CHAPTER 1

The Billion-Dollar Question

At the beginning of the decade, Procter & Gamble had 10 billion-dollar brands in its portfolio, brands that generate more than one billion dollars in sales each year. Today, they have 23 of these billion-dollar brands.

—P&G 2009 Annual Report

Google was formed in 1995 as a start-up company by a group of Stanford students. Less than 10 years later, its brand is reported to be valued at $100 billion.

—Millward Brown Annual Brand Report 2009

How do Procter & Gamble, Google, and others like them build a billion-dollar brand? They design strong intellectual property strategy into their innovation and branding processes through the power of collaboration and interdisciplinary teams. In this book, we chronicle our discussions with the innovation, branding, and intellectual property leaders from top global brands to share their ideas and best practices in the next generation of branding and innovation. Whether a company is maintaining a brand that has endured for more than 100 years, such as Tide, or creating a new brand that will capture the attention of the world, such as Google, a rewired branding process can provide key competitive advantages.

We ask the question: "How does a company ensure that when it invests in developing new technology, products, and services, the brand it builds to sell that product will have long-term staying power and produce a greater return on investment?"

Based upon our research and discussions with brand leaders, the key to economic success in developing and maintaining brands is to design intellectual property strategy into the creative and innovation process. This must occur from the beginning through the use of collaborative, multidisciplinary teams to effectively rewire the branding process.

Whether you are a brand manager inside a large corporation, working in an agency, or an entrepreneur, you will find that important trends are increasing the need to think about intersecting intellectual property strategy with the creative process. Thinking about intellectual property at the outset of the creative process means that you will have something with longer and more sustainable value. Additionally, changing accounting and finance principles mean your brand may be revalued each year. The right strategy to protect your brand can increase its value. If your brands are diminishing in value, they may have a bigger impact on the company than ever before.

The goal for most innovation or brand campaigns is to increase:

- Margin
- Market share
- Revenue
- Market value

In *The Game Changer* (2008), A.G. Lafley, former CEO of Procter & Gamble, preached what marketers have long touted—that we must innovate and create for consumer needs and wants in order to achieve an increase in margin, market share, revenue, and market value. But in the changing demands of the current economic climate, that approach alone may not be enough. In the future, companies must add another layer of thinking to the creative process.

Long-lasting intellectual property must also be the result of creativity and innovation activities. This requires an interdisciplinary approach from the start with an understanding of what it takes to create powerful and economically valuable intellectual property.

If we approach the brand process in this way, we can get the job done faster, utilizing fewer resources, reducing costs, and increasing the likelihood of success. To do so, some assumptions that permeate most companies must be changed and new processes embraced.

For example, most people think of patents when they hear the term *intellectual property*, which taints their thinking about the need to intersect it with the creative process. But intellectual property, as it relates to branding, includes protecting all aspects of the campaign. Just a few of the components that can be protected as valuable intellectual assets of the company include the following:

- Product name
- Logo
- Slogan
- Design of the product
- Design of the packaging
- Distinctive colors of the product or packaging
- Copy in the ad
- Script of the commercial
- Look and feel of the retail location or point of sale
- Distinctive sounds and smells associated with the product/campaign
- Music that accompanies the ad campaign
- Content created on the web site
- Every aspect in a branding campaign, if it is considered as an intellectual asset at the time of creation

These elements are protected by:

- Trademarks/trade dress
- Trade secrets—know-how
- Copyright
- Design patents

Thinking about intellectual property in the middle of the creative process or at the end of the process is too late. Protecting every facet of the campaign strategically means it can last longer, have a greater impact, and produce a higher return on investment for the company. It becomes an intellectual asset of the company to be used as leverage in obtaining financing and an important part of the market value, which affects stock prices.

Brand Rewired offers a unique approach to an otherwise age-old topic for branding, innovation, and marketing professionals.

- A brand strategy intersecting with an equally powerful intellectual property strategy produces a greater economic return and more rewards for brand project leaders.
- The elements of a strong intellectual property branding portfolio often mirror a strong branding campaign from a sales and marketing perspective.
- Failing to consider these important strategies can not only reduce the effectiveness of the value of the brand, but potentially expose the company to lawsuits and increased costs.
- The internal black box–silo mentality culture of organizations can impede the development and capitalization of innovation, branding, and intellectual property and ignore key opportunities.
- A multidisciplinary Brand Rewired approach will reduce costs and increase return on investment.

