Convergence, Customers and Core brands

By Piers Schmidt

I'm going to speak first a bit about CONVERGENCE and CUSTOMERS. I'm then going to argue that it's going to take a new kind of brand – what I call a CORE Brand – to succeed in a convergent EXPERIENCE economy.

We've all heard about convergence but for such a frequently used word, I find that it's still a loosely defined concept. The term is exceedingly ambiguous:

The *concept* of convergence may first have been formulated by Nicholas Negroponte in the '70s.
He saw that the computer screen was mutating towards a hybrid existence somewhere between a telephone, a cashpoint, a television, and a fax.
By the early nineties, Silicon Graphics had come up with the idea of the Telecomputer. Then along came Netscape, offering us the next big thing – a browser. And so it goes.

For many people in your industry, convergence is about having all possible information – whether from the Web, from a cable provider, or from the phone company – piped to a single point.
Convergence isn't a Telecomputer. Ordinary human beings don't want to use their TV as a word processor. They don't want to watch movies sitting 12 inches away from a PC monitor.

Convergence is about having data and information available at every point in one's life.
A Palm Pilot becomes a Web browser, a beeper and a telephone.
Your fridge downloads recipes from a gourmet website and intelligently re-orders ingredients from Tesco when they're running low.

If you subscribe to *this* definition, convergence is happening. Palm Pilots are wireless. Electrolux is one of several manufacturers building Internet-ready appliances. Cars have desktop computers in the dashboard.

Whatever, their favoured definition, most people agree that technology's driving the convergence game. Combining technologies, we can both improve the way we do things today and enable new capabilities that have never been possible or practical before.

For the proponents of technological convergence, the end product will be a massive interconnection of digital technologies. The connection can be wired or wireless, voice or data, terrestrial or space, but the common goal is to enable everything, from the toaster on the kitchen countertop to the data server in the British Museum, to connect. But not just connect. Connect with speed and accuracy. Connect with purpose.

But this isn't the only take on convergence. The word embraces other ideas, too, such as the creation of synergies, the disappearance of industry boundaries and the integration or overlapping of markets.

For sure, Convergence has become a business buzz word. But it's also a fat word. Remember this from Alice and Wonderland? "When I use a word,"
Humpty Dumpty said in a rather scornful tone.
"It means just what I choose it to mean – neither more nor less." Lewis Carroll's character is talking about fat words.

This makes for an interesting paradox:

Strictly speaking, convergence describes the coming together of things from different directions so as eventually to meet at a single point. Yet the union or singularity that this implies is quite at odds with the multiple definitions of convergence that abound. Ironically, today's understanding of convergence is notable for its divergence – in other words the number of different meanings that it can lead you to.

This makes it challenging when you're trying to say something on the subject. Where do you start?
I think of the convergence debate like the preparation of a large pot of broth where many notable commentators, practitioners and academics have contributed their individual ingredients to the mix.

I'm going to try to add flavour to this concoction by sharing with you my thoughts about the impact of convergence on real people and its implications for the marketers of products and providers of services and their brands.

But first, let's quickly recap the recipe:

The textbooks define convergence as voice, data, and video traffic travelling over a single network. But, as we've seen, different people view the term differently.

While for the technology proponents, convergence lies in inventing devices capable of handling every kind of communication, for the service providers it signifies the ability to provide every form of communication over the same infrastructure.

But for the end-user, the real significance of convergence should lie in reduced costs and increased choices and reliability.

Now, amidst all these differing perceptions, one thing is certain. The pioneers are out there implementing something — strategizing, realigning corporate structures and laying fibres.

What's still far from certain, though, is how and when human beings will decide to interact with all this new technology-enabled possibility. I'm going to return to the consumer in just a moment but before that:

The aspect of convergence that I find most fascinating is what's going within industries and markets. I'm talking about the disappearance of industry boundaries, the integration and overlapping of previously separate markets.

The speed at which product markets are converging is one of the outstanding features of the marketing landscape and it's forcing many companies to reinvent just how they define themselves and how they compete.

Most companies are used to operating and competing within neatly defined and demarcated industry compartments. Other than a few named, direct competitors (many of whom they had cosy commercial understandings with anyway), they were able to ignore everybody else. Not any more.

