

# CONVICTION

An introduction to Intrinsic Branding

by Kelly O'Keefe

# Brand Development in a Changing World

Let's think about coffee and brands. Already, many of you are thinking about Starbucks, a brand that has become ubiquitous in the past ten years – without the support of expensive ad campaigns or memorable taglines. Today, and every day this year, Starbucks will open three or four new stores, each one charging premium prices to customers who wait in line for the privilege. But 20 years ago, if I'd asked you to think about coffee and brands, a catchy slogan would probably have popped into your head: "Good to the Last Drop." Most people would have cited Maxwell House as a respected coffee brand, and some would have added Sanka. These were among the strongest brands in an era that some refer to as the "golden age of branding"; a time when Frosted Flakes were "Grrrrreat," Ford had a better idea, Avis tried harder, and we were all in "Good hands with Allstate."

The art of branding seemed so simple then. Marketers would latch onto a single product attribute, real or invented – the Unique Selling Proposition (USP). Next they would write a catchy slogan and often marry it with a clever icon (Tony the Tiger, The Marlboro Man, The Green Giant, The Pillsbury Doughboy, The Keebler Elves...). Finally a commercial would be crafted to run on TV and radio, coupled with a jingle. ("Plop, Plop, Fizz, Fizz – oh, what a relief it is!") These commercials were sometimes entertaining and often annoying, but if enough money was spent to keep them running with plenty of repetition, eventually we'd find ourselves associating products like Wisk with benefits like the elimination of "ring around the collar".

Back in these “Golden Days,” brands were mostly individual products. Most of us didn’t even know who made products like Sanka, Roloids, Lucky Strike, Gleem, Alka-Seltzer, Pine-Sol and Captain Crunch. We knew Crest better than we knew Procter & Gamble; Chevrolet better than General Motors and Wisk better than Unilever. The values of the company making the product never really entered the branding equation. It was a simpler time, when all we needed to build a brand was a big idea and a bigger budget.

Ah, but that was last century – the same century that brought us the famous P.T. Barnum line, “There’s a sucker born every minute.” We’re in a new century now and the consumer has wised-up – and hardened to clever slogans and catchy jingles. Over 70% don’t believe advertising claims, and a recent poll by Gallup ranks the honesty and ethics of advertising professionals near the bottom of the list. (Only two professions rank lower; used car salesmen and telemarketers.)

The topic of the decreasing effectiveness of advertising is not a new one. This trend has become the primary theme at conferences where advertising professionals come together. Several books have been written on the subject and scores of articles in everything from Advertising Age to the Harvard Business Review. Most of these discussions center on how to fix the ad industry or how to build brands with other tactics like public relations. (If the public no longer believes our deceptive ads, maybe they will believe our deceptive press releases.) Unfortunately, the issues facing organizations intent on building strong brands and respected businesses are too fundamental to be addressed simply by changing tactics. But there is hope.

The same consumers who are growing hardened toward advertising are becoming increasingly loyal to brands they trust. There was a time when this statement would seem inconsistent – advertising and branding were inextricably linked – but not today. Today’s brands are defined more

by substance than by sizzle. Consumers are less interested in the positioning of products and more concerned with the behavior of the organization.

More than ever, consumers want to patronize companies they believe in. They measure brands based on the intent of the organization and its ability to deliver a consistent experience. Companies like Starbucks, Southwest Airlines, Ben & Jerry's, Ebay, BMW, Chick-Fil-A, Apple Computer and dozens more are engaging customers more through their actions than their words. These companies aren't building portfolios of brands, they are the brand; and they have built a following through consistent behavior and committed action.

Today's greatest brands aren't trying to be all things to all people. They are driven by a clear sense of purpose – one that doesn't change with every consumer whim or market trend. They are loyal to their core customers and that loyalty is reciprocated. Their customers often exhibit a kinship with other customers – forming communities of followers.

