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BEST BUSINESS BOOKS 2014: MARKETING

Brand Diving

BY CATHARINE P. TAYLOR

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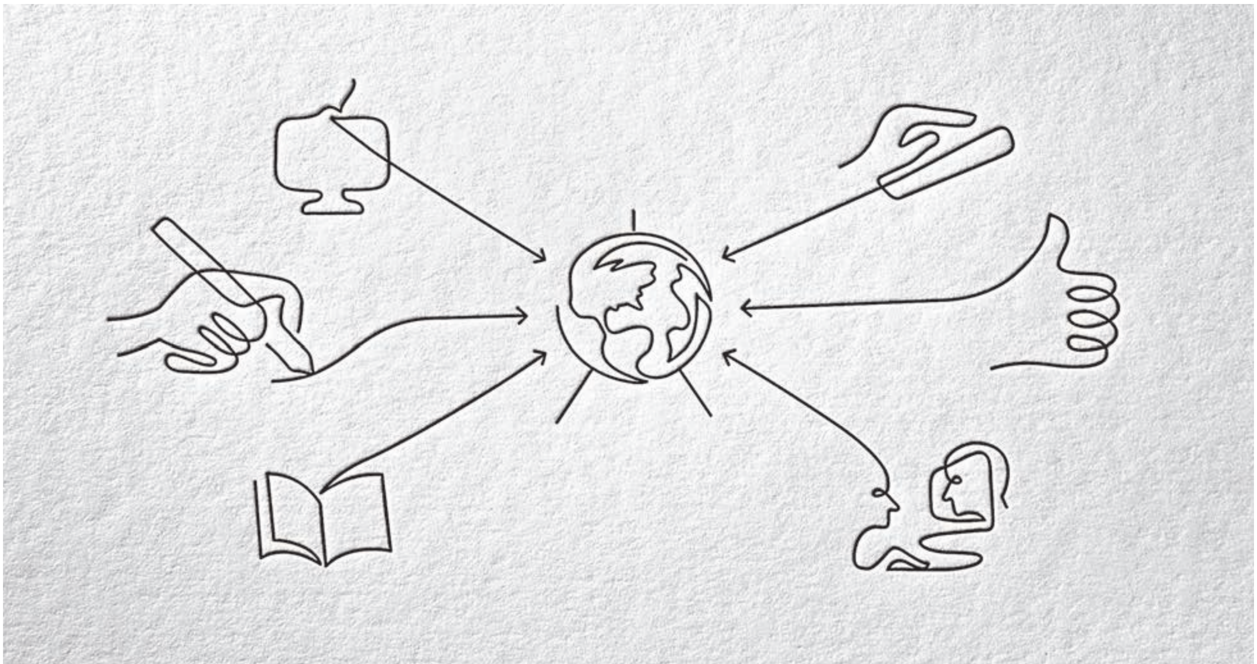
Marketing

Niraj Dawar, **Tilt: Shifting Your Strategy from Products to Customers** (Harvard Business Review Press, 2013)

Barry Wacksman and Chris Stutzman, **Connected by Design: 7 Principles for Business Transformation through Functional Integration** (Jossey-Bass, 2014)

Tim Halloran, **Romancing the Brand: How Brands Create Strong, Intimate Relationships with Consumers** (Jossey-Bass, 2014)



Brand Diving

by Catharine P. Taylor

THE DISCIPLINE OF marketing is slowly, but steadily, evolving in response to the fragmentation of media, the digital empowerment of consumers, and, particularly, the shrinking attention spans of target audiences. Across nearly every demographic, people spend less time on—and have less patience with—marketing messages. They're not just tuning out and fast-forwarding past ads, they're also paying for services such as Netflix that don't include any marketing at all.