Today, more and more competitive activity occurs where hitherto discrete markets intersect. We know about the impact of retailers in banking and internet service provision. But look at the bundling of utilities by Virgin amongst others, and the aggressive diversification of brands such as Disney into television and cruise lines.

Industry convergence is about companies and brands increasingly transcending conventional product and market boundaries. Symptoms include: the blurring or even elimination of historical boundaries (is it a bank or is it a coffee shop?); the erosion of traditional entry barriers (I'll sell you gas even though I don't own a single mile of pipe); companies defining their competition much more broadly (A contract we were asked to sign by a multinational recently effectively said that we couldn't work for any other companies in the world so widely drafted was their definition of competition).

These phenomena are hardly new but it's the scale, speed and pervasiveness of the process now that's unprecedented. This is because e-commerce and digital technologies have combined with macro forces like globalisation and deregulation to create a step change in the way business can be done.

According to research by PricewaterhouseCoopers, the convergence phenomenon is both deeply rooted and global. They've produced some striking headline numbers: 15 of the world's top 20 retailers offer financial services;
8 sell petrol; 14 of the world's top 20 financial services institutions combine insurance and banking; 14 of the world's top 20 media companies are in IT or internet services; 10 of the top 20 telcos plus 8 of the top 10 IT companies are in media; and 6 of the top 20 consumer goods companies have media interests.

From such figures and our own everyday experience, it is evident that competition is becoming more multi-dimensional. Supermarkets used to fight it out for share in packaged grocery. They still do, but they now look rapaciously at the wider food market, consumer electronics, apparel, financial services, petrol retailing and internet access to name just a few. Many companies face a similar broadening of their competitive sets, presenting them with as many new threats as opportunities. Borders are two way frontiers.

But *what* of the customer?

It's wrong to look at convergence purely from the angle of enabling technologies or shifting industry dynamics. We shouldn't forget the people for whom this advancement and progress has been created.

From the consumer's perspective, convergence is producing a proliferation of choice that is, at once, liberating and mystifying. But is it any better?

I subscribed to Sky Digital about a year ago and now enjoy (if that's the right word) access to 200 TV channels not the previous 5. I quickly discovered though that the increase in quality of my television viewing experience is in no way proportionate to the increase in the number of channels.

Maybe I'm just stupid or have a phobia of complicated forms, but I found Sky's subscription pack totally incomprehensible. In the end, I gave up and signed up for the whole lot. It seemed like the path of least resistance but I still resent Sky for making

any alternative, perhaps cheaper choice so difficult. And I can't help but suspect that the situation I faced was entirely calculated and deliberate.

In a similar vein, when was the last time you tried to access the cheapest tariff for your mobile phone or to find the cheapest energy supplier for your gas and electricity bill? Once again it's almost impossible to get to the truth, unless you're blessed with more spare time than a monk or you're a writer for Which? Magazine. Again, I'm left with the impression that the difficulty is less than accidental.

We seem to have transitioned from the old monopolies, in which we knew we were being ripped off, to new confusopolies where all that's changed (unless we're ultra-savvy) is that we don't any longer know that we're being ripped off. We're just left suspecting that we were done.
So much for choice. Should we call this progress?

Some things have improved it cannot be denied. It's clearly better to be able to choose from 16 colour ways of woollen sweater at the Gap than putting up with navy, bottle green or germolene pink from Marks and Spencer.

I now quite enjoy the annual business of renewing my car insurance. Trying to beat the insurers and underwriters is a much more equal contest with the advent of transparent pricing on the Internet. And why not? – I'll even let good old Tesco give me a quote too.

One of our partners Wendy Gordon, the researcher, believes that consumers are in two minds about the effects of industry convergence. On the one hand, we enjoy the benefits of more open competition, of bigger, better providers creating positive economies of scale. We enjoy access to the best standards anywhere, and of the benefit of more one-stop convenience. On the other hand, we're wary of monopolist tendencies, concentration of excess power and we fear, above all, the loss of choice and control.

