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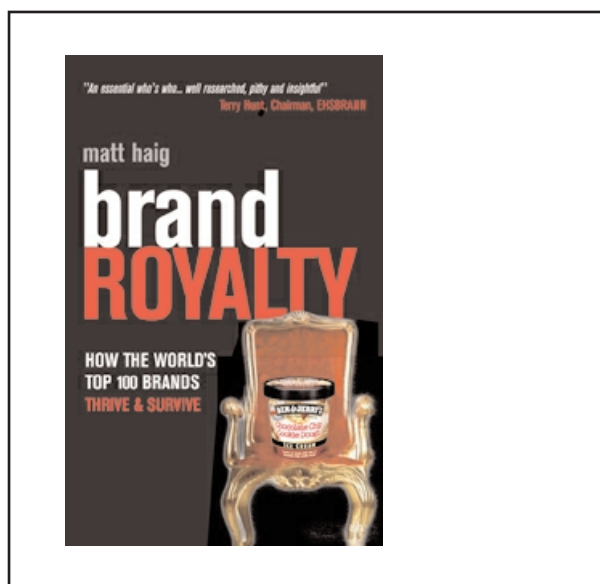
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CHAPTER I

Innovation brands

Business has only two functions – marketing and innovation.

(Peter F Drucker)

It is no coincidence that many of the biggest brands are also some of the business world's biggest innovators. Through the invention of a new product category or the radical change of an old one, a brand becomes more than a machine for making money. It becomes an influencer on society, changing the nature of everyday life.

Of course, innovation is not for the faint-hearted. Human beings are conservative creatures. They like what they know. When something new comes along – be it the automobile or Elvis Presley or the Internet – people start to get anxious. As the psychologists tell us, change indicates that time moves on and therefore reminds us of our own mortality. We don't want to die, so we are resistant to change. It therefore makes sense that the younger we are the more we are willing to try something new, because death tends to be far from our minds.

It takes a brave or foolish company to see the long view, as very few radically new products are an instant success. People appreciate innovations in hindsight, rarely as they happen. Success happens slowly, through word of mouth or media endorsement, but, once the market has started to accept the idea, the innovator becomes the spokesperson for the category invented.

In some cases – such as Hoover and Xerox – the brand becomes so associated with its innovation that its name becomes synonymous with the product. In other cases – such as Sony – the brand is responsible for so many radically new types of products that the name is associated with innovation itself.

Either way, there is no denying that innovation is a high-stakes game. Researching and promoting a new product costs a lot of money, and can lead to spectacular failure. That said, when brand innovators make it, they make it big. After all, it's easier to lead if you've made the first few steps alone.

I Adidas: the performance brand

All truly great brands are innovators, and Adidas is no exception. Adolph 'Adi' Dassler, the man originally behind the Adidas brand, is widely considered to be the founder of the modern sporting goods industry.

When he was a teenager, growing up in a Germany that had been economically devastated by World War I, he helped his family make house-slippers from left-over military bags. But Dassler's real love was sport, and particularly soccer, so in 1920 he started making sports shoes. He contacted various doctors, trainers and sports coaches to gain their input, and drew on his own personal athletic experience. From the start, his emphasis was on each shoe's 'performance' for a particular sport, and so he created different types of shoe according to the activity – such as running or tennis or soccer.

This well-researched approach quickly earned him an international reputation. Still in his twenties, he was dubbed the 'equipment manager of the world'.

Adidas shoes were worn in the Olympics as early as 1928. Athletes loved them. Indeed, athletic performance seemed to improve visibly with the arrival of Adidas. When Jesse Owens dazzled the crowds (and dismayed a furious Hitler) by winning four gold medals in the 1936 Berlin Olympics, he was wearing Adidas running shoes. So was Armin Hary, when he became the first athlete to run the 100-metre sprint in 10 seconds.

Dassler kept Adidas ahead through constant innovation and his determination to design shoes catering for each sport's demands. Take soccer. Dassler realized that standard soccer boots weren't sufficient if the pitch was damp. He therefore came up with the idea of studs that could be screwed into the base of each boot, ensuring greater control and accuracy for players. It was with these new boots that the German team sailed to victory in the 1954 World Cup.

As well as soccer studs, Dassler was also the first to come up with spikes in running shoes to enhance the grip as athletes ran around the track.

He also wanted to make sure his shoes were made with the best possible material for their specific use. He conducted thousands of tests on any materials that could provide a possible benefit, including the skin of sharks and even kangaroos. His most successful experiment ended with the creation of nylon shoes.

Dassler wasn't just a good innovator. He also had a brain for marketing. He knew that if Adidas was going to have completely different shoes for different sports there would have to be an element of unity. In 1949, he therefore came up with the idea of putting three stripes on the side of his shoes so everyone would be able to tell they were Adidas just by looking at them. It wasn't until 1996, however, that the three stripes became the Adidas corporate logo.