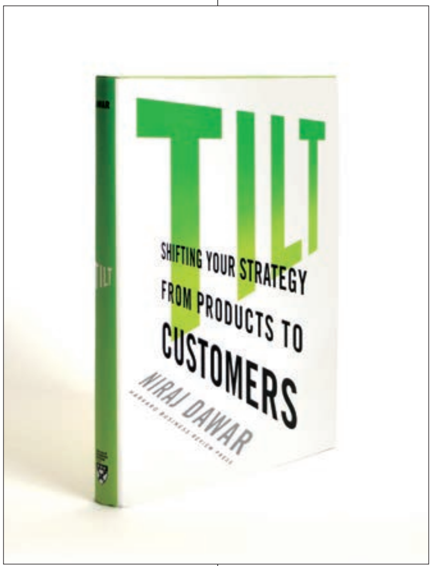
This is why there is a growing conviction among marketing professionals that the brand experience is becoming the essence of their discipline. It's also why this year's three best business books on marketing—not one of which has the *m* word in its title, by the way—are about deepening a brand's relationship with its customers in ways that penetrate well below the surface transaction. Each articulates a different way of achieving this, and they even differ in their rationales for doing so, but the imperative is clear: If you aren't doing it already, marketers, the only way to score is to go deep.

Paddling Downstream

In *Tilt: Shifting Your Strategy from Products to Customers*, Ivey Business School professor of marketing Niraj Dawar provides the much-needed context for *why* companies have to view satisfying customers as paramount. His argument is one that should make executives across the entire enterprise take notice.

Dawar sets up a dichotomy between upstream value, "the value-creation activities related to production and products," and downstream value, which is created "where companies interact with customers." Most companies still put most of their emphasis on the upstream, but they need to tilt their efforts (and their organizations) downstream.

The upstream, argues Dawar, is no longer a wellspring of competitive advantage; those days, which date back at least to the Industrial Revolution, are over. In a time when just about every IT behemoth is outsourcing some of its programming to India, and every major clothing retailer can find cost efficiencies by producing clothes in China or Mexico, competitive advantage in the upstream is, at best, incremental and short-lived. "By now, your business knows what it takes to make and move stuff," Dawar writes. "The problem is, so does everybody else."



Upstream efficiencies must continue to be realized, but they are no longer going to yield the competitive advantages they once did. Thus, it is mandatory for companies to focus on the downstream; they simply have no choice but to seek competitive advantage in how they interact with customers. Toward this end, Dawar says the first thing companies must ask is, Why do our customers buy from us rather than from our competitors? The specifics of the answer differ for every company, but at a higher level, the right answer will always lie in minimizing the costs and risks that customers incur by doing business with you (see "A Step-by-Step Guide to Winning the Customer," by Niraj Dawar, *s+b*, Spring 2014).

Dawar cites Hyundai, for example, which came up with a brilliant response to the major slump in car sales that followed the 2008 financial crisis. (He notes that Hyundai saw its U.S. sales drop by 37 percent, and it certainly was not alone among carmakers.) As its competitors made the usual downstream adjustments, mainly price incentives, Hyundai realized that the real issue for consumers wasn't price—it was the risk of taking on a big, new financial obligation while the economy was in a tailspin. The company minimized this risk with Hyundai Assurance, a program that allowed car buyers to return their car, with no penalties, within a year of purchase if they suffered a job or income loss. Hyundai's sales doubled in the month the program launched. The carmaker outsold Chrysler, which had four times the number of dealerships, without having to reduce prices.

It would be reasonable to assume that Hyundai's competitors responded by offering similar programs, but they didn't. To Dawar, this anomaly points up an important nuance in leveraging downstream advantage: Most companies are better at assessing customer costs than at discerning purchasing risks perceived by the customer. Dealer incentives speak to cost, but they don't address risk. By focusing on risk, Hyundai gained a competitive advantage.

ICI, a maker of explosives used by quarries to blast rock, is another company that gained a critical competitive advantage by shifting its emphasis downstream. Finding itself in a classic commoditized price war, ICI took a step back and realized its products were just like Ted Levitt's famous quarter-inch drill bits: ICI's customers didn't want explosives (drill bits, and value produced upstream); they wanted blasted rock to sell to their customers (drill holes, and value produced downstream).