Add to convergence, the stream of constant consolidation through mergers and acquisitions, and we're probably more or less back where we started. How many of us know, for example, when we're out on a UK high street shopping for white or brown goods that 3 of the top 4 retailers are owned by the same group? Independent television in the UK is now in the hands of just five companies. This time next year it'll probably be three. Five years ago it was fifteen.

I don't imagine that it will be long before we all have our accounts at the same bank. Anyone arriving at Heathrow would be forgiven for thinking that HSBC is already it. Who knows, we may yet witness the union of NatWest and Abbey National. As someone that creates names for companies, that raises the possibility that we'll find ourselves banking at Westminster Abbey. Maybe it's just my Catholic upbringing, but I can't help the image of Jesus chasing away the money changers from the temple from springing to mind. Mind you, even if they did all merge, would we notice any difference? Search as I might, about the only thing that I can find is colour. Of the big four, one is black, one is green, one is blue and the other lot are red.

And as if the complication of multiplying choice wasn't enough, we've been side-swiped by a further confusion which is the proliferation of channels.
It has been estimated that each day every one of us is exposed to between 1 and 2,000 marketing messages. These arrive via many new paths that are being forged by marketers as they beat their way to our door: television, events, physical space, sponsorships, the Web, texts, e-mail, magazines, news articles, editorial features, transportation, food, telephone boxes, taxis - and even urinals. Come on. Is there nowhere left to hide?

As convergence takes grip, the volume of information always available to consumers, is growing exponentially. It all adds up to a veritable cacophony of competing claims on our attention. It's a din that I call Brand Noise.
Brand noise is like white noise. White noise, as you know, is the kind of noise that's produced by combining sounds of all different frequencies together. There you go, it's convergence again. When you take all the imaginable tones that a human ear can hear and mix them, you get white noise.

And so it is with brands, all competing on their individual frequencies for a moment of our attention and each believing that they have the most interesting programming that we'd surely like to tune into and listen to without interruption.

Because white noise contains so many frequencies, it is frequently used to mask out other sounds. Imagine two people talking at the same time. Our brains can normally distinguish one of the two voices and actually listen to it and understand it. If three people are talking simultaneously, the brain can probably still pick out one voice. But, if 10 people are talking simultaneously, there is no way that a brain can pick out a single voice.

Why <u>do</u> so many brands wonder why we aren't getting their message? We're not talking 10 or a 100 voices here but hundreds of thousands!

As consumers are increasingly overwhelmed by chaotic schedules and millions of marketing messages, brands are competing for our attention 24 hours a day. But if our <u>brandwidth</u> is so constrained, what's the way forward?

Let me propose an answer.

Consumers are less concerned about who used to supply them with a product or service than who they can trust most in the future. That said, they still want to know who offers the overall best value for money, value for time and peace of mind.

We've seen that the marketplace offers customers unprecedented choice. This is fuelled, in many categories of goods and services, by the availability of low cost but still high-quality, own label 'brands' that will meet their customers' basic performance requirements.

In the trade off between cost and quality, the <u>status</u> of 'name' brands isn't enough anymore to guarantee the sale. As the differences in <u>product</u> quality narrow and even disappear, marketers are losing the ability to attract customers through claims of

proprietary product advantage. Even the cheapest cars available today are quiet, water and rust proof, generally don't break down and can go faster than the national speed limit. Buying an Audi is about self-expression not product performance.

Faced with product parity, consumers now expect more from marketers than functional benefits. In return for providing wider benefits a new prize is up for grabs.

That prize is the precious status of 'Core Brand'.
A Core Brand is a one that I the user, both consciously and subconsciously, grant access to the inner sanctum of my decision-making. Bear with me because this sounds more complicated than it is.

When presented with multiplying choices and channels, it's axiomatic that consumers need to edit the field of competitors drastically in order to simplify their decision-making. In practice, I reckon that most of us follow the good old 80:20 rule and conduct the majority of our business with somewhere between
15-20 companies and brands.

Because we do so much business with these brands there develops between brand and user a deeper level of trust than with other, peripheral brands. In turn this special relationship makes it easier for the company behind the brand to sell us other things from an expanding portfolio. These additional transactions reinforce our relationship and deepen our trust in the brand further, again making it easier… well you get the picture.
Consumer and brand wind up following each other around what becomes an ever more valuable and profitable virtuous circle.

