Interview

Customer **first** thinking.

Brand Stewardship

An Interview with David Kincaid, Founder and Managing Partner of Level5 Strategy

David Kincaid:

David Kincaid is the Founder and Managing Partner of Level5 Strategy, a brand consultancy, and the author of "The Brand-Driven CEO".

As the world slowly awakens from this pandemic-induced slumber, brands will be facing a very different looking marketplace. They will need to work hard to revive the loyalties of consumers whose attitudes and shopping habits have changed.

The brands that succeed will be those that remain relevant to the lives of the people they serve. Those are the brands powered by an inspiring vision that unites everyone in the company. Responsibility for shepherding the brand is shared enthusiastically across every business unit, not just the marketing department.

Yet most companies today are not governed by any kind of unifying brand vision and purpose. Brand building is seen as a marketing expense. Senior leadership confuses it with advertising. Terms like unique value proposition, mindshare and brand equity are alien to them. The CFO scoffs at attempts to treat the brand as worth something. Unable to put a dollar sign on brand name recognition, the value of the brand gets lumped together with other intangible assets under the heading of "goodwill" on the balance sheet.

Brand management, as a discipline, grew out of the business practices of the major consumer packaged goods companies in the mid-20th century. Companies like Proctor & Gamble, Unilever, Colgate-Palmolive, General Foods, and Kraft developed systematic product lifecycle methodologies to develop, launch, nurture and retire brands. As the discipline matured, it became tightly integrated with financial and operational planning. Brand managers were schooled in all aspects of business, not just the marketing side of it.

By the start of this century, however, the strategic focus of most publicly traded companies had swung from brand building to maximizing shareholder value. Marketers were now being asked to prove the link between brand building, shareholder value and the bottom line. Marketing budgets were deemed to be a discretionary expense, subject to cutbacks. And that has largely been the story of the past two decades, as most major enterprises got hijacked by number crunchers. Today the attention of financially minded CEOs is rivetted on driving up stock value (in large part because their generous pay packages are wrapped up in stock options).

If companies are to survive the disruption that lies ahead, the brand must be the face of business strategy, argues David Kincaid in his new book "The Brand-Driven CEO". A renowned branding expert, whose early career was spent learning his trade at General Foods, American Express and Labatt during the glory years of brand management, David has witnessed with growing alarm the declining influence of brands. He urges CEOs to transform their businesses into brand-driven organizations and cultures. In his book he lays out a roadmap for CEOs to operationalize brand strategy and protect their companies from the post-pandemic fallout.

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Stephen Shaw (SS): Is the message of your book aimed at the CEO who doesn't take brand-building seriously, or the CMO who isn't taken seriously by the CEO?

David Kincaid (DK): Well, it's a bit of both. As I say to most CEOs, your brand is probably the most underleveraged asset on your balance sheet. In the '70s and '80s, the old stalwarts, like Procter and Gamble and Colgate-Palmolive, managed their brands as assets. I was fortunate enough to be hired by General Foods [today Kraft Heinz] as a brand manager in 1980. When I started there, I was told, "You're going to work on Maxwell House coffee." And I thought, okay, well, I'm not a big coffee drinker, but I've been seeing a lot of ads for Maxwell House coffee with Ricardo Montalbán as their spokesperson. He was very popular then on a show called "Fantasy Island." And so, I thought, wow, this is going to be great. I might get to meet Ricardo Montalbán at an ad shoot. I was shown to my office - a little hole with a single light bulb. My boss told me, "Here's your AC Nielsen reports. Here's your volume shipment reports. Here's your warehouse withdrawals. Here's your manufacturing and inventory control report. The coffee and the kitchen are down the hall. I'd love to get any ideas you might have on how we can add half a point to the merchandising margin on roasting ground Maxwell House."

SS And you asked, "When do I get to meet Ricardo Montalbán?"

