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Integrating brand management and corporate strategy

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ALL companies emphasise the importance of marketing in general and branding in particular. However, while there is a lot of rhetoric, the truth is that in many boardrooms, marketing continues to remain on the sidelines. As Dr Erich Joachimsthaler, a leading brand management expert put it recently, "Look at the US, or Europe, how many marketing-trained CEOs actually exist outside of the consumer products companies? So there is a long way to go before putting the brand and marketing into the boardroom." (as quoted in *The Hindu Business Line*, February 17, 2005.)

In the past, branding remained isolated from corporate strategy. Good branding meant a well-designed logo, a clever ad campaign or a large ad budget with glitzy commercials during television broadcasts of the Olympics, cricket tournaments or popular soap operas. But today, management of the brand is far more encompassing, extending to customer service, packaging and quality and other areas that go well beyond the purview of advertising.

Traditionally, most heads of marketing have come from an advertising background. So they do not have the skills to handle the branding job. "Most CMOs (Chief Marketing Officers) in position today cannot really articulate or have the breadth of vision — and it is also extremely hard for them to have the breadth — as marketing has become multi-faceted today, it's no longer a simple trick," according to Joachimsthaler. (As quoted in *The Hindu Business Line*, February 17, 2005.)

In today's business environment, the traditional approach to brand management needs a total reorientation. Brands must be viewed as strategic assets. Brand management must be integrated into corporate strategy. A strategic approach to brand management, among other things, calls for top management involvement, cross-functional approach, building trust and discharging social responsibility.

Sustaining strong brands calls for the active involvement of the top managers. Take the case of Dell. Senior marketing executives of Dell and top officials from the company's advertising agency, BBDO, had worked hard on a new advertising campaign. They thought they had a great tag line, `Dare to question,' and submitted the plan to Chairman Michael Dell and Chief Executive Officer Kevin Rollins. To their surprise, the top management raised awkward questions and rejected the proposed campaign. Dell and Rollins demanded a new campaign that would highlight what they had been hearing from many consumers - increasing frustration with technology products and difficulty in finding solutions to their problems. The two leaders wanted a message to address the frustration many people faced while getting their PCs to perform properly. The marketing team then came up with a new approach: "You know better. Dell knows how." The ad campaign finally began in May 2004.

Like Dell, the top managements of many other companies today are realising they must personally get involved in brand management. This not only ensures that brand management gets the kind of quality attention it deserves but also facilitates a cross-functional approach.

Again, consider Dell, which has revolutionised PC marketing with its direct model. Dell has built its brand around the consumer by attaching greater importance to customer service and better pricing and value, as opposed to advertising. The direct model, which revolves around its super efficient supply chain management, has supported the brand. That is why despite spending only a fraction of what competitors splurge on advertising, the Dell brand is so strong and inspires the confidence of customers.

Good customer care also drives the branding strategy at the US airline, JetBlue. Some 60 per cent of JetBlue's new passengers come by word of mouth. From the time customers call to make reservations to the time they collect their baggage from the conveyor belt, many things can go wrong. JetBlue goes all out to ensure that there are no long lines at check in counters. The airline does its best to prevent cancellation of flights. In the rare instance that JetBlue needs to cancel a flight (it cancelled only one out of 30,000 last summer), passengers get a round-trip voucher for a future flight. At JetBlue, customer service is an absolute obsession. CEO David Neelman personally walks the aisles during a round-trip flight once every week. He shakes hands with passengers, serves drinks and snacks, and gets feedback on JetBlue's service.

Another example of a company which has for several years now been pursuing a cross-functional approach to brand management is Procter & Gamble (P&G). This global consumer goods marketer knows that better brands come about because of innovation and continuous improvement throughout the company's operations and activities. The company has competed successfully by periodic product innovation and by steadily lowering manufacturing and distribution costs. In organisational terms, different functions such as R&D, purchasing, manufacturing, logistics, finance, marketing, sales and human resources have pulled together and played a critical role in the success of well-known P&G brands like Tide detergent, Crest toothpaste, Pantene shampoo and Pampers diapers. In many cases, P&G has looked at the price customers are willing to pay and then worked backwards to build the right product. This would have been impossible without a cross-functional approach tightly overseen by the top management.

The strength of a brand is linked to the trust it can inspire among customers. HDFC is a good example. In an industry where the borrower had always been looked down upon, HDFC made the customers comfortable and earned their trust. Recently, HDFC announced it might offer lower interest rates in case of builders who sell flats on carpet area basis instead of confusing customers with built-up area figures. (Built up area can be 30-40 per cent more than carpet area which is the effective space available to the dweller.) HDFC has also paid a lot of attention to understanding customer needs. HDFC's current message is "We understand your world." As a result of the trust it has been able to build among customers, HDFC has created brand awareness through word of mouth with little advertising. The strength of the HDFC brand has facilitated the entry into new areas like banking without diluting the parent brand.

Consider Infosys. Far more than technological capabilities, it is the Infosys brand name which makes customers all over the world comfortable doing business with India's most admired software company. Like HDFC, Infosys does not spend much on advertising. But it has been able to gain the trust of customers due to its refreshingly transparent way of doing business, commitment to ethics and meritocracy and the larger than life image of chairman N. R. Narayana Murthy.

Another area where brand management and corporate strategy are getting intertwined is social responsibility. The success of brands and the premiums they command have given them a high visibility and put them at the centre of public attention. So, companies that own powerful brands are being closely watched by governments, NGOs and social activists. If these companies are not perceived to be discharging their social responsibility, their brand image may be tarnished. This is especially so in case of brands with a strong emotional appeal and less functional value. When activists feel that the company has behaved in an irresponsible way by misleading customers, and start protesting on the streets, the brand image can take a severe beating. Recall the pesticides contamination issue involving Pepsi and Coke a couple of years ago. So the more aggressive the company's branding efforts, the more it must do to be perceived as being ethically correct. They must not issue any misleading advertisements. A great degree of transparency is also desirable. Excessive aggression, which is a major temptation in today's world of intense competition, must be avoided. That calls for serious, constant introspection on the part of the top management.

Consider Microsoft and Wal-Mart, two of the most powerful corporate brands in the world today. Both have been under attack for their aggressive ways of doing business. This has forced them to take a second look at the way they do business. Much of the focus of Microsoft's CEO, Steve Balmer, in recent times has been on reshaping the company's culture from that of an aggressive start-up to a mellowed, mature, industry leader that customers can trust. Chairman Bill Gates is also contributing in this regard through his various philanthropic initiatives. Similarly, Wal-Mart has been working hard to revamp its image following concerns that its aggressive expansion has resulted in the closure of local departmental stores and driven down pay for unskilled workers. Both companies are now investing heavily in discharging their responsibilities to the community and reshaping their image.

The importance of brands has increased in the past decade. The challenges they face and the environment in which they operate have also become more complex. Under these circumstances, a strategic approach to brand management has become imperative. CEOs need to be involved in brand management in a more hands-on way than ever before.

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