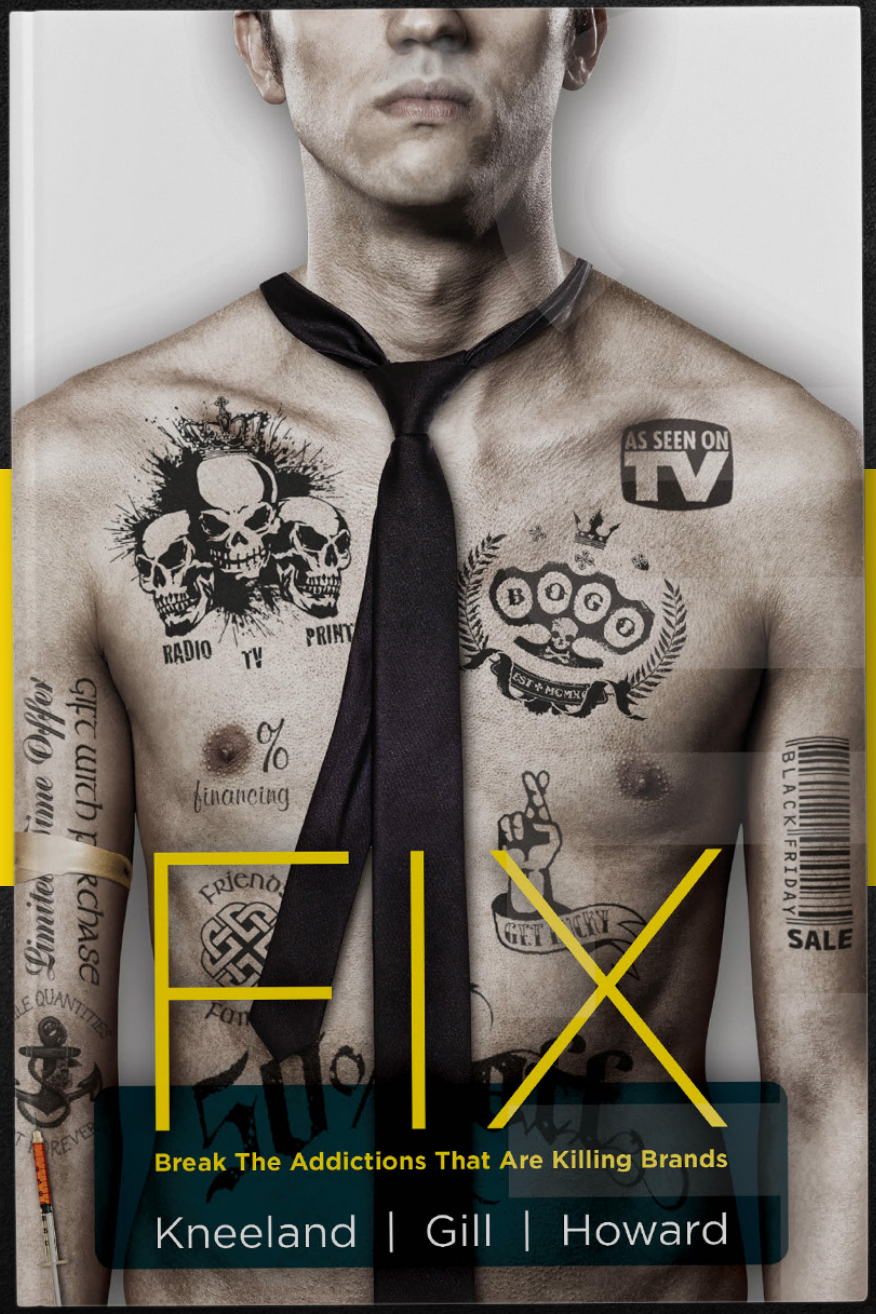


CHAPTER 1

EVERY BUSINESS HAS CUSTOMERS.

