

CREATE THE CULTURE THAT ELIMINATES ADVERTISING COSTS

INSIGHT

There are a number of important differences between Myer and Zara. Myer has 67 stores in Australia, while Zara has some 1400 stores around the world. Myer struggles to maintain profitability and has an uncertain future, while Zara is performing very well and expanding. Myer was a good business 15 years ago, while Zara is a great business today, and will almost certainly remain so.

There is another important difference between Myer and Zara. Myer spends tens of millions of dollars each year on advertising to promote its brand, while Zara spends nothing - that is right, Zara spends *nothing* on advertising to promote its brand. Myer has been unsuccessful in creating a sustainable brand through advertising, while Zara has created a highly successful brand without advertising.

The Myer – Zara comparison points directly to the merits of investing in developing a culture that creates, delivers, and demonstrates the brand, as demonstrated by Zara. This approach is in stark contrast to investing massive amounts of money in advertising, trying to convince the market that an attractive brand exists, when it does not. When the culture reflects the brand, advertising can be unnecessary.

PROPOSITIONS

The propositions in this paper are two-fold:

- First, both brand and culture are central to the success of any organisation, commercial or otherwise, while advertising is not.
- Second, there exists a symbiotic relationship between culture and brand, with each being dependent upon the other.

The culture-brand continuum addresses these issues.

DEFINITIONS

Many of the terms used in this paper mean different things to different people. It is, therefore, important to specify in advance the meaning that will be ascribed to the key terms contained herein.

BRAND

Perhaps the best definition of the word 'brand' was offered by Jeff Bezos, founder of Amazon. Bezos defined a brand as:

'what people say about you when you are not in the room'

A brand encompasses - reputation, corporate image, personality, and a range of other related issues.

Given that all organisations should focus their limited resources on their target market (rather than 'all people'), Bezos's definition might be refined to read:

'what your *target* market says about you when you are not in the room'

An organisation's brand, and indeed an individual's brand, is not how they would *like* to be viewed by their target market, but rather, how they *are* viewed by their target market. The brand is not a reflection of the attributes the organisation *wants* to communicate, but rather the attributes they *do* communicate.

CULTURE

Investopedia defines corporate culture as, "the beliefs and behaviours that determine how a company's employees and management interact and handle outside business transactions". Further, it notes that, "culture is a system of shared assumptions, values, and beliefs which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs".

The culture of an organisation determines how team members within an organisation behave towards each other and all stakeholders, including the target market external to the organisation. To a very large extent, the culture of the organisation is informed by the brand, and, in every respect, it delivers the brand.

Further, if the brand communicated by the culture is at odds with the brand communicated in advertising, the former wins every time! Consider the disparity between the advertising messages communicated by Myer and the instore experience.

BRANDING

Branding is a process. It is the process of ensuring that there is alignment between the actual brand (as determined by the target market) and the optimal brand (as defined by the board, management, and strategic planners). Effectively, branding is the process of making the optimal brand a reality.

As this paper will postulate, closing the gap between the actual brand and the optimal brand requires an organisation to bring the optimal brand to life – by living it. Living the brand and bringing it to life is, of course, a reflection of the culture. Creating and sustaining the optimal brand requires the creation of a culture that reflects the brand and brings that brand to life.

Branding can involve external advertising or, more broadly, external communication, though it need not. In cases where branding does need to involve external advertising or communication:

- Internal communication is afforded a higher priority as it is imperative to create a culture before communicating externally;
- If the culture does not support the external communication, then the latter will fail. Behaviour always trumps promises.

Branding should be an ongoing process, responding to changes in the optimal brand and in the environment.

BENEFITS

The benefits of an effective brand are profound and numerous. Above all, the optimal brand maximises the return on investment in marketing by driving:

- Revenue
- Margins
- Repeat business and referral
- Support from stakeholders

The target market engages with the brand most closely associated with their needs and wants. As a result, they will tend to buy more and pay more, driving revenue and margins.

When the target market engages with a brand, there is a greater likelihood they will purchase, repeat purchase, and refer. There is also a greater chance that shareholders, financiers, suppliers, and government will support the brand.

The benefits of an optimal culture are also profound and numerous. They are closely associated with increased performance and drive the following:

- Attraction of the best staff
- Increased retention of the right staff
- Increased staff commitment
- Increased staff productivity

The best staff will want to work in the best cultural environment. Once in that environment, they tend to stay longer, work harder, and produce more, because they are more committed and happier.

What is more, when staff members are more committed, happier, and more engaged, they will represent the business and its brand far better in interactions with members of the target market and other external stakeholders. In essence, the culture delivers the brand.

