What ever happened to Burma-Shave?

Pattern thinkers can outsmart brand rivals in a changing marketplace

By John Kania
and Adrian J. Slywotzky

A static brand can quickly become irrelevant. But brand innovation also has its risks. Patterns that have played out in other industries can help managers anticipate when and how a brand must change.

ANTICIPATING Brand Opportunities

Leo Burnett, founder of the agency that bears his name and *Time* magazine's "Advertising Titan of the 20th Century," built his reputation as the champion of the "long, enduring idea." For advertising executives of the Burnett school, nurturing brand images such as the Marlboro man, the Pillsbury Doughboy, and the Michelin Man was essential to building the brands. Once a brand achieves strong relevance and awareness, it serves to create longstanding barriers to entry even when newer competitors' products are superior or much cheaper. Marlboro, for example, has successfully staved off numerous market share attacks from comparably tasting generic cigarettes priced at half of Marlboro's price. For countless brand managers, then, consistency over time has been the hallmark of a well-managed brand.

Yet while consistency still has value, a static brand can become dangerously irrelevant in the face of shifting customer priorities and changes in the competitive landscape. Burma-Shave, an advertising icon famous for its rhyming roadside signs, disappeared as a major brand in the 1960s with the spread of the U.S. interstate highway system, where advertising signs are prohibited. But Burma-Shave's demise also reflected the shift in brand building away from advertising jingles and toward the customer experience—for example, the ritual aspect of shaving so successfully exploited by Gillette. Other once-powerful brands such as Oldsmobile, Maxwell House, and United Airlines all suffered a sharp decline because they stood still while their customers were moving to different wants and needs.

A brand positioned around "Fly the friendly skies of United," for instance, worked well in the 1970s and 1980s when safety—embodied in the idea of "friendly skies"—had a high value for air travelers. But the message had become obsolete by the early 1990s, as travelers cared far more about service at the gates, better meals, and more room on the plane. Partly as a result of its

weakening brand, United's revenues, profits, and market value suffered. While the airline industry as a whole experienced 18 percent annual growth in market value from 1990 to 1998, United Airlines attained just 3 percent growth. Responding belatedly to shifting customer priorities, United has for the past several years focused capital and brand-building investments on consumer concerns such as flight schedules and seat room. Repositioning the brand for greater relevance has not been easy, however. "United Rising," the ad campaign that replaced "Friendly Skies," has already been replaced by one with slogans such as "United for a better journey."

The dilemma: When to abandon consistency in favor of reinventing the brand?

Although letting a brand go stale is a constant danger, brand innovation also has its risks. In 1985, Coca-Cola's taste tests indicated that most consumers (and particularly young people) thought Pepsi tasted better than Coke. To attract younger consumers, Coca-Cola chose to change its venerable secret recipe to make the product taste better than Pepsi, and attached the new taste to a new brand image: New Coke. The outcry against the new product quickly taught Coca-Cola that most of its customers, even many younger drinkers, didn't care about the actual taste of Coke so much as about the emotional heritage of this classic brand. While New Coke exists today in a few regional markets, it has been renamed Coke II and plays a minimal role in Coke's continued brand success.

So brand builders are faced with a dilemma: In a world where business models are being reevaluated and reinvented continually, when is it time to throw consistency to the winds and reinvent the brand?

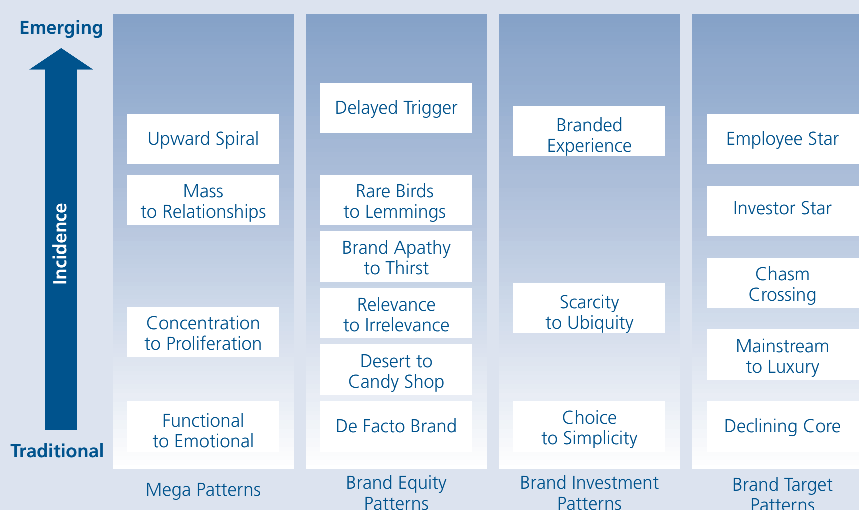
Past Mercer research* has demonstrated that pattern recognition—a discipline useful in such disparate fields as seismology, medicine, and chess—can help business leaders identify and capture new opportunities faster than the competition. Current research suggests that pattern thinking can also help to anticipate how and when a brand must evolve.