TRULY SUCCESSFUL BRANDS HAVE CULT FOLLOWINGS.

"ENGAGEMENT" HAS BECOME one of those terms people think they understand. But few actually appreciate its nuance or impact. Depending upon whom you ask, philosophies and practices regarding engagement range from "awareness," to "time spent," to "satisfaction metrics," to "Net Promoter Score," to tallying numbers of tweets or social media followers. None of those definitions address the heart of the matter.

Through our own research and experience, we have learned to define engagement (either employee, consumer, or customer) differently than most. A proper definition must consider the direct relationship between expectations (real, not stated), positive behavior, and a brand's ability to recognize sustainable profits. As such, we define engagement as:

The result of marketing efforts that provide a business a competitive advantage because people believe the brand is more capable at meeting their expectations compared to all others in their category.

We emphasize improving engagement throughout this book because indisputable research has confirmed that improving internal and external engagement metrics boosts sales and profitability better than just about any other activity. The keys to improving a brand's engagement entail four steps:

1. Knowing specific expectations, by category, and importance.

2. Knowing what your brand can do most effectively, and believably, to deliver those expectations.
3. Understanding competitive brand perceptions, by category, and how your brand can better deliver against their strengths and weaknesses.
4. Reallocating corporate resources away from suboptimal activities (most often paid media and markdowns) and into areas best capable of meeting the most important expectations.

Your brand's ability to better deliver against internal or external expectations compared to others within your category is the surest way to increase trial, trigger repeat purchase, charge premium price points, and gain referrals. Period. The methodology discussed throughout this book has been independently validated by a host of reputable institutions and associations, and proven true in hundreds of B-to-B and B-to-C categories.

For example, consider an airline that learned the four most important consumer expectations for its category were safety, in-flight comfort, rates/value, and carrier reputation. This particular brand enjoyed a reputation that was perceived as stronger than its competitors, but it trailed several other airlines in regard to ideal expectations for in-flight comfort, such as seating, service, and catering. Armed with this intelligence, its leadership team steered dollars away from branding campaigns and towards more functional (and better appreciated) activities, like retrofitting planes with better seats and improving flight attendant service training. Dollars originally designated

for paid media more than covered the costs of these improvements, and resulted in significantly better consumer engagement metrics and business performance.

Similarly, an automotive brand learned that consumer expectations for its category centered on design, technology and connectivity, durability, and warranty. Its competition was perceived as much better at meeting ideal expectations in regard to design, so major improvements to that particular area would be cost prohibitive and time-consuming. Fortunately, research also revealed the car manufacturer could ably compete, and even win, in the areas of technology and connectivity. By investing more heavily in providing and communicating those attributes, this car company better lived up to consumer expectations of the ideal, and stopped wasting time promoting less impactful benefits—such as fuel efficiency, drivability, and safety. It also avoided unnecessary (and costly) discounts and rebates, and increased market share by focusing its finite resources on the things that mattered most to its target audience.

Mediocre brands spend tremendous resources refining their skills at crafting clever messages and buying media that screams to the largest audience possible. Far too many brand marketers have actually become better at advertising than they are at creating viable businesses with hugely compelling value propositions.

Despite what you may think you've read so far, we're not anti-advertising. As creative people we enjoy a clever commercial, and as consumers we appreciate a generous discount. But as marketers, we're pragmatic enough to realize that most ad campaigns over-promise and

under-deliver. They may entertain, but they don't engage sufficiently. We also know communications and promotional campaigns rarely separate average brands from category leaders. We've also learned from decades of evidence that sales promotions are toxic marketing devices, because perpetrators revisit that tactic with increasing frequency and richness, chasing elusive comp increases instead of accepting the indisputable law of diminishing returns. As such, they discount themselves to a slow and painful death.

