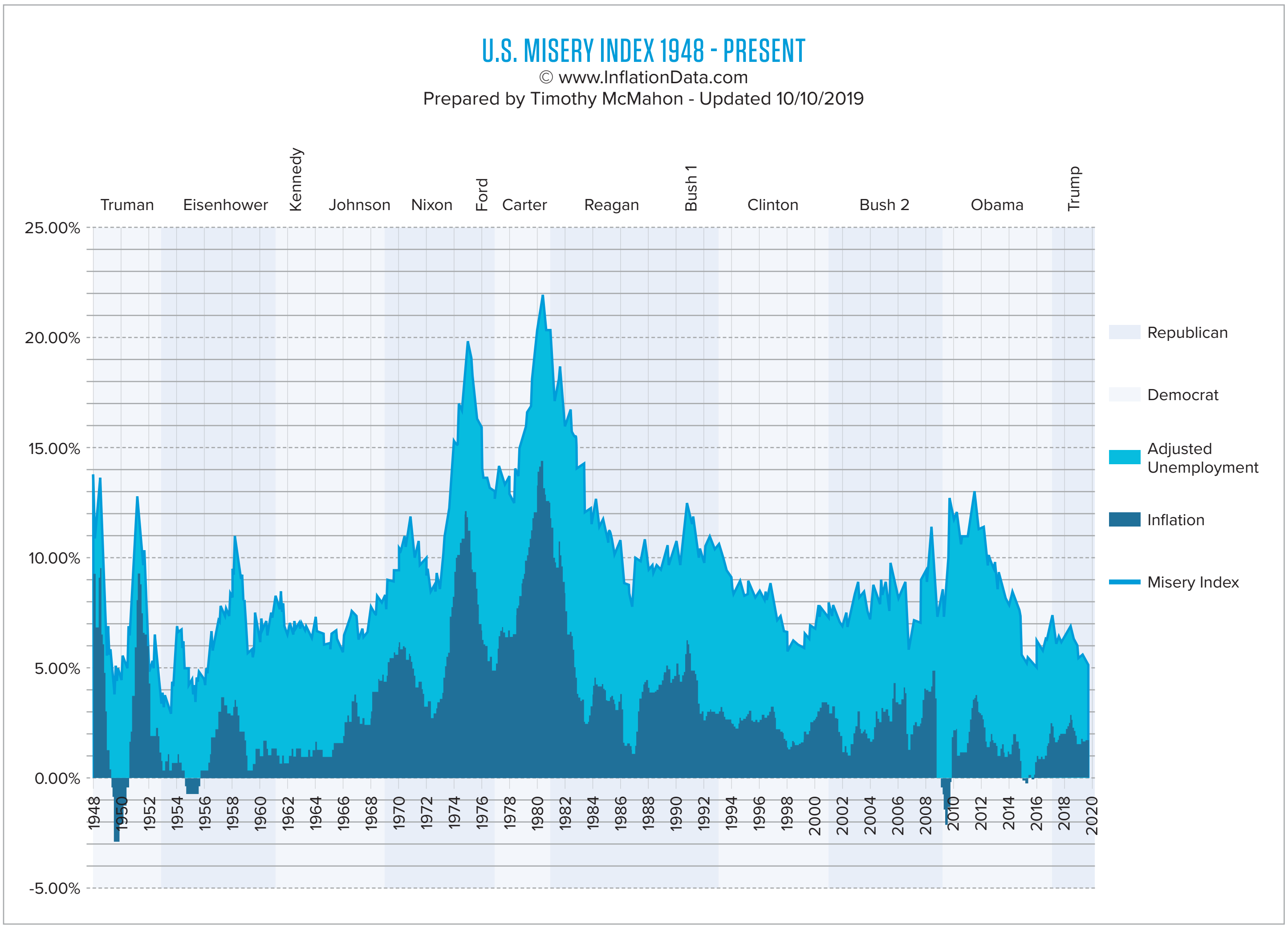
FOUNDATIONS TO BRAND SUCCESS
WHAT DOES "MISERY" HAVE TO DO WITH COMPANY?

TIMES ARE GOOD!

The American economy is booming, with unemployment low at 3.7% and consumer confidence high at 121.5. Given this, our "misery" index is at an all-time low of 5.5%, suggesting that, economically, we are doing pretty well.



