I BELIEVE THE FUTURE BELONGS TO BRAND-DRIVEN BUSINESSES, NOT BUSINESS-DRIVEN BRANDS

by Emil Bielski

I. Introduction

"The existing players in any sector have resources, processes, partners, and business models designed to support the status quo. This makes it difficult and unappealing for them to challenge the prevailing way of doing things. Organizations are set up to support their existing business models. Because implementing a simpler, less expensive, more accessible product or service could sabotage their current offerings..."[1]
Clayton Christensen

This paper will begin by explaining why many businesses have become increasingly inwardly focused and risk-averse, something which has put them in great peril. I will then lay out why I believe a business' brand and its agency are their most powerful weapons to break out of this dangerous inward facing cycle. To survive and succeed they will need to become "brand-driven businesses", rather than simply owners of business-driven brands.

The applications stage of this paper will outline how achieving this step change will require businesses to sacrifice established ways of innovation, holding market position and measurement, all in the name of their brands and customers. The marketing department will help drive this change as the translators of consumer needs into action within the business, requiring them to be guardians of both the internal and external brands.

Agencies, more than ever before, can support this shift by reforming as their clients' primary source of market intelligence, their nerve centre: effecting change and allowing brands to become more agile. As brand-driven businesses move to creating value for consumers, agencies will increasingly become facilitators of innovations & partnerships rather than simply messengers.

II. Declining profitability has created "cultural lock-in" in many businesses

"I believe most large organizations are suffering from a crippling disease-hierarchical bureaucracy. This disease is resulting in remarkable declines in long term returns on assets, life expectancy and engagement of people doing the work."[2]
Steve Denning

The technological playing field is a driver of perpetual equalisation. Competitive advantage doesn't last for long and the internet has democratised the creation of new businesses and innovations. These businesses can be created with the minimum of transaction, start-up and marketing costs. The great monopolies such as the one that Ford enjoyed are no longer a license to print money, and even the current shareholder's darling Apple is being challenged by open source operating systems and lower cost alternatives.

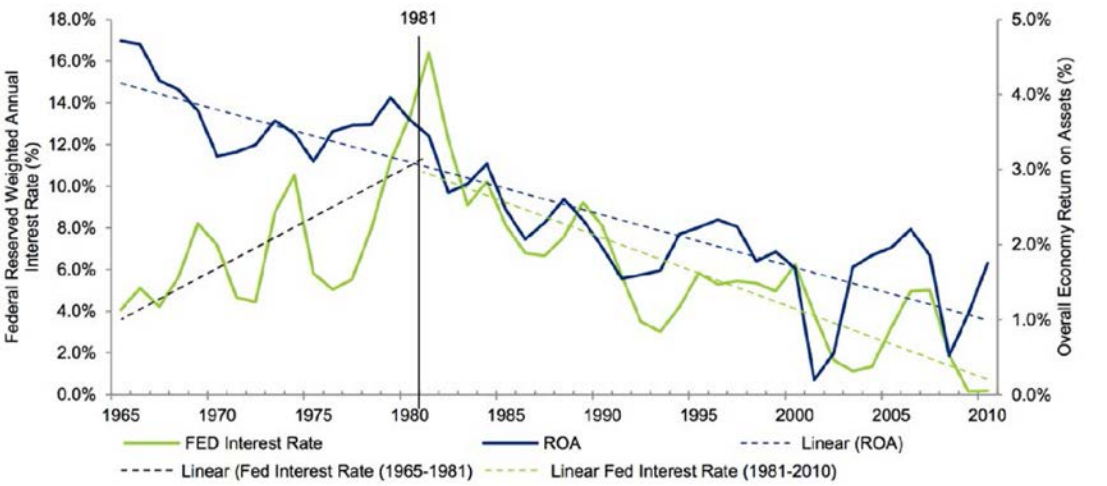

Figure 1. Return on assets/Return on investment has been in decline for fifty years, driving ever decreasing profitability[5]

The march of capitalism and efficiency has meant profitability for large businesses has been in steep decline since the 60s (Fig1). Many large businesses that surveyed this bleak prognosis started taking an ever more defensive outlook, drawn to sure fire financial bets rather than any exposure to risk. This created a state within businesses called "cultural lock-in"3: the codification of mental models into fixed processes that avoided risk. This made many businesses wedded to their way of doing things: namely capital accumulation, no matter what the markets told them. Top UK management spend only one tenth of their time working out how to increase their cash flows, rather they are far more concerned with how to spend or count it.[4]

III. In response many businesses have increasingly focused on shareholder rather than customer value

With profits declining businesses looked to solutions that would improve their accountability and maximise short term returns. In this regard there were two key developments in the 70s that would shape the operation of business for the next forty years. Together they would usher in the era of shareholder-capitalism.

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1. In 1976, the most famous business book of the 20th century was published: "Theory of the Firm: Managerial Behavior, Agency costs and Ownership structure".[6] This tome would argue that the current businesses were broken because they were run mainly for the benefit of the management. From this the concept of shareholder value was born and from then on boards of directors would align their payment structures to those of the shareholders.

2. Accounting methods advanced significantly during the 70s, making internal rate of return (IRR) far easier to calculate. If brands attempted to use their money to deliver a product or innovation that didn't pay off for years, the IRR was so poor that instead they began to use their capital on shorter and shorter term wins.[7]

With shareholder value, businesses became more internally focused: they moved away from putting consumer needs first and instead focused on strategies to increase stock market valuation. Based on the principles of linear programming it is impossible to have two objectives to maximise as the other becomes a constraint[8]. For many businesses consumer needs became that constraint, whilst innovation in the name of those needs became a liability on the balance sheet. Shareholder capitalism and advanced accounting methods drove businesses to become sales-orientated: "focusing on selling products or services rather than on satisfying the wants and needs of customers." The CEO of GE put it thus: "It's not that GE hated customers; it just was not customer centric. Marketing had become a lost function during the 1990's."[10]

IV. A sales-orientation means established businesses are being increasingly overcome by market forces

"Lacking product-oriented control systems, markets create more surprise and innovation than do corporations. They operate on the assumption of discontinuity and accommodate continuity. Corporations on the other hand, assume continuity and attempt to accommodate discontinuity."[11]
Richard Foster

Businesses with a sales-orientation focus on optimising their current business model: this can mean better distribution, additional services or a slightly improved product (at a price) for their most valuable customers. Their ultimate goal is minimising their cost base and making the most revenue possible from their current business model. This has worked in the past, shareholder capitalism and a sales-orientation drove great returns for both Coca-Cola and GE. However lower entry costs and improved access to information driven by the rise of the internet has made the market more disruptive: continuously speeding up its creation of innovations that answer consumer needs.

Cultural lock-in at Blockbuster: In 1997, unassuming former marine and software entrepreneur Reed Hastings gave back his copy of Apollo 13 to the local Blockbuster video store. To his dismay, they had charged him $40, a fee so high that he was thinking about hiding it from his wife. Mulling this over on his way to the gym, he had a moment of clarity: "I realised they (the gym) had a much better business model. You could pay $30-$40 and work out as much or as little as you wanted."

