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Building a Better Brand

Giant companies know their brands are worth a fortune. The key to marketing your business is finding a timeless position and staying focused

by Steve McKee

Is Nike (NKE) a better shoe than Reebok (ADDDY)? Is Michelin (MHINF) a better tire than Goodyear (GT)? Who really knows?

Sure, each brand has their loyalists, and if you ask the executives at Nike and Michelin, I suspect they'd have reams of data to prove that their products are the best. But to the average shoe or tire buyer, are Nike and Michelin all that different from the competition? If you took all the brand indicators off both products, would you know which is made of longer-lasting material or offers better performance? In all likelihood, you wouldn't.

If that's the case, why are people like you and me willing to spend more for products from companies like Nike and Michelin? The answer, in a word, is branding. These marketers know that the huge investment of time and money they spend on their brands will make their products worth more in the marketplace. And they're right.

In *BusinessWeek*/Interbrand's 2007 ranking of the 100 Best Global Brands (BusinessWeek.com 08/06/07), the global value of the Coca-Cola (KO) brand was $65 billion. That's the brand alone—not the trucks, not the bottling plants, not even the secret formula. The same study says that the McDonald's (MCD) brand is worth $29 billion, and BMW (BYMOF) $21 billion.

ADDING VALUE

Most brands are a long way from being worth $21 billion. But all of them are worth something, and the better the branding efforts the more value a brand can add to the products and services to which it's attached.

So how does a company go about building a strong brand? Well, let's start at the top and take Coca-Cola as an example. If you and I each wrote a rational description of the Coca-Cola brand, we'd probably use different words, but our statements would be fairly close in meaning. The Coca-Cola brand is so well established in our minds that we could work backwards from it and come to essentially the same place.

But in the real world, people don't diagram the meaning behind brands. Instead, the name or logo instantly brings to their minds a perception built by years of branding cues. These cues include everything from product design to pricing to packaging, as well as all of the tools in the marketing communications toolbox, from advertising to promotions to public relations.

The trick for any long-term branding effort is to focus first not on the cues themselves but on the benefits they communicate. For Coca-Cola, the primary rational benefit is refreshment. For Michelin, it's safety. Master marketers take great pains to understand the context of the consumer purchasing decision, and then build their core competencies and market positioning around it.

TAKE YOUR POSITIONS

Much has been written about positioning since Jack Trout and Al Ries wrote a book on the topic more than two decades ago (*Positioning: The Battle for Your Mind*). In fact, if you read the Amazon (AMZN) description of their original work, you'll see it's cited by more than 100 other books. But positioning is not really a difficult concept: At root, it's simply the rational and emotional benefits people associate with a brand.

Gatorade (PEP) is the sports thirst-quencher. BlackBerry (RIMM) is a device that keeps you connected. QuickBooks (INTU) is the accounting software for non-accountants. The rational side of branding is not that complicated, at least in theory. In practice it can be more difficult, primarily because it's easy to confuse true positioning with a focus on features and attributes.

A couple of months ago I stumbled across an article about the Model T. It's rare to see one today, of course, but back in the early 20th century, Ford (F) cranked out 16 million of them. In the Model T's heyday, there was no such thing as power steering, speedometers, rear-view mirrors, seat belts, radios, heaters, air conditioners, and not even an automatic starter (imagine hand-cranking your car today).

Compare that with the last car you bought, which probably came with all of the above and possibly even an iPod (AAPL) dock, rearview camera, or satellite-based navigation system. New bells and whistles are great, but today's exclusive attribute is tomorrow's standard feature.

KEEPING FOCUS

BMW (worth $21 billion—remember?) understands this. As the company introduces new models, they inevitably include the latest and greatest features. But BMW doesn't attempt to build its positioning around run-flat tires or side-impact airbags. Instead, the company understands that in the automotive market there will always be a segment of buyers for whom the way a car handles and feels (and makes its driver feel) is the most important consideration. Performance is the benefit BMW has owned for decades, and the brand has kept its focus there even as the definition of performance has evolved.

As you evaluate your own brand's positioning, don't focus on features that will soon be co-opted by your competitors. Consider the primary benefits your brand provides and what they really add up to. Then examine the extent to which your positioning passes six key tests: relevance, simplicity, differentiation, believability, credibility, and defensibility (BusinessWeek.com 09/14/07).

If it's strong, your brand is likely to provide value for the long term as it guides not only your marketing efforts but decisions ranging from research and development to acquisitions. If not, you may need to reorient your operations to make it work or find a different hook on which to base your positioning. Either way, getting positioning right is the first step in creating a brand worth billions.

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