

DISPATCHESTM

Insights On Brand Development From The Marketing Front

Sunday, February 24, 2008

A GOOD OFFENSE IS THE BEST DEFENSE

This week I participated in a communications conference in Paris. I served as a panel member in a discussion regarding the strategic role of marketing communications, and made a presentation on “Leading the Development of More Effective Communications.” During the conference I attended a presentation by Mr. Nenad Pacek, an economist and Vice President of Economist Intelligence Unit, a division of The Economist. I found Mr. Pacek’s presentation both intriguing and thought provoking so much so that I plan to subscribe to The Economist and would encourage you to do so too. This is a high compliment indeed since I, as so many of you, suffer from a deluge of information and reading material.

One of his points that caught my attention is the need for multinational companies to have two strategies – one for developed countries and another for emerging economies. He claims that growth in the developed countries such as the US and Western Europe is slowing significantly (beyond recessionary factors) while growth in emerging economies such as Russia, Poland, India and, of course, China, can be expected to exceed average worldwide GNP growth. Accordingly, he suggested that companies employ a strategy of “protect” in the developed economies and “growth” for emerging economies. “Protect” is another word for “defend.” It is about preserving what you have in terms of market share, sales and profitability.

All too often, however, companies will defend profits above their franchise base. They will cut spending, limit investment in R&D, cut back on services, dissolve communication support, etc. One merely has to observe and experience the activities of the American airline industry to appreciate the strategies and tactics employed in protecting the business. It’s not pretty. The heart of the franchise, namely customers, suffers. Who among you has not been turned-off by the American airline industry. We have been assaulted with rising fares (for example, a business class fare from Chicago to Europe has risen above \$7,500 with my “frequent flyer” airline), indifferent to non-existent services (like where’s my pillow?) and poor experiences (on-time arrivals continue to decline, planes are dirty), etc. That’s protection of the bottom line at the expense of loyalty of the franchise, or customer, base. That defense opens the field to new competitors. As an unrepresentative sample of one, I can say that I am booking more travel with competitive airlines, and so are my colleagues at BDNI. Given the lack of services and poor experiences from my “frequent flyer” airline (and the industry as a whole) price has become more important to me and us. (By the way, the miles I’m losing by flying another airline is of little concern since it is so very difficult and rare that I can use any of the nearly one-million miles that have stacked-up in my mileage account!)

This notion of protect or defend brings to mind American football. It is curious that many teams will employ a “prevent defense” in the final minutes of a game to preserve a lead in attempting to win the game. The “prevent defense” is all about protecting and defending the lead. It’s surrendering useless yardage to save the end zone. It’s giving up the middle of the field to protect the sidelines. (If the offense goes out of bounds before being tackled the game clock is stopped and, with it, the ability of the defense to manage the remaining time is diminished.) On the opposite side of the line of scrimmage the team with the football will execute their 2-minute offense, something that teams practice routinely, to exploit and overcome the prevent defense. Personally, I don’t subscribe to the “prevent defense.” The team on defense gives away too much of the field of play, in my opinion, trusting that they will prevail at the end, if needed, in the red zone (within 10-yards of the touchdown line, or end zone). The defense surrenders momentum and emboldens the offensive team. Take this year’s Superbowl contest, for example. The New York Giants beat the heavily favored New England Patriots within seconds of the end of the game.

One of the quotes many of us who are familiar with the sport will probably recall is, “The best defense is a good offense.” (It may have been the legendary Vince Lombardi, the late coach of the Green Bay Packers who first uttered this maxim.) The longer the offensive team can keep their defensive opponents on the field the more they wear them down. And, the more they wear them down the more they score and the more their opponent needs to score in order to win the game. Also, a good offensive team preserves the energy of their own defensive players putting them in a better position to stuff their opponent’s ability to score. Might having a good offense, or pursuing continued growth, make sense in developed countries too? Is pursuing growth the best way to protect the customer base by preserving loyalty?

The disposable razor market makes for an interesting case history. Gillette is introducing the Venus Embrace, the first 5-blade disposable razor for women. According to news reports P&G is supporting its US introduction with the highest ad expenditure in the history of marketing women’s razors. It also appears a lot of R&D resources and technology went into its development. The Venus Embrace has 35 patents pending or granted that cover the product’s technologies, designs and manufacturing processes. Kevin Powell, Director of Gillette Technology Center in Reading, England, designed jet engines for Rolls Royce and guidance systems for a British Ministry of Defense contractor prior to joining Gillette nearly 15-years ago. This doesn’t sound like playing “prevent defense” to protect profits. Instead, it appears to be a pretty strong offense to us – significant product development, meaningful branding support, talented personnel – to grow the business and profits over the long term.

We aren’t disagreeing with Mr. Nenad’s advice that there should be separate strategies for developed versus emerging economies. It’s what we protect and how we go about protecting it that is at the heart of this article. We think that the most important thing to protect is the loyal customer franchise base. And, the best way to protect it is by fielding a smart and strong offense.

