

TRUST ME. I'M A BRAND

"People spend money in the places that makes them happy."
Walt Disney

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"We can't resist trusting those who make us happy" is a key principle of brand building, even though few brand builders have been able to translate it into an enduring enterprise the way Walt Disney did. It's not an accident that his characters were huggable and that his employees were called "cast members." He knew better than most that *People spend money in the places that make them happy.*

Strong and healthy brands have figured out how to make their customers happy. Nordstrom does it with service, genuine sales events, and a trusting guilt-free return policy; Southwest Airlines does it by hiring fun people, letting you change your flight for free, and being honest about what it means to travel on the cheap; and Costco does it by charging fair prices, having nice employees, selling \$1.50 hot dogs (including a drink), doing chez Costco free dining on weekends, and making it easy to return purchases.

These are trusted brands because they *consistently* do things that let their customers know they are valued. Compared to many of their competitors, they appear to strike a balance with their customers - a balance that favors the customers.

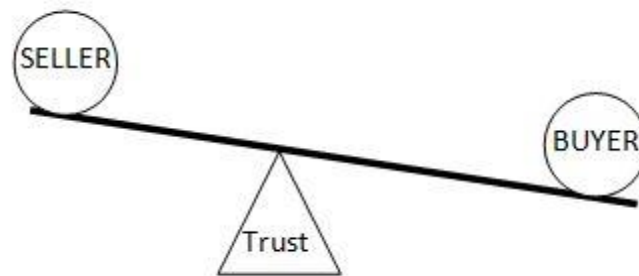


Figure 1. The Value Balance Between Seller and Buyer

This "value balance" is not a real balance so much as it is a perception on the part of the buy that the seller has over delivered. It reflects what the cliché "exceed expectations means in terms of what will keep customers coming back.

STRANGERS MAKE BRAND BEDFELLOWS

Mass migration from farms to urban centers beginning in the 1870s marked a fundamental change in the nature of the relationship between buyer and seller. What fell by the wayside were profoundly local relationships built on friendship, kinship, and mutual dependence.

The economics shifted from barter-based transactions to those based on money and contracts. As the industrial age accelerated, consumers often didn't know whom they were buying from or what went into the products or services they bought. The loss of social pressure on suppliers but of consumers' firsthand knowledge of product or service quality shifted transactions in favor of the seller—hence, the coining of the phrase "buyers beware."

THE BIRTH OF BRANDS

Modern brand builders capitalize on the limits of this approach by reaching back to the roots of trusted relationships in respect, understanding, caring, and fairness to reassure buyers that they need not beware. They do it by emphasizing the defining characteristic of a strong and healthy brand: A predictable customer experience.

A strong and healthy brand fills the universal human need for belonging and significance. Meeting this need is what it means to be customer-centric and, thereby, serve the central tenet of free enterprise: Create an institutional means of consistently aligning the customer need for relevant and resonant products/services and the seller need for a "regular customer."

THE BRAND FUNCTION IN ACTION

Before the invention of UPS, FedEx, and other large-scale message and parcel movers, consumer trust in the US Postal Service didn't matter, since trust becomes an issue only when consumers have options. It's not that the postal service was bad; on the contrary, it has always been predictable. But the customers' experience was dictated by the seller's narrow view of postal service so that no one thought to ask about overnight delivery.

But with the advent of effective competition (i.e., options), the issue of a predictable and affordable response to an unmet need (e.g., overnight delivery) became paramount, giving rise to such taglines as UPS's "We run the tightest ship in the shipping business" and FedEx's "When it absolutely, positively has to be there overnight." These taglines were intended to convey a brand promise to consumers: that parcels would be picked up and delivered promptly and predictably. In this changed environment, the US Postal Service first tried to maintain its monopoly through regulation but finally recognized that the cat was out of the bag, and it had to compete for a piece of the parcel pie.

THE MOST BASIC QUESTIONS OF BRAND BUILDING

The availability of consumer choices (such as 636,000 restaurants in the United States) and instant feedback from social media have intensified the competition for consumer trust. Hyper-competition, brand failures, and consumer access to information have intensified interest in the art and science of brand building, which raises some important questions:

- What is a brand?
- How do you build the brand you want to have?
- How do you know a brand is strong and healthy?