Profit Patterns discusses thirty patterns of strategic change. One of these patterns is "product to brand," in which customers, confronted with too many options and seeing too little differentiation, rely on brand as a proxy for quality, causing value to flow to branded players. Beneath this broad pattern, we have

*See *Profit Patterns: 30 Ways to Anticipate and Profit from Strategic Forces Reshaping Your Business* (Times Business/Random House, 1999); *Mercer Management Journal,* Number 11, 1999.

Brand patterns: a catalogue of the ways brands evolve

These eighteen patterns, arrayed by type and by incidence, describe how market shifts affect brand strategy. Additional patterns and variants will be catalogued as they emerge. For elaboration and examples of these brand patterns, visit www.profitpatterns.com.



Mega Patterns

Functional to Emotional
Customers elevate the intangible benefits over product functionality.

Concentration to Proliferation As customers demand greater product choice at multiple price points, companies move from a single brand to multiple brands.

Mass to Relationship Customers' desire for tailored offerings leads to greater dialogue between company and customer, with more attention paid to the many points of customer contact.

Upward Spiral Companies with the most consistent, clear messages to customers, employees, and investors realize higher shareholder value.

Brand Equity Patterns

De Facto Brand The first entrant in a new category benefits from tying the brand intrinsically to the category's main benefit.

Desert to Candy Shop As the number of choices in a category proliferate, customers jump to the hot brand of the moment.

Relevance to Irrelevance Customer priorities change, which reduces the relevance of established brand messages.

Brand Apathy to Thirst As customers become more discriminating among competing products, they place a higher value on certain brands as a guarantee of process quality.

Rare Birds to Lemmings In categories with rapid change, first-mover brand positionings spawn significant imitation.

Delayed Trigger Business design success stays ahead of brand development.

Brand Investment Patterns

Choice to Simplicity Customers desire simplicity in selecting and purchasing products, and the brand becomes defined by how consistently it delivers convenience.

Scarcity to Ubiquity As a company expands its offerings across multiple products or channels, the brand becomes overexposed, and equity erodes.

Branded Experience As customers expect involvement with a product or service, the brand begins to stand for an ongoing experience, not just a product or transaction.

Brand Target Patterns

Declining Core Brand equity remains strong, but among a smaller and smaller population.

Mainstream to Luxury As some customers migrate upmarket from core offerings, a brand is repositioned to capture these higher-value customer segments.

Chasm Crossing As a company's target consumer moves from the early adopter to a mass audience, the brand equity evolves or is stymied.

Investor Star Courting the investor community helps establish the brand as well as raise capital.

Employee Star In businesses where customer interaction with employees is frequent or critical, a focus on employee understanding of the brand promise strengthens customer loyalty.

—John Kania and Andy Pierce

recently catalogued nearly twenty specific brand patterns that have caused value to migrate from one set of players to another (see box, previous page), and identified leading indicators of when a particular pattern might emerge. Exploring three of these patterns in depth offers lessons for managers who must walk the fine line between dangerous irrelevance and ruinous innovation.

Concentration to Proliferation: VF sews up the jeans market

Successful brands are expensive to build. A typical consumer mass-market brand in the United States requires tens of millions of dollars to achieve moderate brand awareness among a targeted customer base. Because of these challenging economics, it often makes sense for a company to concentrate its resources behind one brand.

