

STOP Talking

START Doing

RETAIL BRANDING

John Torella
J.C. Williams Group
jtorella@jewg.com

J.C. WILLIAMS GROUP

Purpose

- Retail Branding should be your major focus for the 21st century
- For the Board, the CEO, and your inner circle of senior management

J.C. WILLIAMS GROUP

Objective

- Optimization of your time, effort, and resources
- It will give you “more bang for your buck”

J.C. WILLIAMS GROUP

Benefits

- Long-term profitable growth
- Increased stakeholder value
- Total stakeholder worth

J.C. WILLIAMS GROUP

Bottom Line

“A way to build relationships and customers for life”

J.C. WILLIAMS GROUP

USA 1999 Retail Sales Growth was 9.1%

- Home Depot grew 27.2%
- Abercrombie & Fitch, 27.7%
- Wal-Mart, 19.9%
- And despite some current problems they are still outperforming their peers

J.C. WILLIAMS GROUP

- Victoria’s Secret
- Talbot’s
- Target

“...Extraordinary marketplace value reflects the strength of their brand relationships.”

J.C. WILLIAMS GROUP

World Class Brands:

- Virgin
- Prada
- Zara
- Benetton
- Gucci
- Hugo Boss
- Tesco
- Kenneth Cole
- Limited
- Ralph Lauren

Continue, in the best and worst of times, to outperform their industry segments

J.C. WILLIAMS GROUP

Value of Global Brands

	Brand Value \$ Billions	Market Capitalization \$ Billions	Brand Value as of Market Capitalization
Disney	32.3	52.6	58%
McDonalds	26.2	40.9	64%
Ikea	3.5	4.7	75%
Ralph Lauren	1.6	2.5	66%

J.C. WILLIAMS GROUP

Part One: Definitions

J.C. WILLIAMS GROUP

Retail Brand

- Name, logo, symbol, slogan that identifies a product, service, or store:
 - ▶ Which provides added value beyond its basic function
- Is both rational and emotional
 - ▶ Exists essentially in the mind of the beholder
 - ▶ Warrants a premium price for certain customers

J.C. WILLIAMS GROUP

“All Brands are products, services, and stores, but not all products, services, and stores are Brands, and even fewer are world-class.”

J.C. WILLIAMS GROUP

“When customers buy gifts at Disney, they are buying more than gifts and Disney is selling more than products.”

J.C. WILLIAMS GROUP

“Ikea doesn’t just sell products; it sells solutions to outdoor entertaining, how to furnish a den, what you need for a romantic dinner for two or for twenty.”

J.C. WILLIAMS GROUP

“Virgin and Harley Davidson own a piece of their customers’ mind in such a powerful way that they go from loyal customers to customers for life.”

J.C. WILLIAMS GROUP

“Nordstrom, Diesel, and Nike have achieved cult-like Brand status and became icons in their categories.”

J.C. WILLIAMS GROUP

“The great retail Brands help the customer figure who they are and how they want to live their lives and match these needs with the store’s benefits.”

J.C. WILLIAMS GROUP

“The retail brands that are going to grow are the ones that go beyond products to helping customers lead a better life.”

J.C. WILLIAMS GROUP

- Great brands are a shorthand for trust
- Consistency, certainty, and commitment
- Branding is all about integrity

J.C. WILLIAMS GROUP

Target: Where Cachet Meets Value

- On its way to \$50-billion in sales and profits of \$2-billion with a goal of growing earnings per share of 15% annually

J.C. WILLIAMS GROUP

- Target, over the past 25 years, has never had a year-over-year decline in earnings
- During the past calendar year, its rate of stakeholder returns was 36.2%

J.C. WILLIAMS GROUP

- The company spent a staggering \$791-million on 1999 advertising campaigns, raising the bar for excellence for retail Brand advertising

J.C. WILLIAMS GROUP

- An expanded Michael Graves product line has helped Target establish itself as the style leader of hard goods, expanding from house wares into tabletops

J.C. WILLIAMS GROUP

Part Two: The Concept of Whole Branding

J.C. WILLIAMS GROUP

- Retail whole branding is a 360° look at every aspect of the company
- Every touch point with the customer
- Totally democratized process that is both top down and bottom up
- Job for the many, not the few

J.C. WILLIAMS GROUP

Whole Branding'

• Corporate culture	• After sales service	• Call centres
• Merchandise mix	• Packaging	• Web site
• Store look/feel	• Delivery services	• Internal communications
• Service strategy	• Catalogues	• Customer and prospect segments
• Staff	• Promotions	• Competition
• Publicity/advertising	• Special events	• Stakeholder mix
• Guarantee	• Own brands	

