

## **Lean is no longer mean in the new brand philosophy**

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As far as fascinating vignettes go, you can't get much better than this one, courtesy of last week's Marketing Society Retail Forum.

Starting her presentation on McDonald's response to the obesity crisis, McDonald's marketing VP Laurie Morgan presented the audience with a picture of two T shirts: one from Marks & Spencer's costing £9, the other from a fashion brand costing twice as much. She wanted to talk about the "valuable value that builds brands", she said. Implication: the acid test of a successful brand is how much the customer is prepared to pay for it.

Just a few minutes before, however, John Hoerner, chief executive of Tesco clothing and international sourcing, was also on the podium comparing T shirt prices. Except this time, his story was the exact opposite. Tesco clothing brands such as Cherokee come in at anything up to one fifth of the price of high street fashion brands. Yet, Hoerner was at great pains to stress, Tesco quality is comparable if not better – even down to the vacuum-pumped manufacturing facilities that sweep lint from the air to ensure perfect fibre quality. He had pictures of factories to prove it: Tesco branded products and high street fashion branded products coming off the same production line, even though they sell at fabulously different prices.

You can't get a much starker contrast between branding and marketing philosophies, so who is right? Morgan? Or Hoerner?

Until quite recently, most marketers would have plumped for the Morgan thesis: price premium is a test of brand equity. But here's a suggestion. Aside from an increasingly restricted range of exceptions where, for example, badging is an essential part of the overall value proposition, this particular philosophy is reaching its sell-by date. Miss this tipping-point in marketing strategies and you could make a very costly mistake.

The origins of the philosophy are robust enough. In their early days, most brands were beacons of quality in a world where cheap meant shoddy. Brands really did 'add value' compared to the hoi polloi, so 'added value' became the mantra of branding.

Over time, however, a number of things happened. First, adding something extra – that additional function, feature, attribute or emotional association – degenerated into a cost-plus approach to business. Always add on top of, never take away. In this way, companies added layer upon layer of complexity for themselves and their customers until 'added' and 'value' no longer went hand in hand.

At the same time, in many organisations, brand building degenerated into brand narcissism, which sees levying a brand premium as the purpose rather than a byproduct of good branding. Most attempts at brand differentiation are just brand narcissism in disguise, for example. They are not driven by a resolute focus on the needs of the customer, but on the needs of the brand: how to stand out and seem different in a crowded marketplace?

As a result, as Paddy Barwise and Seán Meehan point out in their book *Simply Better*, many marketers end up dismissing the core category benefits that really matter to customers as mere table stakes that don't deliver differentiation, while piling effort and resource into add-ons that customers don't really care about. Added cost, without added benefit in other words.

Then, way down in the bowels of brand economics, a revolution began. First wave was the quality movement, which demonstrated that in the long run it's cheaper to provide quality products than it is to provide shoddy ones. The price/quality trade-off was being challenged at the most fundamental level.

The second wave took the form of 'lean production' as pioneered by Toyota. The best way to see 'lean' is as an application of marketing

principles, to look not just at products but everything firms do, including their underlying processes and cost structures, from the point of view of the customer. It then sorts the wheat from the chaff: things that customers genuinely perceive as real benefits, and the rest which is just waste.

Lean systems then eliminate any and every process, activity, department or function that doesn't add value, to focus only on things that do. Net result: much better value customer value, at lower prices, leading to higher volumes and greater loyalty. What real branding was always about, in other words.

For a long time, the lean revolution was confined to the motor industry (you can see its results unfolding in the contrasting fortunes of General Motors and Toyota in the US). But then companies like Tesco started applying its core principles to their supply chains and their marketing. They too have prospered on the back of a double whammy of increased value as perceived by the consumer and simultaneously lower prices.

Now, stripping out complexity and focusing on essentials to deliver core benefits at ever low prices is the next big thing – whether its Dell in computing, EasyJet and RyanAir in travel, or Asda and Tesco in clothing (now first and third in market share respectively).

Lean branding won't stop there. It's migrating to customer service. 'Often, the best service is no service,' comments Peter Massey from consultants Budd. By which he means that often customers only turn to customer services when something has gone wrong. If you can avoid things going wrong in the first place ('right first time') your customer service costs go down, which frees up resources to offer better service where it really does add value. Simple and obvious perhaps – but with huge operational implications for most companies.

Likewise, note the emerging concept of lean consumption. Borrowed directly from lean methodologies pioneered by Toyota, it maps every step a consumer has to take to achieve a desired outcome, and creates a

parallel map of everything the firm has to do to deliver value. By looking at these maps, side-by-side and from the very start of the process to its very end, it's usually possible to identify countless steps and activities that simply add frustration and cost for both sides. "By eliminating customers' time and effort and delivering exactly what they want and where they want it, companies can reap huge benefits," write James Womack and Dan Jones in the Harvard Business Review.

Note that phraseology. Not 'adding value' but delivering exactly what the customer wants – no less and no more – and eliminating anything else that doesn't fit this bill.

Lean branding is about keeping things simple. Not always adding on top, but delivering exactly what customers want while eliminating all waste and complexity to return the savings to them.

Does that mean that consumers are all becoming lean, mean, price-driven shoppers and that the aspirational consumer is dead? Not at all. Lean branding can apply as much to luxury categories as to basics: look at Toyota's Lexus. Better quality, at a lower price. And if anything, it actually manifests the power of the aspirational consumer. As consumers, our aspirations seem to be growing exponentially. It's precisely because we want that skiing holiday in winter and that holiday home in France that we don't want to pay more for a decent quality T shirt than is really necessary.