Three years later, John Antioco, a respected negotiator and the chief of Blockbuster, would sit in a room and laugh at Reed Hasting's offer to sell him Netflix for $50 million. With a market cap of $4 billion Blockbuster felt they were in a position of strength, though you could argue their size was also their biggest weakness."It's hard to change a business with 9,000 retail stores" quipped one consultant on the challenge they had faced. John Antioco was a pragmatist rather than a visionary, but he did try to set-up a streaming co-venture with Enron, which for obvious reasons had to be abandoned. Yet it would still take another four years for Blockbuster to enter the DVD delivery market and eleven to fully move into "unlimited online streaming".[14]

Forty percent of the businesses that have entered the S&P 500 over the past 20 years have done so through business model innovation: a new operating structure that releases value for both them and the consumer.[12] Sales-orientated businesses however, hamstrung by their profit models and processes, rarely invest in large scale restructures nor dare to risk their current product ranges. The market on the other hand "does not fear cannibalization, customer channel conflict or dilution. It simply waits for processes to play out-for new companies to be created and for acquisitions to clear the field."[13]

Blockbuster moved slowly because it was scared of "cannibalising" its core offering. Online and delivery would put the retail business in jeopardy with a lower margin offering. Instead, in those eight years, they followed traditional business thinking: make more money from your most valuable customers. They focused on selling confectioneries: hiring seven execs to simply focus on the "the package" that their customers left the store with. By the time they moved into online they were far behind Netflix, with none of the smart algorithms or platforms to deliver content. They were never to surpass 1/3 of Netflix's customer base.[14] Suffering from this "cultural lock-in" would within ten years of that first meeting drive the once monolithic Blockbuster to bankruptcy.[15]

It is because of these challenges that the average lifespan in the S&P 500 has been driven down by two thirds since the 1960s (Fig 2). It is also because of these challenges that the IPA Excellence diploma reading list gives so many examples of brands that were once at the pinnacle of innovative thinking but are now largely irrelevant. We have studied Sony, Kodak, and Saturn cars, all of which are now in dire straits, with the once pioneering Sony running their electronics division at a loss. Even if we look at the portfolio of companies in Jim Collins' famous manifesto "Built to last", they have since performed more poorly than the average stock market tracker.[16] They were once organisations driven by consumer needs, but as they evolved business processes took primacy, and they like those who they had originally displaced became blind to the market and consumer.

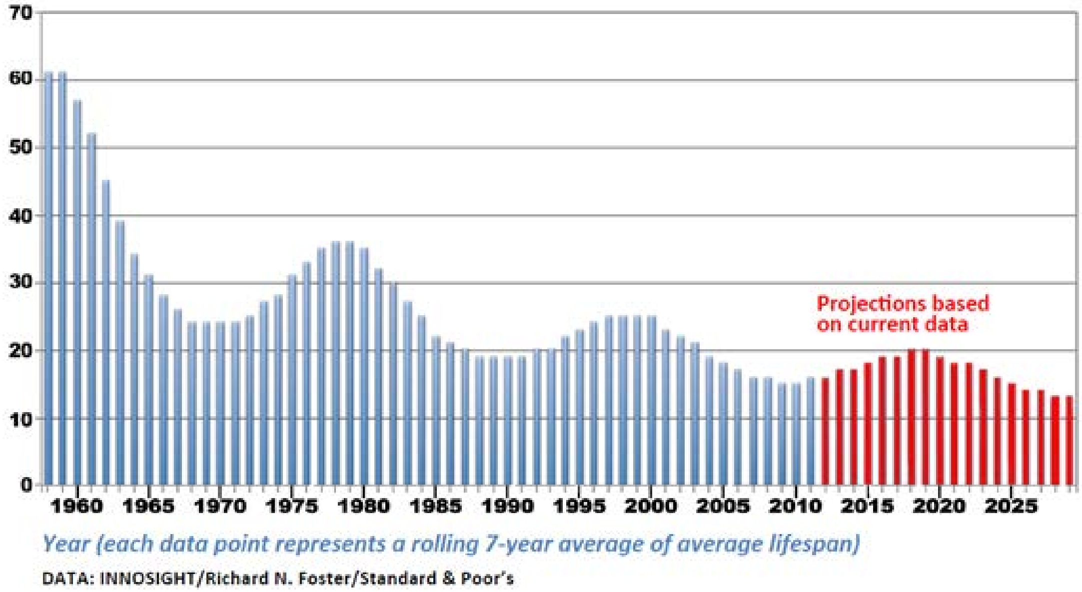


Figure 2. Average company lifespan in the US stock market has decreased by 2/3 since 1960[17]

V. In the current disruptive landscape, a market-orientation is crucial to success

"If you want to know what your future cash-flow will look like, investigate where it comes from - the market."[18]
Tim Ambler

Focusing on customer needs is not simply a fanciful notion: the most successful businesses have a market-orientation. This means the organisation-wide generation of market intelligence relating to customer needs and competitor movements, combined with the organisational capabilities to respond to it.[19] Market-orientation has been demonstrated in numerous papers (Jaworski & Kohli 1993, Matsuno& Mentzer & Ozsomer 2002, Han & Kin & Srivasta 2002) to drive significant returns and increased innovation. To quote Jaworski & Kohli, "the level of market orientation of a business is an important determinant of its performance, regardless of the market turbulence, competitive intensity, or the technological turbulence of the market within which it operates."[20]

One of the main drivers of market-orientation has been demonstrated to be a willingness to take risks and make significant organisational changes based on market intelligence.[21] The most sucessful businesses have seized opportunities by sacrificing the primacy of current offerings, business models and even shareholders (in the short-term). In an increasingly competitive environment and a market that thrives on disruption, I believe market-orientation is key for businesses' to increase their longevity and to drive profits above the norm. So the simple queston is - why is it not more common place? Full adoption of market orientation can mean swimming against the tide of traditional business thinking and upsetting everyone from shareholders through to employees. To counter this I believe a businesses' brand combined with an evolved agency model are the answer.

A willing sacrifice of business models and shareholder value:
Netflix had learnt from Blockbuster that moving with the consumer needed to be their primary concern. Reed Hastings saw the emergence of online streaming as a trend that could not be ignored. Against the prevailing business mantra he believed that aggressive cannibalisation of his core offering of DVD delivery was crucial for long term success. He would therefore take the dramatic step of splitting the business in two, allowing the products to compete against each other. Shareholders were up in arms and the share price plummeted.