At its best, therefore, a Core Brand is a win-win for customer and brand. For the company the win is reducing customer acquisition costs and there are huge economies of scale in customer relationships just as there have been in supply chain management. The economics of retaining your best customers over a lifetime are compelling.

The Boston Consulting Group's research into purchasing suggests that acquiring new customers costs four to ten times the margin of their first purchase.
In some markets, like deregulated utilities, it can take a company up to three years to recoup the acquisition cost of a single new energy supply customer. And that's assuming that the new customer stays that long and isn't wooed off to a competitor with a bigger discount a few months later.
For the customer, the win is about simplifying the choices and logistics of an already cluttered life and increasing the reliability of delivery.

When consumers find a brand they believe that they can trust, and the experience of using that product and service is satisfying, their loyalty and word-of-mouth is an invaluable support to the brand.

But there's a catch. The rise of the Core Brand threatens companies who previously considered themselves without competition in their discrete markets but now look marginalised as these markets are prised open. Where is BT today, one is tempted to ask? On the other hand, look at the spectacular rise of Vodafone. Easyjet is building a strong Core brand franchise, enabling it to enter into car rentals and internet cafes. What's next? Personal finance? Hotels?

Chris was at Dulux this morning, the paint division of ICI. Their problem? in a word Benetton. Now what do Benetton know about paint? Not much you would be justified in thinking. But do consumers buy paint or do they make colour or lifestyle and fashion choices that they believe will transform their houses into better homes? Now ask the question again. What do Benetton know about colour or lifestyle and fashion. Well, really rather a lot and certainly more than Dulux. Benetton for many people is a Core brand and as such has permission to sell its customers paint as well as knitwear. Such is the strength of the relationship that these consumers have with Benetton, that they'll do something quite weird. They choose to overlook Benetton's questionable competence at 'making' paint in favour of what selecting Benetton paint says about them. Benetton and others like them understand that age-old truism first identified by David Ogilvy who used to remind his clients that while manufacturers

and retailers believe that they're selling a bed, the customer is the market for a good night's sleep.

Companies like Dulux run the risk of getting marginalised when their brand-customer relationships are narrow.

One of our past clients ScottishPower is not alone amongst regional utility companies in not having the breadth of relationship required by a Core Brand. But then why would it – having for so long been a monopoly provider of a commodity?

As the markets opened up, and with little margin to fall back on, not only did the incumbent utilities experience greatly increased 'churn' but they were hit by a double whammy. This came from brand new entrants – not known competitors from other regions – but national Core brands like Tesco and Virgin using relationship-based techniques to win new customers. What ensued was a margin bloodbath.

Inevitably, across all sectors, the sum of corporate ambitions in wooing, forming and sustaining these special relationships is considerably in excess of what the consumer needs and wants. If you like, supply of brand far outstrips demand even though the net demand for products and services is still growing. What we're seeing therefore is a diminishing number of brands increasing their share of an expanding market. This produces the greatest challenge ever faced by marketers as they try to determine relevant but differentiated branding strategies.

Brands are busting their butts to inveigle their way into our lives. Not surprisingly many of them conclude that the home is a rich seam and an open door. We have met dozens of companies wishing to establish or extend their bridgehead into our homes. They believe that it's the best place from which to push for Core brand status. Whether they manufacture and retail furniture, sell groceries, provide financial services, retail gas and electricity or simply produce branded paint, each company can produce a coherent argument for why they are the brand most intimately associated with the customer in their home. From whatever base they have, they plan an assault, calculated

to leverage that association, broaden their relationship and ultimately to own the customer in his or her home.

Let me summarise where we've got to:-

I've said that the erosion of product and market boundaries is changing the basis of competition.
I've argued that in the new model, share of product market is less important than share of customer relationships. Success will come from relationship quality and not from traditional product assets and entry barriers.

Ordinary people are only prepared to entertain and invest in a limited number of key relationships, which become their Core brand. As a result, the competitive ante has been upped and brands that rely on generating awareness and imagery around product associations alone, will look increasingly restricted in the converging world.