And while these companies compete fiercely, they are not preoccupied with the behavior of their competitors. They're more likely to concentrate their energies internally – ensuring that all employees are believers, driven by the same convictions, marching toward the same destination. Because of this, their employees are either fully engaged, or they often leave on their own account. And the leaders of these companies would just as soon have them leave. They aren't obsessed with building consensus. They want people who buy into the company's mission.

There is no magic that allows some organizations to build strong corporate brands intrinsically while others struggle. Every business or non-profit has the ability to apply these techniques, and anyone within the organization – marketing managers, HR leaders, customer service employees – can be an advocate for change. But they can't make the change happen. Because today's

best brands are based on intrinsic factors, it takes committed leadership, from the CEO down, to build them.

In our complex world, corporate managers face pressures from all directions. We ask our leaders to think outside the box, to adapt to new technologies, to respond to shareholder demands, to address competitive threats, to consistently deliver growth and profitability, to diversify operations, to identify innovative new products, to react to customer interests and to keep employees satisfied. Is it any wonder that so few organizations steer a straight course? The irony is that great brands and great companies are often built by leaders who refuse to be redirected by these pressures. Most companies have a mission statement, but only a small percentage actually operate as though they are on a mission. These organizations act with a conviction that is unmistakable. And it is this conviction that makes them attractive to consumers, employees and communities.

# The Customer Isn't Always Right

In 1984, my wife, Cristy O'Keefe, and I moved from our walk-up apartment in Manhattan's Chelsea district to the quieter life of Richmond, Virginia. Richmond is a great town with a thriving economy, a rich history and an abundance of hospitality. It's not surprising that our new neighbors were eager to suggest a multitude of "must-see" attractions for us to take in. But mixed in with the list of historical destinations – like the Jefferson-designed State Capitol, the Museum of the Confederacy, and the memorials of Monument Avenue – was a name we'd never heard before. "Have you been to Ukrop's yet?" we would be asked. There was really only one response we could give: "What's Ukrop's?"

Ukrop's, we learned, is a chain of supermarkets. And not just any chain of supermarkets, but one that perennially finds its way onto Fortune's list of the "100 Best Companies to Work For". Anyone who has visited Central Virginia can attest to the passion that local residents have for the chain. But I must admit, when our new neighbors started extolling the virtues of a visit to the local grocery store, we began to wonder if we'd made the right choice with our move. It would be like visiting Detroit and having people ask: "Have you been to the Farmer Jack?" We wondered if these hospitable Southern folks didn't have a little too much time on their hands.

Despite our reservations, we visited our local Ukrop's and found it to be an extraordinary experience on many levels. We first noticed the employees – they seemed to be everywhere – keeping the checkout lines short, scrubbing already immaculate floors, inspecting the produce and loading grocery bags directly into customers' cars. But it wasn't just the number of people that impressed us; even more noticeable was the quality. They were well-dressed, polite and gracious. "How much do they pay these people?" I thought. But beyond the people and the obvious qual-

ity of the products, we were taken aback by the prices. It's not that they were gouging people, but they were charging – and getting – a premium price for commodity products like dog food and canned fruit. This was quite a contrast from New York, where people would eagerly abandon one chain for another just to save a few dollars on their weekly groceries.

Ukrop's is the clear market share leader in their territory, and not without a fight. The chain has managed to fight off attacks by numerous, larger competitors. Safeway, Giant Food, Grand Union, Fresh Fields and Farmer Jack are among the list of grocers who came to Richmond, failed to conquer and left in defeat. So what did the folks at Ukrop's do to deserve such success? I decided to go directly to the source for my answer: I interviewed Jim Ukrop, the Chairman of the chain (who grew up in the business founded by his father).

Jim Ukrop is a quiet, thoughtful man, known as much for his community leadership as for his business acumen. He has put his mark on almost every major community initiative in the Richmond area, and has recently extended the family's business offerings to include First Market Bank, a financial institution with branches inside Ukrop's supermarkets.