DK No, no. I said, "Well, of course. I'll get right on that." I didn't even know what the hell he was talking about. Well, I learned very quickly what they were, because that information was used to run the business - not the ads with Ricardo Montalbán. Our job, as brand managers, was to sustain growth in a very competitive marketplace. So, you were trained on how to run a business. It was the breeding ground for the next generation of CEOs. But in the 40 years since, with all of the mergers and acquisitions, the cost-cutting, those training grounds no longer exist. Brand management has devolved into marketing management.

SS And CEOs are now technocrats who came out of the finance or operational ranks.

DK They're hands-off, exactly. You know, a brand is a very precious asset. The accountability for managing the value of that asset has to be held at the highest levels of the organization, starting with the CEO. During those consolidation years, unfortunately, the job of brand-building was given to marketing. The CMO's role was to do the new website. Not market trending; not opportunity analysis; not understanding where the market is headed; not developing new value propositions; not mobilizing resources to deliver on unmet needs. That was not the role of the CMO. That's why marketing went from being an important value driver to a cost center - a variable cost that can be cut in a bad year. Brand building is not just about putting out some ads to make people aware of the brand. It's about creating a leadership position in the market. When Apple comes out with a new phone, what makes people stand in the pouring rain outside one of their stores so they can be one of the very first to buy it? Apple has created an emotional dependency. That's the real power of brand building.

SS Going back to that earlier era at General Foods, what was the demarcation line between brand management and marketing at the time? The chain of command?

DK I reported up to a category manager, responsible for an entire product portfolio, whether it was coffee or cereals. And that manager reported up to the senior vice president of marketing and sales, who reported to the CEO. And our CEO would spend time walking the floors talking to brand managers, asking, "What's the health of our business? Where's the consumer going? How is the market shaping up? Who do we need to defend against?". So, brand management was a very strategic role.

SS When did that start to change?

DK I'd say late '90s, early 2000s, driven by the tech bubble. You may remember all of those tech companies trading at absolutely unreal multiples because of market speculation. That had a huge ripple effect. It raised growth expectations for everyone, not just the tech sector. Suddenly, the quarterly analyst calls became hugely important to a CEO and a CFO because they had to explain or defend their growth rates. And that external pressure led to a strategy of growth through acquisition. CEOs could say, "Look, I'm keeping pace with the market." And in much less time than launching a new brand would take. That led to a different type of CEO whose focus became brand acquisition and consolidation, not brand building.

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SS Your book presents a new strategic model for CEOs to adopt. Can you provide a brief overview of that new model?

DK Yeah. And let me be clear: I'm not suggesting we go back to the good old days. It's OK to have a financially oriented CEO. All I'm trying to do is get those individuals to acknowledge this asset called a brand and put as much focus on that as they do on cost containment. We did a lot of research globally, not just in Canada, with a whole range of CEOs, many of whom had developed strong global brands. All of them had at least five years of continued growth. And we talked to them about their role, their contribution in making that happen. What really drove their success, we discovered, was the ability to articulate a purpose, vision, and a direction for the brand. The ability to ask fundamental questions like, "What business are we really in?". So, it's this ability to articulate a long-range strategic direction, and then be able to align their teams around it - get them excited and inspired by that direction. But the other fascinating thing that we discovered is they all operated with what we call in the book the new "four Ps". So, there's the original four Ps of marketing, which have been around since the '50s …

SS Product, price, place, promotion.

DK Right. That's what the CMO is paid to focus on. But the "four Ps" of brand management are People, Process, Intellectual Property (IP), and Partnerships, all linked to the brand vision and purpose. These are the things that the CEOs we spoke to took personal accountability for. You know, last year 72% of the value of the S&P 500 was driven by intangible assets. These included patents, trademarks, copyrights, and brand value. If you don't view these soft assets as critical, you're missing the core driver of value in today's marketplace.

SS Brand purpose is certainly the focus of a lot of companies these days. Do you make a distinction between purpose as the main reason a company exists, and purpose as an aspirational desire to change the world?

