



BRAND RANCH

BRAND & MARKETING CONSULTANCY

BRAND DEVELOPMENT NEWSLETTER

Vol. 4 · No. 3

OCTOBER 2009

Dear Readers:

There are some signs that the economy is beginning to turn around or at least bottom out. Only time will tell if this is true and if there's a bright future ahead. Are you poised to take advantage of the upturn? There's never been a better time to position your business brand to maximize sales, profits, and your ROI.



At the core of any successful brand is the ability to differentiate your product and service from your competitors. What makes you stand out? This takes an enormous amount of research and analysis: your business category; strengths and weaknesses versus your key competitors; and clearly understanding what your target audience wants, needs, and expects from your "total experience." This allows you to properly position your brand in the mind of your customers and determine what you want to own and deliver throughout your relationship with your customers. This also makes your offering meaningful, important, honest, and authentic and builds loyalty.

In past issues I have presented and discussed a number of possible areas from which to differentiate your brand, such as:

- Superior service
- Going Green
- Features and Benefits of your product or service
- Distribution methods and systems
- Packaging
- Pricing—value offering
- New product and service offerings

In this issue, I am going to present a most effective method of building a knowledge base for continuous innovation. It is one that requires a new way of thinking as well as organizing your business so that you can dominate your category and become a market leader. Most importantly, it is about building long-lasting and deep relationships with your clients and customers.

Those companies that think differently and act differently will become the top brands in the future. My sincere hope is that you will be well positioned to be one of those top brands.

Thank you for your continued support.

Be well,

Michael Blanck
President

EXPAND YOUR BRAND KNOWLEDGE

I will be conducting a **Branding Seminar** in conjunction with the *Big Sky Economic Development Association* in Billings, MT on October 28 & 29. The cost is \$100.00.

For reservations and seminar details, contact:
Big Sky EDA at 406.254.6014.



BRAND DIFFERENTIATION & RELEVANCE – CUSTOMER CLOSENESS

One topic that is receiving a lot of attention these days is how the leading brands are using the economic downturn to strengthen their business model and brand. There are a number of areas that they are focusing on, such as innovation and R&D for new products, but the one that is most intriguing is “Customer Closeness.”

The concept of “Customer Closeness” is pretty simple:

connect with your key customers to increase the value of your relationship beyond your products. This approach makes you a more valuable partner in their business and makes it harder for them to take their business to one of your competitors. It also takes price out of the major decision-making process and places it more on the “total” relationship.

Any leading brand in today’s market-place must continue to differentiate their brand and make it relevant to their target market—both prospects and current customers. Customer closeness accomplishes this with great results.

How does this new brand strategy work? It’s one that definitely favors the small- and medium-sized businesses that are prevalent in our region.

There are a number of steps or processes that allow “customer closeness” to develop and generate results.

The first and foremost step is to seek **feedback** from your customer in an open and constructive manner. **Listen** to what they have to say and where they are taking their business and their brand. By listening and investigating where they are going and what is driving their business growth, you’ll gain ideas, insights, and **action points** to focus on that will strengthen your relationship with your customer. You also must

address opportunities or help them overcome problem areas in their business. Strengthen their brand and it in turn will strengthen yours! Category leaders go beyond just offering a great product; they immerse themselves in the total value chain that drives the segment and category to become “**system solution providers.**”

Most organizational structures where “customer closeness” works the best is a decentralized business model which lends itself to smaller- or medium-sized companies that are not choked by bureaucracy and departmentalization or a silo mentality that *Industry Week* found to be the biggest hindrance to corporate growth.

This learning process of:

Feedback — Listening—Action Points is driven or optimized by frequent customer visits. This demonstrates to the management of both organizations that building solid, deep relationships is important to both businesses. In fact, it sets the tone for what must come next: Total Value Chain.

Total Value Chain

What is a “total value chain” and how does this impact your business? By studying this business process you are able to uncover other areas where you can develop relationships with your customers and find answers to the following questions. How and where do they use your product? What can you provide in the way of added services to make their business easier, more successful, and stronger?

As the differentiation between products decreases, the importance of services increases!

The expansion of services not only strengthens your relationship with your customer, it generates revenue to grow your sales and profits. Here are just a few of the many opportunities to add service value to your business model.

