Workout One: Follow the money

CHAPTER 1

'You've gotta be business savvy really, or else you get the piss taken out of you.'

Melanie B, The Spice Girls

Headlines

Too much of the work on branding is still over-intellectual and theoretical, divorced from the reality of business. Leaders need to be more business savvy, ensuring that brand strategy is always anchored on a clear growth objective, and drives concrete actions. This requires a ruthless focus on those initiatives with the best potential to boost 'return on brand investment'.

Too much of the strategic work on brands remains a waste of time and money, full of complicated models and language and divorced from the reality of business. This is shown by the welcome we received when interviewing the CEO of a leading insurance company we were working for recently: 'Oh, you're here to talk about brand bollocks are you?'. Ouch. But why does branding still have such a bad reputation in boardrooms around the world?

Why branding *still* has a bad name

Problem 1: Pyramid polishing

Too much work on branding is still spent filling in the boxes of complicated positioning tools. Brand pyramids, onions, keys, beacons . . . there's a shape for every season. These tools create long shopping lists of big, fat words that have little or no practical use to anyone. This approach is also often too backward looking, trying to distil the brand's past rather than looking to the future.

To make things worse, hours, weeks and even months are then spent 'polishing the pyramid': fiddling, word-smithing and polishing the pyramid, or onion, in a fruitless quest to make it 100% perfect. Hours are frittered away debating words or phrases, such as 'Isn't the brand personality more ''cheerful'' than ''happy''?' or 'Our benefit is ''excellent taste'' not just ''great taste'' '. Even worse is the debate about which box of the positioning tool a certain word or phrase should sit in: 'Isn't confidence really a higher order emotional benefit, not a functional one?'

Problem 2: Obsession with emotion

Many marketers remain obsessed with 'emotional branding'. They have been seduced by agencies urging them to forget the product 'sausage' and focus instead on emotional 'sizzle'. One example is the Lovemarks approach from ad agency Saatchi, that selects brands where 'Your story tells the world about the emotional connection you have to a product, service, person or place you can't imagine living without.' (1) This is a 'brand beauty contest', with no mention of business growth, profitablity or even proven brand equity. The problem is well summed up by Greet Sterenberg of Research International (2):

> At times product performance has almost been ignored – left off the guest list at the branding party. Marketers often treat it as a hygiene factor – essential, but hardly exciting.

Problem 3: Brand ego tripping

Many marketers seeking to stretch their brand into new markets under-estimate the challenge of taking on established Leader Brands, taking teams off on what we call a 'brand ego trip'. This has much to do with the obsession with emotional sizzle discussed earlier, with teams mistakenly thinking that this will be enough to add value for consumers. They forget both the product sausage and the practical business issues of entering the new market, such as the company's capabilities, the supply chain and building enough on-shelf presence in store. These problems explain why at least one half of all these extensions fail. Our book *Brand Stretch* (3) details examples from the over-crowded extension graveyard, such as Cosmopolitan Yoghurt, ***Virgin Vodka*** **(brandgymblog.com)** and Levi's Suits. A further problem with brand stretching can be a neglect of the profitable core business where the brand has a leadership position.

So, what could be the answer to these problems that are giving branding a bad name in the boardroom? How to ensure a more pragmatic and bottom-line focused approach to branding, that concentrates time, people and money on gaining and retaining brand leadership. Well, here it comes. The only three words you need to remember.

Follow

the

money

Follow the money

In our experience, keeping this principle in mind helps solve many or even most problems to do with where a leader should spend time and resources. Which projects to spend you time on? Follow the money. Which countries to invest in? Follow the money. Which products to launch? Follow the money. It ensures that brand strategy work is practical and drives action, helping solve the issues we saw earlier. We'll now look at three ways to help you follow the money.

Brand-led *business*

Following the money starts with seeing branding as a means to the end of profitable growth, rather than an end in itself. We are still shocked by how some senior marketers still seem to view branding as a beauty contest. They focus on creating emotionally appealing advertising and lovely logos. In contrast, the 'brand-led business' approach we introduced earlier is a harder edged, more practical approach to branding. It involves driving the brand idea through every bit of the business.

Start with the end in mind

To follow the money, any project should start by framing the business issue that needs solving, such as driving penetration or increasing customer retention. This helps remind everyone that the strategy is merely a first step on the journey to growth, not the endpoint. In addition, clarity up front on which bits of the brand mix will be driven by the new strategy enables you to involve the right people from the start. For example, most projects will require new communication, so getting the ad agency on board from day one is crucial. Also, any stimulus, material used to explore alternative strategies can use examples of the sort of creative work that will be used in the final mix. A proposition might look great on paper, but will it work in press advertising or on a piece of packaging? Finally, as the creative agencies are involved from day one, they can experiment with rough executional ideas as the strategy evolves.