Since blasting rock is full of customer costs and risks, ICI decided to clear a path out of the price war by minimizing both. As with many of *Tilt*'s examples, it turns out ICI already had the solution at its fingertips. It had reams of data, which it had never shared with its customers, about how to ensure a successful explosion—essentially, a blast that produces lots of similarly sized rock.

Pooling this data and sharing it with quarries, along with making a strategic decision to base its pricing on blast outcomes rather than the explosives themselves, enabled ICI to drastically reduce its customers' costs and risks. ICI was no longer just another company selling explosives, explains Dawar, "it was in the business of selling a highly differentiated value proposition created by the application of engineering expertise, marketing savvy, and strategic acumen." Even better, this new approach delivered a cumulative advantage: "The more blasts ICI conducted, the more data it collected," adds the author.

"And the more refined its models and blasts became, the further ahead it pulled from its competitors."

I think *Tilt* is the best business book of the year on the topic of marketing because it paints a big picture that all company executives should consider. In fact, Dawar sees the upstream-to-downstream shift starting with the CEO, and then trickling down in a mind-set shift that spreads through the entire organization.

Building Out the Ecosystem

In *Connected by Design: 7 Principles for Business Transformation through Functional Integration*, Barry Wacksman and Chris Stutzman, executives at R/GA, a leading digital agency that has worked for Nike, Capital One, and Beats by Dr. Dre, recommend pursuing functional integration in order to create ecosystems that "succeed by nurturing ongoing relationships with the brand's most loyal customers." In short, they want companies to build interlocking products and (usually digital) services that add up to more than the sum of their parts.

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Wacksman and Stutzman describe how U.K. retailer Tesco created a smartphone app that lets its customers build their shopping lists by scanning barcodes on the products in their homes and turning those lists into online orders, or, in stores, into an aisle-by-aisle map. *Tilt*'s Dawar would likely peg this as an effective use of the downstream; and, like ICI, Tesco discovered that the service has upstream applications. The data gives Tesco better insights into how and what it should be offering, in addition to enhancing its ability to provide customers with more personalized shopping experiences.

The authors also point to high-tech "It Brands" such as Apple, Google, and Amazon as obvious examples of their ideas in action. More impressive, however, are the examples of how companies whose main thrust is not digital are using functional integration. These include brands such as L'Oréal, General Motors, Nike, and, in the book's most surprising example, spice industry leader McCormick & Company.

During the Great Recession, McCormick found itself in one of those commoditization struggles that fill the pages of *Tilt*, as newly thrifty consumers turned to less expensive generic and store brands. But the company also discovered functional integration, as well as an unlikely link between digital services and ground cumin, with FlavorPrint, an algorithm-driven recipe engine. Yes, there are many online recipe sites, but as the leader in spices, McCormick had an unparalleled knowledge of flavors that put it in a position to create a much more robust and effective recommendation engine. FlavorPrint works like Pandora, in that it suggests recipes based on your tastes. Tell the site that you like raw tomatoes and cheesecake, but dislike jerk chicken and black licorice, and it will begin to discern your palate, and suggest recipes based on it.

FlavorPrint was McCormick's answer to category-wide commoditization—a service with daily utility, which Wacksman and Stutzman identify as one of two core elements in a successful functional integration. (The other is context, which comes from figuring out how and when consumers want to interact with your brand.) And, they report, people who engage with McCormick online buy "upwards of 40 percent more" of its products than the average McCormick customer.

Think of it this way: If one of the dimensions of traditional advertising messages is frequency, FlavorPrint and the many other examples in *Connected by Design* suggest a new kind of frequency—a frequency generated by digital services that are used on an ongoing basis and that offer such utility that they imprint a brand preference on their users.