Sometimes, though, concentrating resources on a single brand is far less effective than supporting multiple brands. Among the leading indicators that signal an environment conducive to the Concentration to Proliferation pattern are a maturing industry, growing customer heterogeneity, and increasing customer sophistication.

Levi Strauss was late to recognize what customer heterogeneity meant for its core brand.

Even when those signals are clear, it can be difficult for a company to act on this pattern, particularly when it's the custodian of a leading brand. A case in point is the U.S. casual jeans market, where VF Corporation has stolen a march on Levi Strauss.

From the 1870s, when Levi Strauss created the first blue jeans, through the late 1980s, relatively little changed in this market. Going into the 1990s, Levi's dominated, with almost one-third of jeans sales, and reinforced its position and brand equity with a major advertising campaign behind 501 Blues. Having noticed the expanding girth of its baby boomer customers, the company resisted diluting the Levi's brand and instead successfully introduced Dockers casual dress pants.

Several trends were converging, however, to upset the stability of the market and erode the value of the Levi's brand. The U.S. population became more racially heterogeneous during the 1980s, as minority populations grew twice as fast as the overall population. In addition, the population of mercurial teenagers grew almost three times as fast as the U.S. average, and teens were also spending relatively more of their families' discretionary income.

Many apparel retailers, Levi's direct customers, recognized the importance of these shifts and responded accordingly. The Gap created several new retail concepts, from high-end Banana Republic to discount Old Navy. As retail options expanded, teenagers did more of their shopping at the newer specialty shops, which didn't carry traditional brands.

These leading indicators of change were also apparent to Levi's main competitor, VF Corporation, based in Greensboro, N.C. VF anticipated the need to multiply its brands (see Exhibit 1). While Levi's had modestly expanded its portfolio with the launch of the Dockers brand, VF in the early 1990s used its vintage brand, Wrangler, to spawn Wrangler Hero, Wrangler for Women, and Wrangler Western. A few years later, VF created new brands such as Riders, Riveted, Pipes, and Dungarees, targeted at narrow niches of the teen market. The latest brand, Raylz jeans, appeals to boys under age 14 who like extreme sports. This aggressive strategy resulted in VF's share of the jeans market rising from 18% in 1990 to nearly 26% in 1998, primarily at the expense of Levi's, and strong market value growth from $1.5 billion in 1990 to $3.7 billion at the end of 1999.

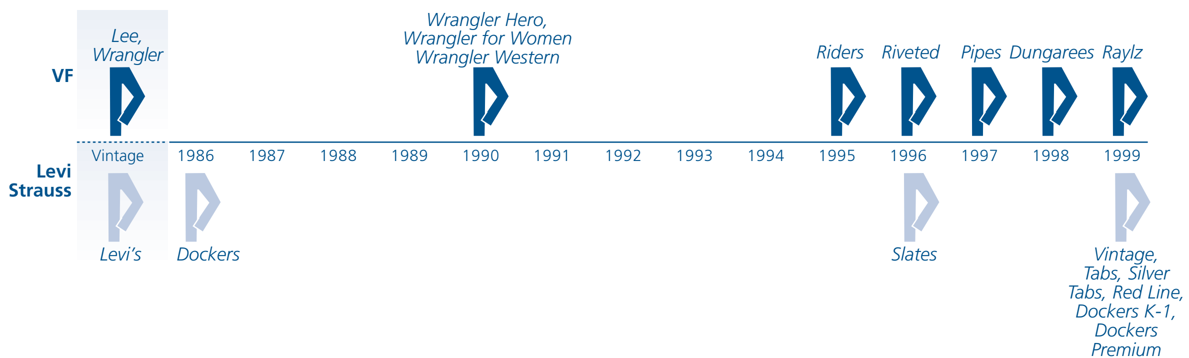


Exhibit 1 VF steals a march on Levi Strauss

By staying with a concentrated brand throughout most of the 1990s, Levi's missed a chance to tap into the irreverence for the past displayed by young consumers. Teenagers were clearly signaling that Levi's single brand was, by definition, irrelevant to them. As late as 1998, amidst declining market shares and profit margins, Levi's made another effort to maintain the concentrated brand approach with a major ad campaign that declared, "The world has changed much since 1873. But little has changed about Levi's jeans."

