



## It's Alive

### Resurrect your brand using Six Sigma thinking

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#### **Executive Summary**

*In a recent study, consumers indicated that brands were becoming less distinct. Companies cannot afford to continue delivering brands that are only slightly better than their competitors' brands. It is vital to employ Six Sigma methodology, which calls for the meticulous development and fervent implementation of strategic elements. The process ensures skyrocketing brand performance.*

Everyone is talking about branding these days: consumer companies, B2B service firms, industrial marketers, and even not-for-profits such as the Boy Scouts of America, the Red Cross, and Massachusetts General Hospital. As *BusinessWeek* reported recently, "Companies have realized that a vibrant brand, with its implicit promise of quality, is an important asset. It has the power to command a premium price among customers and a premium stock price among investors. It can boost earnings and cushion cyclical downturns." Although this talk is exciting to us—building great brands is what marketing is about, after all—the sad truth is that more brands are becoming commodities than vice versa.

At Waltham, Mass.-based Copernicus Marketing Consulting, we recently asked consumers about their perceptions of brand differentiation in 46 major product and service categories: Were the leading brands becoming more similar over time or more different? In over 85% of the categories, consumers indicated brands were converging—becoming less and less distinct. Equally disturbing was that consumers viewed low price as more important than brand name in 76% of the categories.

#### **Lost on the Range**

As defined by the American Marketing Association, a brand is "a name, term, sign, symbol, design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of the competition." Just as nineteenth century ranchers put a mark on the behinds of their cattle to indicate ownership, companies today are putting their stamp on an amazing array of B2C and B2B products and services. Unfortunately, "branding" at many firms seems lost on the range: They spend millions to introduce a logo and font, launch an edgy "essence" advertising campaign with a clever tag line, or run a big-ticket giveaway promotion, none of which contribute much to building a brand.

In this day and age, companies have to do much more than confer ownership with brands; they have to show their cattle are better than those on other ranches using targeting, positioning, and product, price, and channel differentiation. The major problem today is these differentiators are hard to find.

Let's start with targeting. The folks that account for the most revenue—the "heavy buyers" or 15% or so of the market that accounts for 80% of sales—usually look like the best prospects on paper.

But if marketers took just 10 minutes to consider profitability, they'd see target group revenues and profitability are often curvilinearly related—making heavy buyers the least profitable target. They're price sensitive and deal prone. Win them today with a great offer, and they'll leave you tomorrow when they get a better one from someone else. Consumer packaged-goods firms love women age 18-54 and B2Bs are fixated on SIC codes. These groups, however, tend to be more heterogeneous than homogeneous, making it difficult to develop products and services, efficiently buy media, develop a compelling positioning, and so on. There's nothing proprietary about any of the groups, so every one of your competitors is likely chasing after them.

How about positioning? You've heard of the "un-cola"; most brands today are the "unpositioned." We recently sat through a reel of the top 100 commercials from the British Isles. They'd won recognition for excellence and were definitely amazing. This was not because they were good—frankly, they were awful—but because most followed the same formula: 27 seconds of a silly, unrelated joke and three seconds of brand mention. There were no brand connections and no brand meanings—just brand mentions. For weeks after the meeting, we wondered: How could the British Isles advertising industry be so confused? The mystery was solved when we started hearing about the theory behind the campaigns, which makes even less sense than the commercials: You don't need a positioning; it's an outdated concept. Or as futurist Faith Popcorn puts it, "Differentiation is beside the point."

If most brands are positioned at all, it's strictly in the minds of their managers. Working with advertising research specialist David Lloyd, Copernicus surveyed a national cross section of buyers in an array of product and service categories. It asked what the category's five leading brands communicate to distinguish themselves from other brands. Lloyd and Copernicus found fewer than 10% associate anything with brands that we could call positioning.

Evidence of product, price, and channel differentiation is as hard to come by as examples of positioning. Consider that of the 33,185 food, beverage, health and beauty, household, and pet products introduced in 2004, just 6.7% were truly different. According to Productscan Online, an online new products database that annually evaluates introductions, this number represents a new low and is down significantly—from 8.6% of products introduced in 2003. As Productscan Online reported, "Clearly, 'me-too' type products were the order of the day in 2004, suggesting that packaged-goods companies were more concerned with addressing competitive weaknesses than with dazzling consumers with highly unique items." And our experience with B2B products and services isn't much better. A recent article in *The McKinsey Quarterly* summed it up best: "They (companies) all want to occupy the point on the strategic landscape that their most successful competitor has staked out. Soon other competitors can be seen herding, lemminglike, around the best-practice company's product, pricing, and channel strategies."

Perhaps the most damning proof of the virtual absence of strong differentiation strategies is that most marketing programs don't work. Here are some of the lowlights.