Reed Hastings would be vindicated by the long term impact of his move: with a standalone online product he grew his customer base whilst still maintaining strong returns from DVD delivery. These revenues were then used to create online platforms and matching algorithms that would ultimately give Netflix a competitive advantage that the others have as yet been unable to match. As Ben Gordon from Columbia business school put it "They didn't want the Netflix brand to be damaged by the inevitable death of physical digital goods."[22]

VI. Therefore companies need to become "brand-driven businesses", not simply owners of business-driven brands

I believe the brand is a business' most powerful asset because it can be used as the simplest lever to drive a market-orientation. For an average company, brand equity accounts for about 30% of their market cap and is often their single biggest asset. Asserting the primacy of the brand's role is an easier sell than simply asking shareholders to expect lower short term returns. It is a rallying call for investors and employees and it allows businesses to stretch and pivot into new areas by acting as a safety net. If "cultural lock-in" is the mental model of internal fear, the internal brand can be the mental model of the principles that the business aspires to.

A brand stretch that became a pivot: Lego means "play well" in Danish and has been the internal brand purpose of the company since its inception. They first successfully started moving with popular culture by licensing themes for popular films, but their biggest innovation was moving into the digital age. Understanding that children had started "playing well" differently, they shifted focus into the video game market in 1997, and by 2014 the Lego Movie was released which featured the parallel "Lego-verse" that they had created. The film has grossed over $400 million worldwide, a quite incredible pivot for a company that started by making wooden toys in 1949.[25]

Traditional measurements of brand value are in fact closely related to levels of market-orientation. When you take away the assets of a business and its net present revenue, what are you left with? You could argue the actual "brand value" is already accounted for in the revenue due to the higher prices the business is able to charge. Therefore is brand value measurement actually the stock market's evaluation of your business' potential to innovate in tune with the market? The brand can be at the heart of a business in more ways than is traditionally thought:

"One side guides customers to the right products (external). The other side guides the company's product designers, marketers, and advertisers as they develop and market improved and new versions of their products. A good purpose brand (internal) clarifies which features and functions are relevant to the job and which potential improvements will prove irrelevant." [26]
Clayton Christensen

The internal power of the brand makes it possible for the business to be aligned behind one vision: it is a reflection of a businesses' culture, innovativeness and willingness to take risk. If unified behind consumer needs it forces businesses' behaviours to evolve as the market and competition changes. In an age of peer recommendation and online transparency the internal brand is becoming ever more important.

The external power of a brand is that it is the sum of the consumer perceptions created by the communications and behaviours of the business. It absorbs any value or harm that is put their way and it can move and morph faster than the business as a whole. This creates new opportunities when current operational platforms are undermined.

Agencies will help power this change by being the consumer facing vanguard

With their multitudes of relationships, agencies are far less prone to "cultural lock-in" than traditional businesses. They can act as the lens through which the business and brand survey the outside world. Through advances in data and capabilities they are now in a position to help businesses and their brands respond faster to consumer needs and act upon them in communications, partnerships and products. In the brand-driven business model, the agencies need to behave like Adam Morgan's "Denters": those that have the external brand at their core and are willing to challenge the status quo of the business.[27] They will help brands become more fleet of foot and create value for their customers.

A new agency role: In 2010 PepsiCo joined up with their media agency OMD and three other partners to create a program to discover and support start-up technology firms called the Pepsico10. This partnership redefines the traditional role of and agency and helps propagate an external facing outlook for the business. It gives them the ability to spot disruptive technologies at their incipient stage and it will help PepsiCo challenge their current ways of thinking and processes, putting them closer in touch with consumer trends and ultimately increasing their market-orientation.[28]

VII. "Brand-driven" businesses keep ahead of the market through collaboration, sacrifice and brand led opportunism

"In any competitive market, what drives margin and growth and separates one business from another—for employees, customers, partners, and investors— is the brand."[29]
Jim Stengel

To put a brand at the heart of how a business operates is a challenge to established ways of thinking. However through agency collaboration, sacrifice and opportunism I will show how it has allowed businesses to thrive despite increasingly challenging conditions.

The brand and collaboration: P&G's statement of purpose is: "We will provide branded products and services of superiorquality and value that improve the lives of the world's consumers."[30] To bring that to life P&G have relentlessly focused on collaboration to drive an outward focus and innovation.

During his time at P&G the legendary Jim Stengel, who would later become their CMO, continually aspired to create marketing and communications teams which were as diverse as possible. He brought his advertising agency Grey right into the heart of the production process for Jif peanut butter, taking them out to meet the farmers and working together on initiatives such as donating 10 cents from every jar to a local Parent and Teacher Association. They, as brand and agency were already thinking about platforms that added value (through common good) specifically to their audience rather than simply about communications. These efforts saw Jif increase total profits by 143% and margins by 110%.[31] This collaborative approach is still evident throughout P&G: they have the Connect+Develop open innovation platform that has led to over 2,000 successful partnerships.[32] This focus on collaboration and innovation has helped P&G deliver consistent 6% organic growth rates.[33]

The brand and sacrifice for the consumer: Johnson&Johnson's charter puts the stockholder as the final consideration, after doctors, patients, customers and nurses.

In 1982 when a spate of Tylenol poisoning occurred in Chicago the then CEO issued a nationwide rather than regional recall. This was not altruism on the part of the CEO because he was simply adhering to the brand's principles. As Tylenol represented 1/5 of J&J's profits sales, market share and share prices tumbled. Whilst commentators expressed surprise at this move, in the long term loyalty to Tylenol increased hugely and J&J grew to be a company with a $271 billion valuation.[34]

The brand and innovation: A participative culture is one of the main drivers of innovation because it empowers employees.[35] In 2003 IBM rewrote its brand principles by hosting an online discussion with 50,000 employees. The analysed and codified results set out three principles "Dedication to every client's success", "Innovation that matters—for our company and for the world", "Trust and personal responsibility in all relationships."[36]

For the past twenty years IBM has held the record for most patents developed, and have been behind inventions such as the ATM, hard disk and magnetic stripe card.[38] This internal brand strength allowed them to eventually pivot away from their legacy base in personal computing. Through this move they sacrificed a significant and profitable area of their business to shift into an area where they could service consumer needs better.

The brand and opportunism: As soon as Apple had rebooted their brand with the launch of the iMac, they looked straight away at how they could stretch and disrupt: their 3% share of PC marketplace was going nowhere fast.[39] Steve Jobs knew that if they found an area not delivering on consumer needs, they would be able to back up their brand promise of superior design. Firstly the team looked at cameras and camcorders but decided that they were selling well and competently designed. However when they looked at the fledgling digital music industry, they came to the realisation that the products "stank".[40]

Apple took a risk by moving into a market that they had no prior expertise or brand recognition in, yet they went into it because they knew their brand gave them an "in". They met consumer needs when the market didn't: the iPod had an extended battery life, easy music transfer, a small form factor and an intuitive menu system. They worked as a cross departmental team, and it was their Marketing Director who came up with the concept of the thumbwheel to scroll through the music. As a business they leveraged their brand to stretch and ultimately pivot into a new growth area. With that risk the modern Apple Inc. was born, and in the 10 years that followed their stock price would increase by over 3000%.[41]