Today, Dassler's legacy lives on. It still focuses on the sports performance aspect of its products (which now extend to all sportswear). However, it also acknowledges that its market has moved beyond athletes. Indeed, Adidas is now a fashion brand as much as a sports brand. Ever since 1986, when Run DMC's hip-hop anthem 'My Adidas' became a massive worldwide hit, the brand has enjoyed a cool image. Today, Adidas is still embraced by the hip-hop community, with stars like Missy Elliott keeping it high in the fashion stakes.

The challenge for Adidas has been how to balance street credibility with sports performance. Rather than try to combine both together, Adidas has set up different divisions – Sport Performance, Sport Heritage and Sport Style. The Sport Performance division focuses on functionality and innovation, the way Adidas has always done. The Sport Heritage range of Adidas originals with an 'old-school' feel showcases the brand's rich history (these are the ranges loved by the hip-hop community). Adidas Sport Style is aimed directly at the fashion-conscious consumer, and produced with fashion designer Yohji Yamamoto. The Sport Performance division is the bulk of Adidas's market, representing 70 per cent of overall sales. Sport Heritage is currently at around 25 per cent and Sport Style at 5 per cent.

In terms of marketing, Adidas still concentrates on the major sports events, being an official sponsor of the Soccer World Cup and sponsoring individual sports stars like David Beckham (who is an Adidas 'spokesperson' with a \$161 million life-long contract) and US basketball star Tim Duncan.

It is also looking for future stars through its various youth sports projects such as Adidas America's ABCD camp, a basketball skills workshop for top high-school athletes. This camp, which has helped teenagers Shaquille O'Neal and Patrick Ewing become sports icons, perfectly illustrates Adidas's multifunctional approach to business. Firstly, there is the great PR potential involved with such a project. Then there's the sponsorship angle. The camp is a key part of Adidas's strategy to attract top athletes for endorsement deals. It is also the perfect testing ground for new products, as the company can gauge the responses of the future basketball stars.

So this is Adidas: a brand that is looking both forward and back. It is on the lookout for future trends and talent, while never forgetting its own history – even promoting its own history through the Sport Heritage division.

It may now be partly overshadowed by Nike, but Adidas is unlikely to fade away anytime soon. It is a brand that retains credibility, in the worlds of street fashion and sport, by being proud of its past and confident of its future, and by staying innovative. In fact, I'd argue that Adidas benefits from its second-place status. While Nike gets all the criticism for its business practices, the associations of Adidas remain firmly on sports. Also, it is easier to be the number two sports brand than, say, the number two software brand.

Branding, like sport, appeals to our tribal instinct. And the tribalism of branding is never stronger than in the sportswear market. Nike and Adidas are two tribes that depend on each other in the same way as a soccer or a basketball team needs someone to play against. An Adidas sports shoe doesn't just say 'Adidas'; it also implicitly says 'not Nike', just as a Nike shoe says 'not Adidas'. Nike and Adidas may hate each other's guts, but the aggressive competition has ultimately made them both stronger.

The Adidas brand certainly doesn't seem to be panicked by Nike into making any wrong decisions. Although advertising and sponsorship are a key part of Adidas's marketing strategy, they have never been at the expense of the products. Staying true to Adolph Dassler's original intentions, the performance of the products remains as important as the performance of the brand.

Secrets of success

- *Innovation.* Studs for soccer boots; spikes for running shoes; nylon soles: these are just three of the innovations that helped build the Adidas brand.
- *Performance.* As an athlete himself, Adolph Dassler never neglected the performance of his products. He always looked for new ways to improve athletic standards through the use of Adidas equipment.
- *Competition.* Sportswear is as tribal as sport itself. Therefore it will never be a one-brand market. Adidas has stuck to its own gameplan and has thrived in competing with other brands such as Nike and Reebok.
- *History.* Unlike other sports brands, Adidas keeps its history alive through its Sports Heritage division. Far from making the brand seem stuffy and outdated, its 'old-school' ranges are considered the most fashionable among the hip-hop community.
- *Key influences.* Hip-hop stars like Run DMC and Missy Elliott, and sports stars such as David Beckham have helped give the brand street and sport credibility.

Fact file

Web site: www.adidas.com

Founded: 1928

Country of origin: Germany

Brand fact 1: Adidas produces approximately 60 new footwear designs each year.

Brand fact 2: The company spends 13% of total group sales on marketing.

Brand fact 3: Adidas is the second largest company in the sporting goods industry.

2 Sony: the pioneer brand

Sony was founded in 1946 by Akio Morita and Masaru Ibuka. Originally, it was a radio repair firm, but by the 1950s it was producing its own Sony-branded products.

Sony quickly developed a reputation in its native Japan for innovative products such as the first effective transistor radio (in 1958) and the first all-transistor TV (1960). These innovations helped the firm expand throughout Asia, and then to the United States and Europe. In 1961, it became the first Japanese company to be listed on Wall Street.

