BRAND RELEVANCE

MAKING COMPETITORS IRRELEVANT

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To my wife Kay and my daughters Jennifer,
Jan, and Jolyn who inspire with their support,
vitality, compassion, love, and friendship.

Preface

During the last ten years, I have been struck by how the concept of brand relevance could explain so much about strategic successes, market dynamics, and even brand declines. A brand could develop great marketing supported by large budgets but not make a dent in the market unless it drove a new category or subcategory of products or services, unless a new competitive arena in which the competitors were no longer relevant emerged. Then success could be dramatic in terms of sales, profits, and market position. It seems clear that success is about winning not the brand preference battle but, rather, the brand relevance war with an innovative offering that achieves sustainable differentiation by creating a new category or subcategory.

When you start looking, it is amazing how many examples of new categories and especially subcategories that appear in virtually all industries. It is clear, however, that achieving that result is not easy or without risks. There are many failures and disappointments, few of which are visible. Success requires timing—the market, the technology, and the firm all have to be ready. Further, the offering concept that will drive the new category or subcategory needs to be generated and evaluated, the new category or subcategory needs to be actively managed, and barriers against competitors have to be created. All of these tasks are difficult and require support from an organization that may have conflicting priorities and resource constraints.

I also observed that often brands were in decline not because they had lost their ability to deliver or the loyalty of their users was fading, but because they had became less relevant. What declining brands were selling was no longer what customers were buying, because customers were attracted by a new category or subcategory. Or the declining brands might have slipped out of the consideration set because they simply lost energy and visibility. In that case, the failure of brand management to understand the real problem meant that marketing programs were ineffective and resources were wasted or misdirected.

At the same time, my ongoing research and writing on business strategy, as reflected in my book Strategy Market Management, currently in its ninth edition, made me see that virtually all markets are now buffeted by change, not only in high tech but also in durables, business-to-business, services, and packaged goods. Change, driven by technology, market trends, and innovation of every type, is accelerated by our "instant media." The processes and constructs supporting the development of business strategies clearly need to be adapted and refined. To me the key is brand relevance. The way for a firm to get on top of its strategies in a time of change is to understand brand relevance, to learn how a firm can drive change through innovations that will create new categories and subcategories—making competitors less relevant—and how other firms can recognize the emergence of these new categories and subcategories and adapt to them.

The goal of this book is to show the way toward winning the brand relevance battle by creating categories or subcategories for which competitors are less relevant or not relevant at all, managing the perceptions of the categories or subcategories, and creating barriers protecting them. The book also looks at how brands can maintain their relevance in the face of market dynamics. Over twenty-five case studies provide insight into the challenges and risks of fighting brand relevance battles.

There are dozens of other strategy books that in one way or another talk about growth strategies based on innovations. They have made a significant contribution to strategic thought and practice. However, this book has several distinctive thrusts and features that are missing in much of this library. First, this book emphasizes branding and branding methods. In particular, it highlights the importance of defining, positioning, and actively managing the perceptions of the new category or subcategory. Second, it emphasizes the need to create barriers to entry so that the time in which competitors are irrelevant is extended. Third, it explicitly includes substantial innovation as well as transformational innovation as routes to new categories or subcategories. Finally, it also explicitly suggests that subcategories can be created as well as categories. For every opportunity of creating a new category or employing transformational innovation, there are many chances to create subcategories and use substantial innovation.

One objective of the book is to provide a process by which a firm can create new categories or subcategories and make competitors irrelevant. It involves four tasks, each of which is covered in a chapter: concept generation, evaluation, defining the category or subcategory, and creating barriers to competitors.

A second objective is to define the brand relevance concept and show its power as a way to drive and understand dynamic markets. Toward that end academic research is used to provide insights, and over two dozen case studies are presented that illustrate the challenges, risks, uncertainties, and payoffs of creating new categories or subcategories.

A third objective is to consider the threat of losing brand relevance, how it happens, and how it can be avoided. Although relevance dynamics represents an opportunity to create new markets, it also represents a risk for those brands who ignore market dynamics because they are unaware of the changes in their markets or because they are focused on a strategy that has worked in the past.

A final objective is to profile what characteristics an organization needs to have to support substantial or transformational innovation that will lead to new categories or subcategories.

