The Role of Branding in the Turnaround of a Company

By Carter Pennington

When we think of turnaround and restructurings we rarely think of brand building. Yet, there are few areas of business that are more important than creating a brand, building a brand, protecting a brand and, eventually, expanding that brand.

I have worked in some of the top marketing companies in the world; I managed dozens of brands and built numerous brands, which included an array of new product launches, line extensions, package redresses, door expansion, channel introductions and end-user delivery systems. Some were very successful, some were disasters. However, one lesson I have learned is a strong brand is the core of every strong company. If you intend to grow your company, you need to build your brand.

Why focus on brand building?

Branding is the basis for sustainable growth. Yet, brand building is not a prime objective in most turnarounds. Most turnaround professionals are charged with preventing (or recovering from) insolvency and dissolution. Their key focus is net cash flow and making any changes necessary and practical that create a positive cash flow environment (which often includes "right sizing" a company and restructuring the debt). The secondary focus is maximizing the positive cash flow to the extent possible, given the available resources. Branding is rarely a priority.

However, as the primary basis for sustainable growth, branding is the essential next step in a turnaround. Branding is a critical element of the turnaround process and a turnaround isn't really complete until the company is on a path toward sustainable growth. The shortest path to sustainable growth is brand building.

What is a brand?

A brand is an identity that has a unique combination of value characteristics and promises a desirable and unique experience. While there are many value characteristics among competitive products, a brand is a specific combination of one or more such characteristics. For example, Head & Shoulders shampoo may have low cost, consistent performance, appealing colors, pleasant fragrance and treats dandruff as some key value characteristics. In an efficient market, there could be several competing brands within the same segment, each with a unique combination of value characteristics. Some examples might include: Selsun Blue, Denorex and Nizoral.

It is the job of the competition to unravel this combination and show how they are just as good, since they have one or two of these value characteristics as well. For example, a product may have low cost, pleasant fragrance and treat dandruff as key characteristics, while not processing consistent performance and appealing colors (perhaps the Wal-Mart store-brand dandruff shampoo). Perhaps Nizoral is more effective at treating dandruff, has consistent performance but scores low on fragrance and is much higher in price.

It is the company's brand managers to job the keep these value characteristics intact, not to allow the competition to unravel them individually. In doing so, the company maintains product differentiation verses the competition.

In addition to this distinctive, unique combination of value characteristics, a brand must be relevant. It must fulfill or otherwise serve a need of the consumer. The brand should also be identified as a source; it can't be generic in nature. It needs to have a sense of authority about the class of products or service in which it exists. Another element of a brand is familiarity; it should have some level of notoriety and reputation in the eyes of the consumer.

The aforementioned characteristics of a brand can be easily illustrated. Just think of your top 5 products in your life – the ones you will go out of your way to purchase, maybe even spend a little more to buy and would rarely accept a substitution. I don't know what those products are (I'm not a mind reader) but I'll bet dollars-to-doughnuts that they are great brands. For example, some of my favorite products are: The Wall Street Journal, Hebrew National frankfurters, Right Guard spray deodorant and Fender Stratocaster guitars. I simply don't accept substitutes and they're all iconic brands.

The importance of branding

Branding is important to business building because brands are important to consumers. On the surface, it may seem that brands are becoming less important. There has been an emergence and expansion of private labels and the proliferation of store brands (particularly in super retailers such as Wal-Mart, Target, Safeway, CVS and Whole Foods). It appears that people seem to be choosing cheaper versions of a branded product, taking comfort in the belief that it has the same ingredients and serves the same purpose. However, this is simply not the case.

Brands are more important today than ever. Life is more complex, markets are more seamless and the availability of products is unprecedented. Consumers are more quality conscious and have higher expectations. Brands simplify the buying process. They enable consumers to cut through all the clutter, make superior buying decisions while maintaining an increasingly hectic, 24/7 lifestyle. Brands are important because they simplify the buying process. Brands perform an essential role in today's markets; brands facilitate the decision-making of purchases. By the way, CVS store brand aspirin and Whole Foods frozen peas *are* brands.

When many people hear the term 'brand' or 'branding,' they typically think of consumer products, advertising and fancy promotions. However, this is inconsistent with what a brand actual is. A brand is an identity, a promise of product or service performance. Advertising, promotions and the like are actions that a company may take to help deliver or strengthen that identity or promise.

Other actions to strengthen a brand might include, using quality components, offering great service, a hassle-free return policy, a performance guarantee and value pricing. All of these strengthen and build a brand yet none of them are advertising or promotion and they have absolutely nothing to do with consumer products. In fact, these actions can be taken by a service company, an industrial manufacturer or a utility company. Sure, branding is important to Crest, Budweiser and Campbell's soup but it's also important to a middle-market tooling manufacturer, third-party logistics provider and land development contractor.

Many companies subscribe to the notion, "we don't need to be concerned with branding, we just need to make great products and deliver great service." This make a lot of sense but it may be misguided. A brand is an identity, a promise of product or service performance. Offering great products and service is delivering on that identity and promise. Again, offering great products and service are actions. Interestingly, if a company consistently offers great products and service, after a period of time, it will *become* a brand.

The vicious cycle of brand erosion

Having a great brand is no guarantee of continued success and consistent financial performance. Maintaining the strength, relevance and differentiation of a brand takes focus, hard work and managerial skill. It's easy for a company to get off track and spiral into financial chaos as a result of the erosion of a brand.

