basically have about 10 active brands and that, I think, gives us a real competitive edge.

Jesko Perrey: Thank you for your sharing the story behind NIVEA's continuing success. To wrap things up, what do you consider your biggest failure in brand management?

Pieter Nota: One significant learning comes to my mind: when I was with Unilever, I managed the »Lätta« margarine brand. I took over the brand from my predecessor, and we came up with a highly innovative product, »Lätta Hoch Zwei«. But in our enthusiasm, we forgot to communicate the benefits clearly. The advertising was pretty provocative and got a lot of attention at the time, but the message was all about emotions. In fact, »Lätta Hoch Zwei« is low in fat and high in natural ingredients that promote well-being. But we simply failed to bring out these tangible benefits. While it wasn't a major mistake for the company, it taught me that you have to balance emotional with rational benefits to create a successful brand. Having learnt this very significant lesson, I now consistently act accordingly. At NIVEA, we use the Brand Diamond to that end. The combination of balance, evolution, and top management attention will ensure NIVEA's success well beyond its centennial.

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