I owe a debt to many for this book. The stimulating work of strategy and brand thinkers that preceded this effort helped me refine some ideas. Michael Kelly of Techtel, in many discussions over biking, helped spark my interest in relevance. My colleagues at Dentsu helped me refine and extend my ideas. The Prophet team is an inspiration with its incredible work. I especially thank Michael Dunn, a gifted CEO, who provided me with the bandwidth and support to write the book; Karen Woon, who was a sounding board throughout; and Andy Flynn, Agustina Sacerdote, Erik Long, and Scott Davis, who offered suggestions that made a difference. I also thank my friends Katy Choi and Jerry Lee, who are making the book happen in Korea with a huge event as well. The design team at Prophet, Stephanie Kim Simons, Marissa Haro, and Kelli Adams were instrumental in creating the cover. I would like to thank Kathe Sweeney and her colleagues at Jossey-Bass for having confidence in the book. I also would like to thank the production editor Justin Frahm and the copy editor Francie Jones who moved the process along and, more important, challenged me to improve the manuscript in both small and large ways. Finally I would like to thank my daughter, friend, and colleague Jennifer Aaker and her husband and coauthor Andy Smith who supported my efforts in so many ways.

You do not merely want to be considered just
the best of the best. You want to be considered the
only ones who do what you do.

—Jerry Garcia, The Grateful Dead

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WINNING THE BRAND RELEVANCE BATTLE

First they ignore you. Then they ridicule you. Then they fight you. Then you win.

—*Mahatma Gandhi*

Don't manage, lead.

—*Jack Welch, former* GE CEO *and management guru*

Brand relevance has the potential to both drive and explain market dynamics, the emergence and fading of categories and subcategories and the associated fortunes of brands connected to them. Brands that can create and manage new categories or subcategories making competitors irrelevant will prosper while others will be mired in debilitating marketplace battles or will be losing relevance and market position. The story of the Japanese beer industry and the U.S. computer industry illustrate.

The Japanese Beer Industry

For three and a half decades the Japanese beer market was hypercompetitive, with endless entries of new products (on the order of four to ten per year) and aggressive advertising, packaging innovations, and promotions. Yet the market share trajectory of the two major competitors during these thirty-five years changed only four times—three instigated by the introduction of new subcategories and the fourth by the repositioning of a subcategory. Brands driving the emergence or repositioning of the subcategories gained relevance and market position, whereas the other brands not relevant to the new subcategories lost position—a remarkable commentary on what drives market dynamics.

Kirin and Asahi were the main players during this time. Kirin, the dominant brand from 1970 to 1986 with an unshakable 60 percent share, was the "beer of beer lovers" and closely associated with the rich, somewhat bitter taste of pasteurized lager beer. A remarkable run. There were no offerings that spawned new subcategories to disturb.

Asahi Super Dry Appears

Asahi, which in 1986 had a declining share that had sunk below 10 percent, introduced in early 1987 Asahi Super Dry, a sharper, more refreshing beer with less aftertaste. The new product, which contained more alcohol and less sugar than lager beers and had special yeast, appealed to a new, younger generation of beer drinkers. Its appeal was due in part to a carefully crafted Western image supported by its label (see Figure 1.1), endorsers, and advertising. Both the product and the image were in sharp contrast to Kirin.

In just a few years, dry beer captured over 25 percent of the market. In contrast, it took light beer eighteen years to gain 25 percent of the U.S. market. It was a phenomenon of which Asahi Super Dry, perceived to be the authentic dry beer, was the beneficiary. In 1988 Asahi's share doubled to over 20 percent and Kirin's fell to 50 percent. During the ensuing twelve years Asahi continued to build on its position in the dry beer category, and in 2001 it passed Kirin and became the number-one brand in Japan with a 37 percent share, a remarkable result. Think of Coors passing Anheuser-Busch, a firm with a long-term market dominance similar to the one Kirin enjoyed.

It is no accident that Asahi was the firm that upset the market. In 1985 Asahi had an aggressive CEO who above all wanted to change the status quo, both internally and externally. Toward that end he changed the organizational structure and culture to encourage innovation. Of course, he was "blessed" with financial and market crises. Kirin, however, had an organization entirely focused on maintaining the current momentum and on doing exactly what they had always done.