Throughout the decades, Sony has led the way, producing one innovative product after another. In 1971, it created the world's first colour video recorder. A few years later it created another revolutionary product: the Walkman. On its launch in 1979 few within the industry took the Walkman seriously. It was seen as a gimmick that would probably die an early death. In fact, it went on to become the most popular consumer electronics product in history, and has led to newer versions such as the CD Walkman and MiniDisc. Sony has achieved similar success in other areas with its TVs, videos, DVDs, hi-fis and game consoles (the Sony Playstation).

Of course, being an innovator has its risks, and Sony has had one notable flop, having been the company behind the ill-fated video format Betamax, which I have written about in detail elsewhere (in *Brand Failures*).

However, Sony has been smart enough to realize that hardware is only one side of the consumer equation. In the book *Cool Brand Leaders* (Knobil (ed), 2003), Sony is singled out for its ability to see the larger picture: '[The] ability to identify and act on consumer and industry trends has served Sony well over the years. It was arguably the first global electronics corporation to recognise the importance of synergy – the interface between hardware and content.'

In 1988, Sony bought CBS records and the following year it acquired Columbia Pictures Entertainment. Sony Music Entertainment is now one of the largest players in the music industry, and Sony Pictures Entertainment has produced massive blockbusters such as the Charlie's Angels franchise.

Sony is, without doubt, one of the world's healthiest brands. Part of this health is down to what Akio Morita (who led the company until he resigned in 1993

after suffering a brain haemorrhage while playing tennis) referred to as the brand's 'pioneer spirit'. The other part is due to successful marketing. Sony's marketing philosophy is very different to that of many other companies, especially in the West, as the secrets of its success reveal.

Secrets of success

- *A distrust of market research.* As a true pioneer, Sony has often been wary of market research. The Walkman, which was Akio Morita's own invention, would certainly not have been invented if it had been dependent on market research. 'I do not believe that any amount of market research could have told us that it would have been successful,' said Morita, adding: 'The public does not know what is possible. We do.'
- *Innovation.* Sony is *the* innovation brand and looks set to remain so in the future, with its new focus on 'connectivity' – the meeting of computing and home entertainment.
- *A belief in buzz.* When the Walkman first appeared in Japan, Sony workers walked the streets of their native Tokyo with Walkmans strapped to them, creating a valuable buzz. When the MiniDisc was launched in the UK, postcards advertising the product were placed in trendy bars and clubs.
- *A belief in people.* People are important to Sony. The human element is never neglected in its advertising (hence the recent slogan 'Products for People'). It always finds a way to make technology accessible and friendly. This belief in people extends to the employees themselves. 'Never break another man's rice bowl' was Morita's motto. Morita also believed it was better to sacrifice a profit than lay off employees in a recession.

Fact file

Web site: www.sony.net

Founded: 1946

Country of origin: Japan

Brand fact 1: Sony's first product was a rice cooker.

Brand fact 2: Before the Walkman became a worldwide brand name it was introduced as Soundabout in the United States, Stowaway in the UK and Freestyle in Australia.

Brand fact 3: Sony Playstation 2 dominates the game console market with 70% of global sales.

3 Hoover: the synonymous brand

Hoover is, in the truest sense, a household name. It is also, in the English language, a household verb. ‘Could you Hoover the carpet?’ is a phrase that inspires lethargic grunts almost anywhere in the English-speaking world.

The reason the brand became so synonymous with the product was because it invented the category. Or, more accurately, Murray Spangler did. Murray was a relation of William H Hoover’s wife. Unlike William, Murray didn’t have his own company. In fact, he was a janitor at a department store who spent his working life sweeping dusty floors. Bad enough, you might think, but poor Murray also suffered from chronic asthma. To make his job easier, he experimented with bits and pieces he had lying about at home – a metal box, a broom, a pillow case, a fan – and came up with a device that sucked the dust particles away as he swept. He then approached William and asked if he was interested in manufacturing the device. After his wife had tested and approved the product, Hoover bought the patent in 1908.

With the help of various free-trial offers, the ‘suction sweepers’ became a success, and word spread across the United States and Canada. Hoover then decided to give up selling the products he had originally based his business on, as leather harnesses for horses and carts were struggling due to the rise of the automobile. The company then devoted all its energies to vacuum cleaners. It is ironic that the company was nearly killed by the rise of one new technology, and saved by the invention of another.

The brand succeeded even further after William H Hoover’s death in 1932, and continued to lead the way in the market it had started. It has expanded into other categories of household products, such as washing machines and refrigerators, but the name remains synonymous with the vacuum cleaner.

In recent years the brand has faced tough competition from the British company Dyson, which revolutionized the market with its patented cyclone system. Hoover has fought back by patenting its own equivalent new system, called the Wind Tunnel. This may have been necessary to stop Dyson from sucking up its market share, but the perception in terms of the Hoover brand is negative as it turns the brand leader into a brand follower.

That said, Hoover remains by far the most recognized name within the category. Whether a perceived lack of innovation and extensions into other categories will eventually weaken the brand remains to be seen.