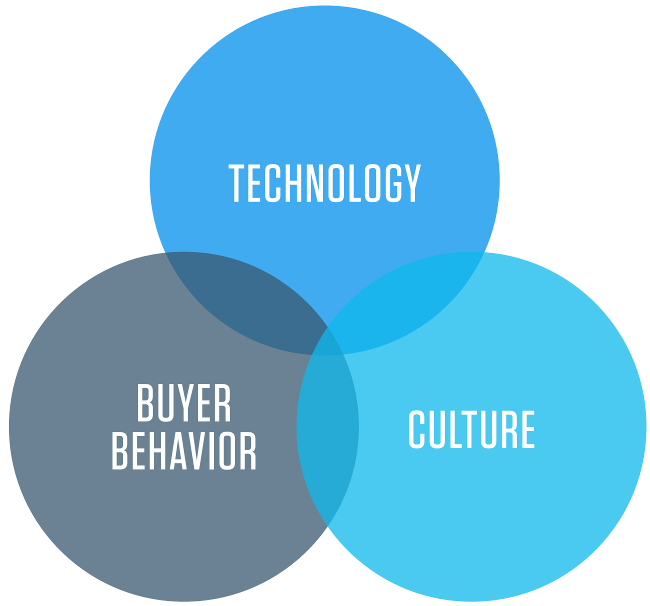
Despite these favorable economic conditions, Coca-Cola, General Electric, Gillette, and H&M, to name a few 50+ year-old brands, are seeing significant declines in their brand valuations, according to Interbrand's 2018 "Activating Brave" report. In other words, what made these brands great 50 years ago has changed significantly over the past 20 years. Here are some reasons why.

SOCIAL MEDIA'S BRAND IMPACT

Consumer opinion can kill a brand with one small tweet. The earliest example of this happened in 2007, when low-cost air carrier JetBlue found itself in the midst of a social media firestorm for leaving passengers stranded on airplanes for hours. Labeled the "Valentine's Day Crisis," the swift social media outcry made headlines and the brand, which marketed itself as "bringing humanity to air travel," faced a significant crisis. JetBlue was able to manage its situation, but what happens to a brand that can't?

BIG IS BETTER?

What were once smaller and/or more nimble new entrants, such as Amazon and Netflix, have become formidable challengers to legacy brands such as IBM and Coca-Cola. "Big" no longer equates to customer brand love and respect. If anything, younger generations have moved toward favoring smaller and more localized brands. Think of the impact craft breweries have had on the overall beer category. Currently, these breweries represent more than 13% market share and enjoy 4% annual growth, which is surprising considering that the overall beer market is down by 1%.



Technology, culture, and buyer behavior all are undergoing amazing transformations. Given this, new brands have an advantage and legacy brands need to adapt. Adaptation requires understanding major market changes in these areas.

TECHNOLOGY SHIFT – "PAPER TO DIGITAL"

Let's start with the elephant in the photography darkroom–Kodak. After being a household name for more than 100 years, the company declared bankruptcy in 2012. Long known and universally respected for innovations in film processing and state-of-the-art cameras, it was the arrival of new technology in the form of the digital camera that ultimately put the nail in Kodak's proverbial brand coffin. The irony is that Kodak invented the first digital camera. Unfortunately, what Kodak executives did not understand was that people wanted to see their "photos" on their TV sets versus in printed form. And since Kodak made money on film rather than technology, this new behavior did not bode well for the company.

From an industry perspective, many of us most likely can recall attending movie industry trade shows in the early '90s and watching the first digital moving images. Kodak's response to this innovation was that the technology would only be good for sports and special effects. "No one would want to see a feature film with pixelated images!" Fast forward to 2009; who would have imagined a movie like Avatar on film?

CULTURE SHIFT – THE DECLINE OF "BIG SODA"

Many people can remember a time when soft drinks were a part of every meal. They were inexpensive, refreshing, and, as the iconic television ad reminded us, made the world sing! Soda consumption skyrocketed from the 1960s through the 1990s. But during the last 20 years, sales of full-calorie sodas in the United States have plummeted by more than 25 percent, severely impacting several longstanding beverage brands.

What sounded the death knell for soda? Simply that what once was the mainstay of American culture now was considered unhealthy.

THE COLA EFFECT

The irony for Coke is that it started off as a health elixir! In 1886, Dr. John Pemberton, a pharmacist from Atlanta, Georgia, developed the syrup for Coca-Cola to help cure ills such as opioid addiction. But in 2019, this product is seen as the antithesis of the definition of good health, with many Americans blaming this beverage on our obesity epidemic.

> *"Consumer demand for healthier refreshment has negatively impacted the carbonated soft drink category. Thirsty consumers still like soda, but increasingly they have been reaching for healthier options like bottled water."*
>
> *– Gary Hemphill, Managing Director and Chief Operating Officer, BMC Research*

HOW DOES AMERICA'S SODA DARLING RECOVER FROM A CULTURAL SHIFT?

