

## BRAND MATTERS

### Brand Management is Everyone's Job, Everyday

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Billions of dollars are spent every year creating advertising and promoting brands. \$149 billion was spent on brand advertising in 2007 alone, according to Advertising Age. The 12 official sponsors of the 2008 Olympics, including historically top-ranking brands like Coca-Cola, spent a total of \$866 million just on sponsorship fees, in addition to millions in production, advertising and hospitality. Why such significant investments in building a brand? According to *Interbrand*, brand valuation of an organization can account for 50% of all intangible assets.

Any way you look at it – brand matters. When we talk brand we are talking about an asset, a key indicator of future earnings and the critical weapon for sustainable business growth. Many of the top US and global brands are now using tools to manage this asset. Brand savvy organizations keenly understand the value of tracking their brands and linking the impacts of marketing and communication investments and company performance to customer loyalty, financial performance, and ultimately shareholder value.

Of course, the bottom-line power of the brand is the influence it has on purchasing behavior. Today, most products and services are **bought**, not **sold**. Consumers need to have a positive emotional association when choosing a brand. The mention of the product or service should evoke instant feelings and images. Kevin Roberts, author of *"The Future Beyond Brands – Lovemarks"* reminds us of brands that consumers love – Cheerios. Amazon.com. Volkswagen. Harley-Davidson.

A brand represents a company's commitment to certain values – often called the "brand promise." This promise is expressed through all actions and content that a company produces – physical, written, visual and audio. Policies, procedures, products and pricing. Consistency across all expressions is critical to creating and maintaining a brand position – what the company stands for in the minds of its target audience.

With so much at stake, organizations must approach brand management with a holistic, 360 degree approach – no blind spots. The relationship that an organization builds with its employees, customers, shareholders and suppliers is critical to establish and sustain its brand. Everyone who works for a company needs to comprehend and be committed to delivering the brand promise. The internal values and mission of a company become evident through interactions with employees whether it is the person who answers the phone or the CEO talking to financial analysts.

The direction and health of a brand needs to be a consistent e-suite agenda item and key metric that is managed by all functional areas – Customer Service, Human Relations, Merchandising, Operations, Real Estate, Technology, as well as Marketing and Communications.

#### About the Authors

##### **Becky Powell-Schwartz,** President and CEO

*Becky Powell-Schwartz is a master of using public relations to drive business success. In 1989, she founded The Powell Group in Dallas, combining her expertise from retail marketing while working with Sanger Harris (now Macy's) with an understanding of human motivation that came from a previous career in social work.*

*For 20 years, she has taken an integrated approach to public relations that has emphasized protecting as well as promoting major brands like Bank of America, Honda, JCPenney, hotels.com, Overhead Door and Zale Corporation. She and her team have been the force behind successful consumer campaigns from the record-breaking *Rausser's the Great Exhibition* and the Starbucks Arts Partnerships to 7-Eleven's Diet Pepsi Sturpee launch and the recent Blockbuster *Casual Hero Marathon*.*

*Becky's team at The Powell Group have received numerous national accolades from the International Association of Business Communicators and PR Week which has named them one of the top 200 public relations firms in the United States. They constantly ask their clients: Are you strategically differentiating your company and communicating that message to your customers?*

##### **Susan Parker, President of** **PARKER Marketing Group,** is best

*known for her trailblazing work in forging strong bonds between companies and their customers – bonds that translate into brand equity and profitability. Susan's unique strategies and methodologies grew out of her in-the-trenches retailing experience, her 15 years of leading Southwest Airlines' marketing efforts and her tenure as SuperValu's first chief marketing officer. In 2006, Susan founded PARKER, a strategic marketing consultancy focused on helping companies understand their customers' needs and prioritize investments to drive top-line revenue while building long-term growth and loyalty.*