The sad reality is that most brand leaders inappropriately spend the majority of their marketing time, people, budgets, and agency partnerships on the creation of external communications, instead of directing those significant resources towards areas far more impactful to the long-term health and wellness of their business. Their confidants within ad agencies are almost entirely focused on creating fun or amusing platforms, programs, and storytelling. But entertaining consumers is not a suitable proxy for actually engaging them. Consider one of the crowning achievements in recent advertising history. During Super Bowl XLV, Volkswagen aired a commercial that was widely heralded as the most creative and entertaining of all the Super Bowl spots ever produced. The commercial—showing a young boy dressed in a Darth Vader costume using "The Force" on

a Volkswagen Passat—went viral and was shared by more people and viewed more times than any other advertisement at the time. The ad agency that produced the spot became the talk of the town and won numerous creative achievement awards. As for the client, that spot provided some short-lived buzz, followed by multiple quarters of sales declines. For over a year, Volkswagen's sedan sales experienced a double-digit revenue free fall—posting sales far below where they had been before that wildly popular ad campaign. Many experts agree that, while Volkswagen's advertising was entertaining, its products, price points, and customer experience was lacking (and this is long before their infamous emissions tampering scandal). Better advertising did not improve Volkswagen's business performance. Volkswagen's CMO should have reconsidered spending the tens of millions of dollars wasted on his clever commercial and instead improved upon the areas of his business where he was failing to meet consumer expectations.

Contrast Volkswagen's acclaimed spot with another, largely forgotten, Super Bowl commercial from Denny's restaurants in 2010. If you recall, Denny's received some attention for using its 30-second spot to offer everyone in America a free Grand Slam Breakfast. Denny's actually came up with the free breakfast idea a few years prior. Knowing the commercial and offer would expose the brand to millions of new consumers, the business decided to delay the campaign until it felt it was truly ready to invite America to breakfast. The CMO said the brand needed to get "its house in order first" by focusing on several areas where it was not meeting various stakeholder expectations. The company spent a year improving the menu and the atmosphere, and even longer implementing a host of strategies to retrain and reenergize staff. Only then did they spend marketing dollars on advertising. According to Forbes, two years following the Super Bowl campaign,

"Denny's has stabilized management, reduced its debt, improved same-store sales, and solidified its franchise-based model. These key ingredients have created some appetizing results for shareholders. In the latest quarter, Denny's net income rose to $112 million from $22.7 million"

Denny's leadership implemented a brand improvement plan that culminated in the Super Bowl spot. It didn't win any creative awards, but Denny's engagement strategy illustrated a cult-brand characteristic: rather than spend a lot of time and money describing how great your product or service is, spend time and money becoming great, and then use clear and concise language to invite people to try it.

Business leaders need business results, not creative awards or industry accolades. Business leaders care far less about "most views," "most shares," or improving purchase intent than their agency partners do. Instead, brand leaders are appropriately focused on incremental behavior, traffic, conversion, and profitable sales. Only by working relentlessly to meet the most important consumer and employee expectations will CEOs and CMOs gain the huge monetary benefits associated with having cult-like devotees.

The Apex of Brand Building

Most marketers are familiar with the traditional brand pyramid, a well-established marketing framework used to illustrate the steps by which a customer increases loyalty to a particular brand. All too often brand leaders inappropriately link the apex of the pyramid with emotional advertising. They believe that heart-tugging TV spots, beautiful imagery, or a well-publicized customer service experience will help the brand emotionally resonate with its target audience. Unfortunately, it doesn't really work like that.

The true power of the brand pyramid is not found within the usual debates clients have with their agencies regarding how best to communicate functional attributes versus emotional benefits. No, the real power of a big brand idea resides in delivering a value proposition that aligns perfectly with the expectations of your most desirable audiences, and especially your highest-value customers; meaning, those who most closely align to your ideal brand persona and appreciate your products and services most.