The benefits of effective branding are more easily identified. By minimising the gap between the actual brand and the optimal brand, an organisation eliminates conflicting messages, makes the optimal brand a reality, and significantly reduces marketing costs.

HISTORY

Since the days of David Ogilvy, the 'father of advertising' in the late 1950s, the proposition of the advertising agency has been, 'if you want more business, you need to advertise more'. Business engagement with this proposition peaked in the 1980s. It has been in decline ever since, and business has begun to question the credentials of advertising agencies.

There are two problems with Ogilvy's proposition:

- It is wrong
- It is limited

The link between advertising and revenue is tenuous, at best. Indeed, it was Ogilvy who said, '50% of advertising does not work. Thank God the client does not know which 50%'. By the 1990's advertisers were beginning to question a direct link between advertising and revenue, and, even more so, the link between advertising and return on investment or profitability.

Increasingly, organisations have found that they can invest substantial amounts in advertising with little, if any, impact on sales and even less impact on profitability.

Proctor and Gamble, one of the world's largest advertisers, recently tested the relationship between advertising and revenue, cutting the number of advertising agencies they use by 50%. Advertising expenditure was cut by \$750 million per annum, with a further \$400 million scheduled to be cut. In the first quarter since this dramatic reduction, revenue increased by 3% to \$17.4 billion

Commenting on these changes, Chief Brand Manager, Marc Pritchard said, "there is more opportunity to eliminate waste by reducing excess frequency within and across channels, eliminating non-viewable ads, and stopping ads served to bots or adjacent to inappropriate content. Through these efforts, we've been able to eliminate waste and cut losses, while simultaneously increasing the number of consumers we're actually connecting with by about 10 percent,"

In addition to being wrong, the proposition put forward by advertising agencies reflects a very limited view of marketing. Even if advertising is successful in building awareness and generating enquiry, there are a number of factors that cause a sale to occur. The best advertising can ever do is drive awareness and enquiry. It cannot deliver a sale. A sale involves a host of factors.

In 2018, most businesses have come to realise that, while advertising can be important in driving awareness and encouraging enquiry, it is the brand that drives the perception of value, margins, and purchase behaviour. Further, while advertising, public relations, social media and other modes of communication can *communicate* a brand, it is behaviour that *delivers* the brand.

THE WORLD'S MOST VALUABLE BRAND

Enter the great 20th and 21st century brands like Apple. In dollar terms, Apple has a substantial advertising budget, however, it is relatively small compared with the size and revenues of the organisation. In 2017, Apple spent just US\$1 billion worldwide on advertising and related activities against a turnover of US\$200 billion plus. That is a budget of only 0.5%, compared with as much as 20% for many similar businesses.

What is more, at the time (2017), Apple was the most valuable brand in the world, valued at \$US110 billion.

Apple, like Google, Facebook, Amazon, and others, built its brand through culture. Everything these organisations do, everything their staff members do, and everything they produce, reflects their brand, and each of these is directly determined by their culture. Consider your interactions with Apple. Ask yourself, is not Apple an organisation that lives its brand?

The Apple culture has created, and sustains, the Apple brand. Culture drives the brand, ensuring that products and services are produced to the right standards, productivity is maximised, and pre-sale service and after sales service are optimal. Culture impacts every aspect of the organisation and its brand.

Compare this with the largest 'tech business' in Australia, Telstra. With an advertising budget of more than A\$200 million, against revenues of A\$28.2 billion. This is a budget of 7.14%, significantly higher than Apple, despite much less impressive revenues, profits and brand value (A\$14 billion).

Compare your experiences in a Telstra shop with your experiences in an Apple shop. Chalk and cheese, I would suggest - and the difference is culture. Apple has a culture that says – 'we want your business' while Telstra has a culture that says, 'you are interrupting me'.

Apple has a culture that supports its brand, while Telstra has a culture that could destroy any brand.

Apple has built a brand with high quality, well designed products, products produced by staff dedicated to the cause, and delivered with excellent pre-sale and after-sale service by dedicated staff. Apple has built a culture that can deliver its brand promise, without ever having to articulate that promise.

While very few consumers in Australia can accurately articulate the advantages of the Apple iPhone over its Samsung equivalent, the majority are prepared to pay \$200 more for the iPhone. They are, in effect, paying \$200 for the Apple brand – a brand supported by, and delivered by, a culture.

CONTINUUM

Brand and culture lie on a continuum.

The branding strategy defines the brand and how it is to be created.