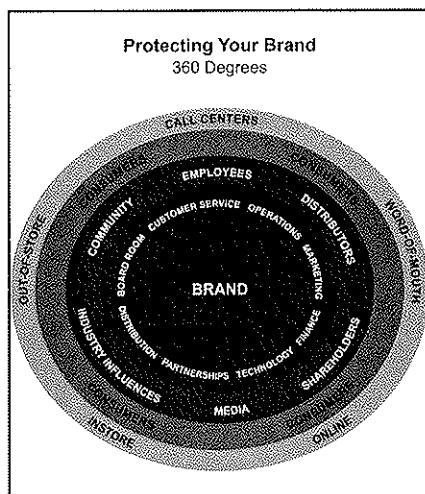
The *Retailing Issues Letter* is a quarterly essay published by the Center for Retailing Studies at Mays Business School, Texas A&M University.

How was Mattel successful in protecting its brand during one of the largest toy recalls in history? We'll later explore the details of how Mattel effectively communicated and leveraged relationships throughout a recall involving over 19 million toys. It is no wonder that, after 77 years of building brands, they knew it was critical to maintain consumer trust. Quick response to worried moms and support across the organization preserved the brand through this historic crisis.

Contrast Mattel's response to last year's closing of two historic casual dining concepts, Steak and Ale and Bennigan's. How did those employees feel about showing up at work to find the doors to their offices locked and customers feel as they arrived to find a sign on the door, "Sorry, We Are Closed?" How did headlines like "Bennigan's, Steak & Ale file for bankruptcy" impact the franchisee owners whose stores remained open? The lack of communication and alignment exemplifies the decline, nah neglect, in brand management. Steak and Ale was the first affordable, casual steak dining concept. Metromedia Restaurant Group, parent of the two brands, seems to have lost sight of the benefit in maintaining a compelling brand promise and in the end, effective communications about the changes in business. A trailblazer that led the building of a \$70 billion industry... now closed. Hmmm.

Protecting the organization's brand, its reputation, doesn't start during a crisis. By then, it can be too late. Brand management begins with the CEO and is the responsibility of everyone in the

organization to deliver against a clear brand promise. It's a 360 degree circle of consistent communication. Think of it as a sphere of protection for one of your most valuable assets. To build and sustain a brand takes clear, consistent and comprehensive communication and alignment with all internal and external stakeholders.



*A 360 approach to brand management — think of it as “a sphere of protection” for one of your most valuable assets.*

The release of the latest Apple iPhone 3G had bloggers and reporters writing headlines like “Hello Apple...we have a problem” to “Glitches Mar Debut.” Apple customers tend to be “true believers” and have historically been willing to stand in long lines to spend hard-earned dollars for the latest Apple gadgetry. While the \$200 phones sold briskly, they could not be activated in-store due to an iTunes problem. When customers were told to complete the activation process at home, the iTunes servers slowed to a crawl or even crashed. Known for being innovative, Apple broke its “brand promise” of its products being

intuitive and easy. While early reviews of the phone were solid, investors did not vote as favorably as reflected in the stock falling \$4.05 on the day of the release. While the stores, operations, and processes were not equipped to manage the launch of the much-anticipated new product, Apple's long-term commitment to consistent delivery of a brand promise prevailed.

The point is that “stuff happens.” We would be naive to think a brand can only be built from flawless and perfect execution. Or, a power brand can only be sustained if there are no catastrophes beyond an organization's control. The reality is that a brand is developed over time, including when mistakes are made or crisis occurs, through the consistent delivery of products and service that matter most to consumers. Consumers will then grow to trust that a brand will deliver on their promise and even give grace on occasion when the brand does not meet their expectations. It is this trusting relationship that, if carefully managed, can pull you through when “stuff happens.”