Our research includes discussions with executives; innovation, marketing, and branding professionals; trademark lawyers; intellectual property strategists; and professional intellectual asset valuation experts from leading worldwide companies including Procter & Gamble, General Mills, Intel, Harley-Davidson, Kimberly-Clark, Kodak, Yahoo!, Kraft Foods, Scripps Networks Interactive, and branding and advertising companies including J Walter Thompson (JWT), LPK, Northlich, and Interbrand.

The Evolution of the Silo—Rewired

To understand current thinking on innovation and branding, we started with historical research on the innovation trends that have occurred in contemporary companies since the early 1900s to understand how and why we have arrived where we are in 2010.

A short caveat about the term *innovation*, which has largely been used to address the creation of new ideas, technologies, or products from a scientific perspective: In 2007, Wayne Johnson, the vice president of university relations worldwide for Hewlett-Packard Company, defined it to mean the partnering of two or more companies with the government and universities to share products and ideas to develop a new, innovative item. We use it in a broader sense: innovation can come from anywhere and can mean any new way of thinking about your business or brand. *We view this as Innovation 3.0.* Innovation 3.0 expands beyond new technologies and open innovation in the research and development department into the creation of new product lines, new brands, and new market spaces through intellectual asset strategy. Innovation 3.0 creates value while invention creates things.

We found that a silo approach to doing business dominated the management philosophy of the leading branding companies for most of the twentieth century.

Figure 1.1 shows the silo approach and outlines what traditionally occurred for many years. Executive leadership set a general strategy for the company. The research and development (R&D) department was charged with creating new products or ideas for improvement in processes. Across industry divisions, scientists, engineers, developers, chemists, or others with specialized knowledge would develop new variations of products or services, often independent of marketing, research, or consumer input. At Procter & Gamble, it might be a new way to make a better diaper or soap dispenser. At Kraft Foods, it might be a new variation on a product package design or a better process for making cheese. At Apple, it might be a new application or design for its iconic line of products. You get the idea. Each company has its own set of new ideas that R&D can develop.

In this silo approach, R&D had an incentive, financially and otherwise, to create new products and services via patents filed. In fact, many companies offered lavish awards ceremonies and perks for those from R&D who generated the most (quantity, not quality) patents in a year. For many in R&D departments, a point of pride was the number of patents on which they were named an inventor.

Patent lawyers, too, have had an incentive to produce a certain number of patents per year. In this silo approach, R&D would produce many inventions and apply for the patents globally before the product moved into the monetization phase, where it could be rolled out to its target consumer. Although forward-thinking companies have moved away from this linear and quantitative approach,