Consider this familiar scenario: A company with a strong brand embarks on a misguided strategy or perhaps a good strategy but with incapable management or an inappropriate capital structure. Suddenly, they see profit margins shrinking and they react by cutting back on investment and resources that support their brand (i.e. cutting advertising, less quality audits, cuts in customer service, etc.). This results in a weakening of the brand, leading to further reduction in profit margins. Management then shifts focus toward cost containment and away from brand management; this is a critical mistake. The result may be a temporary improvement, sometimes a longer term improvement, in profitability but the brand is severely damaged. A gradual and continual loss of market share will follow, further reducing gross profit, and exacerbate the downward cycle.

The role of branding in a turnaround

Many distressed and underperforming companies are plagued with this type of brand erosion. Most distressed companies did not get into that condition overnight; it became distressed over a period of time, often in a similar manner as described above. If a company has lost its brand equity, the turnaround should be focused on the brand's revival not merely expense reduction and cash flow improvement. To take this one step further, if a company is distressed and has never had a strong brand, the turnaround plan should include a solid brand building initiative once the company is stabilized.

Key branding tactics in a turnaround situation

Building and restoring a brand in a turnaround situation is similar, if not the same, as traditional brand building. Some key tactics to rebuild, restore and strengthen a brand in a turnaround situation follow.

Invest in top management talent. In many turnarounds payroll is a sensitive area; the direction is often keep headcount and compensation to a minimum. While this may serve a useful purpose for a relatively brief period at the beginning of a turnaround, it has no place in brand building. The first step in brand building is to hire the very best brand managers and senior executives and charge them with building a super-strong brand management team. This will be costly and may require some creative financial sourcing but it may become one of the best investments the company will make. Building or restoring a brand without highly talented branding experts is nearly impossible.

Develop a clear strategic direction. Good strategic planning is often overlooked and misunderstood. A strategic plan or business model defines how a company creates competitive advantage in the market, the relationship it has to its customers and how its products and services meets consumer's needs. The major elements of competitive advantage define how consumers make purchasing decisions. These criteria include: low cost, high quality, ease of use, least amount of time and product innovation. Successful companies are at least as good as their competitors in 4 of these criteria and are world-class or state-of-the-art in 1of them. Less successful companies are either deficient in one or more of these areas or they mistakenly attempt at being world-class in more than one criteria, which results in loss of focus, thinly stretched resources and weak brand identity. Good branding requires good strategic planning.

Redefine the brand relevance. This is often referred to as the brand promise. It's the critical and differentiating experience that the brand delivers to the consumer. To redefine or restore the brand relevance, this value experience must be consistently delivered, every time, everywhere. The process of redefining the brand relevance includes developing a comprehensive knowledge of the market and understanding the consumer needs that are addressed in the market segmentation. In addition, there must be an extensive evaluation of the customer, their views, opinions, habits, lifestyle, demographics, needs, wants and values. It is essential that the brand promise be clearly defined in order to restore and develop the brand experience and consumer trust. The ultimate goal of any form of brand building is to enhance and maximize the brand experience – making a promise to the consumer, delivering on that promise and doing it consistently.

Create and nurture a marketing culture throughout the organization. The most effective brand companies are consumer-oriented. Consumer needs drive their branding activities and unmet consumer needs drive the new product development. A company with a marketing culture is always consumer-oriented and they take an integrated approach to marketing. It's not just about advertising and promotions; all elements and functions are part of the marketing mix and play an important role in the marketing plan. From packaging to logistics to financial metrics – it all revolves around the marketing and branding initiatives. There should also be a ridiculously crazy obsession with product and service quality. Another key characteristic of a marketing culture is having a long view of the business. The organization needs to function and run the day-to-day affairs of the business with a 3-5 year view of the world. This is particularly true in turnaround situations, where the company has typically been operating with a very narrow and short-term mentality.

Structure the company around product management. Mature companies and, in particular, underperforming or troubled companies tend to structure themselves in ways that maximize efficiency and minimize cost. This might be by geographic region, class of trade, by subsidiary (particularly if there have been many acquisitions) and by function. To rebuild and restore a brand, it is essential that the company be structured around product management, even if it is not the most cost-effective structure. The functions within the company must cluster around the management of the products and building of the brand. All the functional groups within the companies should be servicing the product management and product line planning function. In a sense, the product/marketing team is the customer and all the other functional units are the vendors. This structure starts at the top - tone at the top, lead by example. The senior management team should be marketers. They should always be talking marketing: issues of segmentation, customer behavior, new products and new plans. The senior team should be walking and talking of building brands, satisfying existing customers, attracting new customers and promoting a powerful entrepreneurial spirit.

Summary

Very few turnarounds involve a focus on building or rebuilding brands. This is because most turnarounds are about survival, creating financial stability and living to fight another day. However, once the newly turned around company is stable and on the road to recovery, the focus should be turned to growth and there is no shorter path to growth than brand building.

While I will concede that the importance of branding is not the same across all industries and companies, it is one of the most critical determinates to sustainable growth. Whether a company makes pipe fittings for industrial boilers or trendy tooth paste that 4 out of 5 dentists insist will whiten your teeth and freshen your breath, one fact is common to all companies – branding is important. A turnaround is not really complete until the company is on a path of sustainable growth. Build your brand and you will build your business.

Carter Pennington
Cardinal Strategy Group LLC
cpennington@cardinalstrategy.com
www.CardinalStrategy.com

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