We recommend setting a time limit on any brand strategy work, with clear deadlines to help force the team to move from vision to action, and avoid pyramid polishing. The *brandgym* Workouts should take 12–16 weeks. Any more than this and the work will lack urgency and momentum, and the risk of navel gazing and pyramid polishing increases.

Where can we *lead?*

Our belief in the power of focus has only got stronger since the first edition of *the brandgym.* The recession has been a long over-due wake-up call forcing companies to focus on the few things that really drive growth, not the latest sexy innovation. Leaders need to work on identifying where the brand really has the competitive edge needed to gain or retain leadership. This is in terms of product categories, but can also include geographies and channels. For example, the Pago brand of fruit juice in France (Figure 1.1) has focused on the CHR channel (cafés, hotels, restaurants) where they are the strong Leader Brand.

Figure 1.1: The Pago brand, leading in cafes and restaurants.

This approach means spending less time on branding theory, and more time on business issues. Rather than asking questions such as ‘Could Dove stretch into baby products?’, we should be asking ‘Can Dove *make any money* out of babycare?’ Brand equity issues are of course important, and extensions do better with a clear link back to the ‘mother brand’. However, the emphasis is on harder-edged commercial issues and ‘following the money’, by looking at two main things: size of prize and ability to win (Figure 1.2).

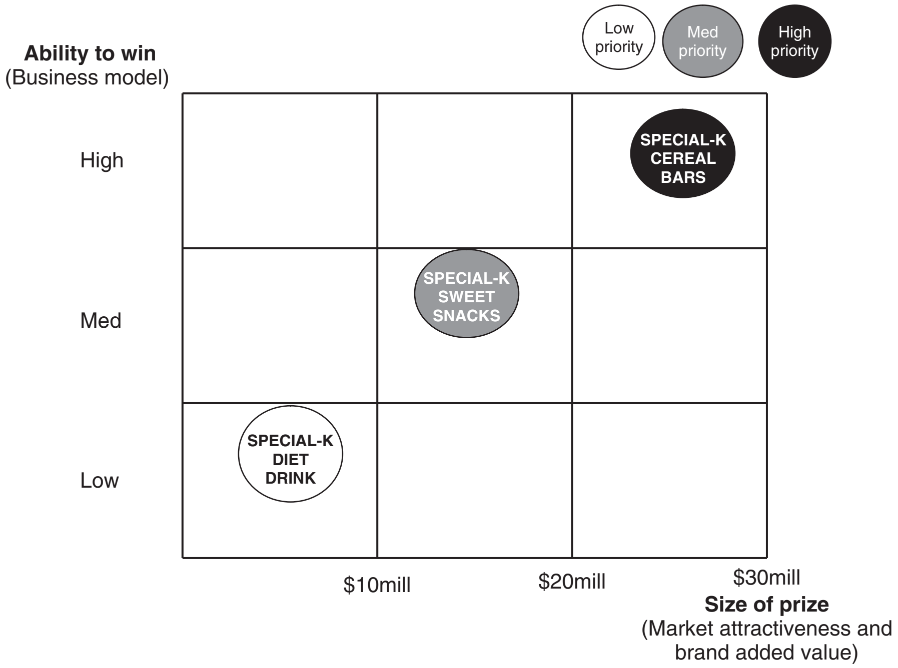

Figure 1.2: ‘Where to play?’.

Size of prize = market attractiveness x brand added value

The size of the prize is an estimate of how big the business opportunity is, based on the size of the market, and how strong a value proposition we have. In a first case this can be developed using assumptions on trial, re-purchase and purchase frequency. It can be made more robust through quantitative testing or simulated market testing.

The first issue is to look at *the market* we are looking to enter. This should cover the size and growth of the market, but also how intense the competition is. Particular care is needed when our brands are trying to attack markets with dominant brands for whom the market in question is their core business. Examples would be Lynx/Axe taking on Gillette in shaving, and Bertolli taking on Frito Lay in salty snacks.

The next critical question is '*brand added value*': can we can create a compelling value proposition for the consumer which genuinely brings something new to the market? This sounds obvious, but many brands make the mistake of believing their brand name and values are enough to take on and beat well established brands. To check we have a truly differentiated value proposition we should look at:

- Concept performance: do we have a winning concept, which brings new and relevant benefit to the market?
- Product/pack performance: does the product and packaging deliver against the concept?
- Price/value: can we market the product at an attractive price relative to the existing offers on the market?

Ability to win = business model

Having a winning concept and product is a great start, but can we make any money out of it? This is where too many marketers fall down, wasting millions of pounds in the process. It's one thing to launch a new product, but another thing altogether to compete over the long term and create sustained growth. To evaluate our chances of creating a business model that generates sustainable, profitable growth we need to consider:

- Cost position: do we have economies of scale and manufacturing capabilities that allow us a competitive cost position?
- Route-to-market: do we have the expertise in getting the product to market?
- In-store leadership: is the new product in part of the store where we have a strong position and influence over trade partners?
- Marketing support levels: can we afford the right level of support to cut through, not only at launch, but in years two, three and beyond?