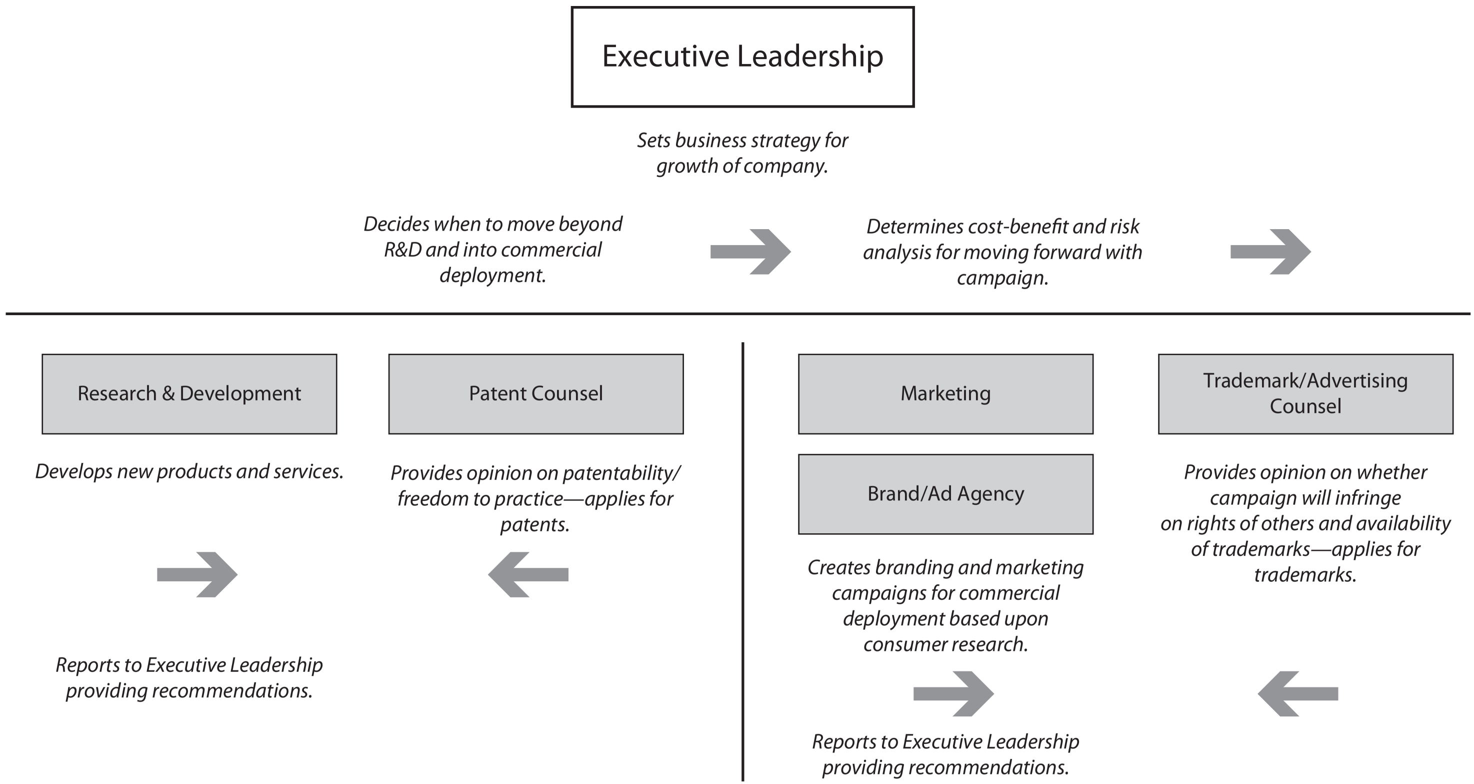

Figure 1.1 The Silo Approach

the pitfall becomes obvious when looking at the return on investment in today's climate. As the cost to maintain patents globally skyrockets, the need to monetize that investment sooner becomes even more important. Yet, if the invention itself becomes obsolete shortly into its life cycle, becomes a source of lawsuits, or has limited to no commercial use, the return on that investment is dramatically diminished. This silo approach no longer produces the same economic return.

In this silo approach, the project crossed over the divide from R&D to marketing. As the marketing and branding team became involved, they worked their magic in crafting a message and a campaign to sell the product to the targeted consumer. At the end of the chain, trademark lawyers would get involved to register and protect the name, run clearance searches, and review advertising copy to ensure the company's exposure to lawsuits was minimal. Historically, most of the creative heavy lifting had been done at that point, and the trademark and advertising lawyer had limited power to advise on the strength or power of the brand or campaign as intellectual property. Instead, the intellectual property lawyer was relegated to clearing the name, slogan, or ad as "available" and as not likely to pose any threat of a lawsuit from some other company.

In this linear fashion, all of the parties worked in silos, each offering their expertise at a specific time in the product's life cycle, rarely working together in a collaborative manner. Territories, fiefdoms, and power struggles emerged in contemporary American companies throughout most of the twentieth century.

The Fiefdom Syndrome

According to Robert J. Herbold (2004), fiefdoms can form in many ways and for many reasons. They have long been a problem in corporations where they easily form when people have enduring faith in the isolationism of defending turf, maintaining the status quo, and looking out for themselves (individual or department interests) versus moving the organization forward at a larger level. When fiefdoms form at a group level inside a company where a small group of people centralize resistance around common tasks, responsibilities, or objectives, the damage can be irreparable.

This process worked for most of the twentieth century. It was modified and changed according to the current thinking of the day. During those years when the linear silo approach thrived, the largest companies dominated with a monopoly on access to capital and economies of scale to afford the best people in the world. Without many challengers and a wide-open marketplace, business was simpler and the linear process worked, tapping into each group's strengths in turn.

In the 1980s, a flurry of merger and acquisition activity began to occur, resulting in companies buying each other to obtain brands and technologies in order to dominate the marketplace and form mini-monopolies in product categories. As cultures merged in the perfect storm of activity, the silos, fiefdoms, and linear approach to development was further reinforced within these mega-companies.