For example, think about the radical turn-around at Domino's Pizza over the past eight years. Once an industry leader due to its emphasis on speedy delivery (remember the fun "Avoid the Noid" campaign?), it lost market share over time to new players like Papa Johns and revamped competitors like Pizza Hut. Domino's President, Patrick Doyle, decided on a bold plan to reverse its fortunes and win back customers. He realized a better communications strategy wasn't going to solve the

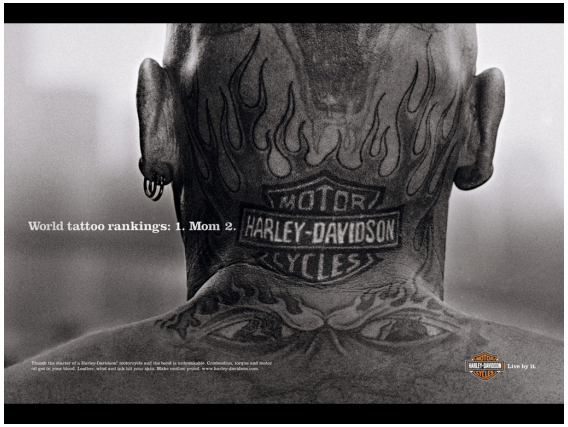
problem. The research was too glaringly obvious—Domino's needed to improve their product. So he redeployed advertising dollars and set out to make a better pizza. His agency expertly documented the entire process, and Mr. Doyle himself showed remarkable candor and humility by publicly acknowledging areas where the brand wasn't living up to category ideals. In what was a first-of-its-kind approach for their industry, Domino's went to market with a completely transparent and authentic campaign that involved new products, new brand promises, and an unconventional advertising strategy. The results were both immediate and dramatic. Sales shot up double digits in the first quarter of the turn-around campaign and continued to rise steadily thereafter. Bloomberg noted in an article published a little over a year-and-a-half after the rebranding efforts got under way that "Domino's shares have risen 75 percent this year, compared with just 15 percent for Papa John's International Inc." True engagement strategies connect brands to consumers on a deep level and result in earning fans who display cult-like characteristics.

Why refer to cults?

Admittedly, cults are provocative things and mostly evoke negative images. But the word "cult" actually has a very desirable connotation when used in a business context.

Like Douglas Atkin, author of *The Culting of Brands*, we define a cult brand as one for which a group of customers and employees exhibit great devotion and dedication. It is normally innovative in its ideology, can be identified by having a well-defined community that exhibits an acute sense of

belonging, enjoys exclusive loyalty (that is not shared with another brand in the same category), and often benefits from voluntary advocacy on the part of its members.

