INVEST TO BUILD EQUITY

*invest* (verb) – contribute effort to something to give it a particular quality
*equity* (noun) – the value customers bestow upon your product or brand offering

My home was built in 1892. That makes it 121-years old. (For those of you wise guys that’s a lot older than me!) It went up long before the 1st World War. Manned flight was still a fanciful dream. The automobile had not yet rolled off the assembly line. And packaged goods were staples wrapped in paper. Doctors were still blood letting their patients. And women did not have the right to vote. That’s really a long time ago. That’s really, really old.

Ah, but as old as she is, she’s a grand old dame. My home is a three story Victorian that has hosted many families over her lifetime, and undergone numerous facelifts. She has experienced many house paintings both within and without. The roof has been replaced countless times. The kitchen remodeled. The plumbing, and heating and cooling systems, repaired and replaced. A family room and deck have been added. The ballroom ceiling and walls have been festered with angels rejoicing from heaven by a noted artist. Yes, my home is beautiful and my family is most comfortable and appreciative to be living within her embrace.

As you can tell I, and my family, love our home. We have cared for her for nearly thirty of her 121-years. And she has sheltered us. It really is a symbiotic relationship. We invest in her and she repays us with a place we call home, and considerable equity. If we did not care for and invest in her she would deteriorate and break down. Everything deteriorates with time including brands.

Chances are high that you care for your abode as well. Every home, or apartment for that matter, needs, at minimum, upkeep. Things go wrong. Plumbing breaks down. Ceilings leak. Paint fades and flakes. A home actually requires considerable upkeep, particularly if it is as old as mine. If we don’t manage to upkeep our homes these problems get worse and create other problems for us (like a damaged ceiling from a leak in the bathroom above it). But there is more to a home than upkeep. We evolve our home by investing in home improvements to better serve our needs. Perhaps, we convert the basement into an all-purpose playroom so our children have a place to play hard (without destroying the adult living quarters). Or add a room, or deck, to give us more living space. Maybe we remodel the kitchen so it matches our lifestyle and adds to our quality of life.

There are things we have to do to maintain our home. Then there are things we do to improve it. There are things we do to maintain our brands. Then there are things we do to improve them. They require investment. But then if we care about them, and those they serve, then we’ll make
the required investment.

Here are some of the things we can do to maintain and improve our brands:

- **Preventative Care/Maintenance** – We have the heating and cooling system of our home checked by professionals twice a year. You probably do the same (or, at least, annually). Periodic maintenance is scheduled to make sure everything is working the way it is supposed to work and avoid potential problems. With regard to our brands we can prevent problems or detect them at an early stage in their development, before they get out of control, by intelligently applying marketing research. Sales and market share tracking is certainly a good start but it is far from being enough. We cannot afford to wait for a decline in either sales or market share to take action any more than we can afford to wait for a foot to crash through the flooring to alert us to a problem with termites. We need to be proactive and be on the alert for any issues that may arise or be festering. Therefore, we should invest in marketing research to gauge customer sentiments through the likes of Usage, Attitude and Awareness studies (or something similar) and/or avail ourselves to syndicated research. Also, we need to check our hypotheses to ensure that the actual stimulus material we develop, such as a promotion, will produce the results we need to generate with it before we run it. Importantly, marketing research needs to be about more than a snapshot in time. We are not talking about a one-time thing but a routine practice that is timely and alerts us to emerging trends within the category and with our brands.

- **Keep Up With the Times** – Times change. The kitchens of today are not the same as the kitchens of 1892. My home probably had a wood stove back when it was built. Today our homes have gas or electric ranges. In the U.S. the kitchen is one of the most important rooms for the family, and contributor to the perceived value of the home. If it is outdated then the perceived value of the home will be adversely affected. Similarly, we need to keep abreast of market developments and ensure our products and services are up to date. If there’s a better ingredient use it to replace what was previously considered the standard. If there is a service that’s needed then deliver on it. Ensure your product doesn’t become outdated. Don’t leave the door open for competition to overtake it. Take the lead in the “whole product” development (i.e., both tangibles and intangibles). And, perfect it for contemporary times.

- **Evolve the Brand** – At one time in the history of my home, the ballroom, which is on the third floor, was used as its name implies for gatherings. I understand that one of the many families who habituated this home used the ballroom as a salon where lecturers presented their ideas, and musicians shared their music. Today it’s my workout room. The use of the room has changed to meet our needs, the needs of a modern (and less intellectual and cultured) family. The brand, not just the product or service, but the brand must evolve to better serve its customers. We are talking about positioning the brand. This is being proactive to evolve the brand positioning when the rate of growth begins to diminish. However, if you have not invested in learning how to best position it until that moment when the rate of growth begins to decline then it will be too late. You will pass over the top of your growth curve and the brand will begin its decline. Investment might be undertaken for a clinical study to develop a new indication, development of a line extension, switch to new technology, development of a new campaign, marketing
research into alternate ways to evolve the brand’s positioning, a product improvement … among others.