Secrets of success

- *It invented the category.* The market for vacuum cleaners didn't exist before Hoover. It is therefore the natural leader.
- *Home improvement.* New products only work if they offer a visible improvement on the way things were done before. The invention of the vacuum cleaner provided a clear step up from the broom.
- *Try before you buy.* Free 10-day trials in the early 20th century were key to Hoover's market dominance in North America.

Fact file

Web site: www.hoover.com

Founded: 1908

Country of origin: USA

Brand fact 1: Hoover is America's number one name in vacuum cleaners and the leading manufacturer of floor care appliances.

Brand fact 2: The first vacuum cleaners were sold in 1908 when only 10% of homes were wired for electricity.

Brand fact 3: The first Hoovers were imported to Britain in 1912.

Brand fact 4: WH Hoover unwittingly realized that demonstrations sold stock. He said, 'I would stock up hardware stores with cleaners, go out two months later and find none of them moved. I would get busy and demonstrate them to housewives and move the stock.'

4 Xerox: the research brand

In branding, there are no pure success stories and there are no pure failure stories. Usually, successes and failures coexist within the same brand, and Xerox is no exception.

When Xerox – a name associated with paper copiers – decided to launch IBM-style office data systems it ended up with one of the largest brand failures of all times, at least in financial terms. Another disaster was the Telecopier, the company's early version of a fax machine. However, the reason these ventures failed is exactly the same reason why Xerox is a success. Xerox is associated with one category, the category it invented – paper copiers.

The Xerox brand first became massive in 1959 with the launch of the Xerox 914, the world's first automatic plain-paper copier. *Fortune* magazine two years later called this machine 'the most successful product ever marketed in America'. From the 914 onwards, Xerox has been inextricably associated with copiers, and has led the field with advanced and innovative products. In fact, innovation is key to the company's success and is exemplified by its emphasis on technological research. For instance, in 1970 it set up the Xerox Palo Alto Research Center, or Xerox PARC as it has become known.

However, in terms of the Xerox brand, the research centre has been a rather mixed blessing. As well as producing undeniable advancements in copier technology, it was also behind Xerox data systems and the Telecopier. Xerox also has its own university – the Xerox Document University in Virginia.

Of course, research is important to just about all technology brands, and nobody can accuse Xerox of falling short on these grounds. What people have accused Xerox of is the wrong focus. 'Xerox. . . lost focus on their base business,' writes Jack Trout, in his book *Big Brands, Big Trouble* (2001), 'thus allowing competition to take away their most important customers.' 'When Xerox tried to put its powerful copier name on computers, the result was billions of dollars in losses,' write Al and Laura Ries, in *The 22 Immutable Laws of Branding* (1998).

Xerox is singled out by such leading advocates of branding, because it spent a long length of its history trying to change its identity in people's minds. This ambition and its futility were evident in an advert for Xerox computer services, which said: 'This is not about copiers.' The fact that the word 'copiers' was

included shows that Xerox acknowledged the problem it faced. Xerox was about one type of product, copiers. It was not, like IBM, about a broader concept such as computer technology.

As inventors of the copier category, it has been stuck with that single association. Xerox has been able to use that association and build a \$20 billion empire on the back of it. And it is the Xerox name itself, rather than the research and new products, that is the most powerful part of the brand. Now that it has decided to focus on what it does best rather than finance ambitious new directions, the brand will grow even more powerful.

It is remarkable to think that the name could be even bigger if its ambition had been a little bit smaller.

Secrets of success

- *First mover.* Xerox was the first in a new category when it launched its Xerox 914 copier.
- *PR.* As the first in a new category, it was able to generate valuable PR as the US media sought to document the technological breakthrough Xerox had made.
- *Research.* Through its research centre and university, Xerox remains at the cutting edge of technological research.
- *Name.* Xerox is a short, distinctive name that has become synonymous with the copiers it manufactures. As such, it is hard for competitors to eat into the company's market share, even when it makes a few wrong turns.

Fact file

Web site: www.xerox.com

Founded: 1906 as the Haloid Company; named Xerox in 1961

Country of origin: USA

Brand fact 1: Xerox has 60,000 employees around the world.

Brand fact 2: From 1939 to 1944, Chester Carlson, a New York patent attorney and the inventor of xerography, had his work turned down by twenty companies including IBM, Kodak and General Electric. It wasn't until 1959 that the first convenient office copier using xerography was launched.

Brand fact 3: Earth-friendly design and manufacturing saved Xerox more than \$2 billion in 10 years from 1991 to 2001.

5 American Express: the integrity brand

American Express has a significant history. In 1850, it was launched as an express freight company, and its reputation grew during the American Civil War when it transported supplies to the eventually victorious Union army. In the 1880s, American Express still shipped physical cargo, but it also moved into finance, transferring funds from the new wave of Europeans settling in America to their families back home. In 1891, American Express invented the traveller's cheque, revolutionizing the travel and finance industries simultaneously.