By 1999, Levi's finally recognized the lethal pattern at work and began to multiply its brands, creating Silver Tabs (affordable), Tabs (high end), and Red Line (elite). Imitating VF's strategy,

Levi's has also been sub-branding traditional lines such as Dockers Premium and Dockers K-1. Although Levi's has realized its mistakes and is attempting to connect with younger, more diverse consumers, the firm remains shackled by business and image problems and has yet to return to profitable growth. *Fortune* magazine estimated that Levi's market value had shrunk from $14 billion in 1996, when the company executed a leveraged buyout, to a first quarter 1999 value of $8 billion.

When the target set of customers changes, a company must reposition its brand.

Chasm Crossing: Motorola misses the call

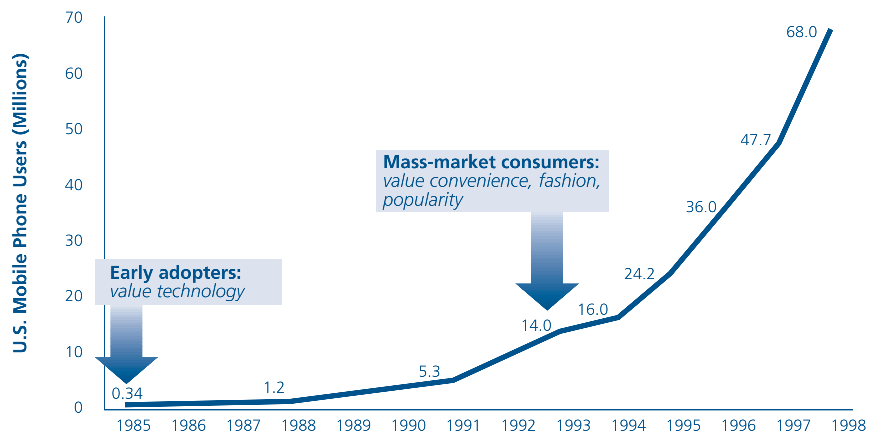
Effective brands match their market position and communications with the targeted customers' priorities. But sometimes a company has to shift to a different set of customers, and then it must reposition the brand.

The Chasm Crossing pattern describes a shift that many new products and brands experience. The name alludes to Geoffrey A. Moore's *Crossing the Chasm*, a book describing the challenges that high-tech firms face when they broaden their customer base from early adopters to a mass audience. Mass-market consumers care little for technology itself, but rather for how effectively a product suits their everyday needs.

This challenge resonates outside the high-tech world as well, as the pace of new product introductions has accelerated across most industries. When moving from a few early adopters to a mass market, a product must become easier to use, and the benefits associated with the brand typically must shift to being ones that are simpler and more broadly applicable.

In the cellular phone industry, two players had the same opportunity to anticipate and respond to this pattern. Motorola missed the crossing, while an off-the-radar-screen competitor, Nokia,