5-minute workout

Imagine an aggressive and bottom-line focused venture capital company is taking over your brand. If they wanted to strip out marketing costs in order to boost the bottom line, where would they look first? What would they focus investment on? Challenge yourself to ask some hard questions about where you are spending your money and where you are adding value, and check that these are one and the same.

Business model vs. brand equity

We will now illustrate the principle of following the money, or not, with a couple of real-life brand examples.

Brand equity focus: Axe shaving

In the late 1990s Lynx/Axe made the bold move of entering the male shaving market, going head-to-head with the global Leader Brand Gillette. Lynx had great emotional values to leverage, and one of the best ever testing commercials. However, the brand was unable to build a profitable and sustainable business owing to issues with the business model:

- Lack of manufacturing competence: production had to be out-sourced, adding cost and making it harder to control quality.
- Lack of a superior product: up against Gillette who spent billions of dollars on R&D, and the product was inferior.
- Marketing investment: could not afford the sustained and high levels of investment needed to win a decent share of the market.
- In-store: at a retail level competing in a whole new part of the store, up against the dominant shelf presence of Gillette.

Business focus: Special K cereal bars

Special K stretched from breakfast cereals into cereal snack bars (Figure 1.3) in 2001 and this business has grown to be worth almost £30 million in the UK alone.

Figure 1.3: Special K.

The success of Special K's extension into this market was helped by a size of the prize that was attractive. The market was growing, and a the Special K brand's shape management positioning helped them create a differentiated and relevant proposition, with each bar having only 90 calories.

However, this success also had a lot to do with the Kellogg's business model in cereal bars (Figure 1.4). The company created the cereal bar market back in 1997 with the launch of NutriGrain and Rice Krispies Squares. This meant that the launch of Special K bars four years later benefited from:

- Economies of scale: to drive down costs.
- Route-to-market capability: getting to smaller 'impulse' outlets (e.g. train stations), not just supermarkets.
- In-store market dominance: with 'category captain' role in shelf management.
- Heavy marketing investment: commitment to growing the category.

The dominance of Kellogg's in the cereal bar market (4) is shown by them having a 30% share of market (Table 1.1), and 70%+ share of ad spend.

Follow the money brief

A 'Follow the money' briefing template can help bring to the surface the real business and implementational issues on a brand strategy project and ensure that the team stay true to the principles of the 'Follow the money' Workout.

Market attractiveness	Score/10	Rationale
Market size	7	£50 million
Market growth rate	9	10% a year
Intensity of competition	9	Kellogg's dominates
SUB-TOTAL/30	25	

Brand added value	Score/10	Rationale
Concept performance: do we bring a new and relevant benefit to the market?	8	Shape mgt is new and relevant; Special K strong equity
Product/pack performance: does the product and packaging deliver against the concept?	9	Good taste in blind test, 90 calories per bar
Price/value: can we market the product at an attractive price relative to the existing offers on the market?	8	Lower grams per bar gets to attractive price point
SUB-TOTAL/30	25	

Business model	Score/10	Rationale
Cost position: do we have economies of scale and manufacturing capabilities that allow a competitive cost position?	8	Economies of scale from bar factory
Route-to-market: do we have the expertise in getting the product to market?	8	Expertise in supermarkets and convenience stores
In-store leadership: is the new product in part of the store where we have a strong position and influence?	9	Category captain in cereal bars
Marketing support levels: can we afford the right level of support over the long term?	8	Long-term commitment to investment
SUB-TOTAL/40	33	

Size of prize

Ability to win

Figure 1.4: Assessment of Special K bars.

An example is shown in Table 1.2 from a real-life project on the Cointreau brand of orange spirit. This helped clarify that although the project was initially described as a brand equity assessment, this was just the first step towards defining a new positioning as a contemporary drink for younger consumers. In turn, the re-positioning strategy was needed to help brief in new advertising and packaging. Having a clear end in mind ensured that the right team and process were put in place, to not only understand where the brand was but also to develop ideas of where it could go. An advertising and design agency were quickly brought on board to help in creating the re-launch mix. Finally, a clear idea on the measures of success meant that tracking could be planned to see if the re-launch was working.