Jim and I met in his office, a modest, utilitarian room decorated with trophies, plaques and similar tokens of respect from an appreciative community. When I asked him about the source of Ukrop's success, Jim's response was characteristically brief: "We put customer convenience first." The response had the feel of a well worn line, and I suspected the same phrase has passed his lips hundreds of times before, but was it accurate? I didn't think so.

If we look at Ukrop's offering, it's easy to see places where the customer does not come first. For one, the store isn't open on Sundays – a day that many consumers choose to do their shopping. Another inconvenience for many shoppers is Ukrop's dogged refusal to sell any alcohol products, despite the fact that many of their customers prefer the convenience of buying a bottle

of chardonnay or a six pack of beer with their groceries. And then there's the price issue: are they really putting the customer first when they charge higher prices than their competitors?

While customer satisfaction is undeniably important to Ukrop's, it does not come first. There's something stronger driving the people at Ukrop's; an internal conviction about how to run a business based on their own values, not on the whims of the customers. Ukrop's isn't open on Sunday – despite the desire of their customers and the increased revenue they would generate – because they put their own beliefs ahead of the desires of their customers.

As I continued my interview with Jim Ukrop, the set of values that guides the company became evident, particularly when I asked him about corporate culture. “Building a corporate culture (good or bad) starts at the top of an organization – and has to cascade down to the lowest paid person,” he points out, being careful to add that, “It's usually the lowest paid folks that have the most interaction with our customers.”

Ukrop goes on to say that “culture can't be created in the HR department. It's important for a company to develop corporate values that provide guidance to leaders and give them a framework from which to make decisions. Good leaders can use these shared values as highway guardrails to keep themselves on track.” In Ukrop's case, those values are rooted in the family's deeply held religious beliefs.

“When you think about it,” Ukrop continues, “most basic biblical principals are basically good business tenets. The one that comes to mind right away is the golden rule: “Do unto others as you would have them do unto you.” I often use the golden rule to check myself before I do something that impacts someone else. How would I feel if this person were to do to me what I am about to do to them? Was it fair, honest and equitable?”

Given the family's convictions, it's not surprising that the golden rule finds its way into the company's mission statement:

*The mission of Ukrop's is to serve our customers and community efficiently and effectively while treating our customers, associates and suppliers as we personally like to be treated...*

The words are compelling, but like most consumers, I look at mission statements with cynicism. Many businesses give lip service to similar values, but the test of their intent is in the execution, and it is here that Ukrop's sets itself apart.

When we talked to customers about Ukrop's, almost everyone had a personal story about how Ukrop's employees went to extremes to fulfill their mission. One woman told us how she ran out of checks when it came time to pay for her groceries. The cashier told her, "Don't worry about it; just take the groceries home and come back to pay us when you get a chance." The customer wasn't even asked to sign a form. "I was new to town and the cashier didn't know me from Adam," the customer told us. Another customer described the time he needed something for a dinner at his home and the local Ukrop's store was out of stock. The manager said he'd call around to other stores and took the customer's name and address. About an hour later, the customer's doorbell rang. When he opened it, the Ukrop's store manager handed him the item he'd asked about. "No charge."

Think about other grocery chains you're familiar with. If they had a cashier who took the liberty of letting a stranger walk out of the store without paying, how do you think the manager would react? Would that cashier be rewarded, or reprimanded? Most would reprimand the employee – and with good reason – they aren't trying to be Ukrop's. Great companies build great brands

based on the way they execute, and they execute best when they are true to who they really are, not who the customer wants them to be.

Outwardly, Jim Ukrop is a selfless man, but the family business is inwardly focused when it comes to defining the values and beliefs that drive their organization. No customer interest survey will change their mind; they operate with conviction and, because of this, they have become not only very profitable, but the topic of local legend. The customers who want to buy wine buy it elsewhere, but they continue to shop at Ukrop's.

