

BRAND RENOVATION

REDISCOVERY OF YOUR CORE ESSENCE

JOHN H. WILLIE

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The most important asset a company has is its reputation... their brand. So it's not surprising these days that the subject of branding bubbles to the surface and the C-suit folks are busy planning, innovating, refreshing products, and their brands. Everyone has their own interpretation of what branding really is. Although many think a brand relates directly to business innovation, perhaps there is something more fundamental to branding.

I have sat through quarterly meetings, and the CEO spends 20 minutes describing the markets that the company is getting into and acquisitions deals on which they're working. Overall, more than 60 percent of the S&P 500 firms incorporate the concept of innovation into their mission statement. They use the term "innovation" in their marketing and branding communications or cite innovation as a part of their strategy in their annual reports. Most corporate executives understand the basic formula of business success: increased sales lead to increased cash flow --- that in turn, drives growth. However, firms that generate top-line growth, as well as bottom-line growth, get rewarded by Wall Street with higher evaluations (price earnings ratios) than other companies in the same category. The major challenge is in growing the top-line as well as bottom line growth.

I BELIEVE THAT RENOVATION PRECEDES INNOVATION

Since many attempts at marketing have failed to create top and bottom line growth (in most cases top line growth comes at the expense of the bottom line), CEO's have decided the only way to drive growth is to change the rules and re-engineer the old system and design a new one from the bottom up. Here comes the term innovation: it's the driving stimulus to the new business model for success. A quick reference to the definition innovation tells us that it is the act of introducing something new or a new idea, method or device. Another way to look at innovation is to use your existing assets and core competencies to do something different from what you're already doing. Perhaps this philosophy of reviving the brand is just a quick fix to revitalize the business. Another way to look at energizing the brand with business constituencies is taking the first step to fix the basic value proposition, "What is it that you offer to your existing and prospective customers?"

In every generation of senior management, the old guard wants to leave their legacy; and the new guard wants to score, making a name for themselves on the way up. Both generations have come to the conclusion that there is no better way to make an impact than to make a big splash by doing something new, "Ahh yes, let's embrace innovation." Now you might think that I am opposed to innovation, but I'm not. I believe that "renovation precedes innovation." The strategy of renovation first is based upon the insight that there is a major difference between core competencies (what you know how to do) and core essence (who you really are as a brand) and why a solid understanding of core essence is at the heart of business success.

Another way of looking at the two competing philosophies is in this example. Innovators will say, "Let's start with what we can build, and see whether we can sell it." On the other hand, renovators will say, "Let's see what consumers need and if we have the core competency to make it." The renovators are constantly asking their customers and potential customers regarding their wants, needs, desires. The renovators provide products and services that their customers and prospects really want. The consumers are literally providing stimulus to the renovator's brand. This would lead us into another discussion of customer loyalty and the efficiency of retention versus spending to capture new customers. Now to really understand the differences between innovation and renovation, you need to step back and

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understand how businesses create value. Basically, your brand value is a direct function of your ability to align three key things: core competencies, core essence and your assets and infrastructure. If all three are not working together, chances are your business will not succeed.

Assets and infrastructure are easy to understand. Core competencies are based upon four distinct factors: knowledge, experience, resources and people. Core essence is who you really are as a company or brand: it's what your brand stands for in the hearts and minds and the promises your brand makes to consumers.

Your core essence is critical in determining where you can go as a business. If you try to extend your brand beyond your core essence, your customers won't follow. Would you go to a McDonalds Hotel? They tried it and failed. Their core essence is picking locations, sourcing products and hiring people. IKEA on the other hand has been remarkably consistent with their core essence of reasonable quality at a reasonable price.

You might be thinking, "Of course businesses must create value. Its supports the reason for being." But what does it have to do with innovation and renovation? A lot.

Businesses that embrace an innovation strategy generally identify new growth opportunities that allow them to leverage their core competencies and assets. Their challenge is, no matter how well they deliver on the opportunity, they still have to persuade the consumer to buy. Remember, they start with the philosophy of build first and then see whether they can sell it.

What all this comes down to is desired outcome and how you get there. Businesses that renovate start with their core essence and identify new growth opportunities that are consistent with what consumers have shown they're willing to buy. They make sure that they have the core competencies and assets to deliver what they are promising. What this means is that renovators know before they introduce any new product and/or service that they will have a good chance to be accepted.

And now, a closing thought... the marriage of the top and bottom line will come about when the heart of a business is focused on brand clarity, consistency and leadership... and the courtship begins with renovation.