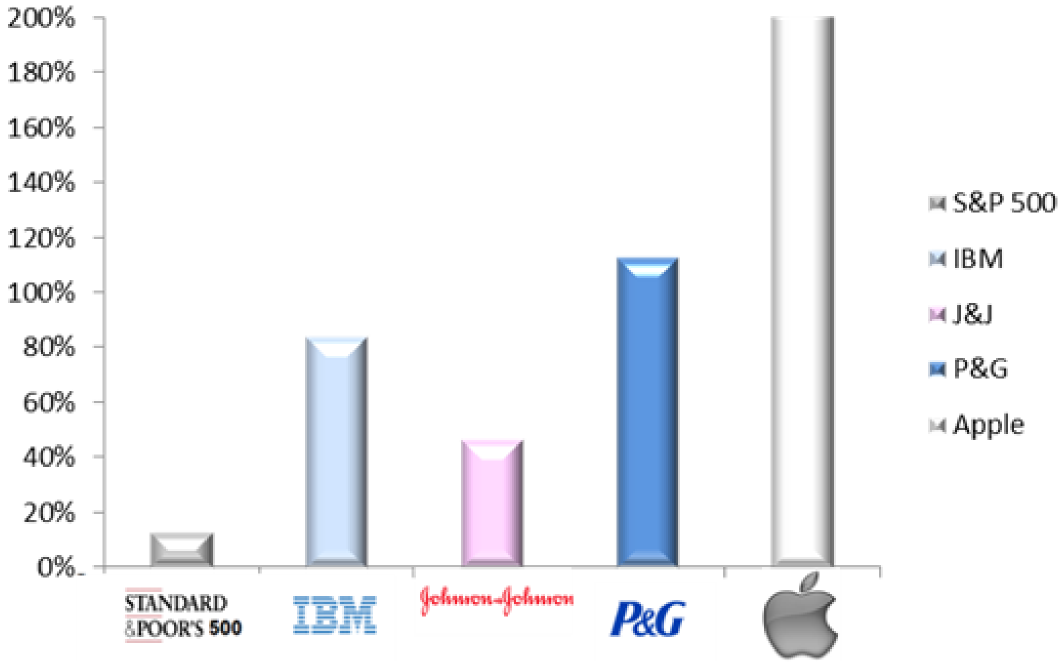


Figure 3. From 2002-2012, Brand-driven businesses have consistently outperformed the S&P 500 in terms of shareholder value growth[42]

VIII. Therefore companies need to make sacrifices to put the brand at their core. They need to become brand-driven businesses, not simply owners of business-driven brands

Becoming a brand-driven business is certainly a risk and it means sacrificing the known; the counting of money and the optimisation of assets for something more fluid and less easy to calculate. But with no risks, how successful would Apple or Lego still be? Without sacrificing profitable parts of their business would IBM or Netflix still be relevant? Without their brands at their core would these businesses have been as innovative, valuable or as consumer focused? Below I will outline the three steps of sacrifice that businesses need to make to become brand-driven. I will then demonstrate how agencies can help power this change.

The 3 steps of sacrifice that brand-driven businesses need to make

1. Sacrificing short term revenue for long term innovation for consumers

2. Sacrificing your position in the market for the consumer

3. Sacrificing short term shareholder value as a compass by which to steer the business

Sacrificing short term revenue for long term innovation for consumers

An established business' capacity to innovate is largely driven by the value it puts on two things. The first is its profit model: those of a large business are shaped by its size. If £10 billion company wants to grow by 10% every year, the marginal utility of smaller projects becomes unattractive, as does any project that may "cannibalise" the business' primary offering. The second is processes: innovations can be created or spotted in the market but they may sit outside a business' current comfort zone operationally. The model for business-driven brands to deliver an innovation to market is linear (Fig 4), with profit models and operations having the first and final say. Consumer need is only properly addressed at the point when marketing of the product is concerned, which can in many cases be too late.

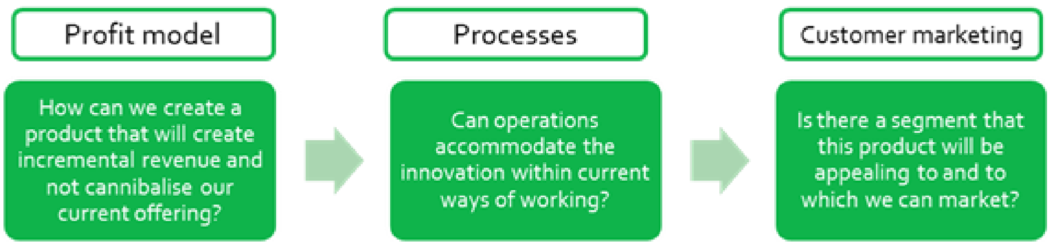


Figure 4. A business-driven brand's innovation capacity framework[43]

There is a problem with creating a business driven product and then marketing it to a segment. It is that segments don't buy products, people who have specific needs do. When a product is created for a demographically defined group, the marketers only know in probabilistic terms if they are likely to buy it. A brand that focuses on consumers does not create products that a profit model demands, rather it creates value by answering needs.

A gap in the market does not equal a need: In the mid-1990s, Scott Cook presided over the launch of a software product called the Quicken Financial Planner, which helped customers create a retirement plan. It flopped. The demographics data and surveys suggested that many people didn't have a financial plan, so here lay an apparent opportunity. Unfortunately constructing one wasn't actually a need that most people had. The fact that they didn't have a financial plan and that they perhaps should, didn't mean that there was a latent need requiring satisfaction with a product.[44]

Putting a brand-driven innovation framework (Fig 5) in place makes businesses more fluid. This is because the consumer, who is ever changing, is given equal billing to the fixed operations of business. To achieve this, processes must become increasingly dynamic to accommodate innovations, as long as they answer consumer needs. If they do not, a disruptor with no legacy operational restrictions will enter the market and deliver that innovation. Profit models must also be thinking ahead: taking into account consumer trends over three or five years, rather than their current over-valuation on the rate of return over one or two. It is this consumer focus that drives P&G to spend more than all their competitors combined on innovation, with thirty percent of that investment put into disruptive innovations that sit outside their operational comfort zone.[46]