In the last 10 to 15 years, however, this silo approach has slowly evolved and changes have begun to emerge. As the world became flat, a phrase coined by Thomas Friedman in his book *The World Is Flat*, global competition increased, and the need for greater return on investment became more important than ever. When global markets can compete with dramatically reduced overhead and increased margins, the need for more focused development activities that actually produce results is paramount. U.S. companies quickly became aware that if they couldn't cut costs or increase market share, they wouldn't survive.

Consumers also became more powerful than ever during this time period. For decades, companies had dictated what would be developed and then created ad campaigns to convince consumers they needed it. In the age of Facebook, YouTube, blogs, Twitter, Yahoo!, and Google, consumers are in the driver's seat, picking and choosing what they want, when they want it, and abandoning those companies who fail to heed their demands.

Additionally, the technology age and the ability to tap into resources better, faster, and cheaper mean that smaller companies can compete with the big companies without the high barrier to entry that created the monopolies of the first half of the twentieth century. Thus, the emergence of venture capital firms in the 1990s, pumping money into entrepreneurial companies with the latest and greatest ideas, meant these small giants could suddenly challenge Goliath in a battle of the marketplace. Goliath has since realized,

1900–1980
American corporations dominate the global marketplace in an old school research and development linear model with limited competition and the economies of scale to hire the best people, believing deeply in the philosophy "if it's not invented here, it's not a good idea."

1980s
A flurry of merger and acquisition activity results in mini-monopolies within product categories. As cultures merged in the perfect storm of activity, silos and fiefdoms emerged to protect turf and reinforced a linear approach to innovation and development, regardless of how costly it might be to the company.

1990s
The world becomes flat with the onset of the Internet and the ability to collaborate with anyone anywhere in the world. Coupled with changing worldwide economic conditions, American companies no longer dominate to the global marketplace and begin to face competition from companies that can do the same thing but with less overhead and higher margins.

1990s
With the access to resources afforded by technology, entrepreneurial companies can compete with the corporate giants in the marketplace of ideas. Venture capital companies form to pump capital into these start-ups. The sleeping giants awaken and realize they, too, must tap into ideas from the outside to survive.

2000s
Consumers take charge, no longer at the mercy of an ad campaign to convince them they need something. With the proliferation of consumer-generated media and in-demand services, companies now must heed the call of their customers. Yahoo!, Google, YouTube, Facebook, Twitter, and blogs emerge giving consumers all the power. Companies realize they must listen to their customers or they won't have any.

2008
The world financial markets melt down resulting in bailouts from the U.S. government of the largest financial institutions in the world. Access to capital becomes limited and constrained with no signs of improvement in the foreseeable future. To access the limited available capital in an ever increasing global competitive landscape, companies must ensure they maintain strong balance sheets and predictable cash flow. No longer can companies afford a linear old school research and development process, but must innovate and connect to their customers in a more meaningful way that results in economic value.

in the development of open innovation, that it, too, needs entrepreneurial ideas to survive.

Most recently, the economic meltdown of the financial markets in 2008 meant that access to capital would become more and more constrained.

In what began as a revolution in response to the world becoming flat, the need for intellectual property strategy has become of paramount importance. Companies have recognized that a more fluid and interdisciplinary approach that is laser-focused on consumer needs is required to achieve better results.

Modern companies no longer have the luxury of indulging unfocused development that recognizes quantity over quality and sunk costs that cannot produce the required return on investment. They must implement better tools in order to survive the coming trends in the financial and consumer markets.

As the information age evolved from Web 1.0 to the social and collaborative Web 2.0, leading companies began to form interdisciplinary teams. These teams work in a collaborative manner to develop new products and services centered on consumers and their wants and needs in order to dominate the marketplace.

The term *innovation* began, in many instances, to replace *research and development*, and the need and desire to innovate with external resources became accepted, leading to the term coined by Henry Chesbrough, *open innovation.* Now, many companies employ chief innovation officers or VPs of open innovation. These innovation leaders have many functions to ensure their company sets strategies and practices in place to tap into the global marketplace of ideas, shares knowledge, and improves its competitive edge. In fact, in 2003, Aranoff and FitzPatrick noted that companies have set a policy to abandon the "not invented here" syndrome (NIH). NIH was founded on the theory that if we didn't think of it, it's not a good idea. Instead, most companies now understand that good ideas can come from anywhere, and that it's what you do with those good ideas that really matters. And so we arrive in the New Economy. Companies must do more with less and produce even greater return on investment faster to compete and survive.

With a brief understanding of how we got to where we are, it's time to look forward. What new approach or way of thinking can add an additional layer of value to a company?