BOATS & HELICOPTERS:

Here are some suggestions for strengthening your offense to defend, and grow, your franchise base:

1. *Segment your world* – Certainly, segment by geographic market. Richard Czerniawski

wrote an article titled “Cluster Marketing,” which was published in the Journal of Consumer Marketing more than 20-years ago. The principles in the article about investing based upon geographic potential remain true today, going beyond the US to encompass the world market. (If you would like to view it, please [click here](#).)

2. ***Segment customers*** – Don’t stop with geographic segmentation. We need to segment customers too. Develop new products and services that segment down as well as up the economic scale. Remember Japanese autos in the 1960’s and 70’s? We thought they were a joke when it came to quality. We perceived them to be cheap (as in inferior) not merely low priced. But look at them today. They got a toehold in the low end of the market while they continued to improve product quality and introduce new models. Today Toyota has surpassed General Motors as the number one automaker in the world. Okay so that’s segmenting up the economic scale (by the way, have you driven in a Lexus?). But they started at the bottom as many local companies are doing in emerging markets. They are starting at the bottom with “good enough quality” and them migrating north.

What about going down the scale? Companies like Unilever have introduced single-use packaging so lower income consumers can afford to purchase their products. Other companies have introduced lower priced, limited feature models to tap into lower income customers where they are currently unable to sell their higher priced, more sophisticated models that outstrip customers present day needs in emerging economies.

3. ***Seek relevant, meaningful differentiation*** – We need to make and keep promises to customers that are relevant to them and meaningfully different from competitors in order to drive preference and encourage switching to our brands. This requires sound strategic thinking, the art of sacrifice (we cannot be all things to all people) and the discipline to be single-minded. If we can accomplish this we give our brands an opportunity to stake a meaningful ***brand positioning*** and bulletproof them from competitive inroads while we continue to make inroads against the competition. If we don’t we will contribute to commoditizing our product leaving it susceptible to price inroads and dependent upon price promotion which undermines long-term brand health and the ability to sustain profitability.
4. ***Sell more products or services to current customers*** - You don’t have to grow customers to grow the business. Find new ways to tap into your franchise base with products and services that will appeal to your customers. Brands such as Neutrogena do it all the time to capture a greater share of their customers skin and beauty aid requirements. Soft drink marketers do it by introducing larger sizes, recognizing that if more product is in the home then more product will be consumed.
5. ***Trade-up customers to new, improved products*** - This is what the Gillette Venus Embrace is attempting to accomplish. It is another way to say obsolete your current offerings. And, because it is an advanced product, and a consumable, they will undoubtedly increase revenues and profit margins with each customer they trade-up from the Gillette Venus, no less convert from competitors like Schick. Delight them with the new, improved products with an experience that will have them waiting for the next upgrade (as in iPod, digital cameras or just about digital anything). (So do you have a Blue-Ray DVD player yet or a flat screen TV?)

6. ***Think outside your category*** – Too many companies have “hardening of the categories.” They box-in their thinking with artificial labels, most notably “standard of identity” which is the legal definition for the product. But tell us, what can you do with your cell phone? Is it merely a cell phone or is it a mini-computer? Do you download, store and play music on it? Are you able to surf the net? Can you retrieve and send emails? Text messages? If you can do any of these things then obviously you have more than a cell phone. This is about finding new uses for your products and/or services that blur categories. And, please, don’t think that this applies only to consumer electronics. Pharmaceuticals can seek new indications. Medical devices can do more things such as measure blood sugar levels and signal an insulin pump to release insulin. Consumer brands like Jell-O, well you know the Jell-O story. It’s about more than being just a gelatin!

7. ***Get smarter*** - Consider inviting Mr. Nenad into your organization to give a talk to senior corporate managers on the world economy and its implications. You can contact him at nenadpacek@economist.com. And as mentioned earlier subscribe to The Economist or at least pick-up a copy at the newsstand.

Protection suggests passivity. Being passive is not going to protect your market. It will make you more vulnerable to being blind-sided by competitors, particularly new ones emerging in the market who play by an entirely different set of operating rules (that don’t favor your company’s operations). Instead, remain active. Be aggressive. Stay on the offense. Use your strategic thinking capabilities to uncover new opportunities and/or new ways to approach the market to generate growth. Fire-up the product development pipeline. Support your efforts. Above all do what it takes to nourish your customer franchise base. Don’t neglect it to protect short-term profitability.

A good offense is your brand’s best defense.

Richard Czerniawski and Mike Maloney

Talking about getting smarter, check-out our Open Brand Positioning & Marketing Communications College program. It will be conducted on May 13 – 15 (Tuesday through Thursday) at the Orrington Hotel in Evanston, Illinois. This is the only Open BP&MC College program we will conduct in 2008. Space in the program is limited. For more information, or to register, please click below or call Lori Vandervoort at 800 255-9831 to guarantee your place in this program. Thanks for your interest and consideration.

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