Discussion with Jean-Noël Kapferer

Reconnecting brands to business

Branding

Brands are increasingly becoming a priority issue for top management. Nowadays there is awareness that brands are among the few assets that are indeed proprietary to a company, where as any other competitive advantage can be copied within six months. Jean-Noël Kapferer, Professor at HEC in Paris and author of the highly acclaimed best-sellers 'Strategic Brand Management' and '[Re]inventing the brand', discusses the brand challenges that many blue chip companies are facing, with Roger Peverelli, partner of VODW Marketing.

Jean-Noël Kapferer at Leusderend: "I feel that the brand world has fallen in love with itself. It has become a closed world, with its own concepts, forgetting the essentials of value creation."

To be a board member today is to worry. Worry about profit and loss, worry about balancing fixed costs and expansion strategies against quarterly market expectations. Although difficult, these are tangible problems with tangible solutions.
However, today's board members must now also worry about the thing that is the least tangible, least black and white, and most vulnerable to any misstep on their part: the brand. 'A company like Unilever has decided to dramatically reduce the number of brands. Should we do the same?' 'Our brand is the emotional connection consumers have with our company. How do we secure a single consumer experience across all touch points?' These issues illustrate that today's board has to deal with brand management in a way that past generations never did. This is no longer a task that can be delegated to the marketing director or the head of advertising.

Kapferer: "There is more talk about brands now than ever before. I guess at least one book on brands is being published per day, either in Europe or in the USA. This certainly means recognition of the fact that profits are increased by strong intangibles. All Japanese companies look up to Sony despite the fact that, compared to for instance Toshiba, Sony is a small company.
All stores in the west want to list Sony. Sony is associated with tangible benefits but also with highly intangible evocations, something the Toshiba brand lacks."

Brands drive business

Peverelli: "Most branding efforts focus on brand positioning in terms of differentiation vis a vis competitors, and therefore usually result in a two dimensional matrix.
Too little consideration is given to what factors determine the business value of the brand - which brand perceptions drive purchase preference?
There should always be a clear link between building brands and building business. A truly strong brand results in a better bottom line and thus in year-to-year growth.
The time has come to reconnect branding models with business models."

Kapferer: "I feel that the brand world has fallen in love with itself. It has become a closed world, with its own concepts, forgetting the essentials of value creation. It is good to have an integrated view of brands to remind us of one basic truth: brands are conditional assets.
All lawyers know that a trademark cannot be registered unless there is a product and a business process based on this product. It is important we recognise that there is no brand without business, but there can be a business without brands.
When Phil Knight first met with distributors, Nike was not a brand. It was a name on a box of sneakers and on the business cards of Mr. Knight and his sales force.

Business comes first. Subsequent building of the brand can help the business by creating brand recognition and image, which in turn become a competitive advantage. It also creates a barrier to entry. In my new book called 'The new Strategic Brand Management', I have based much of the reasoning on a closer bond between the brand and the business. A brand that does not deliver profits cannot claim it has any value.
It is time to make consumer brand equity measures and financial brand equity measures converge. At last."

Living the brand

Peverelli: "In services companies in particular, and also in product companies where service is an essential part of the product, the brand values have to be proven in day-to-day contact with consumers. Brand values should be the single most important design parameter of every customer contact process.
Unfortunately, implementation of brand values is mostly limited to corporate identity and advertising. That money goes to waste as soon as a consumer calls in and is disappointed."

Kapferer: "In the banking sector, do brands create value or inherit value? I think the latter is true. Brand image is built through a succession of contacts with the company through all its media: staff, call centres, internet, advertising, brochures, mailings, products, ratings, publicity, sponsorship, etcetera. All this gets stored in consumers' long term memory under the 'brand X' peg, and meets older evocations like 'my father used to go there too' etc. This reminds us that brands are built from the bottom up. From a consumer standpoint, they go from the experience to the essence. Certainly, in the managerial process we move from the top down, first asking what is the essence of this bank, its core identity, what makes it different from all its competitors over the course of time, but unless this identity is activated at point of contact, it will never become an experienced reality for its clients. This is why companies spend tons of money and time on programs to empower all employees, including sales persons, call agents etc to make the brand tangible. They are right."

Changing communication patterns

Peverelli: "Media consumption is becoming more fragmented and communication is becoming more interactive. This has far-reaching consequences for how brands present themselves and relate to consumers. The consumer will play an increasingly large part in building the brand: there should be room for them to complete or augment the brand message and give it their own meaning. Consequently, brands should have multi-identities and re-invent themselves with constant innovation. That is easier said than done."

Kapferer: "The biggest challenge facing many brands for tomorrow is, that they will no longer be able to access TV. The rising media costs compete against the rising demands of mega distributors who launch their own private labels, thus restricting the shelf space devoted to brands. They will have to invent new brand building models. The benchmark of Napster or Ebay, the only e-brand to have been profitable from year 1, is useful. We shall have to rely much more on interactivity, CRM, and on publicity too, from the moment we launch the brand. This is why innovations are so necessary: not only do they recreate a competitive difference vis-à-vis competition, and gain pockets of involvement with specific targets, they also provide news with which the grapevine, the press and other media can be fed.
Market share is built client by client, target by target, service by service."

"Apparently there are local jewels that are worth preserving."

Reducing the number of brands

Peverelli: "Because of the rising media costs, companies are increasingly focussing on reducing the number of brands, mostly to create synergies and for increased efficiency in advertising budgets. As a result, many local, authentic brands are disappearing. Recent re-introductions, for instance the Volkswagen Beetle, the Mini Morris and Puma, are proof that these brands often have more staying power than anticipated. Companies need a much better understanding of the underlying brand equity and the opportunities and timing of (re-)activation.
Moreover, the remaining brands tend to focus on retaining their core values and brand essences, while they really need to focus on being dynamic and continuously relevant."

Kapferer: "Companies are certainly recognizing that there are strong threshold effects. This is why Unilever, for instance, wants many of its brands to become global mega brands, worth over a billion dollars worldwide. To achieve this situation, one has to kill many small brands. Caution should be exercised however. Consider what BP did, in deciding to keep Aral in Germany. Apparently there are local jewels that are worth preserving." «

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