Fast-forward to 1958. American Express launches its second major innovation – the American Express card. Like the traveller's cheque, this famous piece of green plastic liberated people. Not just travellers, but consumers. The American Express card enabled people for the first time to do their shopping without having to carry cash in their pocket.

It was a charge card and, as such, wasn't available to everybody. The American Express card therefore became the ultimate status symbol – a convenient social shorthand for 'I have a great credit rating.'

American Express had started the move away from the grubby realities of handling cash in the 1880s through its funds transfer. The charge card moved society – or at least a certain strand of society – one step further away from notes and coins (hard finance) towards the cleaner, more mysterious world of plastic (soft finance).

The card, as a symbol of status, not only liberated people but helped to define them. Throughout the second half of the 20th century, American Express's advertising campaigns portrayed the card as a signifier of prestige or even as a symbol of membership to an exclusive club ('Membership has its privileges' was one famous slogan). Business leaders such as Richard Branson starred in adverts, promoting American Express membership.

Today, although the company is now a 'financial supermarket' (in its own phrasing, 'a diversified worldwide travel, financial and network services company'), it is still best known for its pieces of plastic.

However, in recent years the connotations of the American Express brand, and its cards, have undeniably changed. It has moved from an exclusive to an inclusive brand. Its charge cards have been joined by credit cards that are less

symbols of status and more a practical convenience. People now use American Express cards to pay for such mundane things as groceries and even their rent. Through advertising aimed at retail customers, it has successfully dusted down its image and shaken off old-fashioned connotations of prestige and membership. After all, unlike in the 1950s, the whole world is now run on plastic.

Although the move from 'prestige' to 'populist' is always a tricky one, American Express's long-established and respected reputation for financial integrity and security has made the transition easier than it is for most brands. Its stated goal to become 'the world's most respected service brand' is now back on track.

Secrets of success

- *Foresight.* Its introduction of traveller's cheques and charge cards showed remarkable foresight, and has set the world on its long journey towards a cashless economy.
- *The ability to evolve.* From its origins as a freight company to its current 'financial supermarket' status, the American Express business has proved able to adapt to changing lines. So too has the brand: its recent move from an aspirational image to the mass market has strengthened its position as one of the world's few super-brands.

Fact file

Web site: www.americanexpress.com

Founded: 1850

Country of origin: USA

Brand fact 1: Nearly 80% of American Express's revenues are US generated.

Brand fact 2: American Express is the world's number one travel agency.

Brand fact 3: American Express publishes magazines such as *Food & Wine* and *Travel & Leisure*.

6 L'Oréal: the individuality brand

Successful brands have two stages. There is the innovation stage and the consolidation stage. To become a global leader from nothing a brand needs to innovate first and consolidate later. There is no way a new brand can become the leader in a category with advertising alone. It needs to offer the world something new – something significant enough to generate PR and word of mouth.

Think of Gillette, with its safety razor. Or Nike, with its rubber outer sole for running shoes. These innovations revolutionized the market and gave the brands the step-up they needed to get started. Then they could consolidate their achievements by advertising.

Other brands – such as Sony – are constant innovators. In such cases, the innovation and consolidation phases are simultaneous. Without innovation, however, there would be nothing to consolidate.

Even a brand like L'Oréal, which is now more about expanding and capitalizing on what it's already got, originally started as a revolutionary brand. It started with one man, Eugene Schueller. He was a talented chemical engineer, living in Paris. In 1907, he invented the first synthetic hair dye. In 1908, he turned his invention into the basis of his business, the French Company for Inoffensive Hair Dyes (renamed L'Oréal the following year).

Initially, it was a one-man operation, with Eugene sacrificing sleep so he could make hair dyes all night and tour Parisian hair salons all day, selling his products. The consolidation phase was already under way. Following a small investment from an accountant he got a bigger apartment and his first employee in 1909. He also started to advertise in the hairdressing magazine, *La Coiffure de Paris*. By 1934 L'Oréal was large enough to buy the French company Monsaron. This gave Eugene the perfect platform from which to launch the second major L'Oréal innovation – the first mass-market shampoo without soap. However, rather than call it L'Oréal shampoo, he gave it a new brand name, Dop.

This set the pattern for the rest of the century: acquisitions and the creation of new brands in different product categories. In the 1960s, the company bought Lancome and Garnier, and created Guy Laroche perfumes. Today, it is behind most of the leading perfume brands, such as Ralph Lauren, Lancôme and

Giorgio Armani. It is also the market leader in cosmetics, owning the Maybelline brands alongside its own L'Oréal ranges.

The secret of its success is in keeping each of its brand identities distinct. Maybelline, for instance, is associated with a young and punchy New York personality, despite being owned by the French company. Indeed, L'Oréal has earned itself a reputation as the 'United Nations of beauty' owing to the various separate identities housed within one global company. According to a cover story in *Business Week* magazine ('L'Oréal: The Beauty of Global Branding', 28 June 1999), L'Oréal's secret is its ability to convey the 'allure of different cultures' through its many products:

Whether it's selling Italian elegance, New York street smarts, or French beauty through its brands, L'Oréal is reaching out to more people across a bigger range of incomes and cultures than just about any other beauty products company in the world. That sets L'Oréal apart from one-note marketers such as Coca-Cola, which has just one brand to sell globally.