Of course, not everyone in Central Virginia loves Ukrop's. The local Food Lion stores are filled with shoppers who would rather pay less and heft their own groceries to their cars. Ukrop's could probably win many of them over by lowering their prices, but that would force them to compromise the service they provide.

The people at Ukrop's demonstrate an important truth about how great companies are building strong brands and sustained competitive advantage: they are customer friendly, but not customer driven. In fact they understand that by consistently operating in a manner that's consistent with their values, they will alienate some customers.

Different customers have different needs at different times, making it impossible to please all of the customers all of the time. But often, businesses try to do exactly that.

Focus groups and surveys of customers and prospects have become the principal tools that businesses use to position their brands. I was recently asked to look over a branding study for a major pharmaceutical company. The exhaustive study undertook to answer the question: "What do consumers want in a pharmaceutical company?" It then defined a brand position for the

company based on the findings. There was only one problem – they never looked at the company itself – what it wanted to be, or even what it was good at.

Studies like these would have us believe that branding a business is as simple as finding the message that the customer most wants to hear; and then crafting a slogan that contains that message, without regard to whether the company has the ability to consistently deliver on such a proposition. The very idea is so insincere, it's no wonder most consumers have long since stopped believing what advertisers tell them.

Real companies have strengths and weaknesses. To become very good at some things, they often must be willing to be bad at others. Ukrop's is bad at being the low cost leader. Even if their customers begged them to attain that position, and they made a sincere effort to do so, they would fail. First, they would have to compromise their values and change the way they did business. They would need to cut labor costs, shrink locations, let the floors get dirty, buy lower quality produce and meat, and lay off the people who carry bags to customers' cars. Then they would have to spend a fortune on ads trying to convince the public that Ukrop's is the place to save money.

Even after doing all those things, Ukrop's would probably lose, because companies like Food Lion are just plain better at playing the low cost game. Food Lion is passionate about providing the lowest cost alternative. It's in their blood. Ukrop's would be miserable trying to satisfy the customer while acting against their own values. Fortunately, Ukrop's doesn't need to make every customer happy to thrive. It has developed a loyal following of customers who are attracted to the particular way it does business.

Let's look at a very different kind of company, Apple Computer. Apple isn't known for being a customer service leader and the company isn't driven by any particular religious beliefs, and yet Apple is a company with conviction.

David Kirkpatrick of Fortune writes, "Apple has always been both a company and a faith." And indeed, Apple's followers are liberal with their praise for the company and the innovative products it develops. Still, few observers would say that Apple was all things to all people. Apple's critics are almost as vocal as its supporters. On its website, The Mac Observer chronicles over 50 separate times Apple has been declared dead from 1996 to 2007, and yet few informed observers would count the company out.

Apple's gross profit margin of over 28% may be the highest in the industry. The company has outlived dozens of rivals and has amassed a stockpile of \$4 billion in cash. UBS Securities analyst Don Young sums up the reason for Apple's staying power: "There's a place in the PC world for an innovation leader."

Even professionals who work on other platforms give Apple credit for innovation and leadership. In a April, 2004 Technology CEO Job Approval survey conducted by Forbes, voters gave Apple CEO Steve Jobs an 94% approval rating – the highest of all those ranked and more than double that of rivals at Hewlett-Packard and Microsoft.

But Apple wasn't always on top: In an effort to be more responsive to market trends and to broaden its customer base, Apple lost its sense of direction and nearly crumbled. In a 1996 Time Magazine article, Stewart Alsop wrote, "One day Apple was a major technology company with assets to make any self-respecting techno-conglomerate salivate. The next day Apple was a chaotic mess without a strategic vision and certainly no future."

Apple was the company that introduced the mass market to dozens of innovations, including the Graphic User Interface (GUI), the mouse, the laser printer, the personal digital assistant (PDA), and the all-in-one computer. The company was known both for the ease of use of its products and the clean aesthetics of its industrial design. Its products had been strikingly different and they enjoyed robust sales, despite their premium prices.