Exhibit 2 Emergence of the mass market for cellular phone



Source: *PC Week, Cellular Business, Wireless Week, Network World.*

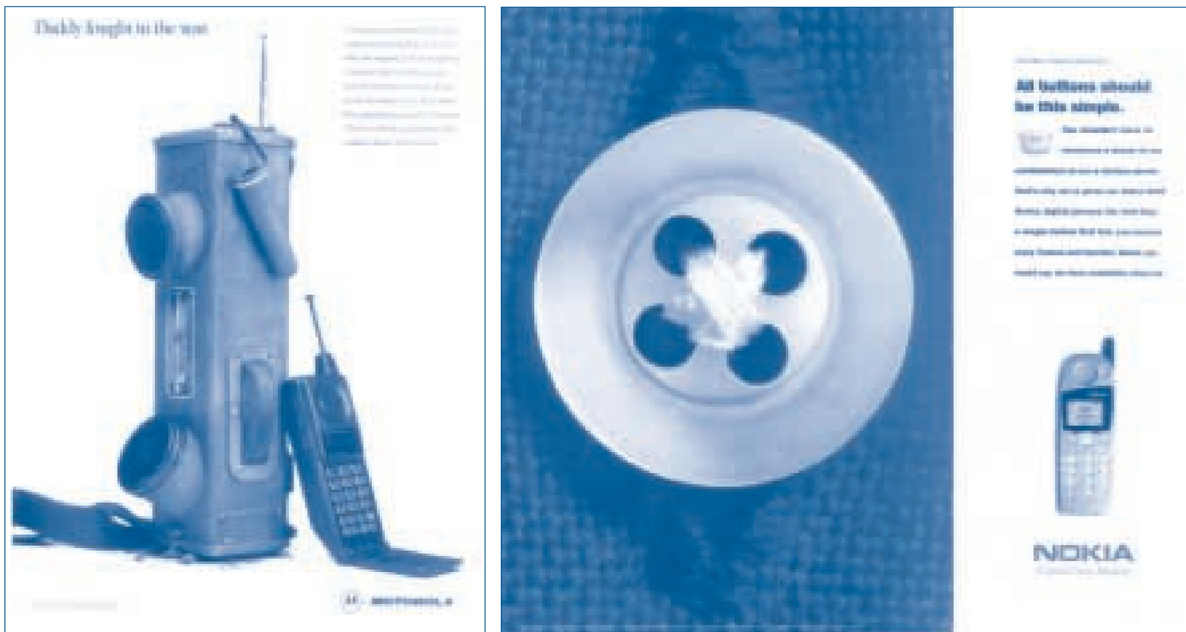
crossed the chasm with aplomb and built a strong brand position that Motorola has yet to crack.

In the late 1980s, Motorola led the world in the design and production of analog cellular phones and infrastructure. While cell phones had been sold for decades, the customer set remained relatively narrow—senior executives and salespeople who traveled a lot. Then, between 1988 and 1991, cell phone penetration increased fivefold, causing industry journals to herald the coming of mass-market services. Penetration rose another fivefold between 1991 and 1995, and with 10% of the population by then using cell phones, it was clear that a mass market had formed (see Exhibit 2).

That would have been the perfect time for Motorola to help its brand position evolve from being the technological and sales leader in cellular phones to one more attuned to the priorities of a broader set of customers. Motorola made several strategic mistakes, including the failure to recognize that the expanding worldwide infrastructure for digital transmission—which offered better functionality and range than analog—needed digital handsets. But its brand strategy also was flawed: Motorola decided to stay with its technology-driven brand image, when most of the new customers cared less about technology than about style and reliable coverage.

A 1996 ad from Motorola missed this point. With the headline, "Daddy fought in the war," the ad portrayed Motorola's rich technology heritage in wireless radio—a fact of little relevance to

Exhibit 3 Technological vs. easy—a contrast in ad themes



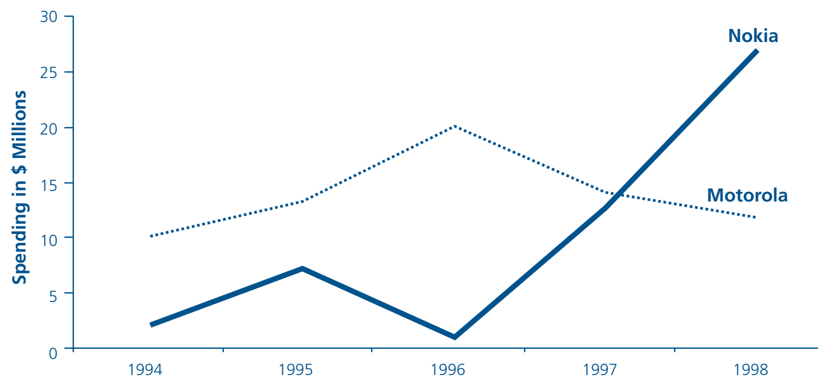
personal, non-business users. In 1999, Motorola still focused on technologies and features of little interest to a typical teenager or U.S. "soccer Mom." The brand remains rooted on the early adopters' side of the chasm.

Nokia, by contrast, staked out a relaxed, hip brand position early on, tagging its ads with the theme, "Nokia, Connecting People," and emphasizing the product's ease of use (see Exhibit 3). The company backed up this position with the development of its product, which included creating a huge palette of available colors and a built-in phone directory, calendar, and games. For Asian markets, Nokia developed a more compact phone with curved, ergonomic design, a longer operating time, Asian languages interface, and special ringing melodies. Similar innovations strengthened the brand in marketing campaigns targeted to Hispanics and African-Americans.