As L'Oréal's British-born CEO Lindsay Owen-Jones has said, 'We have made a conscious effort to diversify the cultural origins of our brands.' For example, when the company bought Maybelline for \$758 million in 1996, L'Oréal deliberately accentuated its US origins, launching new sub-brands such as Maybelline Miami Chill and setting TV ads in Manhattan. The strategy worked. Maybelline's sales doubled by 2003, and it is a far bigger brand outside the United States than it was before the takeover.

L'Oréal has proved that giving brands clearly defined national identities does not place limits on their international success. By adding personality to the brand, this strategy in fact has the opposite effect.

Another interesting thing about L'Oréal is that it is not scared about self-cannibalization. As the company owns so many brands in similar or identical markets they obviously risk eating into each other's sales. L'Oréal has grown so big it has become its own competition. But Owen-Jones says he deliberately wants to create a tension between his marketing teams. 'A charged atmosphere is exactly what I'm looking for,' he told *Business Week*.

He therefore set up another headquarters in New York, a 'counter-power' separate from the company's base in Paris. Such measures have stopped any complacency setting in, even in sectors where L'Oréal dominates the market. It has experienced top-line growth above its rivals for over a decade, but Owen-Jones says he is 'never satisfied' and never convinced his company is winning. Such internal competition inevitably leads to an intensely creative environment.

To make sure the various brands don't blur into one, L'Oréal has not only accentuated national identities, but has also stripped itself down. It now solely focuses on five core areas – hair care, hair colour, colour cosmetics, fragrances and skin care. It has also, under Owen-Jones, narrowed the focus on to a smaller number of global brands. These brands range from mass-market names such as Maybelline to luxury brands such as Helena Rubinstein. They retain strong, individual identities because there is no need for L'Oréal to create one brand that is all things to all people.

Perhaps the broadest brand within the company's stable is the L'Oréal brand itself. It has been targeted at both sexes for a variety of products. Its identity, in keeping with Eugene Schueller's original idea, is French sophistication matched with scientific expertise. The L'Oréal brand is positioned not just as products we can use, but as personal rewards the consumer deserves. The L'Oréal slogan 'Because you're worth it', which has been spoken by celebrities such as Ben Affleck and Jennifer Aniston in TV ads recently, sums up the brand's identity. Like the whole company itself, it condenses the universal into the personal. It is speaking directly out to individuals and entire markets simultaneously, because the two cannot be separated.

Indeed, 'individuality' is perhaps the word that sums up L'Oréal's entire strategy. Each brand retains its individuality along with its own name. This way, L'Oréal has been able to have the best of both business worlds. It has been able to keep brands strong while stretching its reach, resisting the temptation to bundle them all into a homogeneous whole under the L'Oréal banner.

Although there are examples (Virgin, Yamaha, Sony) where brands have successfully kept hold of their name as they've plunged into new markets, there are plenty more examples where such strategies have failed. What L'Oréal has shown is that, in a world where markets are increasingly fragmented, success lies in creating various individual brands rather than one catch-all identity.

Secrets of success

- *Innovation.* Great brands are launched by innovation, not advertising. That can come later.
- *Individuality.* L'Oréal uses different brands to attract different markets. It is unlike other global brands in that no 'God complex' seems to be at work, and L'Oréal shows no desire to create the world in its own, singular image.
- *Personality.* Because L'Oréal has different brands for different markets, it is not scared to exaggerate their personality. With other brands the tendency is to water their identity down as they expand.

- *Consolidation.* L'Oréal does not launch new brands just for the sake of it. It capitalizes on the brands it has already built up or acquired through carefully targeted markets.
- *Nationality.* Many brands play down their nationality for fear of alienating foreign markets. L'Oréal, on the other hand, exaggerates the national or regional identities and even places them next to the brand name. Think of 'Maybelline New York' or 'L'Oréal Paris', for instance.

Fact file

Web site: www.loreal.com

Founded: 1907

Country of origin: France

Brand fact 1: L'Oreal is the world leader in cosmetics.

Brand fact 2: L'Oreal develop more than 3,000 formulas each year.

Brand fact 3: 3.3% of L'Oreal sales are invested in cosmetics and dermatology each year.

Brand fact 4: L'Oreal sells 85 of its products every second.

7 Durex: the safe brand

Durex has been producing condoms since 1929. Since then it has become the undisputed market leader, partly due to its long series of innovations. For instance, in 1957 it invented the world's first lubricated condom.

Its name is designed to suggest its three 'guiding principles' – DURability, RELiability and EXcellence. These principles ensure that Durex conducts rigorous tests to assess the durability and quality of its products before they enter the market. The condoms are even rolled in blotting paper to check for the tiniest leakages and the latex undergoes 'stretch tests'.