Recognizing this, Coca-Cola has scrambled to offer newer products better suited to consumer preferences. Coca-Cola doubled its individual products from **400 in 2004 to more than 700 in 2015**. From smaller sizes, to more diet offerings, to claims of "real sugar," Coca-Cola is treading water and reinventing itself quickly to stay relevant to the changing marketplace.

BEHAVIOR SHIFT – "TV WHEN I WANT IT"

Reed Hastings and Marc Randolph founded Netflix in 1997 as a DVD rental company setting its sights on larger video retailers like Blockbuster. But only 10 years later, audience interest in DVDs already was beginning to decline.

Today, Blockbuster is out of business and Netflix is a $100 billion content creator, challenging the likes of the Hollywood movie industry and mainstream TV. Rather than focusing on improving delivery of DVDs, Netflix decided to re-invent "entertainment delivery." The big problem at the time was that the technology needed to make this happen did not yet exist. With more than $40 million in development, Netflix launched its streaming service "Watch Now."

THEN — NOW

The company's ability to tap into cloud-based intelligence allowed it to change with the rapid entertainment needs of its audience, demonstrating why it is the perfect example of a brand that, according to Charles Trevail of Interbrand, has "reinvented itself before reinventing the industry."

WHO ELSE IS DOING THIS RIGHT?

According to Interbrands, in 2018 the brands depicted in the following chart were the fastest growing in the world. It is not surprising that these often completely unrelated businesses have a few things in common. To some extent, all have reinvented themselves in some form! Reinvention is more than creating new products. The "New Coke" introduced in 1985 was a clear example of a brand trying—and failing— to change itself through new product updates.

REINVENTION REQUIRES BREAKING AWAY FROM THE NORM

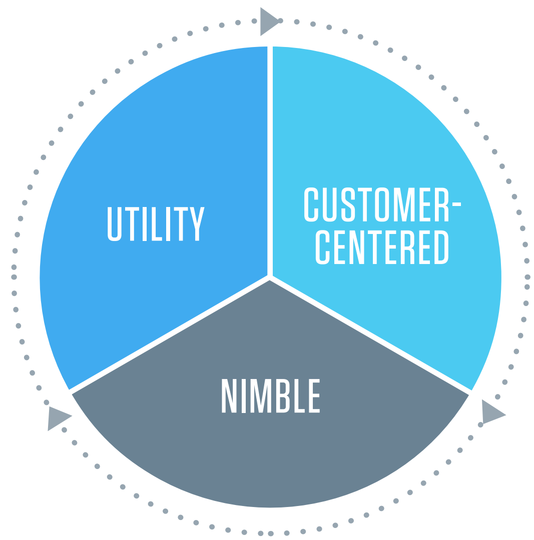
Let's face it—it's not easy to change something that has been working well for the past 100 years. For a brand to be truly relevant, we must stop thinking about offerings and focus instead on what consumers want (utility) and need (customer-centered) and do it quickly enough (nimble) to meet rapidly changing society expectations.

YOUTILITY

It is not enough to have "pretty" ads and spend lots of money on advertising. According to the father of "Youtility," Jay Baer, successful brands must provide a certain amount of "usefulness" to solve customer problems. Interbrand's 2018 report on "Activating Brave" found that brands using utility had a five-year growth rate of 14.3% per annum, compared to 2.3% for those that largely relied on storytelling. Amazon's customer-centric philosophy, for example, allowed a company that originally sold books to become the fastest rising brand this year, with consumers now going to Amazon even before Google to search for products.

CUSTOMER-CENTERED

Being customer-centric means more than just offering a good product. Brands need to incorporate their mission into a cultural way of life not only for their customers, but for their employees, too. A good brand DNA must impact each customer touchpoint, from employee engagement to customer experience.



Wegmans Food Markets epitomizes the customer-centric concept. Not only does it offer a superior shopping environment and abundant selection, but its employees are consistently cheerful and eager to help. Voted one of the "Best Companies to Work For" by Fortune magazine for 22 consecutive years, it's clear that Wegmans has successfully woven its brand into every faction of its customers' experience.

NIMBLE

Technology and social media change with the rising tide. It is important to recognize these shifts and respond. According to Interbrand, "luxury marketers" such as Gucci, Louis Vitton, and Hermès are the top-performing category this year, with 42% brand growth. These brands understand that, beyond their products, they offer the unmatched experiences and exclusiveness that high-end consumers crave.

CONCLUSION

We can no longer assume that brand strength is based solely on a strong economy. With the evolution of technology shaping our buying patterns and remolding our culture, large brands will need to find ways to be agile and courageous enough to reinvent themselves while, at the same time maintaining their connections to their customers' experiences.