The brand determines the type of people required to develop the culture.

The culture brings the brand to life, making it more than a hollow promise.

The culture, once established, gives credibility to the external communication.

The brand and culture can then be monitored and fine-tuned as required.

The implications of the culture-brand continuum include:

- The optimal brand must be defined before the brand can be brought to life
- The culture needed to bring the brand to life must be addressed before communication
- The external communication of the brand must not occur until the culture is established
- The culture may be all that is needed to communicate the brand

Defining the brand is the essential starting point. This begins with an understanding of the target audience as the basis upon which to make strategic decisions.

A brand does not exist until it is brought to life. It is the culture that brings the brand to life, and a failure to create the culture before communicating the brand will lead to disappointed customers, a fact well known to Richard Umbers, the recently departed CEO of Myer. No one could possibly suggest that the culture of Myer supports its advertising brand messaging. Sales continue to decline.

External communication begins with the delivery of the optimal culture, and, as is the case of Zara, if that culture is strong enough, advertising may not be necessary. If advertising is still necessary, at least the culture will support the brand, thereby reducing the cost of advertising and avoiding the potential for cognitive dissonance.

CREATING A BRAND

The critical components of a brand include the organisation's mission, vision, values, personality, capabilities, and positioning.

Defining the optimal brand involves:

- Identifying target markets
- Understanding target markets
- Identifying the need, wants, nature, and values of the market the branding will target
- Understanding the competition and identifying opportunities for differentiation
- Defining the brand and articulating the brand story and rationale
- Developing a comprehensive strategy for the creation of the brand internally
- Communicating the brand externally via advertising, PR, DM or social media etc

Central to defining an optimal brand is understanding the target market and being seen to be the organisation best able to deliver on the expectations of that market. Values are of critical importance. Research demonstrates, time and again, that consumers prefer to purchase goods and services from businesses they believe share their values. Values are a foundation of culture.

Jeff Bezos said 'obsess about customers not competitors'. He is right, and there is no doubt that Australian businesses are too obsessed with their competitors. That said, optimal brands tend to position a business apart from its competitors by clearly differentiating their offering. Very few Australian businesses differentiate themselves in a manner that facilitates the development of a unique brand.

Once the brand is defined, an organisation needs a brand story that staff, stakeholders, and the target market can engage with and relate to. It is against this story that all brand and culture messaging, both internal and external, should be evaluated. Indeed, the brand story should underpin all messaging to all audiences.

A comprehensive strategy is then required to bring the brand to life through culture.

CREATING THE CULTURE

CEO of Zappos, Tony Hsieh, highlighted the importance of culture noting that, "Our number one priority is company culture. Our whole belief is that if you get the culture right, most of the other stuff like delivering great customer service or building a long-term enduring brand will just happen naturally on its own".

Hsieh was absolutely right, and this has been demonstrated by the success of what is today, the world's largest retail footwear brand. When he took over as CEO of Zappos in 1999, the turnover was \$1.6 million. In 2009, Amazon paid \$1.2 billion, for the business, with both Hsieh and Bezos highlighting the importance of the culture and the brand it helped to create.

While the brand defines the culture, it is the people in the organisation who create and deliver the culture and, therefore, the brand. The facts are:

- Leaders drive the values
- Values drive behaviours
- Behaviour creates the culture
- Culture drives performance

Creating the optimal culture takes time. Critical factors include:

- Putting the right people in the right places
- Ensuring the commitment of those people
- Ensuring the customer is front and centre
- Translating the values and personality into behaviours
- Engaging and incentivising staff regarding culture
- Ensuring that all staff perform in a consistent manner
- Creating an environment in which the optimal culture can evolve
- Closely monitoring behaviour and ensuring consistency over time

Culture is not something that can be put in place once and then expect it to stay forever. It takes work. The culture needs to be nurtured and given the freedom to evolve.

IN COMMERCE

In the 1980s, iconic advertising agency, Mojo took a campaign to Paul Simons, then Chief Executive of Woolworths (in Australia), suggesting that the supermarket brand be repositioned as, 'The Fresh Food People'. Having identified 'freshness' as a key desire of the primary target market, and a potential point of differentiation from Coles, Mojo suggested building the brand around this.

The success of this branding was, to say the least, phenomenal. Not only did it boost sales significantly at the time, it helped to put Woolworths well ahead of Coles for many years. It has also proven to be extremely durable and was recently resurrected by current advertising agency Leo Burnett to drive home the advantage that Woolworths has recently re-established over Coles.