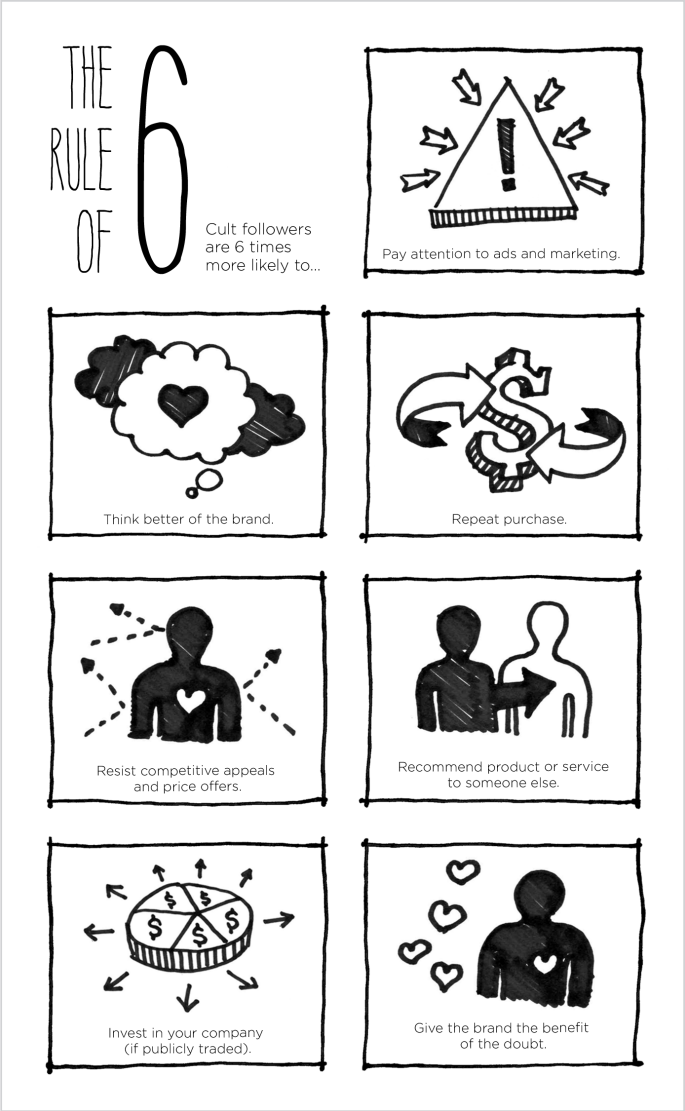


Cult followers are so much better than customers. Customers just aren't that loyal. They usually buy things because they have been persuaded via a price discount or special offer, rather than a burning desire to interact with a particular brand. Consequently, they don't rant to their friends about how amazing your company is. On the contrary, customers are more likely to whine or complain and then wait for whomever offers the next discount. Cult followers on the other hand? They're the 180-degree-hairpin, reverse-engines, full-throttle, hard-to-starboard, of all that. Cult followers are so emotionally invested, they become almost blind in their devotion. They are Ambassadors-on-Steroids for brands' values and what they do for their customers. Cult followers are the reason why Google and Apple are the most valuable brands in the universe, why tattoo artists have gotten rich off the words "Harley-Davidson," and why Red Bull has the desire (and the means) to drop a guy out of space. Cult followings bestow a certain "cool" factor upon your brand, essentially becoming non-commissioned salespeople who find excuses to say positive things about you to others.

Acclaimed global research firm, Brand Keys, uses analytics to identify the many benefits of having such highly engaged consumers. Brand Keys coined the term "Rule of Six" to succinctly quantify why it is always worth the effort to cultivate highly engaged customers. The "Rule of Six" applies almost uniformly to the thousands of B-to-B and B-to-C companies that Brand Keys has analyzed over the past thirty years, and refers to the fact that highly engaged customers are six times more likely to:

- Pay attention to ads and marketing,
- Think better of the brand,
- Buy the product again and again,
- Resist competitive appeals and price offers,
- Recommend the product or service to someone else,
- Invest in the company (if it's publicly traded),
- Give the brand the benefit of the doubt and forgive their mistakes.

Says Robert Passikoff, President of Brand Keys, Inc., and author of *The Certainty Principle* and *Predicting Market Success*, "We've learned from decades of research that real brand engagement has very little to do with mass advertising. The brands that dominate their categories are the ones that achieve cult-like engagement. Highly engaged consumers will become devoted to your cause, which in turn has huge benefits to the bottom line."



Consumers are more promiscuous than ever before. They are equipped with instant access to inbound searchable data and can disseminate communications about products, services, and brands amongst themselves at lightning speed. What's more, the new generation of millennial consumers consciously avoids companies that "sell" to them. Marketers must better execute and more effectively utilize brand engagement strategies—such as identifying those customers and employees who are too valuable to lose, and learning what they expect from the businesses with which they interact. Once brand leaders intimately understand their expectations, they should assume an all-hands-on-deck approach in order fulfill those expectations in overt ways.

Let's all agree that cult-like engagement is extremely desirable. Assuming so, the next logical question is, "How do I obtain it?" We'll soon dive into the six specific things aspiring cult brands should do, but first we need to elaborate on the problem that got most brands into this unfortunate situation in the first place.

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