As such, it has become a brand intrinsically associated with safe sex. In the 1980s, its products became more widely available as the growing threat of AIDS led to more open public debate about sex. The Durex brand was made available in supermarkets and bars as well as pharmaceutical chains.

The brand has successfully turned into a leading sex authority, with its annual Durex Global Sex Survey, which not only provides market research, but is also used by various agencies to help develop programmes promoting sexual health issues.

Social responsibility is a big part of the Durex brand, and the company invests millions of dollars every year to emphasize the realities of AIDS. It also produces health media such as the *International Barrier Protection Digest* and the Web site durexhealthcare.com.

By becoming a sex health ambassador, in terms of both its products and its research, Durex has become intrinsically associated with the issue of safe sex in people's minds and therefore remains a long way ahead of the global market.

Secrets of success

- *Durability.* Durability, reliability and excellence remain the brand's guiding principles.
- *Responsibility.* For a product associated with safe sex and sexual health, responsibility should not be a brand add-on. Indeed, Durex has brought the issue of responsibility into the heart of its business, combining market and health research, and promoting awareness of sexually transmitted diseases.

Fact file

Web site: www.durex.com

Founded: 1915 as London Rubber Company; named Durex in 1929

Country of origin: UK

Brand fact 1: Durex were the first to provide lubricated condoms and the first non-latex condoms.

Brand fact 2: Durex is the market leader in more than 40 countries.

Brand fact 3: The Durex brand accounts for 26% of the world's 4 billion condom market, making it the number one condom brand in the world.

8 Mercedes-Benz: the prestige brand

In January 1886, Karl Benz, a 41-year-old German engineer, patented the world's first automobile powered by an internal combustion engine.

A year before, his fellow German, Gottlieb Daimler, had built the first land vehicle ever to use an internal combustion engine – a motorcycle. In 1886, Daimler topped Benz's achievement by building the first four-wheeled automobile (Benz's vehicle had been a three-wheeler). Although the two men were only about 70 miles apart, they never met to work together on their inventions.

Forty years later, the companies both men set up – Daimler's Daimler-Motoren-Gesellschaft and Benz's Benz & Co – would merge. The resultant brand of cars, Mercedes-Benz, has become the most well-known prestige brand in the world. Although in recent years it has shifted slightly downmarket with vehicles such as the A-Class, a relatively affordable sub-compact hatchback, it has stayed true to its pioneering heritage.

For instance, in 2002 the new Mercedes-Benz E-Class became the market leader partly due to innovations such as an electro-hydraulic braking system, patented 'sensotronic' brake control and an 'Electronic Stability Program' that ensured better handling in emergency situations.

Even the cheaper A-Class represented a completely new type of car, which boasted lots of inside space despite its short design. Indeed, the car looked so different that Mercedes-Benz started running advertisements for it months in advance in Europe, to get people accustomed to the idea. It worked. The car has been a phenomenal success across Europe.

The trouble is, Mercedes-Benz has spent most of its history establishing itself as a prestige brand. Obviously, it has to be subtle about it. It couldn't call itself 'Mercedes-Benz, the prestige car', because people don't want to own up to their superiority complexes. They'd much rather pretend they were buying a car for another reason – engineering, say. Mercedes-Benz has therefore built a brand that focuses on engineering, even though the implicit intention has been to create a prestige brand. This is a clever strategy. It means Mercedes-Benz can appear consistent, even as it moves slightly downmarket. Cheaper cars such as the A-Class and M-Class are also legitimately sold on the basis of quality engineering.

However, while this strategy works in the short to mid-term, the longer view may be different. After all, prestige is ultimately about price, not engineering. The cheaper cars are popular because they are a way of buying into a prestige brand, but there is an obvious law of diminishing returns. The more cheaper cars that are sold, the less prestigious the brand becomes. Therefore product success could, paradoxically, equal brand failure.

Secrets of success

- *Innovation.* Innovation is a natural quality you would expect from the company associated with the invention of the car.
- *Price.* Historically, its high prices have helped Mercedes-Benz become a prestigious brand.
- *Prestige.* People who drive a Mercedes-Benz like to feel superior. Whether they continue to feel superior when everyone can afford one remains to be seen.

Fact file

Web site: www.mercedes-benz.com

Founded: 1924

Country of origin: Germany

Brand fact 1: The Mercedes-Benz logo represents the company's original aim to provide small powerful engines to travel on land, sea and air.

Brand fact 2: Mercedes-Benz has introduced a number of advanced technologies to cars – such as fuel injection and anti-lock braking systems.

Brand fact 3: Gottlieb Daimler, one of the founders of Mercedes-Benz, also introduced the world's first motorized taxi in 1897 (complete with taxi meter).