These shifts have created a sometimes unseemly race to secure a place in the Premier League of Core Brand companies. As you'd expect, the race spans all sectors and pits Tesco v Sky v BT v Barclays v Shell, although, just to add to the confusion, there is as much room for alliance as competition as companies try to hedge their bets. This has even got a name – Co-opetition – and it's making understanding competition even harder for the consumer.

I response, the new emphasis in marketing will be to brand deeper below the "water line" through the branding of an organisation's core capabilities, relationships and its distinctive way of doing things.

That's why real branding is intimately linked to a company's business strategy. We start brand strategy assignments by working with the top team to confirm or define the corporate vision and purpose. This provides an essential context within which the brand strategy can be determined. Vision and purpose is about defining and communicating what the company as a whole stands for, including the promise that a long-term relationship with the company is going to be worthwhile. Defining that

promise can range from articulating the company's values and mission to detailing company-wide standards for service and quality.

There was a great ad on the front of yesterday's Times by Tiffany & Co. The headline, under a picture of a classic solitaire diamond simply said: Promise. The body copy read: 'A Tiffany diamond is a promise. For less than you may imagine, the best there is.' Unfortunately, for most of us diamond-slinging men, the promises we make to the recipients prove rather less eternal than the rock itself. But if you buy my argument that Core brands depend on the quality of the relationship between producer and consumer, you soon accept that keeping promises or only making promises that you <u>can</u> keep is the root to brand success every bit as much as it's the key to healthy human relationships.

I'm going to turn now to trying to understand how Core Brands actually work and conclude by setting out a manifesto for how they should be managed.

For the vast majority of companies, let's face it branding is about positioning, advertising, packaging, logos and slogans.

But these activities represent little more than five percent of what it takes to help customers relate positively to a brand. The rest is based on their own direct experience of your company and what they hear from others about their experiences. In fact, I'd go so far as to say that most of the money and energy currently spent on marketing communications is wasted.

Branding is not about logos or communications.
It is about the total experience any customer has with you. This experience is created from four types of encounter: First, your products or services; second, the people that you employ; third, the places where you do business and last – and probably least – your communications. Why do I de-emphasise communications? Well because people are less willing than ever before to hoover up and believe the claims made by brands.

Bombarded by broad and narrow-cast messaging, consumers are tuning out. They're deafened by the volume of Brand Noise and when the signal does get through, it's often received with interference and it's always processed with scepticism.

In our experience, too few companies have grasped that it's customers and not companies that create brands. Every conversation your company has and every gesture that you make on its behalf will either affirm or negate your customer's belief in the brand. Extending this principle, they - your customers – own the brand. Not you.

Corporations are simply franchise-holders that benefit or suffer directly as a result of the quality of experience that dealing with the brand brings to people's lives. This is why Core Brands are a product and a symptom of the experience economy.

Although we're not always aware of it, people's 'brand creating' mechanisms are open for business 24 hours a day. Where does that leave the role of the manufacturer or service provider, you ask? Well it's a bloody nightmare because you're only as good as your last transaction.

My Partner, Michael Wolff, often says that companies are in the performance management business. Their role is to produce and direct experiences that are made up of encounters, individual touchpoints and moments of truth. These are the prompts from which consumers make up their own minds. What's more it's like a radio-controlled clock - constantly updated in real time.

Branding should therefore be viewed as a broader, *literally* multi-media discipline. It can't be done by graphic designers or advertising gurus in isolation. Instead, building valuable relationships with customers by creating good experiences requires a broad combination of skills applied to the realisation of the central promise.

This is a major reversal of a deep-rooted assumption that companies <u>do control</u> their own brands. Think of a brand as a star in the sky. Brand managers believe that they're able to make their stars burn more brightly than the rest (it helps to have a heavy media spend).

Star-gazing consumers should therefore notice their brand's sparkli-ness and beauty before all others, and allow themselves to be pulled into the star's gravitational field.

Taking this analogy further, it is as if most marketers are still living with a pre-Galilean conception of the universe, with their brand at the centre, fixed in space and everybody else orbiting around them.