Back in the 1980s, Paul Simons recognised that, for the brand to be established, he would also have to invest in infrastructure, staff, and culture. He did just that, while closely monitoring the speed at which the culture at Woolworths was changing, and rose to meet the expectations created by the brand. Similarly, in 2016, current CEO, Brad Banducci invested heavily in infrastructure, staff, and culture before launching an advertising campaign that the team at Woolworths could support.

Woolworths offers consumer products in a highly competitive market and, as such, needs to advertise its specials and promotions. It invests very little, however, in promoting its brand, beyond the occasional television commercial and a strapline on all advertising. The brand is most effectively communicated by the products on offer, competitive pricing, and the culture that supports the brand.

While Woolworths is trading well in 2018, it, like all retailers in Australia, is suffering at the hands of international brands. In the case of Woolworths, the successful international player is Aldi, which is rapidly gaining market share at the expense of Woolworths and others.

One of the most successful international brands in Australia is Ikea, which is also one of the most successful brands in the world. Like Apple, Ikea is a brand built on culture, rather than advertising.

Worldwide, Ikea spends US\$444 million on advertising against a turnover of US\$42 billion (1.1%), while Harvey Norman in Australia spends A\$355 million on a turnover of A\$5.3 billion (7.1%).

Ikea has been able to keep its advertising budget relatively low because of the priority it gives to creating the Ikea culture, a culture that fully supports its brand. It is the culture within Ikea that ensures the cutting-edge design, innovative products, increasing cost efficiency, instore service and after sales service – both offline and online. Ikea has created a culture that attracts quality staff, and customers who enjoy the shopping experience that Ikea offers.

Ikea is a brand built on a culture that reflects the values of its founder. In 2018, even after the death of that founder, the Ikea culture drives the Ikea brand, and limits the need for advertising.

As with Zara and Apple, the strategy at Woolworths and Ikea involves bringing the brand to life through the culture, using the culture to communicate the brand in a tangible way, and then communicating the brand externally. All of these organisations have taken care not to promote what they cannot deliver, unlike Myer and Telstra.

NOT FOR PROFIT

The examples highlighted thus far are commercial. The principles articulated are, however, equally applicable to not for profit organisations and government agencies.

Ask yourself, as at today's date, are you more or less likely to donate to Oxfam than you were 2 years ago? Recent events, including accusations of the sexual assault of children in their care, have significantly damaged the Oxfam brand and, therefore, its capacity to raise funds. The Oxfam brand is significantly, and possibly irreparably tarnished, and this is not because they are not advertising enough.

Indeed, research shows that consumers take a dim view of charities that 'waste' money on advertising. Donors do not want charities to advertise. They want them to minimise running costs and use every available cent to help those in need. They want the staff of charities to refrain from sexually assaulting children, or anyone else for that matter.

It is the culture of Oxfam, not a lack of advertising, that has damaged the Oxfam brand. A culture that does not prevent sexual assault will never deliver a brand acceptable to their target market or government. Further, no amount of advertising will restore trust in the Oxfam brand. Only a cultural shift, and the tangible demonstration of that cultural shift, will do that.

Recent media reports have highlighted an increase in time spent on hold when calling Centrelink. The average waiting time had increased to 15 minutes and 44 seconds (an increase of 35 seconds compared with 12 months ago), and the maximum time had increased to more than an hour. This suggests a lack of resources, poor systems, a less than optimal culture – or, perhaps, a mix of the three.

Those who have interacted with Centrelink suggest that it is largely a cultural issue, perhaps fuelled by the stress placed on staff. Whatever the cause, there does appear to be a cultural issue at Centrelink, and this has impacted negatively on the Centrelink brand, to a point where no amount of advertising will ever cause a change in the brand.

Establishing the optimal Centrelink brand must begin with establishing a culture that ensures the reduction of on hold times and an improvement in levels of service. This, and this alone, will cause the optimal Centrelink brand to be established. The fact that Centrelink measures its on hold times suggests that it understands the importance of this issue to its customers and to its brand.

All brands, including not-for-profit brands, are established by way of culture, are sustained by way of culture, and will ultimately succeed or fail as the result of the culture. Advertising has never been, and will never be, the key to building an optimal not-for-profit brand.

CONCLUSION

Culture and branding are central to the success of every organisation.

- Culture is the key to optimal branding, and branding is the key to having an optimal culture
- The culture of an organisation brings the brand to life
- Bringing the brand to life through culture reduces the dependency on expensive advertising
- Culture and branding also deliver a range of ancillary benefits

Embrace the culture-brand continuum. It is central to maximising return on investment and enhancing overall performance.

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