### ***Building a Brand Means Business***

With the onset of conversational marketing and social networking, today's consumers have more power to impact your reputation and influence others' buying decisions. Customer-centric organizations embrace the opportunity to create brand ambassadors with consistent communications and experiences, whether that is online, in-store, in the community or through the media. Savvy retailers

will take advantage of the fact that positive referrals from a trusted friend are consistently among top purchase drivers. And, that satisfied customers are likely to recommend a favored brand to at least three others. Alternatively, lack of attention to delivering a consistent brand experience can yield dissatisfied customers – who take out their frustrations in the public domain and directly telling up to 10 times as many consumers about a bad experience with your brand than when satisfied. Again, brand matters!

Strong brand management offers a company a myriad of benefits including:

- greater customer retention and loyalty
- greater recruitment and retention of top talent
- maintaining a better stock performance
- less vulnerability to competition
- cost effective opportunities for brand extension or expansion

### *A Case Study: Mattel*

Mattel provides an excellent example of a brand-centric management team who actively protects its brand. The 2007 toy recall crisis went well beyond the parent and retailer relationships. It challenged long-standing relationships with its manufacturer in China. Using a 360 degree approach, Mattel regained trust of parents around the world. Let's explore this example in detail, as recounted by *PR Week* as one of the longest running crisis stories of 2007.

In early August 2007, more than 967,000 Fisher-Price toys that were suspected of a hazardous level of lead paint were recalled. Two weeks later, Mattel was forced to recall 18.2 million additional toys in 43 countries and involving the key brands of Barbie, Polly Pocket, Batman and Doggie Day, all related to lead paint or small magnets that could harm children if swallowed.

Mattel understood its first priority was to ensure the right information was getting to its most important audience – parents. A comprehensive, global rapid response included:

- Major advertisement with a personal letter from Mattel's CEO to parents addressing the problem
- Consumer web site enhancements to be more interactive, including a video message from the CEO
- Communication to parents with the facts to help them determine if they owned the toys being recalled
- Pro-active media campaign, including a Satellite Media Tour, a press conference with the CEO, followed by one-on-one interviews
- Mattel executives interviewed with major television outlets and newspapers including CNBC, CNN, ABC, *USA Today*, *The Wall Street Journal*
- Toll-free numbers set up by public affairs for the magnet, lead paint and Fisher Price recall to speed the delivery of information to consumers

The media can and will break a story with incomplete or inaccurate information. This happened to Mattel before the Consumer Product Safety Commission made the official safety announcement. In response, Mattel's

communications team reached out via email to the many reporters who needed fact checks or information clarified. Blogs were also monitored although not responded to directly. Media calls were answered 24/7, striving for a near 100 percent response to media requests.

Following the recall, Mattel was ranked in the 2008 *Fortune's* 100 Best Companies to Work For. The editors stated, "The toy giant returns to our list after a hiatus of ten years, with CEO Bob Eckert getting kudos for quick and responsible actions in recalling defective toys from China."

The lead toy recall isn't over. In fact, from January through June 2008, more than 50 recalls of over a million products was still underway. The vast majority of those recalls are children's products. However, none of these toys are Mattel's.

Ok, lesson learned. Brand Matters. So, how do you begin building your brand?

### *Five Critical Decisions in Creating a Brand*

Determine what makes your business a worthwhile enterprise. What your company stands for and the need your company fulfills, not necessarily what it makes or sells. This approach needs to:

- Impact behavior of the organization
- Focus upon the need it satisfies, not what it sells
- Reflect the core competencies of the organization

- Make the business endeavor a noble cause

Southwest Airlines is in the business of freedom. Starbucks is in business of creating community. Disney is in the business of creativity and magic.

A three-part positioning strategy provides direction to align the organization in a way to deliver on that promise.

1. Select the most lucrative target for the brand.
2. Define the brand's correct competitive frame of reference.
3. Identify the brand's single most compelling benefit.

Presenting relevant features to a well defined audience is the foundation to brand positioning. A brand is brought to life through attributes that create an emotional connection and enable consumers to relate to the brand.

4. Establish the Brand Character. The Emotional Benefit. Select character traits that make the brand the most likable and appealing in its category frame of reference.