- Tapping into its database of CPG and non-CPG brands, Marketing Management Analytics (MMA)—a leading ROI measurement firm—investigated the payback or advertising-delivered "profit before taxes" of major media vehicles (TV, radio, and print) and non-media vehicles (trade and free standing insert coupons similar to what's in the Sunday paper). After reviewing 15 years of data, the firm concluded that marketing as a whole, not just advertising, does not pay back in the short term. MMA found major media advertising for CPGs, on average, returns 54¢ on the dollar. Print (68¢) fared better than TV (49¢), and radio (50¢) performed similarly to TV. For non-CPG brands, media returned 87¢ on the dollar. Although this is certainly better than CPG brands, it is still not a positive return.

- The American Customer Satisfaction Index, a uniform and independent measure of household consumption experience, reported that customer satisfaction dropped to 73.6% in the fourth quarter of 2004.
- A recent ACNielsen BASES and Ernst & Young study put the failure rate of new U.S. consumer products at 95%.
- Magid M. Abraham, CEO and co-founder of ComScore Networks, and Leonard M. Lodish of the Wharton School studied 65 trade promotion events and found only 16% were profitable. In fact, in many promotions it cost more than a dollar to obtain a dollar in incremental sales.
- Dominique Hanssens, executive director of Marketing Science Institute, reported the average advertising elasticity for established products is .01. This means that doubling advertising expenditures (a 100% increase) boosts sales by only 1%. So, if Anheuser-Busch doubled the \$445 million it spent on TV, print, radio, outdoor, and Internet advertising in 2003, the firm would enjoy a 1% increase in net revenues from its current base of \$5.7 billion. In other words, the firm would spend \$890 million to make \$57 million.
- According to research compiled by media network Not Traditional MediaNTM, network TV viewing has declined 50% in the last decade. While 58% of all TV viewers "zap" commercials, TiVo-type technologies increase zapping to 71%, and a UCLA study suggests that only 5% of viewers pay attention to commercials. Meanwhile, the cost of reaching 1,000 households in prime time jumped from \$7.64 in 1994 to \$19.85 in 2004.

For these reasons, some companies are rethinking how they approach branding and are beginning to talk about building "Six Sigma" brands.

### **It's Greek to Me**

Many have heard the term Six Sigma bantered about in business conversation, but until recently it hadn't entered the marketing lexicon. This methodology for process improvement got its start at Motorola in the late 1980s, when the company launched a large-scale quality improvement effort and dubbed the initiative Six Sigma. The name referred to the Greek statistical term for standard deviation and the company's goal to deliver defect-free products and services 99.9997% of the time. (Motorola reduced acceptable performance to 6,210 defects per 1 million. If you do the math, this translates into four sigma, or being defect free 99.379% of the time. Six Sigma must have just had a ring to it.) Other companies, most famously General Electric and 3M, subsequently adopted this approach and generated impressive financial improvements. The dramatic success in other functional areas has many CEOs chomping at the bit to apply this methodology.

The guiding principle behind Six Sigma is the careful measurement and analysis of unimpeachable data. This means determining why a process isn't working as well as it could or should, and taking meticulously managed steps—guided by the data—to permanently fix the problem. Six Sigma branding is a call to abide by this code of conduct, and to develop and launch extraordinary marketing programs that perform well above the disappointing average common these days.

A Six Sigma brand's "DNA" consists of seven strategic elements.

1. A profitable target
2. An exceptional positioning

3. A skilled translation of positioning into a statement, brand essence, and brand personality
4. A solid brand vision
5. A strong brand architecture
6. A great visual identity system and tag line
7. A breakthrough communications plan

Brand essence, personality, vision, architecture, visual identity system and tag line, and communications plan are deeply rooted in the target and positioning. They are dependent variables, not independent entities.

### **The First DNA Strand**

Because target and positioning are the foundation for the other Six Sigma brand elements, we want to be absolutely clear: We're not talking about your parents' strategies, which were in all probability selected like melons in the grocery store—using intuition alone.

A Six Sigma target has five characteristics:

- It is sufficient in size to merit disproportionate attention (e.g., 10%-30%).
- Its potential profitability is considerably greater than its size (e.g., 50%-70%).
- It grows over time.
- It is different demographically/corpographically (business demographics) and therefore differentially reachable with media by salespeople, via channels, through direct response programs, and so on.
- It has "problems/needs/wants" that are distinctly different from other segments.

Profitability, not revenue generating ability, is the Six Sigma target's defining trait.

To find the most profitable target for your company, we recommend considering hundreds, thousands, even tens of thousands of alternative ways to segment a market. Reflect on all possible market drivers: category involvement, buyer motivations, media habits, sociographics, psychographics, lifestyles, life stages, attitudes, values, database variables, and more. Using several proxies for profitability, test all of these potential drivers to determine which are related to current and prospective profitability, and to establish a customer's (individual or company) economic value in the marketplace. Proxies include decision-making power, openness to your brand, personal influence, cost to reach and influence, and price insensitivity. Finally, take the 10-25 most predictive drivers to create segments and pick your target.