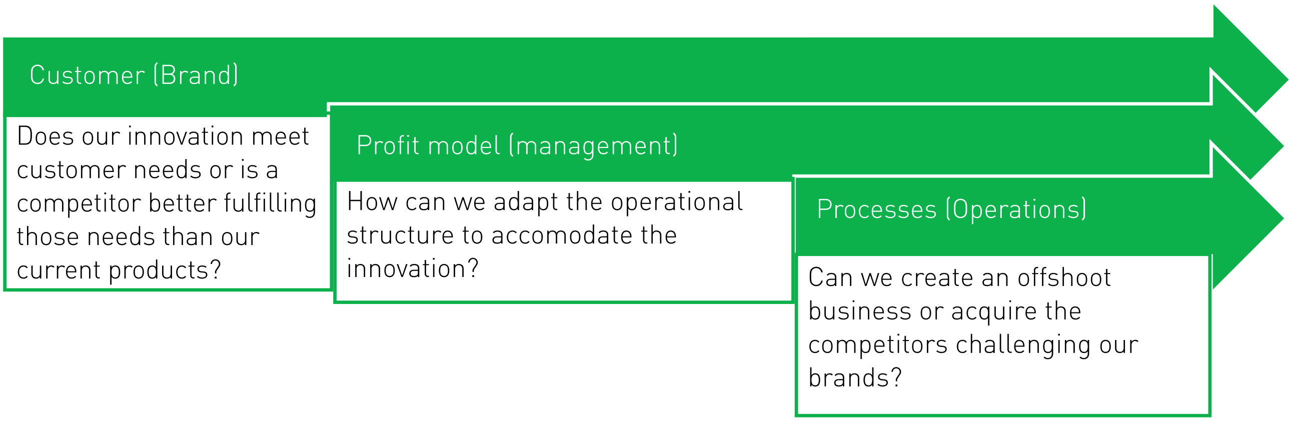


Figure 5. A brand-driven innovation capacity decision framework[47]

The marketing department will need to be the conduits of the market intelligence generated by agencies. In the brand-driven framework they will need to ensure that the information is transferred to the right people and that it is acted upon. To achieve this, they will need to speak the common language of business across geographic functions, management boundaries and the marketing mix.[48] Robert Shaw & Tim Ambler suggest that part of the financial function be brought into marketing to create a "revenue insights team". This gives the finance function a more external view of the business, whilst the marketing department can leverage their expertise in accountability and delivering consistent information across the business.

Sacrificing your position in the market for the consumer

To have the capacity to innovate brand-driven businesses will need to embrace the discontinuity of the market by regularly sacrificing positions they hold dear. Richard Foster calls this process the"embodiment of Schumpeter's Creative Destruction principle",[49] something a market which thrives on discontinuity can do far easier than a business-driven brand.

Therefore brand-driven businesses have to embrace discontinuity and sacrifice; they can use their brand to be as fluid as the market and to embrace change, because if they stand still peril will be at the door. The next examples demonstrate how large brands currently facing huge challenges can overcome them through sacrifice and the opportunities that their brands still represent.

	Market signal	Potential Sacrifice	Brand opportunity
Microsoft	Low uptake of Windows mobile, dominant incumbents	Allow cannibalisation of Windows mobile	Combine enterprise brand with android operating system
Nintendo	Falling sales & wide uptake of competitor platforms	Roll up the console business	Use the power of the brand to become a cross console game developer
Santander	Commoditisation, Low levels of trust in the banking sector	Revenue from savings accounts that revert to low interest after term ends	Offer "always the best rate for you", become a category leader in trust

Figure 6. Potential sacrifices and opportunities [50]

Microsoft

Challenge: Microsoft phones represent less than 4% of the market[51], most likely because the established app ecosystem which powers the popularity of IOS and Android simply does not exist for Windows mobile. The Microsoft and Nokia brands have not been powerful enough to disrupt the marketplace with a full service hardware and software solution.

Opportunity & sacrifice: The Microsoft brand still offers competitive advantages in the areas of enterprise software and perceived expertise: from Outlook to Microsoft Office they are seen as the backbone of businesses. With the demise of Blackberry Microsoft has an opportunity to create an android powered smartphone with a layer of office functionality. Their strength in this area is undoubted: the recently released Office suite for iPad topped 12 million downloads in one week.[52] This is perhaps a signal that Microsoft is finally willing to move with the times. However a shift to Android would require sacrificing their current huge investment into Windows mobile by accepting that they would cannibalise their own sales. A brand-driven business could make this sort of sacrifice because it would reflect consumer needs, whilst at the same time understanding the value that their brand could bring into new areas.

Nintendo

Challenge: In a brand-driven world Nintendo would realise that their console business is holding them back. Out of the last three consoles they have released two have been failures. Whilst many will point to the worldwide sales of the Wii, in reality it was a product that would end up gathering dust in many people's homes. It had no stickiness as many games developers did not embrace the platform.[53] It is clear that technologically Nintendo has not been able to keep up with the likes of Microsoft and Sony. With the Wii U, the business tried to force a game-changer with a $100 control pad/separate gaming device, but by then the developers had abandoned the console and consumers had no need for this expensive innovation.

Opportunity & sacrifice: The Nintendo brand is still the most renowned in gaming because they have been responsible for 12 out of the top 20 highest selling games of all time. Yet the blockbuster releases of the Wii U have only sold one tenth of those of the x-box 360, and only one twentieth of the original Wii.[54] This is because there are not enough consoles out there to support them. Games not hardware is where the brand still has power: the business of producing consoles is holding them back. Making the sacrifice of rolling up the console business and using the power of the brand to open up new territories is most likely the solution. Nintendo can remain relevant through casual/nostalgia gaming on phones and of course developing their legendary titles for the Sony and Microsoft platforms.

Challenge: Trust in the banking sector is at an all-time low: the Libor scandal, Co-op falling into dire straits through mismanagement and industry wide PPI miss-selling. Trust should be top of the agenda, yet one of the significant drivers of revenue for banks is when consumers forget to change their savings accounts at the end of their term.

This is a category wide challenge, because by offering a "bonus rate" banks are able to offer better priced products in the short term. To be able to offer these rates requires a certain percentage of people to not remember to switch out of their account when the interest drops to nearly 0%. This category behaviour is in direct opposition to putting customer needs first and only increases distrust.

Opportunity & sacrifice: Santander or any other large bank has an opportunity to become leaders of trust in this space. Many banks have rolled out charters or commandments, but one could draw a real line in the sand by offering to "always put you on the best rate". This would mean that as soon as the introductory bonus period was over, the bank would put your money into the best instant access account they currently have available. This would be a true brand-driven business decision: sacrificing significant revenues in return for the opportunity of becoming true consumer champions.

Sacrificing short term shareholder value as a compass by which to steer the business

When AG Lalfley joined P&G as the CEO, he removed all the screens that tracked the company's stock price to signify to the other executives the changing focus of the company.[55] The CEO of Unilever Paul Polman would go one step further, stating: "we have moved away from quarterly profit reporting; since we don't operate on a 90-day cycle for advertising, marketing, or investment, why do so for reporting?"[56] Shareholder value has almost nothing to do with the present;[57] rather it is the reflection of market expectations that are often based on imperfect knowledge. If Reed Hastings had guided his actions by the stock market, he would have had to let the DVD rental business hold back the explosive growth of the Netflix online platform.