5. Create a Brand Club. An Ego Benefit. People do not buy brands – they join them. It's cool to have white wires hanging from your ears. Carrying a cup of coffee with a green logo says "you have arrived." A relevant brand targeted to a specific audience creates a sense of community - users will be flattered to belong. Done right, consumers

become ambassadors for the brands they like that attract others they like.

### *A Case Study: Madonna*

Martha Stewart, Donald Trump, and Oprah. Each has successfully expanded what they stand for well beyond their initial debut – now serving as consumer advocates, reality TV stars, or household names to describe aspirational lifestyles. The return on their efforts – expanded business categories and continued growth and profits.

A classic case of brand management, whether you personally like her or not (you may not be in her brand club!), is rock star Madonna. An iconic brand, Madonna burst on the music scene in 1983 as the ultimate Material Girl, wearing outlandish clothing and covered in clunky crosses. She created a storm of controversy and her career took off. 1989 brings the song "Like a Prayer." Madonna's bad girl image is condemned by the Vatican, and she lost her contract with Pepsi-Cola.

Pushing the envelope even further, Madonna embraces her sex goddess image with the Truth or Dare tour in 1991, followed by the book "Sex" and her "Erotica" album. By 1998, she has reinvented herself again as a spiritual being with ties to Kabbalah and having her first child. By 2003, she embraced the Mommy track, writing a children's book and having another child.

Ironically, her next tour is called "Re-Invention."

### *Best Brands Take An All-Hands Approach*

How a company manages its brand day-to-day separates the strong and sustainable brands from the brands that never reach their potential. The Container Store is a great example of a holistic approach that aligns the organization behind a clear brand promise, holds all areas accountable, and encourages collaboration to build relationships. Garrett Boone, Chairman Emeritus, and Kip Tindell, Chairman & CEO had a company vision to simplify their customers' lives and have remained committed for 30 years to communicate it clearly in the organization from the executive teams down to the store level. The result - visit any Container Store and the experience is the same. Company tracking shows strong relationships with all audiences: vendors, customers, employees, and the communities they serve.

The American Marketing Association says "strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity." These concepts and techniques are designed to improve the long-term profitability of the brand strategies. The Container Store gets it.

Bottom line is that everyone in the company is responsible for the brand, from the dock clerk to the CEO.

Do you have a Chief Brand Ambassador at each location? How would your procurement department articulate

their role in delivering your brand promise? How would your IT department, your custodians or the controller articulate their role?

To consistently position your organization to deliver on your brand positioning requires every functional area to define their work in new terms – how to build trust and value with customers by fulfilling the brand promise.

Keep in mind, the ante into the game of brand building requires a retailer to enable all employees to consistently deliver on the basics:

- Greet customers at the door, make them feel welcome.
- Make sure there is sufficient staff available to meet the service levels expected by your customers, either answering questions or helping them locate merchandise.
- Have well-trained staff to know stock inside and out and provide solutions to your customers' problems – it is why they came to you in the first place.
- Be sure staff are informed of processes to provide alternatives if a product is sold out or unavailable.
- Thank customers for shopping at your store – across multiple brand tracking studies, a primary satisfier across all industries is "appreciation for my business."

### *Got Brand – Now What?*

Companies are not always faced with the scale of crisis that Mattel recently experienced. However, crises are a fact of life and just as important as avoiding a crisis, organizations need to

be prepared to effectively react when they do happen. Without solid brand management practices in place, the impact of a crisis on a company's brand can be immediate and sometimes fatal. Reputation management monitors the reflection of the brand created by all actions - communications in both the media and through human interaction.

Forward-thinking companies strategically strengthen their reputation through pro-active corporate social responsibility (CSR) programs. With the interests of society top of mind, organizations use CSR programs to take responsibility for the impact of all aspects of their operations on customers, employees, shareholders, their communities and the environment. This goes beyond their obligation to comply with regulatory requirements to voluntarily operate their business in ways that improve the quality of life for everyone their company or products touch.