J.C. WILLIAMS GROUP

The Ikea Way

- It all started in 1943 by Ingvar Kampard
- Some 58 years later there are:
 - ▶ Over 45,000 workers
 - ▶ General network of over 150 stores
 - ▶ In 30 countries, and 4 continents
 - ▶ 100-million catalogues
 - ▶ Draw over 200-million visitors into Ikea stores
 - ▶ Over \$7-billion in sales

J.C. WILLIAMS GROUP

- The famous blue and yellow Ikea logo
- The world's most "valued" retail brand
- Dominance in their category
- Undisputed leadership
- Innovation and a clear brand focus
- A standard for all retail branding efforts

J.C. WILLIAMS GROUP

Why they continue to grow?

- Ability to extend into new markets
- Cut across age, income, life styles, social, cultural, national boundaries
- Degree of commitment among its customers that leads to intimacy, advocacy
- Brand equity based on a shared set of higher values between the enterprise and its stakeholders

J.C. WILLIAMS GROUP

The Ikea Testament

- We shall offer a wide range of well-designed functional home furnishings at prices so low that as many people as possible will be able to afford them
- Our basic range of merchandise must have its own profile. It must reflect our way of thinking by being as simple and straightforward as we are ourselves

J.C. WILLIAMS GROUP

- The "many" usually have limited resources. It is the many whom we aim to serve. The first rule is to maintain extremely low level of prices. But low prices with a meaning. We must not compromise functionality or quality

J.C. WILLIAMS GROUP

- The Ikea spirit is a strong and living reality. It is built from enthusiasm, our constant striving for renewal, our consciousness, humbleness, and simplicity

J.C. WILLIAMS GROUP

- Profit is a wonderful word; it gives us resources; it helps give a better everyday life for many
- Simplicity is a virtue. Complicated rules paralyze. Exaggerated planning is the most common cause of corporate death

J.C. WILLIAMS GROUP

- Doing it different is the Ikea way
- Start by always asking “why are we doing this, how can we do it better?”
- Concentration, focusing resources; we can not do everything, everywhere at the same time

J.C. WILLIAMS GROUP

- Taking responsibility is privilege. Only those who are asleep make no mistakes. The fear of taking responsibility, of making mistakes is the real root of bureaucracy
- Most things still remain to be done...a glorious future for those who travel the Ikea way

J.C. WILLIAMS GROUP

Part Three: Benefits of Whole Branding

J.C. WILLIAMS GROUP

Benefits of Whole Branding to the Company

- Price premium
- Accelerated growth
- Volume premium at price parity
- Ability to block out competition
- Higher market share
- Lower marketing costs
- Higher margins

J.C. WILLIAMS GROUP

- Higher-than-industry-average visits, transactions, frequency
- Lower churn
- Ability to attract and hold better people
- Opportunities for brand stretching
- Franchise and licensing opportunities
- A way to get off the discounting spiral

J.C. WILLIAMS GROUP

Benefits of Whole Branding to Your Customers

- Enhance self-image and self-esteem
- Aspirational benefits
- Reinforces peer group membership
- Reduces uncertainty and risk
- Simplifies choice
- Saves time, effort, hassle
- Creates trust
- Helps avoid the clutter of choices

J.C. WILLIAMS GROUP

Benefits of Whole Branding to Your Investors

- Higher-than-average earnings rate
- Worth far more than tangible assets
- Increased economic goodwill
- Strong market multipliers
- Higher stock price evaluation
- Security of future earnings
- Added value creation

J.C. WILLIAMS GROUP

Part Four: The Art and Science of Whole Branding

J.C. WILLIAMS GROUP

Step One – Start With the Facts

- Where you've been
- Where you are now
- Where you are going

J.C. WILLIAMS GROUP

Step Two – Establish your branding needs

- Refresh/revitalize/reinvent
 - ▶ Basic strategy
 - ▶ Product mix
 - ▶ Store look
 - ▶ Service strategy
 - ▶ Marketing/advertising
 - ▶ Distribution mix

J.C. WILLIAMS GROUP

Step Three – The Keys

- Segmentation
- Differentiation
- Positioning

J.C. WILLIAMS GROUP

Segmentation: Where you Want to Compete

What price/quality segment?

- Luxury
- Up-market
- Mid-market
- Mass
- Commodity

J.C. WILLIAMS GROUP

What distribution/selling channels?