I believe a brand-driven business needs to look at holistic brand health as a primary measure to guide the business. The Millward Brown equity measure of "Brand Voltage" is a great start: ́Brand Voltage is a relative measure of how efficiently a brand converts people from presence to higher levels of attitudinal loyalty. Because higher levels of loyalty are associated with increased probability of purchase, a brand with a high Voltage score is positioned well to grow its share of sales in the category."[58]

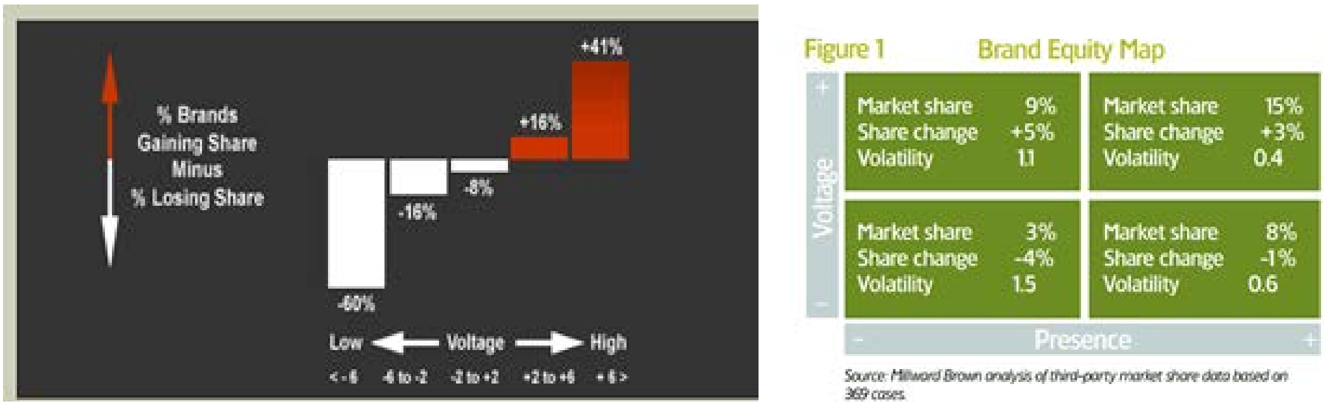


Figure 7. Strong Brand Voltage drives market share and stock price[59]

Brand voltage however is a purely external view and I believe that brand-driven businesses will need to measure and respond to their internal brand health as much as their external. This is because the behaviours of a business are driven by the internalbrand, which when combined with communications forms the perceptions in the consumer's mind of the external.

The marketing department can apply their knowledge of consumer insights to become the guardians of internal brand health. Having clear KPIs around consumer needs and innovation will help warn when "cultural lock-in" may be setting in or if internal work to restructure is not having the desired effect. Being market-orientated is absolutely crucial to respond to a disruptive marketplace; hence I believe it should form the basis of internal brand health measurement.

Market-orientation is made up of three parts: a focus on consumer innovation, competitors and the ability to act on that information. Therefore, depending on the marketplace a business is in, different elements become more important. This means the KPI set is flexible depending on whether it is innovativeness that drives the market or being fleet of foot. The works of Jaworski & Kholi as well as Hurley & Hult identified the key facilitators of market-driven innovation and orientation, which have been included as an original construct for this paper of internal brand measurement called "Brand Dynamism".

"Brand Dynamism" is an extremely responsive measure because "employees can provide, far more cheaply and easily, proxies for external research" [61] as well practically measuring if the brand or business remains market-orientated. Therefore combined with "Brand Voltage", "Brand Dynamism" will flag issues far more effectively than simply profit or stock price.

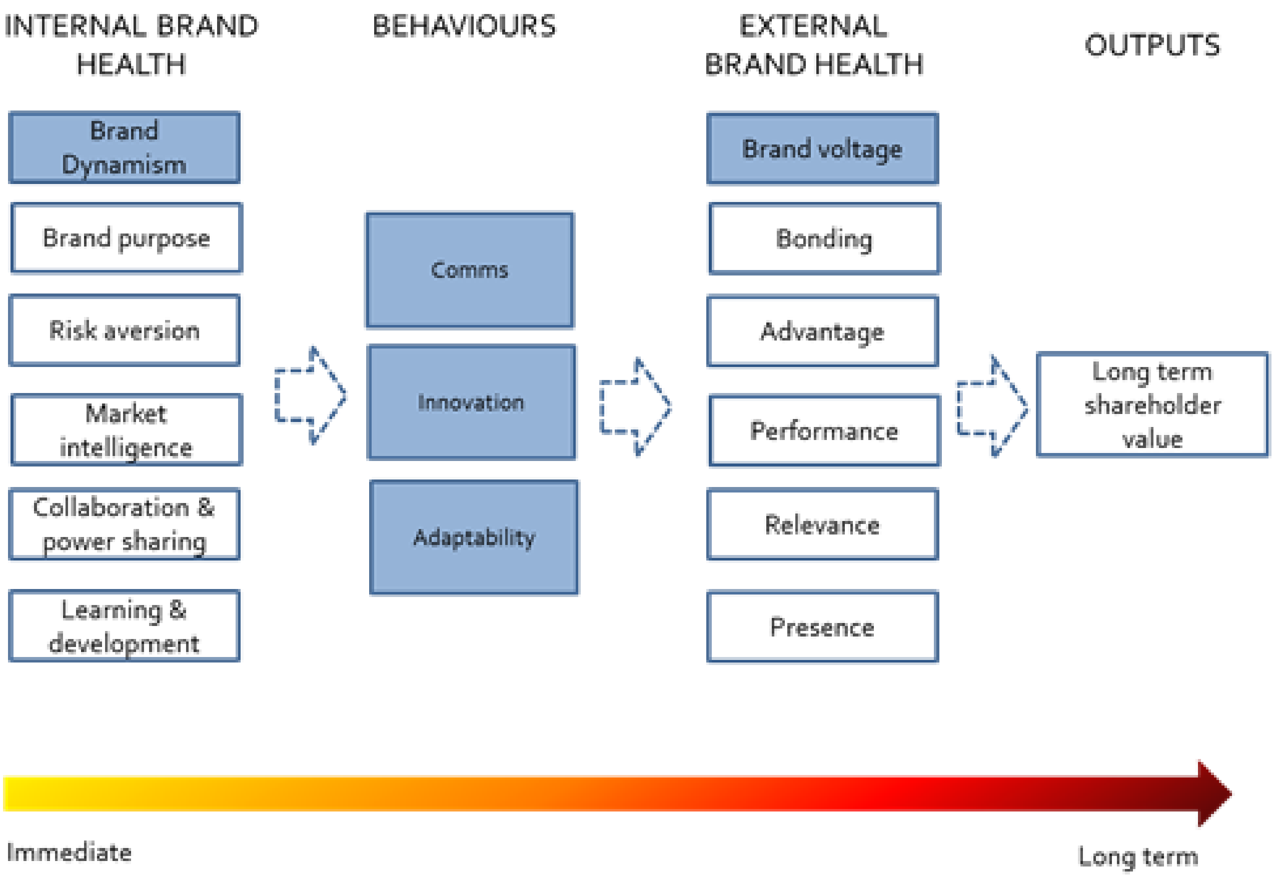


Figure 8. Internal & external brand health can be the most powerful measure to drive longevity, long term shareholder value and profits[63]

In the way that IBM used technology to work out what their brand stood for, businesses do not necessarily have to rely on explicit survey data to work out their Brand Dynamism; they can use social data, online discussions or their percentage of revenue through innovations developed within their measurement set. By factoring in "Brand dynamism" as a crucial KPI it forces the business to look at longer term projects, restructures and facilitating responsiveness. These will drive improved innovation, brand voltage and ultimately long term shareholder value.