Table 1.1: UK cereal bar market share

Cereal bars by sales and market share (2007)

		£m	%
1	**Kellogg's Nutri-Grain standard bar**	**28**	**9.8**
2	**Kellogg's Special K standard bar**	**27**	**9.4**
3	Go Ahead! Yogurt Breaks	22	7.7
4	Eat Natural	15	5.2
5	Alpen standard bar	13.7	4.8
6	**Kellogg's Nutri-Grain Elevenses**	**13.7**	**4.8**
7	Cadbury Brunch	13.6	4.7
8	**Kellogg's Rice Krispies Squares**	**12.4**	**4.3**
9	Tracker (Mars)	11.8	4.1
10	Jordans Frusli	11.7	4.1
Other brands		101.1	35.2
Own-label		17	5.9
Total		287	100

Total Kellogg's = 28.3%

Source: Mintel

Key takeouts

1. Too much brand strategy work is still 'brand bollocks': theoretical and complex.
2. Branding is not a beauty contest. The only point of creativity and emotional appeal is to drive profitable growth.
3. The simple way to ensure that all branding work is focused on growth is to keep asking the question 'Are we following the money?'

3-part action plan

Tomorrow

Do a quick review of the brand strategy projects that your team is currently working on, such as brand portfolio strategy, visioning or positioning. For each of these projects, check that they are anchored and driving growth, and not just theoretical exercises. If a project will not drive the business forward in a very concrete way then re-work it or kill it. You will be liberating valuable time and money to concentrate on other projects.

Also, ask how long the team has been working on the project. If the answer is more than three months, then challenge them to prove that they are still adding value. If the explanation turns out be pyramid polishing and box filling, then help the team nail the strategy to at least 80% completion and move on to mix development.

This month

Ensure that day-to-day your team is following the money by focusing on the things that will impact the bottom line. Before spending valuable time in a meeting to discuss a brand issue, check that your consumers are likely to care a jot about the issue or whether it will disappear in the blur of the weekly shopping trip. Also, think about what meetings, projects or processes could be chopped without any difference to the business. You may be surprised to find that many bits of process take place simply because they always have!

This year

Over the period of a year you have more chance to make some significant changes to the way you run your brand or business. Start to think about the need for business savvy and pragmatism when hiring new people into your team. Is the candidate good at following the money, or are they too divorced from reality? Ensure that the principles of Follow the Money are part of the performance review for your team, as they are often left out in favour of other more common criteria such as creativity, leadership and team working skills. Finally, make sure that your team is actively linked in to the rest of the business team. Don't wait for a project workshop or the annual planning process to get other functions involved, seek them out proactively and try to see problems through their eyes.

Handover

The principle of Follow the Money is the bedrock of the brandgym approach. Applying this to all areas of marketing will help ensure that activities are of

practical use in growing the business. One of the key areas where this can happen is consumer research, which can end up slowing down projects and eating up too much money. The next Workout will look at how to avoid these pitfalls and ensure that the focus in on 'Using insight as fuel' to help create ideas that build the brand and business.

Table 1.2: Follow the Money brief

Business issue	What is the business problem or opportunity that has prompted this project? *Sales of Cointreau have been in decline for the last 15 years, with volume sales in 1995 halved versus their peak in 1980. This reflects the ageing of the user-base, with half of consumers over 45, and the failure to bring in new, younger users*.
Brand issue	What is the brand issue you are trying to solve and how will the solution help address the business issue? *The brand has excellent awareness and distribution and is appreciated for being an authentic brand with real heritage. However, it has become dusty and out-of-date, locked in peoples' minds into the after-dinner sipping moment*.
Consumer evidence	What qualitative and quantitative learning helps support the brand issues? *Qualitative learning shows the brand personality to be old fashioned and lacking dynamism. Quant. data shows the old-skew in the user base and the mis-match between the brand's image and key needs on items such as 'easy to drink', 'mixability' and 'youthfulness'*.
Strategy application	What will the strategy be used for? Specifically, which bits of the marketing mix will it guide and inform and when will these hit the market? *The strategy will be used to brief in a complete re-launch of the brand mix, in particular packaging, advertising and point-of-sale*.
Internal stakeholders	Who are the key influencers and users of the strategy? How will you get them on board? *Five key European markets account for 75% of global volumes and it is essential that the General Managers and Marketing Directors of these markets are brought on board. The US is a small but growing business and so also important*.
Agency teams	Which are the key agencies who will be expected to use the strategy and how will you get them actively involved? *The key agencies are Dragon Rouge for packaging and BBH for advertising. They will both be part of the team to who the positioning exploration results will be presented and they will use these to develop the briefs for the new brand mix*.
Measurement	How will the effectiveness of the project be judged both in brand and business terms? *Business terms: return to volume growth of at least 2-4% per year. Brand terms: 5% pt. improvement in brand image scores, 10% increase in ever used scores, increase in share of volume consumed by under 35's from 35% to 50%*.
Prototyping	How do you plan to bring to life the strategy so you can explore it with consumers and the business team? *Positioning ideas will be illustrated using mood boards and if possible mock-ups of new packaging graphics to bring to life the new brand personality*.