While Motorola was busy developing and touting the latest technology, through the overused traditional branding medium of advertising, Nokia was securing movie tie-ins, sponsoring sports events, and carving out a position in the fashion world by hiring supermodel Nikki Taylor as a spokesperson and advertising in upscale trend magazines. Nokia invested heavily in advertising, going from $2 million in media spending in 1996 to $28 million by 1998. Motorola's mass-market presence, meanwhile, had withered as media spending dropped from $20 million in 1996 to $13 million in 1998 (see Exhibit 4).

By 1998, Nokia's mastery of the Chasm Crossing pattern had paid off: A decade after entering the mobile phone market, Nokia had secured a market-leading 30 percent share, while Motorola's share had fallen to 23 percent. Market value had shifted as well. From 1989 to 1998, Nokia saw its market value grow from $1 billion to $73 billion, while Motorola's market

Exhibit 4 Media spending on cellular communications



Source: Leading National Advertisers.

value, which had been six times that of Nokia in 1989, was barely half Nokia's by 1998.

Branded Experience: Harley goes to H.O.G. heaven

When did coffee cease to become coffee? When Starbucks brought European flair to the traditional, utilitarian coffee shop. Whereas traditional brands such as Maxwell House played up the product itself—"Good to the last drop"—the Seattle firm has positioned its brand around the experience to which the product is central. This pattern typically unfolds when people make a "statement" by consuming the product, or when users enjoy or closely identify with the experience created by the product. To capitalize on this pattern, a company must invest in, promote, and associate itself with areas that go well beyond the actual product. The payoff can be new ways to capture value, as profitable sales extend to new products and services.

When customers get passionate, they're willing to pay a premium for the brand that fuels their passion.

Nike in athletic shoes ("Just Do It"), Home Depot in home improvement ("Low Prices are Just the Beginning"), and Saturn in autos ("A different kind of company. A different kind of car.") have excelled in creating the branded experience. However, not all brands can capitalize on this pattern. Customers must demonstrate (or at least be capable of) a high degree of passion about the experience in question. Nike could exploit a branded experience because its initial target customers—serious athletes—were passionate about their sports. Parkay margarine would be hard-pressed to do the same, because few people feel passionate about eating toast.

In motorcycles, Harley-Davidson provides an intriguing example of how a flagging brand was revived by creating an intense branded experience. In the late 1970s, Harley-Davidson fell on hard times. Due to sharply increased foreign competition, lapses in product quality, poor relationships with its dealers, and miscalculations in new products, Harley faced bankruptcy. Unit sales dropped from a high of 54,000 bikes in 1980 to 23,000 in 1983, and the company's share of the U.S. heavyweight motorcycle market fell from over 17% to 12.5%.

Confronting this bleak situation, a handful of Harley executives who led a management buyout in 1981 set about to reinvent the company. Along with reconstructing Harley's obsolete manufacturing and management systems, a crucial part of their reinvention involved the Harley brand. As they traveled around the country talking with customers and dealers, it became clear to

the management group that the Harley brand represented more than just a product—it represented American romance and prestige. Consequently, over the past decade, the company has shifted its resources from focusing primarily on motorcycles to the broader experience of riding the roads. Consider this passage from the 1997 annual report, aptly titled: "Have you experienced Harley-Davidson?":

> "For every rider there are magical moments . . . our motorcycles exude freedom and adventure. They are the center of a Harley lifestyle that offers riders as well as non-riders a multitude of different ways to experience the passion of Harley-Davidson."

A central investment has been Harley's sponsorship of the Harley Owners Group, or H.O.G. As the largest motorcycle club in the world, H.O.G. organizes rallies and events that promote the Harley experience to potential new customers and strengthen the relationship between members, dealers, and Harley-Davidson employees. By 1999, H.O.G. had more than 300,000 worldwide members, 900 dealer-sponsored chapters, and 70 worldwide rallies.