This view is flawed because back here on Earth, where you and I are make daily choices, it's more like looking at the Milky Way without a telescope.
What we see is a myriad of stars merging into one bright wash. Occasionally one or more stars do stand out. These bright stars are the small number of Core Brands that we do business with most frequently and really trust

Actually, the only thing that the manufacturer does control, in this firmament, is their promise. Brands can make four types of promise but in each case, the promise is something that consumers should be able to rely on to guide their choices.

Each promise represents a different level of ambition for a company and comes with correspondingly different levels of payback.

The first approach is awareness branding. Awareness branding is limited to communication and is focused on promoting name recognition and corporate stature. Awareness is the lowest common denominator of branding. It generates brand recognition but does not offer a compelling reason for a consumer to choose the company over another.

A more sophisticated approach is functional branding. Here product features are sufficiently differentiated that the brand promise can highlight distinctive attributes. Communications are then used to explain those differences. Functional branding works well in categories such as pharmaceuticals, where differences in product specifications really matter to consumers.

A third approach is image branding. Here the brand focuses not on the features of the products and services themselves but on communicating an image that appeals to the consumer's ego and coincides with his or her personal aspirations.

Finally, we have experience branding which is the most challenging to manage, but once established, the easiest to defend. Here the company carefully orchestrates its multiple encounters with the customer—in order to deliver a highly differentiated and consistent positive experience. The brand is individual to each customer, built on his or her cumulative experience of buying and using the company's products or services.

Using the fourth approach, a brand promise can be unmasked as a hollow boast at almost any point during a customer's experience with a company. Each encounter represents a contribution to the total experience and a few especially significant encounters – 'moments of truth' – can substantially enhance or erode the brand, and increase or undermine customer loyalty.

Bringing a well-designed customer experience to life requires the alignment of every customer touchpoint with the brand promise from the storefronts to the call centres to the Web site, from the first contact to ongoing service interactions. Easy to say, but no mean feat when many companies have in excess of one hundred separate touchpoints, every one of which requires careful orchestrating or choreographing to the score of the brand promise. This presents a huge challenge for branding. A sensible strategy, therefore, is for companies to identify and prioritise the key touchpoints and then translate the brand promise at those key moments into guidelines that mobilise and inspire the people charged with delivering them.

Imagine you make a business trip on your favourite airline. The check-in staff are extremely courteous, you enjoy the club lounge and take off on time. The drinks are cold and the food is surprisingly reasonable. There's even a movie you've been wanting to see for ages showing on your personal screen.

When it comes to bedding down, however, the new flat bed is let down by a nylon blanket that manages somehow to electrostatically charge you and everything you're wearing.

Earlier, when you tried to work on your laptop, the ceiling light that Boeing thoughtfully installed wasn't working. You're told by crew that it's been disabled by the airline to provide mood lighting. 'Yes, bad mood lighting', you're tempted to reply. But you know better.

And when you leave your shoes on the floor in front of your seat, the middle-aged Purser swoops like an angry schoolteacher to scold you for your irresponsibility.

This airline came so close, but ultimately, so far from making a positive impression, let alone warranting a recommendation to your friends. It may well invest over £60m each year to persuade us that it's the world's favourite, but is it yours?

Now imagine you're responding to a well-targeted and nicely executed ad for an Internet brand. You obediently visit its site which loads quickly. The design feels good and the content seems robust. You browse and decide to shop, conscientiously filling out the order form but missing out the field asking for your state. After all you live in the UK and Alaska to Wyoming doesn't really cover Hammersmith. You click Send and up pops the error message. Then you hit back to pretend that Hammersmith's is actually in Arizona and guess what the whole form's gone blank. This happens too often and every time it does, they lose my business.

Back in the physical world, I've left the cinema and I'm queuing with my five-year-old brother, Robin, at a fast-food restaurant. It's 2:30 on a Saturday, and we need a late lunch. Robin's hungry and tired. We've been waiting ten minutes now to place our order – seven minutes more than the industry standard. Finally, I order for Robin. "Sorry," the server says. "You can have the meal, but we've run out of toys." Now, five-year-olds understand "no toys," and Robin begins to scream. For him, this restaurant is about toys, not food. In his eyes, its failure to supply the toy has condemned the brand.