These are the most fundamental questions of the brand-building and brand-renewal process. Just imagine the impact on a brand's consistency and predictability of a brand-building team not being on the same page when answering these questions.

A BRAND? MAYBE

People don't experience a company's product or service simply as a product or service. If they do, the product or service isn't a brand; it's a commodity. Branded products and services are viewed in terms of the user's experience with them. For example, a consumer may associate Harley-Davidson with *independence*, and Starbucks with *conversation, comfort, and quality*. That's why a brand is a lot like a reputation. It's the shadow of the consumer's experience and the core of what comes to mind when the user thinks of the brand.

A brand that is strong and healthy enriches the association by putting the brand on par with qualities like character. In the same way a person's character invokes images of achievement, humanity, wisdom, and purpose, a strong and healthy brand invokes positive images and associations that elevate the brand above the crowd of competitors.

A brand is essentially a shortcut to *meaning*—the meaning a consumer associates with a product, service, person, country, company, or other entity. As the folks at the Northwestern Kellogg School of Management define it, "A brand is a set of associations linked to a name, mark, or symbol associated with a product or service." A brand is created when people consistently link a name, symbol, or mark (such as Nike's Swoosh) to something they value, such as being athletic or cool. The important word in this discussion is *consistently*, since an inconsistent customer's experience precludes the creation of customer expectations. Above all else, consumers crave predictability. Without it, they won't associate value with their use of a product or service.

INSIDE OUT—THE ROOTS OF "THE BRAND"

A company's culture and brand are two sides of the same coin. A brand is one of the things you see when you look at a company from the outside. The culture is what you see when you look at a company from the inside. From a leadership perspective, the question is whether a brand results from building the culture or the culture results from building a brand. This isn't a chicken-and-egg argument, as where a brand builder comes down on this question directly impacts the strength of the brand *and* the culture that supports it. Corvitus comes down on the side of company culture as a starting point. It isn't that the culture has to be built before the brand can be built, but the elements that are germane to the brand must be thought through in detail.

Culture is the root of a brand and not the other way around for a couple of reasons. First, a brand is meaning; that is, the associated memories, emotions, and thoughts invoked by a customer's (or other stakeholder's) *consistent* experience of an enterprise's products or services. Second, culture is the starting point of branding because of what culture is: *the shared values and beliefs about success and how it is achieved that dominate the thinking and actions of employees and their leaders*. If a culture's values and beliefs don't support the intended brand, then neither will the thinking and behavior of a company's employees.

The reality is that the culture and the brand are built simultaneously, but the culture is given a bit of a head start. That's because the focus of a culture is success—intended results, intended brand, and intended reputation—and how to make it happen. Figure 2 illustrates this relationship.

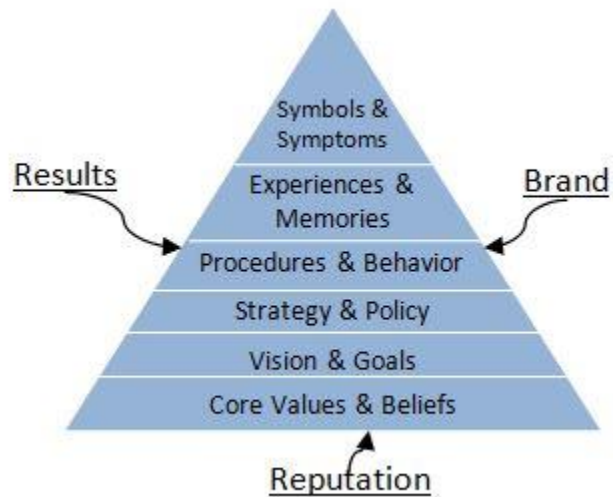


Figure 2. The Culture-Brand Pyramid

Everything about a company is stamped with the values and beliefs of its leaders. What sometimes goes unrecognized in the brand-building process is that leaders won't do anything they do not truly believe in. That's why it's a good idea to start the brand-building process with an in-depth understanding of what the leaders believe about success and how it is achieved. Beliefs are "articles of faith," since they require no proof to be accepted as real. Values are a company's nonnegotiable "articles of goodness." One way to think about values is that they give beliefs their tone. This tone shows up in some of the attributes of a strong brand, such as guaranteeing customers that they cannot make a bad decision.