- **Instillation.** If you are in the industrial segment, can you offer instillation?
- **Repair Service.** Can you bundle a repair package with the purchase price?
- **Stocking.** Many high-volume retail brands offer Direct Store Delivery (DSD) and stocking to make sure that their product is always stocked and in view. This ensures maximum sales and eliminates labor or manpower expenses for the retailer. It also keeps customers loyal to your brand and eliminates the possibility of a competitor’s products moving in. It also coincides with other retail initiatives such as Efficient Consumer Response and Just-in-time Delivery.
- **Total Category and Brand Management.** This concept is similar to how cosmetic companies operate in department stores—offering a store-within-a-store solution.
- **Training.** Training results in superior customer service—probably one of the most important differentiators in business today and one that is so rarely



offered at a level wanted or demanded by consumers. Most businesses look at this as an expense rather than as a relationship builder for long-term sales and profits. In addition, as many products become more technical in nature (e.g., computer chips and IT integration) training and systems integration can be a real plus for your company.

If you consider using “customer closeness” as a viable differentiator for your business and brand you must consider some key areas that will affect your overall business model. Some of the key questions you need to answer are:

Should you expand your business offerings in a vertical or horizontal structure?

Most successful brands use the vertical expansion model; it allows them to stay focused on their customer segments and expand offerings and the depth of those offerings to current customers. One great example of this is Procter & Gamble. They dominate the laundry detergent segment with well-positioned multiple brands based on customer use, habits, and needs. Examples include:

Brand Positioning	
Ivory	Mild cleansing benefits for a gentle, pure, and simple clean
Era	Powerful laundry detergent that is tough on stains
Gain	Laundry detergent and fabric softener that provides excellent cleaning and a smell that says “clean”
Cheer	Helps protect against fading, color transfer, and fabric wear
Tide	Cleaning and care at its best
Dreft	Specifically formulated detergent that rinses out thoroughly, leaving clothes soft next to baby’s skin; The Number One choice of pediatricians

Do you invest in this expansion on your own (organic growth) or do you partner with others in the form of an alliance or partnership? Or do you purchase another business to expand the product and services (inorganic growth)?

Remember, there are only three ways to grow your business. They are:

- **Volume**—Sell more products and services to your current customers
- **Penetration**—Sell your products and services to new customers
- **New Offerings**—Sell new products and services

Are you a generalist or a specialist brand?

In today’s marketplace the generalist is a rarity and the specialist is the category leader. The primary reason the specialist leads is because of their depth of knowledge as it relates to customer wants and needs, advanced manufacturing competencies, technology, and selling to key customers. Specialist qualities include:

- **Focus**—Narrow offerings
- **Expertise**—They are perceived as industry leaders
- **Knowledge**—They have an in-depth knowledge about the consumer and customer and their wants, needs, and expectations in a specific business category
- **Best in Class**—They sell to the biggest and best customers in the category, building their credibility among customers

Organizational structure is another key factor in developing a “customer closeness” proposition.

Most category leaders use a number of factors that allow them to control the relationship process from start to finish, including:

- **Sales Process**—Category leaders organize around their customers, not around product segments. This allows a team to focus on the wants and needs of a specific customer and avoid layers or silos that cause power struggles, lack of cooperation, and loss of productivity.

Procter & Gamble developed an entire team just to handle Walmart. This key client represents over 18% of their total sales. In fact, they even built a sales office across the street from Walmart in Bentonville just to handle and service his account. Now that is “customer closeness!”

- **Pricing Advantages**—With the added relationship and value you are presenting to your customers you will be able to support a premium pricing strategy. This keeps you from becoming a commodity and driven by low prices. An “added value proposition” is always a benefit in terms of stronger relationships and pricing strategies.

As we emerge from this lengthy recessionary period, new and innovative business models will emerge and become important for those brands and businesses that want to grow and dominate their category. Planning today allows you to take advantage of tomorrow’s opportunities and growth.

Special Note: Business studies indicate that it is about 8-10 times more expensive for a business to gain a new customer than it is to retain a current customer. Customer closeness is not only more effective, but clearly more profitable. This process is rich in key areas that will grow your business and strengthen your brand!

WHAT DRIVES CONSUMER SHOPPING?

A recently released research study has presented the new consumer shopping drivers and what is motivating their decision-making process. The new equation is designed as follows:

$$\text{VALUE} = \frac{\text{PRICE} + \text{QUALITY}}{\text{TIME/CONVENIENCE}}$$

What drives consumers?

- 64% Value
- 63% Taste
- 54% Product quality
- 49% Expensiveness
- 48% Convenience
- 44% Healthy ingredients

These changes in consumer attitudes and behaviors are critical to marketers when developing and crafting a company's brand, messages, and advertising campaign. The old consumer mind-set that was fixated on quality, high prices, and prestige are no longer relevant in this new economy.