Harley complements H.O.G. with other non-product investments such as Harley-Davidson Cafés in New York and Las Vegas, the Harley-Davidson charitable foundation, motorcycle racing sponsorships, and cultivation of its "anti-Web site" that encourages visitors to get offline and onto their Harleys. The firm understood the importance of its dealerships in creating the right sales experience and maintaining customers' intimate connection to the brand. Harley spends significant time and resources promoting dealer adherence to standards of consistency while still allowing dealers to create their own rebellious identity—the essence of the Harley brand.

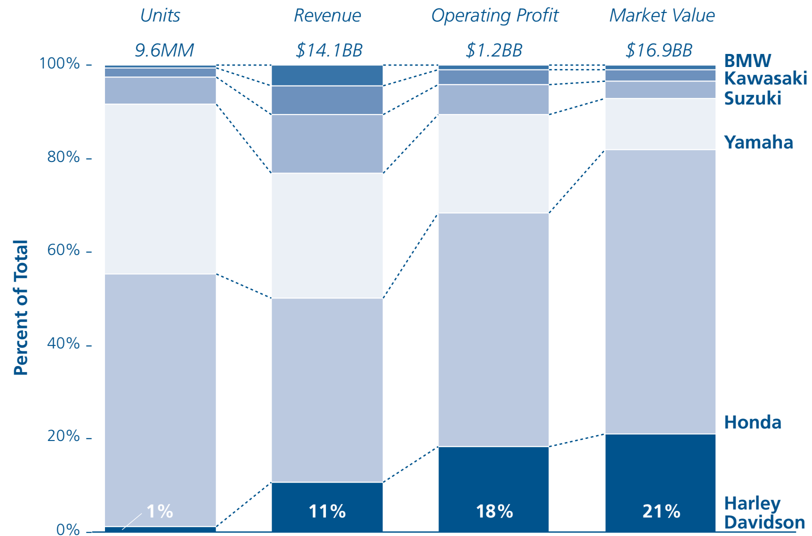
Harley motorcycles remain central to the Harley brand, but the Harley experience transcends the product itself.

Harley's attention to branding the experience has allowed the company to expand the ways in which it can capture value beyond motorcycle sales. Harley now profitably merchandises a full line of clothing, is expanding its parts and accessories business, and offers a Harley-Davidson chrome Visa card.

Of course, the motorcycle remains central to the Harley brand, but the experience transcends the product itself. Harley motorcycles, in most direct performance comparisons, are not superior to those of competitors. Yet after its near brush with

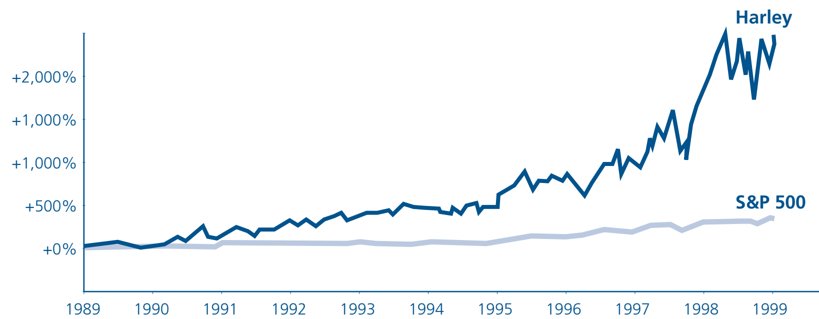
bankruptcy in the 1980s, Harley-Davidson by 1996 enjoyed a profit and market-value share of the industry well in excess of its unit and revenue share; and its market value continues to grow (see Exhibits 5 and 6). In 1999, Harley outpaced Honda to take the lead in U.S. motorcycle sales. The company accomplished all this with virtually no advertising except the occasional owner's Harley-Davidson tattoo.

Exhibit 5 1996 global shares of top six motorcycle manufacturers



Source: Annual reports; analyst reports; Harley-Davidson; 1996 MIC Retail Sales Report.

Exhibit 6 Harley-Davidson's stock compared with S&P500



Source: WSJ.com.

The strategic shortcut

Levi Strauss, Motorola, and Maxwell House didn't see the early warning signs of change in their businesses until it was almost too late to respond. VF, Nokia, and Harley, by contrast, seemed to "get it," to spot the brand patterns reshaping their industries and capitalize on them early. In turn, investors have rewarded them with a disproportionate share of industry value.