- Specialty
- Department
- Mass merchants
- Discounter
- Category killer
- E-commerce
- Catalogue
- Urban
- Suburban
- Rural
- Shopping centers
- Main street

J.C. WILLIAMS GROUP

What service strategy?

- Full-service
- Self-serve
- Combination

J.C. WILLIAMS GROUP

Which customer segmentation?

- Demographics
- Psychographics
- Attributes/benefits
- Life styles
- Shopping behavior
- GEODemographics

J.C. WILLIAMS GROUP

Differentiation: How You Want to Compete

- Tangible benefits
- Intangible benefits

J.C. WILLIAMS GROUP

- Tangibles
 - ▶ Service – Nordstrom
 - ▶ Price – Costco
 - ▶ Selection – Toys ‘R’ Us
 - ▶ Performance – Nike
 - ▶ Supply chain – Wal-Mart

J.C. WILLIAMS GROUP

- Intangibles
 - ▶ Status – Tiffany
 - ▶ Badge value – Virgin
 - ▶ Cool/hip/stylish – Abercrombie & Fitch
 - ▶ Prestige – Ralph Lauren
 - ▶ Personal expression – Prada

J.C. WILLIAMS GROUP

Brand Positioning

- Your brand positioned in the marketplace relative to the category and competition

J.C. WILLIAMS GROUP

- Eatzi’s
 - ▶ A leader in fine quality take-home food
- Costco
 - ▶ A leader in the discount segment of the grocery category
- Home Depot
 - ▶ The store of choice in home improvement

J.C. WILLIAMS GROUP

Step Four – Designing the brand of the future

- Establish the basic customer benefit’s you are going to satisfy
- Add key motivators
- Enhance store experience by providing all the attributes and benefits expected in your category
- Go the extra mile by exceeding expectations
- Provide benefit not yet perceived

J.C. WILLIAMS GROUP

Step Five – Identifying the added value of the brand

J.C. WILLIAMS GROUP

- Timex and Cartier both provide the same function
- Why does a Cartier watch “feel” so much better?

J.C. WILLIAMS GROUP

- A diamond engagement ring with the cache of a Tiffany box brings added value to both the giver and the receiver
- A gift of a cashmere sweater from Saks or Macy’s may be very similar in quality, but very different in how you feel when you receive and wear it

J.C. WILLIAMS GROUP

- Added value can be both rational (trust, confidence, assurance) and emotional (self-esteem, prestige, status, social acceptability)

J.C. WILLIAMS GROUP

The Key

- It is the customer who adds the value. It is in their mind and it’s for the most part emotional in nature
- No added value; no brand

J.C. WILLIAMS GROUP

- Adding a logo to a polo shirt is not branding
- Adding the charisma of the Ralph Lauren name is

J.C. WILLIAMS GROUP

Step Six – One Idea/Word
Determine the one idea you want to own in the customers’ mind

J.C. WILLIAMS GROUP

- Boss – sexy
- Disney – entertainment
- Volvo – safety

J.C. WILLIAMS GROUP

- One simple idea that is understood and valued by the customer, consciously or subconsciously
- Not a little about a lot, but a lot about a little
- One idea/word that can be explained in seconds, not minutes

J.C. WILLIAMS GROUP

Step Seven – Dimensionalize the brand

J.C. WILLIAMS GROUP

- Vision
 - ▶ A simple statement that projects where the brand aspires to go
- Personality
 - ▶ The outward expression of a brand as if it were a person
- Character
 - ▶ The inner soul of the brand; its values and beliefs

J.C. WILLIAMS GROUP

- Relationship
 - ▶ The breadth and depth of the relationship you aspire
- Image
 - ▶ How the customer and prospective customer perceive you now
- Positioning
 - ▶ How the customer positions your brand in their mind

J.C. WILLIAMS GROUP

Step Eight – Brand Pyramid

Image

Vision

Brand Priorities

Segmentation/Differentiation/Positioning

The Brand Design

Added Values

One Idea/Word you Want to Own

Personality and Character

BRAND ESSENCE

Part Five: Supporting the Brand

Role of the Brand Champion

- Starts at the top or does not start at all
- Evaluate the Branding competencies of the organization
- Integrate the diverse skills into necessary support team

Branding Inner Circle

- Representatives from the key elements of the business
 - ▶ CEO, Buying, Operations, Human Resources, Financial, Marketing
- Supported with additional necessary internal and external specialists