Figure 1.2 illustrates the Brand Rewired approach. Innovation, branding, consumer insights, intellectual property, and execution are all part of a fluid process designed to achieve one common goal: the desired return on investment. This requires constant multidisciplinary planning, communication, execution, and follow-up with an emphasis on the creation of powerful intellectual property in tandem

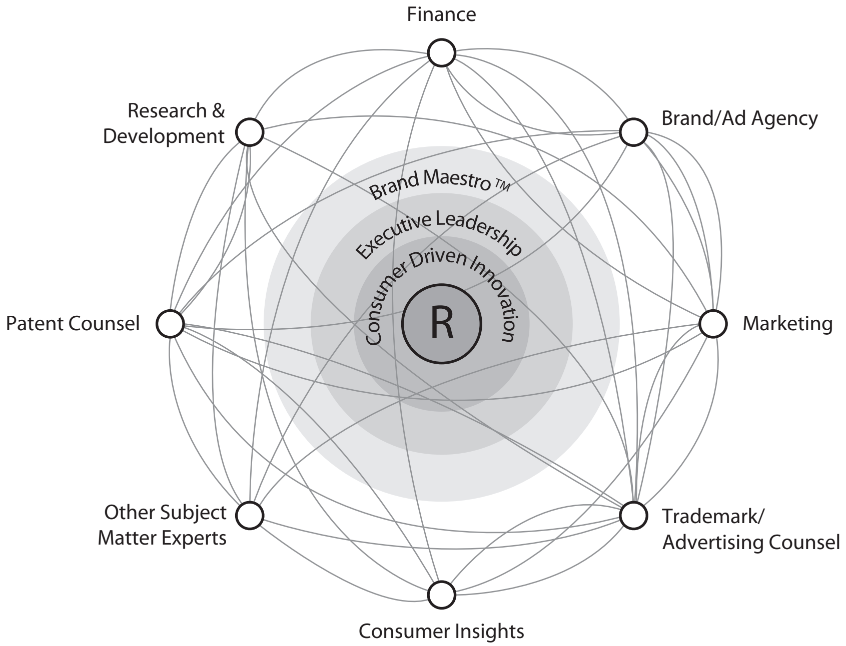

Figure 1.2 Brand Rewired

with a powerful brand. The requirements for achieving powerful intellectual property and a powerful brand are, typically, the same.

At the center of this process is consumer-driven innovation. Innovating based upon consumers' needs, desires, and wants must be at the cornerstone of your innovation and branding, whatever your industry and whoever your consumer. *Even if the consumers do not yet know they need your product or service or that they will connect forever with your brand, you must understand the consumer fully in order to succeed.* Consumers may not have known that they needed a computer at home, but Macintosh helped them understand that they did in the 1980s, creating a whole new market for the computer industry. Apple sought its consumer base by understanding what its consumers do at home and creating a product to fit those needs.

As new ideas and innovation form at the consumer level, executive leadership sets a strategy for the company and creates the cultural tone that is essential for a Brand Rewired approach to be successful. To ensure success, we advocate that a leader emerge in contemporary companies, a Brand Maestro. A Brand Maestro is skilled at facilitation and group communication in leading multidisciplinary teams, but also knowledgeable in multiple disciplines—intellectual asset strategy, consumer insights, innovation, branding, communication, intellectual property, and strategic planning, with a focus on building a powerful brand and intellectual property portfolio for the company.

The Brand Maestro's role is to flawlessly execute a brand and intellectual property strategy that delivers the expected return on investment through a multidisciplinary team.

The Brand Maestro ensures that the end game or goal is always at the forefront, the consumer is always at the center, and that all of the subject matter experts—branding, sales, market research, consumer insights, patent lawyers, trademark lawyers—are contributing in a collaborative manner at the right time to have the greatest impact with the lowest amount of costs.

The Brand Maestro, through a Brand Rewired approach, intersects each of these experts at the right moment throughout the process to deliver better results. The Brand Maestro likely already exists in most companies in some form or another. We crystallize the process and the role that is needed to maximize return on investment in a Brand Rewired approach.

At the end of our studies and research, we found that unquestionably, designing intellectual property strategy into the innovation and branding process would lead to a higher return on investment. Equally important, the key to accomplishing that goal is to utilize interdisciplinary teams. The tools needed to do so include the following steps:

- Leadership of the company sets a vision and creates a culture that fosters and embraces multidisciplinary teams.
- A process is put in place to emphasize strong intellectual asset strategy and management in tandem with the creative and innovation process through the use of multidisciplinary teams.
- Common goals, collaboration, and teamwork are rewarded through financial and nonfinancial recognition.