9 Nescafé: the instant brand

Nestlé's Nescafé is the leading brand of instant coffee. It was also the first. Like many brand innovators, Nescafé was a result of intensive research – seven years of research to be precise, taking place in Swiss laboratories in the 1930s. The Brazilian government had approached coffee expert Max Morgenthaler at the start of the decade asking him to find a way of reducing its coffee surpluses by producing a cheaper coffee, which could be made by adding water.

Over the years it has kept the emphasis on innovation, introducing pure soluble coffee (1952) solely using roast coffee beans, freeze-dried soluble coffee (with the launch of Gold Blend in 1965) and coffee granules (1967). In 1994 it invented the 'full aroma' process, which improved the quality of instant coffee.

Such innovations have made sure that Nescafé has remained the world's leading coffee brand. It is also the second most valuable brand in the entire drinks sector, behind Coca-Cola, with around 3,000 cups of Nescafé drunk every second.

However, innovation isn't the only factor. Nescafé has had to work hard at maintaining its position with successful advertising aimed at specific markets. It has been singled out as an expert in adding value *between* brands. For example, in the UK Nescafé and Nescafé Gold Blend are two different products but both serve to boost the overall Nescafé brand through implied endorsement of each other.

Secrets of success

- *Research.* Seven years of intensive research went into the original Nescafé product.
- *Innovation.* That 'I' word again. Nescafé is yet another brand that shows that if you invent a market you are the natural leader within it.
- *Added value.* The various Nescafé brands fall roughly into the 'popular' and 'prestige' brackets, but both types of product are promoted in such a way that they add to, rather than diminish, the appeal of other Nescafé products.

Fact file

Web site: www.nescafe.co.uk

Founded: 1938

Country of origin: Switzerland

Brand fact 1: 3,000 cups of Nescafe are drunk every second.

Brand fact 2: Nescafe is owned by Nestle, the number one food producer.

Brand fact 3: Nescafe was the staple drink of the US armed forces during World War II.

10 Toyota: the big-picture brand

In 2003, Toyota overtook Ford to become the world's second car maker, falling behind only General Motors in terms of sales volume. The Japanese car giant now has 11 per cent of the world car market, selling around 7 million cars a year.

Part of this success can be attributed to various advertising campaigns aimed at a younger market, and revamping old models like the Corolla. However, another key to its success has been its switch from being a follow-the-crowd kind of company to being something of an industry pioneer. For instance, it has become an ambassador for environmentally friendly vehicles. In 1997, Toyota became the first car manufacturer to sell a mass-produced 'hybrid' vehicle. Hybrid cars combine an internal combustion engine with an electric motor, making them more fuel-efficient and therefore more eco-friendly than traditional models. Toyota's president Fujio Cho has stated that 'development of eco-friendly cars is a key to our future growth strategy'.

Often when companies promote a new type of product or technology they make the mistake of confining it to their own brand. Think of Apple's determination to keep its operating system to its own computers, or Sony's reluctance to license out Betamax technology to other manufacturers. You only have to think of Microsoft's operating system or the VHS format to realize that the technologies that become the most popular are those that can be shared between companies, not confined to one individual brand. Fortunately, Toyota has not taken a protective or defensive attitude with its eco-cars. In 2002 it struck a deal with rival Nissan to share information and discuss the joint development of environmentally friendly technology.

This ability to see the bigger picture is evident throughout Toyota. Indeed, it currently seems less like a standard car manufacturer and more like an organization trying to change the future of driving. In recent years, it has come up with various innovations. For example, it has developed a 'self-parking' car, which uses electronic sensors to avoid obstacles and guide it into spaces.

Although self-parking, eco-friendly cars still represent only a fraction of Toyota's business, well-known models such as the Corolla reflect a brand with its eye firmly on the future. Having already overtaken Ford, it could soon be the most popular car maker in the world.

Secrets of success

- *Mission.* Toyota has switched from being a boring old car manufacturer to one with a broader mission, reflected by its partnership with Nissan to develop environmentally friendly vehicles.
- *Innovation.* Innovations such as 'self-parking' and hybrid cars have gained the company a lot of valuable PR, and positioned Toyota as a forward-thinking brand.

Fact file

Web site: www.toyota.co.jp

Founded: 1937

Country of origin: Japan

Brand fact 1: Toyota started out in 1933 as the automobile department of Toyoda Automatic Loom Works, Ltd.

Brand fact 2: Toyota has the best overall miles per gallon ratings of any full-line car maker.

Brand fact 3: Toyota produces more than 5.5 million vehicles per year, equivalent to one every six seconds.

ABOUT THE AUTHOR

Matt Haig is an independent consultant advising organizations of all types and sizes on creating integrated marketing and branding solutions. Acclaimed for his no-nonsense style, Matt is a popular speaker and writes regularly for both the national and business press. He is also the author of several other best-selling guides including *Brand Failures*, *Mobile Marketing*, *E-PR: The Essential Guide to Public Relations on the Internet*, *E-Business Essentials* and *E-mail Essentials* (all published by Kogan Page). His recent novel, *The Last Family in England* (Jonathan Cape), has received rave reviews.

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