New Enlightened Role for Marketing

- Beyond advertising
- Research
- Database
- Loyalty programs
- Publicity
- Cause marketing
- Windows
- POS materials
- Packaging
- Web site
- Own Brands' strategy
- GIS programs

Internal Branding – Job #1

- Matching corporate culture and brand culture is critical to success
- Begin by defining the Brand promise in a simple way that can be communicated and understood by everyone

- Someone at senior level has to be responsible for top-down/bottom-up process of self-learning
- Turn awareness, understanding, and acceptance into behavioural support of the Brand

J.C. WILLIAMS GROUP

- Internal Branding has to be built into the objectives and rewards of the organization
- Celebrating and championing the Brand advocates

J.C. WILLIAMS GROUP

Funding Strategy

- Historical disagreement between traditional retail management on the merits of investment spending in Branding versus the winning marketers of the 21st century

J.C. WILLIAMS GROUP

- Between the point of view that believes company assets are cash and tangible items, and the one that believes it is necessary to first invest and then enhance all assets, both tangible and intangible

J.C. WILLIAMS GROUP

- Cutting edge marketers concentrate on the new assets of: people, core competencies, innovation, leadership, and the leverage of total stakeholder groups in support of the Brand

J.C. WILLIAMS GROUP

- Winning brands such as Victoria's Secret, Hugo Boss, and Loblaws understand the short-term and long-term strategy of investment spending in brand building

J.C. WILLIAMS GROUP

- The brand premium of higher prices, higher sales per square foot, higher-than-average transactions, and frequency of purchase are reinvested in a balance of short-term and long-term needs

J.C. WILLIAMS GROUP

- Most traditional retailers spend in the 2%–3% range on marketing and communications; most brand builders are in the 4%–6% range, and some at 8%–10% marketing to sales

J.C. WILLIAMS GROUP

- This funding strategy pays off in better people; more customer information and knowledge; superior core competencies; more competitive store look and feel; stronger share of voice

J.C. WILLIAMS GROUP

Role for Advertising/Integrated Communications

- Brands build businesses; advertising/integrated communications build brands
- There are continuing signs that traditional mass marketing is losing its impact and is being replaced with a combination of mass, direct, and one-to-one interactive and integrated communications

J.C. WILLIAMS GROUP

- Look at advertising not in isolation, but as part of a totally integrated communications plan that addresses every point of contact between the company and its stakeholder group
- The leverage of these communications, impact vs. fragmented, and the uncoordinated approach of most retail is an immense competitive advantage

J.C. WILLIAMS GROUP

- Look to models like McDonald's, Club Monaco, Kenneth Cole, and Ralph Lauren as a source of inspiration
- They are fanatical at ensuring every piece of communications supports the brand personality and character

J.C. WILLIAMS GROUP

- Your strategy needs to reflect your immediate traffic, sales, and profit goals, but it must also understand the role of communications in building long-term equity of the brand

J.C. WILLIAMS GROUP

- Whole Branding communication goes beyond basic beginner level of integration
 - ▶ to integration of both form and content
 - ▶ beyond the obvious visual/graphic elements of name, logo, typeface, colour, symbols & icons
 - ▶ to your Brand's content and soul – to its Brand Essence

J.C. WILLIAMS GROUP

Best Practices

1. Whole Branding starts at the top or it doesn't start at all
2. Business building and Brand building need to be united into one overall strategic direction

J.C. WILLIAMS GROUP

3. Start by taking a 360° view:
 - ▶ From corporate culture to multi-channel execution
 - ▶ From customers, prospects and total stakeholder group
 - ▶ Where you've been, are, and going
4. A key – the Brand pyramid:
 - ▶ Clear and simple brand statement, that is the base of all communications to all stakeholders

J.C. WILLIAMS GROUP

5. Brands build business; Communications build Brands:
 - ▶ Communications in the broadcast sense is the "message and the channel" through which the organizations declares its commitment to meeting its brand promise to all stakeholders
6. Brand investing vs. market spending:
 - ▶ Brand investments must be supported by the financial and Brand equity benefits

J.C. WILLIAMS GROUP

7. The biggest barriers to whole branding;
 - ▶ Undifferentiated retail concepts
 - ▶ Short term vs. longer term point of view
 - ▶ Organizational and people needs
 - ▶ Lack of understanding of the "total" branding principles and process
 - ▶ Lack of customer information and insights
 - ▶ Lack of willingness to invest
 - ▶ Lack of discipline, patience

J.C. WILLIAMS GROUP

**Battle of the Brands:
only the mighty will survive**