Love, Actually

In *Romancing the Brand: How Brands Create Strong, Intimate Relationships with Consumers*, marketing consultant and former Coca-Cola brand director Tim Halloran urges marketers to go deep, too, but in an appealing, old-school kind of way. By distilling marketing down to the metaphor of a romantic relationship in need of nurturing, excitement, and intimacy, Halloran doesn't have to rely on whiz-bang technological examples. Indeed, the ways in which digital technologies are transforming marketing barely make it into his book.

That's one of the book's strengths. Technology has so enthralled us that it can become an end in and of itself. Certainly, we've all seen online campaigns that seem to exist solely because a marketing team has fallen prey to the belief that being seen on a hot new platform equals relevance. Instead, argues Halloran, "it is only by keeping the consumers first, by making them special, that brands live up to the definition of a relationship." He develops this premise by having each chapter mirror a stage in a romantic relationship, showing brands first how to "Know Yourself," and then progressing onward to steps such as "Meet Memorably," "Deepening the Connection," and even "Making Up," when a brand has lost its customers' trust.

Halloran offers the repositioning of Powerade, a Coca-Cola brand that he worked on in the mid-1990s, as a case in point. The solution for the brand, which was running well behind the 88 percent market share of industry leader Gatorade, wasn't going to be competing head-to-head for the category's main demographic—athletic men ages 20 and older. Rather, the brand team targeted a younger demographic—athletic teenagers. "Linking the brand to the key emotional drivers of teen sports would be the way that Powerade would establish a relationship with these boys," Halloran writes.

The brand team achieved this by identifying 1 million top high school athletes (a feat that's even harder than it seems because this initiative was pre-Internet) and sending each of them a Powerade sport bottle and a coupon for the product itself. It was no small thing then for a high schooler to get a piece of mail, especially mail that his friends didn't get. The team also asked the athletes' opinions about everything from packaging to communication. Yes, Powerade was wooing them.

The brand team also wooed high school coaches with Powerade-branded equipment, such as towels, that they would receive if they agreed to install Powerade vending machines in their schools. The ethics of aggressively imprinting a brand within the corridors of high schools aside, this outreach to coaches and star athletes began to create an emotional connection. (It's hard to tell how effective this connection was; Halloran tells us only that Powerade's brand loyalty in the under-18 demographic "began to equalize" with Gatorade's.)

Of course, romantic campaigns are a lot easier if you have the deep pockets and unparalleled distribution of the Coca-Cola Company backing you up. So it's a relief to report that Halloran demonstrates how intimacy-enhancing marketing tactics apply to much smaller brands. Consider the example of Mamma Chia, a quirky health beverage "to be savored, not swallowed in great gulps," in which chia seeds are suspended in a fruit-flavored Jell-O-like substance. A tough sell.

The passion of company founder Janie Hoffman for her product and the chia seed won her distribution in the 40 stores in Whole Foods' southern Pacific region. But there was a catch: The buyer required that Hoffman herself educate, and establish the connection with, her potential customers. Otherwise the product would be "collecting dust on the shelf," the buyer warned, because the new brand didn't fit the traditional definition of a beverage.

So Hoffman set up tables in Whole Foods to teach shoppers about the product, give out samples, and more. "When a shopper showed interest," notes Halloran, "Hoffman enthusiastically told the story of the magnificent chia seed, why it was important to her, and how it could add meaning to the shopper's life." (Later, Hoffman employed "word of mouth ambassadors," but they had to be people who shared her passion, not just workers handing out the sample of the day.) Hoffman went on to be BevNet's 2012 Person of the Year, and Mamma Chia has since gained a slot in mainstream chains.

The Mamma Chia story is the centerpiece of the "Meet Memorably" chapter, which focuses on the first encounter between a product and a consumer. Not everyone can do this through the power of their personality, as Hoffman did, but Halloran uses the example to emphasize that making an indelible first impression matters, whatever the means.

The fact that this year's best business books on marketing use different lenses to highlight essentially the same message underscores the need to build deeper relationships with consumers and customers. In fact, these authors all seem to regard traditional mass advertising as almost incidental. It's not enough to sell products—you must find ways to embed your brand so deeply within your customers' lives that they come back to it, time after time. +

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