A Six Sigma positioning is not based on the attribute or benefit "most important" to buyers. When a banking customer says "offers online banking" is very important, this isn't the same as a customer saying he or she presently has a problem with it, or that no brand currently offers it. In fact, many of the characteristics most important to buyers are the basic needs and requirements of a product or service—and are already addressed by every brand (e.g., great taste in the soft drink category or accurate statements in banking). They're the price of entry for doing business in a particular segment. Simply being better at delivering basic needs and requirements is not going to generate a groundswell of sales or offer a significant competitive advantage.

Exceptional positionings, like great products, often address buyer problems. The bigger the problem your brand can solve—for the financially optimal target—the bigger the market response. To uncover the big problems, we suggest balancing judgment and professional opinion about buyer needs with qualitative research. Compile a list of about 300 buyer problems. Next, measure each problem in terms of motivating power in a survey of 300 customers and prospects minimum, on three dimensions.

1. **Dream Detection**—the desirability of tangible and intangible attributes
2. **Problem detection**—desirability vs. satisfaction
3. **Brand Preference Detection**—relationship between brand perceptions

Weight and average #1 x #2 x #3 and you've got a "motivation score." Now rate how complicated and costly it would be to correct each problem—on a scale of 1-5, from "there's an easy, inexpensive solution" to "this would be difficult and expensive to fix." Multiply the motivation score by this rating and you have a useful ranking of the best positioning opportunities.

### **Completing the Helix**

The next task is to assemble the second DNA strand. This begins with crafting the positioning statement, brand essence, and brand personality. A positioning statement is a two or three word message you want seared into your target buyers' minds. It should meet three essential requirements.

- It specifies why the target should buy your brand over someone else's.
- It provides a guide for the communications, product, and pricing strategies.
- It offers a frame of reference for defining extension opportunities.

Brand essence and brand personality flow naturally from the positioning statement. Brand essence is one or two words that capture the key benefit that the brand will deliver—typically higher order as opposed to feature focused. For example, we'd guess Apple's essence is simplicity and Red Bull's is energy. Think of it as the brand's "elevator speech." It should be relevant, credible, unique, and sustainable, but it can also broaden the brand's extension opportunities and provoke new product ideas. Brand personality is three to six image attributes that personalize the brand. Apple's personality is creative, friendly, and passionate, whereas Red Bull's is youthful, party loving, and exuberant. Essence sets the content for communications, and personality sets the tone and manner.

Now it's time to bring the brand to life with vision, architecture, visual identity system and tag line, and communications plan. A brand vision provides a purpose or meaning that every stakeholder—from line worker, to stockholder, to industry analyst, to customer—understands and embraces. It describes what your company is passionate about becoming, achieving, and creating, and it articulates goals beyond current capabilities. The best visions are inspirational, aspirational, specific, and bold; they move us and get our blood pumping. They are also readable—not arcane, overly wordy, or trying to impress us with vocabulary.

Brand vision provides the lofty goal, but brand architecture provides the organizational grounding. It specifies the structure, nomenclature, and relationship of the company or brand's various components. The Coca-Cola Company has a portfolio of brands (e.g., Coke, Sprite, Dasani, Barq's, Minute Maid) and each has one or multiple extensions (e.g., diet, low carb, caffeine free, with lemon), whereas IBM has one brand extended across categories (e.g., IBM personal computers, services, software such as Lotus). The architecture should fit how buyers make choices in the category; for example, a decision in the soda category might follow this path: soft drink vs. not, diet vs. regular vs. low carb, and cola vs. other. Meanwhile a decision in B2B IT goes something like this: computers, servers, and software.

The visual identity system and tag line are the public face of the brand. The visual identity system is the physical embodiment of the brand's personality—name, symbol, logo, font, color palette, and package—and the tag line captures the brand's spirit. Both should score high on the attention grabbing scale, while being memorable and likable. The varying colors of the apple logo for the Apple brand, as well as the tag line "Think different" are good examples.

Finally, there's the communications plan: how, when, and where the brand will "touch" the buyer. It includes the overall budget, as well as the mix of traditional and non-traditional media the firm intends to use. Ideally, while a firm does the research to identify a profitable target, it collects information about media habits, internet usage, openness to direct mail, and so on. This can be used to inform the plan. We also recommend taking advantage of today's available customer equity and marketing mix models, to determine the ROI of different communication channels. The plan to look for is the one offering the highest ROI—in terms of sales and other brand metrics, such as positioning penetration and overall brand equity, with or without or within budget constraints.

### **The Future Is in Your Hands**

If you stick with the visual and verbal trappings of a brand, you doom marketing to continued poor performance; mass commoditization will rapidly ensue. But if you develop Six Sigma brands—brands not just better than your competitors', but transformational in their effects on markets, companies, and managers' careers—you save marketing from further corporate obscurity. Branding is synonymous with marketing; it's developing all the strategic elements and implementing them obsessively. Treat branding as such, and you'll see performance of which most marketers only dream.

### **Additional Reading**

Brue, Greg (2002), *Six Sigma for Managers*. New York: McGraw-Hill.

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