Kirin responded in 1988 with Kirin Draft Dry beer but, after having touted Kirin lager beer for decades, lacked credibility in the new space. Further, the ensuing "dry wars," in which Asahi forced Kirin to make changes to its packaging to reduce the similarity of Kirin Draft Dry to the Asahi product, reinforced the fact that Asahi was the authentic dry beer. Kirin, whose heart was never in making a beer that would compete with its golden goose with its rich tradition and many loyal buyers, was perceived by many as the bully trying to squash the feisty upstart. Over the ensuing years, a bewildering number of efforts by Kirin and the other beer firms to put a dent in the Asahi advance were unsuccessful.

Kirin Ichiban Arrives

The one exception to efforts to create new subcategories with new beer variants was Kirin Ichiban, introduced in 1990, made from a new and expensive process involving more malt; filtering at low temperature; and, most important, using only the "first press" product. Its taste was milder and smoother than Kirin Lager's, with no bitter aftertaste. Competitors were stymied by the cost of the process, the power of the Kirin Ichiban brand, and the distribution clout of Kirin. Kirin Ichiban caused a pause in the decline of the Kirin market share that lasted from 1990 to 1995. Its role in the Kirin portfolio steadily grew until, in 2005, it actually sold more than Kirin Lager—although the combination of the two was then far behind Asahi Super Dry.

Dry Subcategory is Reenergized

In 1994 Asahi, by this time the only dry beer brand, developed a powerful subcategory positioning strategy around both freshness and being the number-one draft beer with a global presence. While Asahi was enhancing the dry subcategory, Kirin was simultaneously damaging the lager subcategory. Perhaps irritated by Asahi's number-one-draft-beer claim, Kirin converted to a draft beer making process and changed Kirin Lager to Kirin Lager Draft (the original still was on the market as Kirin Lager Classic but was relegated to a small niche). Kirin tried to make Kirin Lager Draft more appealing to a younger audience, but instead its image became confused, and its core customer base was disaffected. As a result, from 1995 to 1998 the subcategory battle between dry and lager resulted in Asahi Super Dry extending its market share eight points to just over 35 percent, while Kirin was falling nine points to around 39 percent.

Happoshu Enters

In 1998 a new subcategory labeled *happoshu*, a "beer" that contained a low level of malt and thus qualified for a significantly lower tax rate, got traction when Kirin entered with its Kirin Tanrei brand (Suntory introduced the first happoshu beer in 1996 but lost its position to Tanrei). By early 2001, after this new subcategory had garnered around 18 percent of the beer market, Asahi finally entered, but could not dislodge Kirin. The Asahi entry had a decided taste disadvantage, in large part because Kirin Tanrei had a sharper taste that was reminiscent of Asahi Super Dry. Asahi wanted no such similarity for its happoshu entry because of the resulting potential damage to Asahi Super Dry.

By 2005 Kirin had taken leadership in both the happoshu subcategory and in another subcategory, a no-malt beverage termed "the third beer," which had an even greater tax advantage. From 2005 on, these two new subcategories captured over 40 percent of the Japanese beer market. In 2009 the two Kirin entries did well, with over three times the sales of the Asahi entries, and actually outsold the sum of Kirin Lager and Kirin Ichiban sales by 50 percent. As a result, Kirin recaptured market share leadership in the total beer category including happoshu and the third beer, albeit by a small amount, despite the fact that Asahi had nearly a two-to-one lead in the conventional beer category.

The changes in what people buy and in category and subcategory dynamics are often what drive markets. Figure 1.2 clearly shows the four times the market share trajectory in the Japanese beer market changed—all driven by subcategory dynamics. Brands that are relevant to the new or redefined category or subcategory, such as Asahi Super Dry in 1986 or Kirin Ichiban in 1990 or Kirin Tanrei in 1998, will be the winners. And brands that lose relevance because they lack some value proposition or are simply focused on the wrong subcategory will lose. That can happen insidiously to the dominant, successful brands, as with Kirin Lager in the mid-1980s and Asahi in the late 1990s.

Figure 1.1 Asahi Super Dry Can

Note the English terms.