Now Robin doesn't want to go back to that restaurant. Like many dissatisfied customers, he won't risk another disappointment. As the principal decision-maker in this meal-occasion-fast-food lunch, *his* preference carries the rest of the family. Moreover, with a life expectancy of more than 70 years, Robin is worth at least £5,000 in discounted revenues to this chain.

Unfortunately, like most companies that disappoint customers, this restaurant will never ask Robin about his visit. Nor will it log the ten-minute wait. Or the out-of-stock toy. Or the lost sales. In fact, when managers look at total sales for that particular Saturday, they may very well conclude that the toy promotion was a success.

I've described three separate experiences; three individual sets of multiple encounters and moments of truth that took place between one customer and one brand. They are each unique and will never be repeated in quite the same form. How's that for a brand management challenge?

Each successive encounter has a dramatic impact on word-of-mouth communication about the brand. Did you know if you have a bad experience of a brand, on average, you will tell six people about it? If you have an expectation-matching experience, the chances are that you will tell no one and if you have a truly exceptional experience, you're likely to pass on the good news to two or three other people. No wonder most hearsay about brands is negative and no wonder that many of today's consumers feel they've been let down by their products, services, and shopping experiences.

Successful Core Brands deliver on their promises most of the time. But too many companies develop clever advertising without thinking through what it will take to live up to their promises.

To create a flawless brand experience, you must plan in extraordinary detail the entire set of encounters that your customers have will have with the brand.

The steps to consistent delivery are simple enough but require unusual application and thoroughness.
They are, first, to define an experience that your customers will value; second, to deliver that experience in everything your company does; third, to measure the impact of that delivery on the customer; and, fourth, to lead and motivate the organisation to deliver the experience consistently.

These are not particularly British traits and so there is a huge requirement for training. For example for sales people to understand that nothing less than impeccable performance is acceptable. Bonuses, promotions, and shared profits should also be based on rigorously quantified brand experience results and metrics. A lot of effort then? Yes. But when it works, it really works.

Customers of all income levels, for instance, are lining up at Starbucks to part with three pounds for a caffe latte when they could get a regular coffee at Benjy's for less than a pound. Why? Well, Starbuck's coffee is good, but Starbucks has also made an art out of selling you your own time. Their environment encourages lingering and offers a 'Third place' – a kind of relaxed retreat from hectic work or home life. Viewed like this, three pounds for an hour in a comfy chair reading a selection of newspapers is astonishing value for money and much more enjoyable than grabbing a styrofoam cup and rushing back out into the cold. Mind you, if you were in a hurry, the Starbucks coffee would seem like a rip-off. So the same brand means different things to the same person depending on their needstate at the time.

Starbucks and other experience pioneers understand that their brand's perceived value hinges on what happens before and after the purchase. They are teaching their organisations that the brand experience begins with the customer's awareness, grows in discussions with friends, blossoms when the customer visits the store and goes through the inform-compare-and-purchase cycle, and persists right through use, disposal, and repurchase.

Unfortunately, most managers never find out how customers do experience their product. It takes firsthand experience to understand the interaction between the

customer, the product, and the environment; to see how customers' impressions inform their decisions; and to recognise moments of truth. Many companies just continue to live in the dark until they wake up to find that their customers have gone. Look what's happened to Marks and Spencer?

Every student of marketing knows about the four Ps - Product, Place, Price and Promotion. In the experience economy there is a fifth P that outweighs the importance of all the others. That is P for People and it's this P that makes or breaks Core Brands which are so dependent on relationships.

Delivering an experience consistently is difficult because the entire company needs to be involved. It's not enough to have employees who treat customers well. The brand promise must also shape how products are designed, information technology systems configured, and business processes developed and managed. Everything needs to be delivered to specification. And all of this depends on people.