Although the way people are to be treated is a component of all company cultures, what it means to treat people well can vary a great deal from one culture to another. As previously noted, a successful culture is based on intended results, brand and reputation (shown outside the pyramid in figure 2). The nature of these components is determined by the values and beliefs that dominate the culture, not vice versa. All three consequences should be part of the process of building an intentional culture that supports a strong and healthy brand.

THE PROOF IS IN THE PUDDING

The best way to know whether you have a strong and healthy consumer brand is to look around you. If you see familiar faces among your customers, people willing to pay full price, and enthusiastically recommend the brand to their friends and families, you have a strong and healthy brand. This evidence is called "active loyalty."

A brand that doesn't earn loyalty has no value, regardless of its visibility. A brand that "buys" customers through discounting or frequency programs (think: airlines) isn't as valuable as one that does not. In keeping with this reasoning, a brand grows in value only to the extent that it is able to increasingly *earn* the loyalty of its customers and other stakeholders.

Loyalty is the lifeblood of any enterprise, but not all forms of loyalty are created equal. The best kind is *earned*. We call it *active loyalty* because customers demonstrating in word and action that they favor a company based on their experience of it. Loyal customers *volunteer* their commitment, enthusiastic participation, and voice on behalf of the company. It's been said that "a picture is worth a thousand words," and in this case, a visual presentation of active customer loyalty is invaluable as both a strategic tool and a teaching aid for employees.

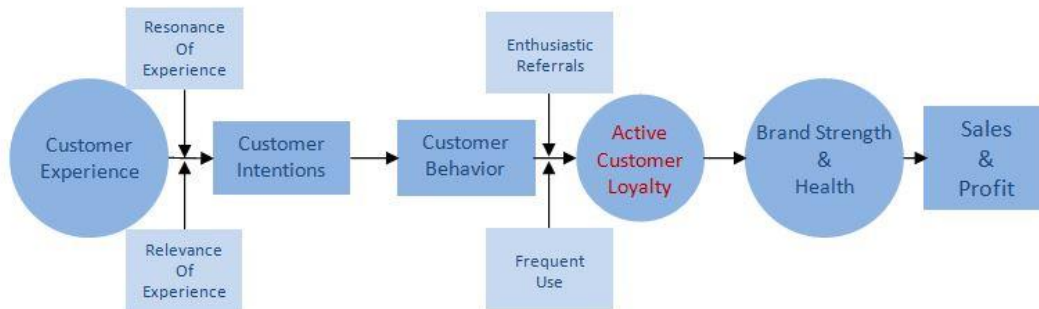


Figure 3. Customer Experience—Active Loyalty Chain

In figure 3, you can see many of the factors we've been discussing. Active loyalty begins with a *resonant* and *relevant* customer experience that invokes the desired customer intentions, such as the intent to return and refer. The strength of these intentions determines behavior; that is, *actually* coming back to shop and referring the company to a friend or family member. This behavior creates active loyalty—commitment, enthusiasm, and going out of one's way to do business with a company. Active loyalty drives brand strength and health, which in turn drive sales and profit. This simple model is an effective way to show employees the reason "we do things the way we do around here." In short, it can be employed as a means of cementing a culture that drives success.

In a customer-centric discussion such as this, it's easy to lose sight of the fact that culture-based brand building is a holistic process, which means that brands have to be built for *each* stakeholder—customer, employee, supplier, investor, and community. This approach is one reason for explanation of the long-term success of companies like Southwest Airlines, whose tagline "a symbol of freedom" applies to both customers and employees. What brand builders need to recognize is that brands are living entities that age, must be kept in shape, and on occasion, must be reborn. One implication of the interdependent and organic nature of brands is that a company cannot raise the bar on its consumer brand if on the back of its employee brand.

THE STATE OF BRANDING

In a forest of consumer choices, the strongest brand is the one that inspires the most oohs, aahs, and warm fuzzies among its customers. Somehow, in the eyes of many brand leaders, achieving this status is seen as marketing when it is simply one more symbol of a sustainably great enterprise. Great brands don't

create great enterprises; it's the other way around. The difference is the contrast between creating awareness and *earning* customer loyalty. Promotion is promotion and stakeholder experiences are stakeholder experiences, and while the promise of the intended experience should be communicated through effective marketing, what is actually communicated is not the brand itself but what the consumer should expect from it.