But after a string of management changes and an attempt to be all things to all customers, Apple lost its focus. It was now marketing bland beige boxes that were differentiated from the beige boxes of the PC world, mostly by their higher prices. Even their pioneering graphic operating system was neglected, and had been successfully imitated by Microsoft. Apple's innovative young leaders began to stream out of the company and customers started to lose faith. Meanwhile, Apple's CEO at the time, Gil Amelio, was spending huge sums on R&D in an ill-fated effort to emulate Microsoft's Windows NT capabilities. Apple had moved from leader to follower and it was starting to show in the numbers. In 1996, Apple lost \$1 billion dollars and in the first quarter of 1997, it added another \$700 million in losses.

By June of 1997, Apple was in a downward spiral and Wired Magazine ran a cover story asking industry leaders if Apple could be saved. "The Apple of the past was an innovative company that used software and hardware technology together to redefine the way people experienced computing. That Apple is already dead," wrote Nathan Myhrvold, Chief Technology Officer at Microsoft.

So how did Apple return from the brink of disaster to become industry leader again in just a few years? It abandoned the notion that it could be all things to all people and returned to its roots.

In July of 1997, a desperate board ousted Gil Amelio and coaxed Apple's co-founder, Steve Jobs, to return to the company as "Interim CEO." Jobs agreed to step in and set his salary at just one dollar. He wanted to make it clear that his return was driven by passion, not personal profit. Jobs's first order of business was to restore the faith of employees and partners, stressing that Apple would no longer try to be like everybody else or to win over every customer.

In 1998, Jobs distributed a booklet to employees and friends of the company entitled: "1998: The Year of Thinking Differently." In it, Jobs defined a culture with a passion for creativity and innovation:

*"The most admired companies in the world have one thing in common: They stand for something. The world can change, the market can change, their products can change – but their core beliefs remain the same...Apple is a brand that is loved and respected around the world. We like to think it's because we have a soul. Apple has never just been about making boxes to help people get their jobs done (though we're proud to do that well). We're about something more. We believe that people with a passion can change the world for the better. And we believe that creativity is the force that pushes the human race forward."*

To his credit, Jobs not only restored the company's spirit, but its ability to deliver on its mission through tangible innovations. Apple's brand is embodied in the simple elegance of its iMac. In developing the iMac, Apple again demonstrated how internal convictions, not customer whims, drive great brands. According to Alan Deutschman in his book *The Second Coming of Steve Jobs*, when Apple developed the iMac, "All the research by other manufacturers said that consumers wouldn't buy all-in-one computers." But Apple believed in the simplicity of an all-in-one design, such as it used on the original Macintosh. The company ignored the customer research

and the iMac went on sale on June 15, 1998. By the end of July, Apple had sold 278,000 iMacs, which went on to become one of the best selling computers of all time.

Not surprisingly, 1998 was also the year when Apple returned to profitability. Today the company continues to be the trendsetter in the industry. It has led the market with innovations like the flat-screen iMac, the iPod music player, the OSX operating system and the design of industry-leading laptops. Apple's innovations have even extend into new arenas where its iPod has become the dominant product in the category and the iPhone was one of the most successful mobile phone launches of all times.

Clearly Apple is a company with a mission, but it's a mission many consumers aren't willing to pay for. Apple controls only 5% of the PC market and its customer base skews heavily toward creative thinkers who find Apple's combination of easy-to-use products, advanced multi-media features and sophisticated industrial design appealing. But those customers who do buy Apple are remarkably loyal. When it comes time to upgrade, the majority of Mac owners will buy another Mac, while most PC owners will switch brands.

Ukrop's supermarkets and Apple Computer have little in common. But both companies are willing to accept disinterest from some customers in exchange for the admiration of others. For today's businesses, the issue isn't that the customer is always right, but that those businesses that pursue a worthwhile direction with conviction, will find the right customer.