- **Seek Quality in All Things** – In the Academy Award winning movie Moonstruck, the father of Cher (her character was named Loretta), played by the late Vincent Gardenia (who grew-up around the corner from my childhood home in Brooklyn, New York), owns a plumbing company. He explains to a couple, who need new plumbing for their home, the different materials for piping that are available from which they can choose. He mentions two and then with a flourish he proclaims, “then there’s copper.” Now, pipes are something contained behind walls. In other words, we don’t see them. They’re out of sight. Yet, he is suggesting that if they want to avoid problems in the future it is best to choose quality. Likewise, if you want to avoid problems, and provide real value, it is best to undertake and choose quality. By the way, the late Steve Jobs took pains to ensure beauty of design not just externally (what you could see in a Mac) but internally (what you cannot see) as well. He believed it was the ultimate mark of quality. There are many requirements that we marketers must fulfill that are conducted behind the scenes (i.e., outside of the view of customers) such as the development of the Brand Positioning Strategy Statement, creative briefs, marketing plans, etc. GIGO, Garbage In Garbage Out. While customers do not see the garbage then went into it these tasks they will see or experience the garbage (in the form of poor communications, lack of integration of marketing efforts, etc.) that results. Also, it seems that “Purchasing” (as in department and function) has taken a more prominent role in many large corporations. Their job is to squeeze suppliers for the lowest costs. And they are involved in selecting suppliers on the basis of cost. Yet many of those in purchasing are really ignorant regarding the quality (beyond superficial specifications) of service products and are really not in a good position to judge suppliers. GIGI, Garbage In Garbage Out. Moreover these same companies want their customers to pay a premium for their products but don’t countenance a premium for their providers (who provide added-value). If we skimp or don’t provide our very best effort then there is a real risk that what we produce won’t be competitive, ownable and/or enduring. It won’t contribute to building equity. Seek quality to avoid GIGO.

- **Generate a Pipeline of Ideas** – Have you ever heard of a “Honeydew” (as in the fruit) list? It’s “honey” (as in dear spouse) “do” (as in undertake and complete) this, honey do that. Sweet talk for all the things our spouse would like for us to do around the house. (I detest the term “honey do.” FYI, I do not have nor would I comply with undertaking a honey do list. I’ve followed the advice of Charles Revson, the founder of Revlon, who suggested that one pay others to do these things so that you may devote your focus on what’s important in your business life. In this way you will be amply rewarded to afford others to undertake these mundane tasks. Besides, truth be known, I’m not “handy.”) The fact of the matter is that we neither have the time nor can we afford to do everything we’d like or need to do with our homes. Resources are limited. It’s a persistent situation. We have to prioritize based upon some return, which could be related to quality of life or the perceived value of the home to a future prospective buyer. But that doesn’t mean we don’t or shouldn’t have ideas that will lead to significant improvements. It keeps the home and our brand at its healthiest. If we have extra money then we’ll … (what would you do?) to make our home more pleasing. Likewise we should have a pipeline of marketing ideas to enhance the real and perceived value of our brands. Importantly, we
should check out these ideas using marketing research followed by in-market adaptive experiments to determine their value in driving customer preference and equity for our brand. Then we need to make choices in selecting those that we will employ to generate a favorable ROI (return on investment) and achieve our financial goals (of sales, market share and profit).

- **Advertising** – Virtually all the homes that get sold are driven by some sort of advertising whether that be a sign out front (“For Sale By Owner or realty company), newspaper ads or digital walk through on the internet. If no one knows the home is being sold, or its desirable features (minutes walk from school, etc.) and resultant benefits (so its more convenient or affords you with closer supervision of your children), then it is unlikely to move very quickly and/or for a premium price. Brands are similar in this respect too. When we use the word “advertising” we are not intent upon traditional vehicles. For Starbucks’, their cups bearing the Starbucks’ logo served as their advertising vehicle. For iPod it was not only traditional advertising, but the white earbuds. McGraw-Hill, onetime prominent in the publishing industry, ran a print ad (naturally) featuring an old, bald headed, grumpy looking guy in a gray suit and bow tie sitting on a chair facing the reader. The copy ran something like this: “Why should I buy anything from you when I don’t know you? I don’t know your products. I don’t know what your company stands for …” It was getting at the need for advertising. Yet, this is one of the first marketing mix elements to be cut (along with the so-called “non-working” of which marketing research is unfairly categorized). The messaging must drive customer preference and compel a specific behavior (such as “switching”) while at the same time build brand equity (i.e., reinforce your brand positioning strategy and the value customers bestow upon your brand).

One may choose to forgo investing in a home or brand. You may be able to get away with it in the very short term. But, this likely will lead to significant problems and the depreciation of your entity in the absolute. Worse yet, if your neighbors or competitors continue to invest during a time when you are not then your entity, whether it’s a home or brand, will fall behind creating a highly unfavorable competitive situation. On the other hand, it makes sense to invest to, at minimum, stay abreast or, better yet, build an advantage versus competition.

Invest to build equity.

Richard Czerniawski and Mike Maloney

*(Contact information on next page)*
Richard Czerniawski
430 Abbotsford Road
Kenilworth, Illinois 60043
tel 847.256.8820
fax 847.256.8847

Mike Maloney
1506 West 13th Street, #17
Austin, Texas 78703
tel 512.236.0971
fax 512.236.0972

Reply to Richard: rdczerniawski@cs.com or richardcz@bdn-intl.com
Reply to Mike: mikewmaloney@gmail.com or mwm@bdn-intl.com