Service companies have a higher awareness of the importance of brand experience than packaged goods manufacturers. As early as the 1970s, for instance, Jan Carlzon, head of SAS Airlines recognised that thirty seconds with an agent at the counter is all it takes for customers to conclude that they're dealing with a great or a lousy airline. One of our clients is an international hotel management company. At their flagship property in Mauritius, there is a manual detailing over several pages each of the 400 interactions than take place during a guest's stay from arrival until their departure. The thoroughness of this specification is awesome and it is the direct responsibility of the General Manager.

Managing a brand experience means making sure that everyone, from top to bottom, understands how the brand touches the daily lives of its customers. Some companies produce videos demonstrating their target customer experience. These videos are shown to marketing managers, front line staff and to the systems developers who are building the support infrastructures that enable the experience.

Quite correctly, in these companies, there is a convergence of responsibility for delivering the brand promise.

To achieve this necessary convergence, senior executives must learn to relinquish control. How many times have we heard impassioned pleas from the top to live the brand? It just doesn't work like this. Instead, it takes a deep understanding of what employees value, how they experience the brand, and how they contribute to delivering the customer experience in order to convert them to caring about high quality delivery.

When human interactions or encounters undermine a company's brand promise, the problem is often not bad intentions or lack of interest. Rather, employees tend to misunderstand the priorities implied by the promise or aren't provided with the wherewithal – whether that's training, budgets, time or permission – to deliver.

There are two main reasons why this situation arises in so many companies:

First, the people and departments responsible for creating and staging all the different encounters are quite literally all over the shop. Some encounters are the responsibility of operations; others fall under the remit of customer service; some emanate from marketing; others again are the product of R&D. The problem is that no one person or office is accountable for how the different outputs from these different areas of the business converge in the customer's mind.

There is rarely one briefing document or statement of brand promise to provide a framework for the production of all customer touchpoints. Internal politics too often exacerbate the structural and geographic fractures. Consequently the experience is not only poor but divergent.

Second, brand management tends to be a junior function of the marketing department. Brand is considered to be a wishy-washy sideline of marketing communications: it's about managing promotions, advertising, and relations with the trade. Brand managers

have neither the authority nor the skills to articulate the strategic, cross-functional, long-term perspective that experience management requires.

In fact, in most large companies no one is minding the brand.

I believe that for there to be any prospect of a company fulfilling its brand promise, the chief executive must step up to the task and take ownership of the brand management role.

Only the CEO or a very senior executive can have the overview of all the different operating divisions and support functions that must be co-ordinated if the promise is to be delivered satisfactorily. This person must have the power, skills, perspective, and access to information to drive not only the development of new products but also the design of business processes for delivering them. Only a very senior executive can make judgement calls about funding, give direction to development and delivery functions, and hold managers accountable for hitting their targets.

Although the inspiration and the vision must come from the top, the leader must develop a shared sense of mission about the brand, especially given the cross-functional nature of experience branding. Senior managers must then drive the effort through the organisation. Cross-functionality is not something that most companies, with their silos, are very good at. To succeed the chimney stacks must converge.

All this may sound daunting. But everything doesn't have to be done at once.

To create an entire business system that defines a brand, requires a higher level of investment. It also requires greater levels of managerial expertise. As a result, the stakes involved in launching, maintaining, and evolving a brand are much higher today than they were in the past.

But if the risks are high, so are the potential paybacks. In a world where products, markets, channels, and industry boundaries are in flux, a properly-managed brand can be the one source of stability, strategic direction, and competitive advantage.

So to conclude:

- Technology and market convergence are increasing choices and channels

- As a result, competition is becoming multi-dimensional

- Consumers face a confusopoly and are searching for new anchors – Core Brands that they're happy to trust with more and more business

- Core Brands address customers more deeply than product and service attributes or price.
  They understand the whole lifecycle from contemplation through purchase to reflection.

- Core Brands must offer a motivating brand promise and deliver against that promise consistently across all customer touchpoints

- It's customers, not companies, who own brands which they create for themselves based on their experiences with the company

- Successful experience branding requires the promise to be embedded in every aspect of the business design. This calls for the converging of vertical silos

- Finally, business needs to add a fifth P - People – to the marketing mix, and the building of brands in the experience economy must be led from the top

- The stakes are high, the challenges considerable.

- But for those companies that make the effort, the rewards will be great.

Thank you.