What's Ahead?

In this introductory chapter, we have illustrated the changing trends in innovation, development, and branding from a linear, silo approach to a collaborative model with an emphasis on intellectual property. Our story will continue by understanding what is of paramount importance to every company undertaking any innovation, development, or branding—how does that activity result in economic value?

From there, we look to understand what happens in the creative process and how to simultaneously create more powerful and robust intellectual assets that achieve the end game.

We then evaluate key trends that are driving business decisions and are highlighted in popular and contemporary business literature.

Armed with an understanding of what's occurring in the marketplace and driving decision making, we tap into a case study to examine what happens in the silo approach. Utilizing their story, we analyze what can go wrong in today's marketplace when the silo approach prevails.

We then turn the case study around, taking the same journey but with a Brand Rewired, collaborative approach emphasizing intellectual property strategy, analyzing what can go right, how to overcome the challenges that are inevitable, and demonstrating the power of collaboration driven by clear strategy.

We recap what is needed in a Brand Maestro and how to create an intellectual property, branding, and innovation strategy that is linked directly to achieving the end game—economic rewards.

Finally, we close with a brief history of the companies we researched and the leaders we interviewed with an emphasis on how these companies are tackling the challenge of working in multidisciplinary teams.

> Business—more than any other occupation—is a continual dealing with the future; it is a continual calculation, an instinctive exercise in foresight.
>
> Henry Luce

Chapter Highlights

- The key to economic success in developing and maintaining brands is to design intellectual property strategy into the creative and innovation process from the beginning through the use of collaborative, multidisciplinary teams—to effectively rewire the branding process.

Most innovation or brand campaigns are valued based upon increased margin, increased market share, increased revenue, increased market value, or some combination of the above. Every aspect of a campaign can be protected: name, logo, slogan, product design, package design, distinctive color schemes, music for the ad campaign, copy for the ad campaign, script for commercials, content on web sites, look and feel of a retail location or point of purchase. Every aspect of a branding campaign can be protected and can endure if it is considered when it is created. This gives it a higher return on investment. Leadership must set a vision and create a culture that fosters and embraces multidisciplinary teams. A process must be put in place to facilitate multidisciplinary teams. Common goals, collaboration, and teamwork are rewarded through financial and nonfinancial recognition.

- For many years, the largest companies in the world were able to dominate the marketplace by their size, capital power, and ability to leverage and tap into resources, easily boxing out competitive threats. This facilitated and supported a linear way of developing new ideas, technologies, and brands. This way of thinking dominated management and leadership styles of leading companies from the industrial revolution through most of the twentieth century, creating very linear processes with silos and fiefdoms controlling.

  With the flurry of mergers and the acquisition activity of the 1980s, corporate cultures were merged, further reinforcing the silo phenomenon in what were now mega-companies.
- The technology age arrived in the last part of the twentieth century with an increasing acceleration of change in the business landscape, forcing company leadership to face new challenges and competitive threats unlike those at any time in its history, increasing costs to do business and diminishing margins.

  As global marketplaces, once relatively untapped, became competitive threats, the previously dominant companies now faced competitors that could do the same thing but with significantly less overhead and much higher margins.

- At the same time, technology leveled the playing field by creating access to resources that didn't exist in previous years, and entrepreneurial companies, often armed with venture capital backing, could now compete head to head with the largest companies in the world, putting an increasing demand on the need for fresh, new ideas.

  Consumers also became more powerful than ever before. For decades, companies dictated what would be developed and then created ad campaigns to convince consumers they needed it. Now, consumers are in the driver's seat, picking and choosing what they want, when they want it, and abandoning those companies who fail to heed their demands.
- The largest companies in the world recognized in the 1990s that they could no longer function in silos and develop ideas in a linear fashion and began to evolve into a more collaborative model with consumer needs at the center, driving the process.
- Then as the economic meltdown occurred in 2008, companies recognized that access to capital would be constrained, transparency of executive activity would be demanded, and the need to maximize return on investment on a longer term basis would become paramount to survival.
- With these many factors putting significant pressure on contemporary companies, the need to innovate, develop, and brand in a smarter way has been causing the old silo approach to management to evolve into a new, collaborative model—a Brand Rewired.