DK What we discovered is that those leading CEOs are very good at articulating purpose. In some cases, that purpose might be focused only on delivering value to stakeholders within a particular sector. Or it might be broader and more world-changing. But the fact is, they all have one. They're not just there to produce widgets at a higher price. They're doing it for a higher order reason. Now, in today's world with everything that's going on, I do believe a higher-order purpose is going to become even more important.

SS Aren't today's frugal consumers just scanning the shelves for cheaper options and not paying much attention to what brands stand for?

DK Yes. When you're stuck at home having to order everything online, convenience and price tend to be the chief concerns. But coming out of this pandemic I think brands have an opportunity to create value in new ways. They should be asking: What business are we in? Why are we in that business? How do we do business? Now is the fundamental time to be asking those core strategic questions. And again, no disrespect to my marketing compatriots, that's not the job of the CMO. That's the job of the CEO to ask those questions.

SS So as long as the CEO recognizes the value of the brand.

DK Bingo.

SS So, who in the organization helps set the strategic direction based on an understanding of market trends and needs?

DK Well, the point I make in the book is that it's the responsibility of the C-suite, so, senior leadership. And again, I don't care whether that's the head of manufacturing or the head of marketing or the head of sales. But it should be led by a Chief Commercial Officer – call that executive a "strategic growth guardian". That executive should know where the market is headed, where the consumer is headed, where competitors are headed.

SS The irony is we have more data than ever before, yet seemingly less insight because no one in the organization is in charge of surfacing those "Ahas".

DK Exactly. We even use that expression at Level5: "Aha." As a result of those two or three big insights, what's the "aha"? What do we know now that we didn't know? An "aha" isn't just about having that knowledge. It's the implication - the strategic application of that knowledge. That is a wonderful role for a Chief Commercial Officer to own.

SS Professor Scott Galloway - I'm sure you're familiar with him, bit of a gadfly, a contrarian, loves to poke the hornet's nest - recently commented that "We're in a post-brand era."

He said that consumers are going to use "mass due diligence" to simply bypass brand messaging. What does that mean for the future of branding?

DK I agree with him. It's the world that we're in. But I look at disrupter brands like Casper who we had a chance to interview. They saw that people don't like going mattress shopping and having a pushy salesman talk to them into buying an expensive mattress. The mattress shopper often knows what they're looking for already. So now they can just order it directly from Casper, skipping that awful store experience. Casper simply said, " We just want to serve the customer as best we can."

SS That's the reason behind the explosive growth of DTC brands, isn't it? They disrupt categories. They identify a segment of the market that's not being well-served and steal share away from the complacent legacy brands.

DK I don't consider that disruptive. I consider that good brand management.

SS For Casper, it seems, it's all about offering a unique brand experience.

DK There's this story about Nordstrom which as you know is legendary for customer service. In walks Mrs. Smith with her chauffeur lugging a set of winter tires. She walks up to the nearest sales associate and says, "These winter tires don't work. I just want to return them." The sales associate immediately checks the customer database and says, "By all means, we'll take those, and we'll credit your account and look after this for you. Is there anything else I can help you with?" Mrs. Smith says no and walks out with her chauffeur. Standing next to this sales associate is a store trainee who's just overheard the exchange and is puzzled. "But we don't sell snow tires", he points out. And the sales associate answers, "Mrs. Smith thinks we do." The point is that you can keep a brand strong and healthy by giving customers a great experience.

SS Over your long successful career arc, what's the one irrefutable and consistent truth about branding that you've learned?

DK I put myself through school playing in a band. I was the business manager, but I was also the drummer. So, my job was to watch the audience. And if we needed to change the song list during the set, that was my call. I learned a very valuable lesson early on when this crusty old bar manager came to me and said, "All right. Let's get this straight. So, if you don't play the right songs, they don't get up and dance. If they don't get up and dance, they don't get hot and sweaty. If they don't get hot and sweaty, they don't buy my beer. If they don't buy my beer, this is the last time you're playing in this bar." And I've never forgotten that. My job was to watch the audience. And if they didn't like the song, change the goddamn song, or else we ain't getting paid. So, the customer calls the shots and always has. That's the lesson.

Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.