Whole Foods Market exemplifies a company that lives and breathes its brand. Their CSR program is comprised of brand-aligned initiatives including animal welfare, green action initiatives, organic agriculture, the genetically engineered food debate and sustainability. They have established foundations that monetarily support their programs and beliefs. These programs all adhere to the Whole Foods brand promise made to its customers. In addition to building the brand, a credible, publicized CSR program can bolster a company's reputation and protect its brand during tough times.

### *A Crisis Does Not Allow For Mis-Steps*

What separates crisis survivors from "death by crisis" is consistent communication, messaging and "walking the talk." Unfortunately, it's the threat of the media getting involved that prompts many companies to get organized quickly if they don't have a plan. While each situation is a bit different, there are common, basic steps to be considered in reacting to a crisis.

1. Compile a list of key audiences that need communication directly from your organization. Think broadly – media (trade, local, regional and/or national), customers, labor unions, employees, suppliers, stockholders, community organizations that the company supports, industry trade associations, governmental leaders/organizations, distributors, etc.
2. Create a maximum of two to three key messages.
3. Develop a list of questions that could be asked, including questions that are difficult to answer.
4. Compile a complete Q&A document that incorporates the key messages with the anticipated answers.
5. Determine the best spokesperson for the level of crisis. The CEO is not always the best choice.
6. Monitor the Web – industry blogs, financial chat groups, YouTube – any site that you know will have activity about your company or brand should be closely watched.

7. Determine whether you will be pro-active or reactionary. You have more control of your message in the offense mode. Mattel chose an offense mode while Metromedia chose a defensive mode.
8. Always start "at home" with your employees. They are your most valued Brand Ambassadors.
9. Walk the Talk. A company must do what they say they are going to do, no press release or speech means anything unless a company delivers on their message. Window dressing only undermines a company's good intentions and assuredly will back fire.
10. Take responsibility. Transparency is a part of today's environment and trying to hide or "spin" a message can undermine the brand integrity. Broken trust takes time and extraordinary investments to regain.
11. Timing of communication is critical; communicate quickly and clearly when at all possible.
12. De-brief on key learnings and make short and long-term recommendations.

Going back to our example of Starbucks, how could one of the country's super star brands have better protected its brand during the July 1 announcement that it was closing 600 U.S. stores and eliminating about seven percent of the company's work force worldwide? Employees and customers were taken by surprise and left waiting for weeks to know if "their store" would close.

*Lessons learned:*

Angst causes confusion and defecation. Communication is the cure. While the timing was off, Starbucks did take responsibility with a letter on the web site explaining current difficulties to "poor real estate decisions that were made, coupled with a very troubled economy." Kudos to Starbucks for being honest and acknowledging that they made a few poor decisions. The letter by CEO Schultz was a well balanced message showing concern for the employees that were being terminated with a positive viewpoint and commitment to improving the customer experience. However, this communication was not as timely nor did they communicate relevant details of how employees will receive information about layoffs and store closings.

*Coming Full Circle*

So how does a company build and protect one of its most important assets, its brand? To paraphrase the Boy Scouts - "Be Prepared." Whether that means monitoring the manu-

facturing process so that it complies with safety standards or keeping a finger on the pulse of the in-store experience. Being prepared means having a plan, a compelling message, speaking consistently and "walking the talk." Specifically:

- Embrace your brand as a core asset, critical to business success. Define it well and clearly.
- Take a 360 degree approach to position your organization brand to consistently deliver the brand promise and build valuable relationships with your target audiences.
- Invest to protect your brand with CSR's and being prepared to react quickly and appropriately for when "stuff happens"

The best brand management practices take a holistic, 360 degree approach to brand management, and as the saying goes – what goes around, comes around. In this case, your investment in branding brings future growth and profits.



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