ANTICIPATING Brand Opportunities

Brand patterns in action

Where are the next brand patterns about to unfold? What follows provides a glimpse of three industries in which we expect to see significant shifts in how brands are built—shifts that can be described by patterns that have already played out in other industries. Each example is followed by questions to help managers determine whether the pattern might play out in their industries.

Bottled water: Functional to Emotional

No product is more utilitarian than water. To date, purveyors of water have based their brand campaigns on functional attributes such as purity and mineral content.

That may change soon. The two major marketers in beverages, Coca-Cola and Pepsi, have only dabbled in water, concerned that lower-margin sales of water might cannibalize their profitable soft drink businesses. Recently, however, Coke has acknowledged that the bottled water market is a growth opportunity in which the company must participate. And Coke, a master of emotional themes, will undoubtedly use an emotional sell in water. The Web site for Coke's fledgling bottled water brand, Dasani, offers little on the functional attributes of the product, and instead expands on the brand's theme of "Life Simplified."

How important are emotional factors vs. product feature factors in your customer's purchase decision?

With which brands in your industry does the customer have the greatest emotional connection?

If there are no emotionally driven brand positions in your industry, what opportunities exist to create one?

Electric power: Mass to Relationships

Electric utilities have long stood for one thing to most customers: reliable power provision. As the industry deregulates, utilities will have to reinvent their brands to mean different things to different customer segments.

For example, residential energy plans will evolve based on the lifecycle of each customer: The offering might change as a young couple ages, raises children who later move away, and then retires. Some households will demand "green" energy from renewable sources; others will want low-cost budget plans. Utilities thus will need to tailor their brands to small segments of customers. Such mass customization, and the potential for individualized relationships, already exists in industries such as cellular phones.

How much of your branding investment should go to individual vs. mass markets?

How does segmenting your brand messages to customers impact your brand's overall equity?

How do you track brand connection at an individual or segment level vs. a mass level?

Internet and electronic commerce: Delayed Trigger

Most early successful Internet businesses such as Amazon.com built relevance with their core audiences first, then built broad-based awareness through advertising later. This mirrors a pattern that has also played out in the bricks and mortar world, where companies such as Wal-Mart and Starbucks similarly delayed the trigger on increasing brand awareness until loyalty was well established with core customers.

Many dot-com businesses currently are doing the reverse, advertising before they have established relevance with core customers and spending unprecedented amounts to build new brands. More than half the venture financing for many dot-com start-ups is going into brand development. E*trade, for example, spent close to $300 million on advertising in 1999.

This approach is both strategically and economically unsustainable. While some dot-com brands will build enough scale and revenue to support ongoing brand-building efforts, many others will burn through cash without having established customer relevance and will be unsuccessful at raising subsequent funding. After a shake-out, expect this pattern to again become the norm for Internet brand building.

Is your dot-com offering highly relevant with any particular set of customers?

What business and brand-building elements of your dot-com business will keep customers returning?

Given the current "land grab" mentality, how many sustained dot-com brand investment efforts can your company effectively support?

—John Kania

As these cases illustrate, in today's dynamic markets, new opportunities unfold quickly and upstart competitors can appear from nowhere. Managers need a strategic shortcut to make sense of the overwhelming amount of data they're receiving about their brand and their business. Pattern thinking is a structured process that helps managers glean meaning from beneath the surface chaos, in part by learning to recognize the leading indicators of emerging new brand patterns.

This requires a different mindset from traditional brand management, one that moves beyond a focus on advertising and marketing to master other brand-relevant areas such as customer service and channel management. The process of brand positioning—currently an activity that uses snapshot analysis to position a brand in today's environment—must become more forward looking. Managers must ask how relevant their brand position will be three years from now, as the priorities of their target customers change—or the target customers themselves change. Anticipating which brand patterns are likely to unfold gives managers a critical head start in crafting the next winning moves for their brand.

John Kania is a vice president and Adrian J. Slywotzky is a vice president and director of Mercer Management Consulting; both are based in Boston. Slywotzky is also the author of Value Migration, *and a co-author of* The Profit Zone *and* Profit Patterns.