What company leader wouldn't be proud to be the steward of a strong and healthy brand? After all, it's a lofty status conferred on a company by its customers in recognition of promises the brand consistently kept. In short, a strong and healthy brand is the meeting point between set expectations (marketing) and customer takeaway from the experience (operations). An example of a strong and healthy brand is shown in exhibit 1.

EXHIBIT 1

THE NORDSTROM WAY

For a long, long time, Nordstrom's customers have made its stores synonymous with customer care. As a consequence, when these loyalists want something and a Nordstrom store is in reach, it is their first choice even though the same brands and quality merchandise may be purchased much closer to home and possibly at a lower price. Why would busy consumers choose to inconvenience themselves in this way?

One reason is that shopping at Nordstrom is a fearless experience. Customers know that their shopping experience will reinforce the feeling that they are competent. (People hate to feel that they have wasted their money when they shop.) This feeling is sparked through an abundant, logical, and convenient product or experience and employees who treat shoppers as if they are guests rather than intrusions. Shoppers also feel confident they cannot go wrong in making a purchase at Nordstrom. If they conclude when they get home that they made a bad purchase decision, they can always take their items back to the store for exchange or refund—whether sales merchandise or not. Not only that, but Nordstrom's customers know they can return their purchases at their convenience rather than being pressured to comply with a store's restrictive return policy. In addition, shoppers can return their purchases even if they have used them (other than personal items) or lost their receipts.

Many other retailers make consumers feel certain that their competence and possibly their honesty are being called into question. By contrast, the Nordstrom experience communicates to consumers that they are valued.

We see all the elements of a brand in this story: humanity, predictability, economic value, transparency, and authenticity. The essence of a strong and healthy brand such as Nordstrom isn't principally based on product choice and function. Rather, Nordstrom has differentiated itself from its competitors by connecting—building has established a point of competitive differentiation through *connecting*—building a relationship—with its customers in a compelling way. For Nordstrom's customers, product choices are only one determinant of value, and perhaps not even the most important determinant.

Strong and healthy brands address two of the most fundamental human needs: *to feel special and to have a sense of belonging*. By addressing these needs, Nordstrom adds a unique source of value to consumers that can be traced back to the company's values. It is this link that brings Nordstrom's employees into the brand-building loop and empowers them to serve their customers fearlessly.

We have no way of knowing whether the founding Nordstrom brothers viewed their values in exactly these terms, but their reasoning must have aligned to some extent with ours, since a company reflects what is in the hearts of its leaders. The end outcome of Nordstrom's values is a dominant retail brand in which employees take pride in their ability to create a great shopping experience for customers. What this illustration demonstrates is that the only way to a customer's heart is through the values of the enterprise; that is, its soul.

While it's possible to "buy" customer loyalty with discounts and loyalty programs that are not based in love of the brand, it isn't possible to buy their affection and trust. In contrast to the Nordstrom-like brands of the world, many enterprises treat consumers as interchangeable and, in turn, are treated as interchangeable unless customers are paid to act otherwise.

When an enterprise steps into the vacuum of connection in the marketplace to make consumers feel competent, confident, proud, and like they belong, it discovers that customers will pay a premium for the rare privilege of being part of an endeavor that genuinely cares about them. Companies like Nordstrom recognize that customer transactions are economic *and* human, and that there is much more to customer experience than the provision of goods and services. As a result, customers will say "That's *my* Nordstrom!" rather than "There's a Nordstrom in the mall."

It is connecting and making connections that *earn* customer loyalty, and loyalty that creates superior sales and profit in good times as well as bad. As Nordstrom exemplifies, *Brand building is the spirit and methods of earning the affection and trust of a company's most valued customers.*

ABOUT CORVIRTUS

Corvitus provides a range of innovative, science-based measurements and services that tie a company's culture and core values to talent processes. Corvitus solutions have enabled hundreds of companies to strengthen and scale their corporate cultures, and to identify, develop and retain those employees with the characteristics and capabilities essential for business success and customer satisfaction. For more information, visit www.corvitus.com, or schedule a demo by using this link:

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