When the internal brand doesn't match the external: AOL's brand promise stated "our members and consumers deserve the best possible – and most valuable – online experience available anywhere". Yet the website consumeraffairs.com logged 4,000 complaints around delayed cancellation techniques and antagonistic staff. Due to the conflict of the external brand promise and internal practice AOL would start losing up to 800,000 customers per quarter.[60]

IX. How agencies can power the brand-driven model

Agencies will become the nerve centres for brand-driven businesses, allowing them to react faster to consumer needs

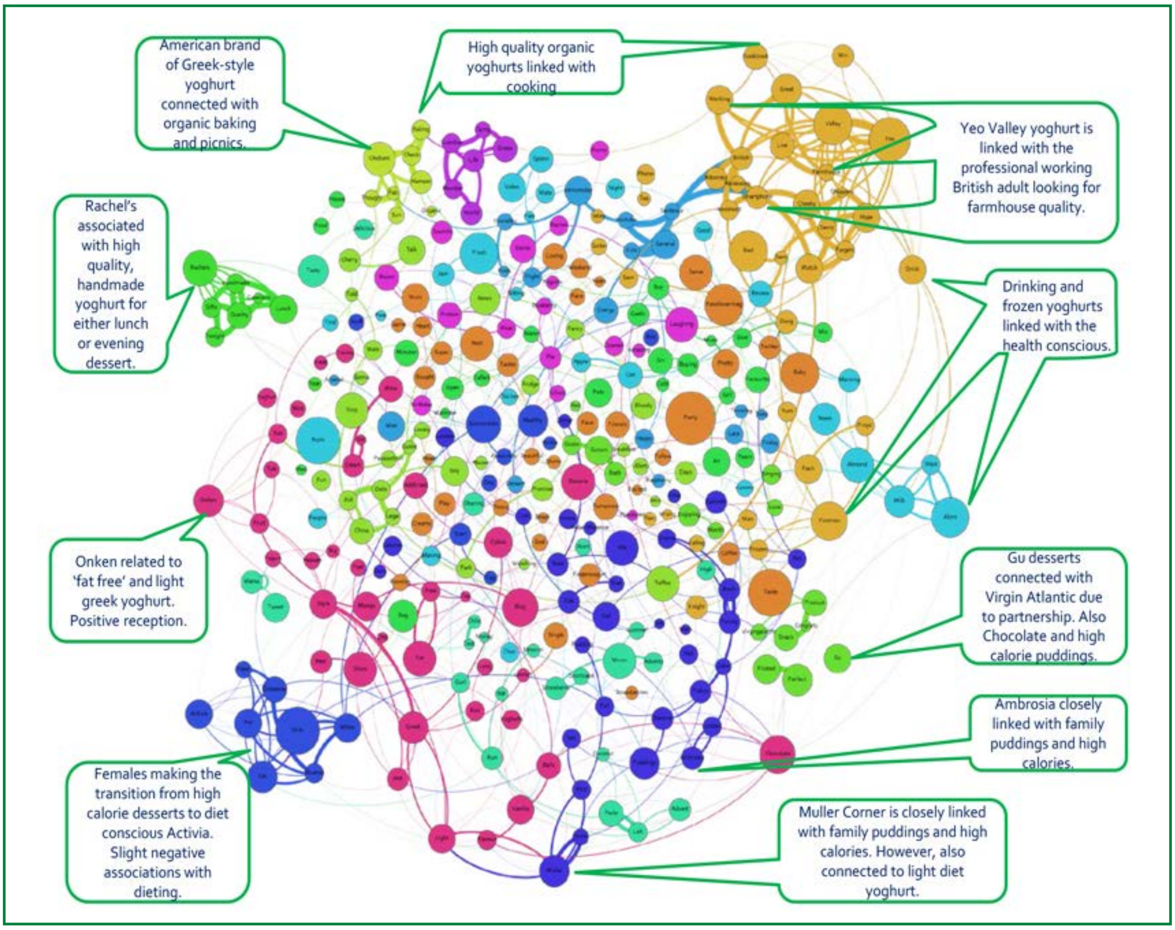


Figure 9. Social Graph looking at the relationships and uses of different drinks brands[69]

Businesses and brands need to react ever faster to the market and agencies can help facilitate this. They are external facing and can be a brand's most valuable asset in providing real time market intelligence. According to IBM, 88% of CEOs put understanding the customer as their most important strategy dimension in the next five years. The CMO report however gives a more nuanced interpretation:"It's also a question of understanding what they value and how they behave. Moreover, the clues can be very subtle, since the way in which customers act is sometimes at odds with their stated preferences."[67]

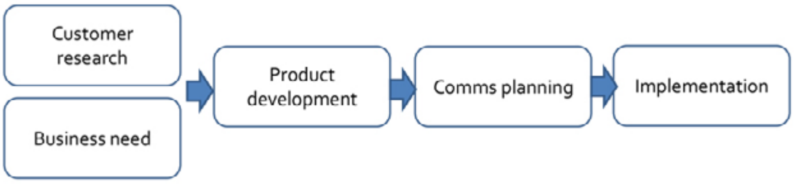
Agencies need to go further in developing their behavioural economics offerings to become true consultancies, shifting the knowledge base from strategy and planning and bringing it into the analytics departments, whilst also hiring recognised experts. Agencies now have an incredible amount of social media data, which with the right analysis is a much more powerful tool to understand what people believe than explicit surveys. The older methods suffer from the"goldfish bowl" effect: meaning people answer what they think the surveyor wants to hear, or what is most memorable to them at that particular moment in time.[68] As an example of the power of social data analysis in Fig 9, we can see that conversations around Evian are often only one degree of separation away from those about Lucozade. By layering conversational data on top of this, the insight can be built that:"mothers use Evian as a way to maintain energy without caffeine". Identifying this as the consumer need can have wide ranging product and planning implications and can be fed back far quicker and more regularly than traditional surveys. Walkers used digital channels and consumer feedback with"Do us a flavor", leveraging media to bear the weight of product decisions and launch.

Media agencies as "feedback hubs": As technology is evolving at an ever faster pace, media agencies can use "big data" to target needs not segments and loop the information back to their clients. In the past traditional data sources have only shown customers in aggregate, offering little insight into what individual customers need or desire.[71] However, media agencies are now able to de-aggregate: this allows clients to follow an individual from owned channels right through to paid advertising, be it online, mobile or television. Agencies finally have the capability to make"real-time" marketing a viable operating model – combining ongoing behavioural understanding, the developmentof powerful ideas and content automation to better serve consumers".[72]

Example of a media agency as a feedback hub: Agency "A" matches listings data from a property website with a mortgage provider's customer list. From this they are able to work out who out of the mortgage provider's back book is selling their home and therefore in need of a new mortgage, allowing them to deliver a personalised offer. Data around the lifestyle and consumption habits of the customer can then be fed back to the product teams, helping them develop better tailored products in the future.[73]

The linear model of product development and planning[74]

The traditional product development and communications model is slow, requiring field research and giving little feedback to the business. If feedback does occur it is a post campaign piece of analysis that may or may not get all the way back to the product development teams. The old model is not set-up to react to market shifts: changes in consumer needs or increased competition.



Acting as a"nerve centre", agencies can help brands react to consumer needs by facilitating fast feedback

"Cultural latency is nearing zero, at least in the more connected parts of the world... It creates much faster feedback loops - information, once delivered, is both a reported effect and a subsequent cause, which triggers more effects."[75]
Faris Yakob

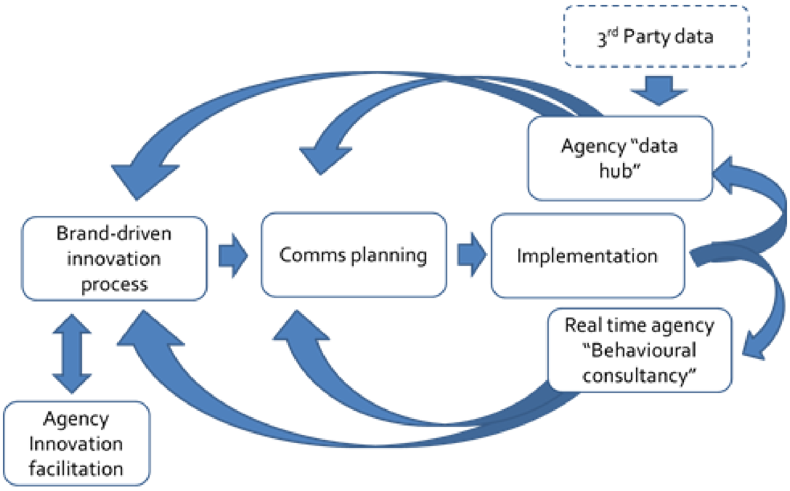


Figure 10. The agency "nerve centre" model[76]

Speed is now of the essence and in the new agency model created for this paper (Fig 10) implementation is just the beginning of the process. Real time data is passed back from both media and social analysis, informing product teams and communications planning departments how to change direction far faster than traditional models. It also allows the wider business to have a constantly evolving sense of the market, knowing where disruption may next be occurring and helping the product teams. Through leveraging their data and breadth of external contacts, agencies can also help develop products through facilitating partnerships between large brands and innovative technology providers.

In a brand-driven world intent on answering consumer needs, agencies will use data to facilitate partnerships that create value

Consumers have become choosier: they now have access to reviews and information that is unbiased, whilst digital mediums mean that up to 50% of product decisions are driven by word of mouth.[77] In a previous era consumers relied mainly on marketing communications to guide their decision making. This is not the only challenge brand communications face: people are increasingly using on-demand platforms which offer fewer advertising opportunities, whilst agencies struggle to market effectively through mobile. In this context platforms and partnerships that create value and drive word of mouth whilst still tying strongly back to the brand will become ever more important.

How O2 created consumer value with sponsorship and their data: With their Arsenal sponsorship coming to an end, O2 came up with the idea of turning their "customers into fans". By taking on the Millennium Dome they wanted to change the relationship they had with their customers from purely functional, to both functional and emotional. By using their data to create Priority moments to work together with their sponsorship, they created value for their customers and the activity really took off, and by 2009 it was modelled to contribute to up to 12% of all new contracts for the brand.[78]

In the IBM survey of 2012, CEOs stated that the"rising complexity and escalating competition have made partnering a core innovation strategy for many organizations".[79] The"nerve centre" model puts agencies right at the heart of decoding this complexity. They are able to connect the consumption habits of their client's customers and use them to find the right technologies and partners for brands to work with. Customer data is a valuable commodity that brands hold, yet they often struggle to utilise it in the best interests of their consumers. In the"nerve centre model" agencies have the ability to leverage data to create reciprocal partnerships that create transparent value both for the consumer and the brand. In the theoretical examples below I demonstrate how data-driven partnerships can be achieved through a focus on status, money and common good.

Value	Partnership	Data Shared	Value Created
Status	BURBERRY BRITISH AIRWAYS	Passenger data	Priority upgrades to business class for Burberry customers, access for BA to Burberry customer data and a redesign of BA uniforms.
Money	MORRISONS iBeacon	Shopping and location data	Opt-in personalised cashback and voucher offers to peoples' mobiles whilst people shop.
Common Good	HALIFAX	Consumption Habits	A "school-first" mortgage product that gives back to the local community through textbooks or computers.

Burberry and **British Airways** are quintessentially British brands. An agency could facilitate a partnership that would mean a redesign of the BA uniforms, in return for priority upgrades to Burberry's customers or simply a glass of champagne. Taking it a step further BA could use Burberry's data to create bespoke special offers and packages, whilst Burberry could gain access to BA's worldwide customer data. This would be invaluable as they expand aggressively into Asia. This could have great PR potential and would offer the right type of value to both brands & consumers.

Morrisons is a brand focused on providing good quality value. When a consumer entered the store they would actively sign in to the iBeacon technology: meaning that offers would be sent to their mobiles as they shopped, recreating the online experience offline. These could be activated through data partnerships with cashback or voucher codes and tailored to the individual. It would make the customer feel like the brand was giving something back as well as making shopping more exciting.

Halifax with its heritage as a building society to the local community, Halifax could create a tailored "schools-first" mortgage product. This would allow retailers to use the mortgager's anonymised data for research or offers, however instead of the revenue going to the bank it would be used to help fund local schools. This opportunity is powerful because many people uproot their lives to get the right education for their children, yet their schools are so often underfunded. In return for the sharing the incredible amount of data the bank holds on them, the customer helps the common good and the brand lives by its brand principles for free.

CONCLUSION

The future for businesses may be unknown, but as Tim Ambler wrote:"re-counting the same money does not make it any more certain". If established businesses continue down the same path, two thirds of them will disappear within the next quarter of the century.[82] The way they operate needs to change. Analysis of the PIMS database back in 1987 showed that businesses that wanted longevity needed to earn their way into a market through higher quality products.[83]

The consumer, nearly twenty years on expects even more, with over 70% wanting brands to play a positive role in their lives.[84] Hence I believe that in a consumer driven and disruptive marketplace businesses need to more than ever "earn their customers".

Becoming a brand-driven business is the simplest way to achieve this, because "it's about linking and leveraging the behaviours of all the people important to a business' future".[85] This is what will fundamentally allow businesses to embrace change: evolving in tune with the employee, market and consumer. Agencies will help drive the shift in this model by making brands more consumer facing, agile and innovative. They will need to look beyond their current roles as deliverers of communications and use all their capabilities to reform as true brand partners.

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