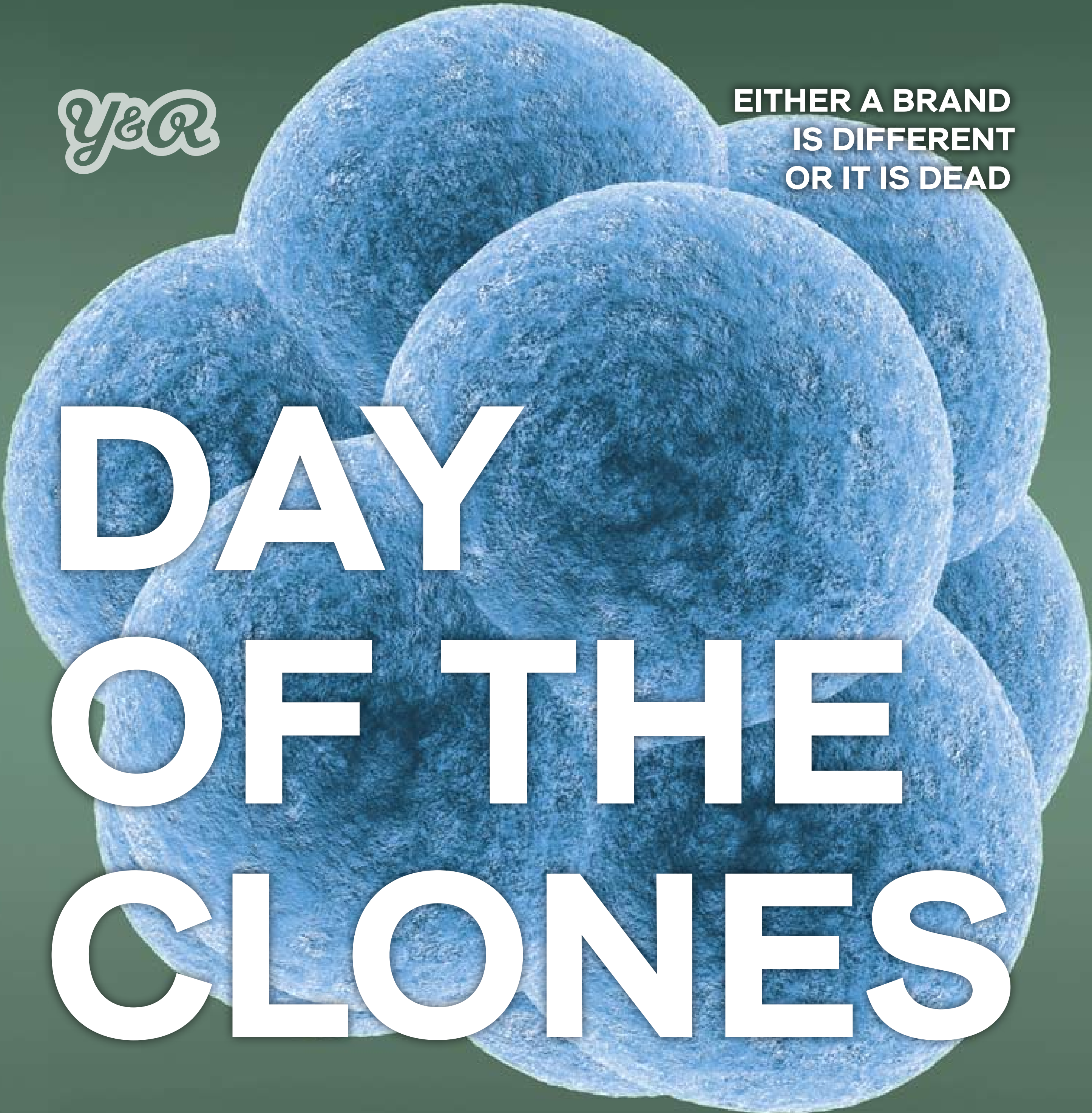
Y&R

EITHER A BRAND
IS DIFFERENT
OR IT IS DEAD

DAY OF THE CLONES



The human brain is drawn to differentiation like a moth to a lightbulb.

It is the most important factor in marketing.

But also the least measured.

The emailable version of this document is at pubs.yr.com/clones.pdf

DAY OF THE CLONES

Differentiation is vital.

It is the lifeblood of all marketing.

But few companies ever measure it on their brands.

And in most companies, what doesn't get measured, gets ignored.

As a result, their brands are becoming the same as their competitors: *clones* of each other.

Clone brands are often big, familiar, household names.

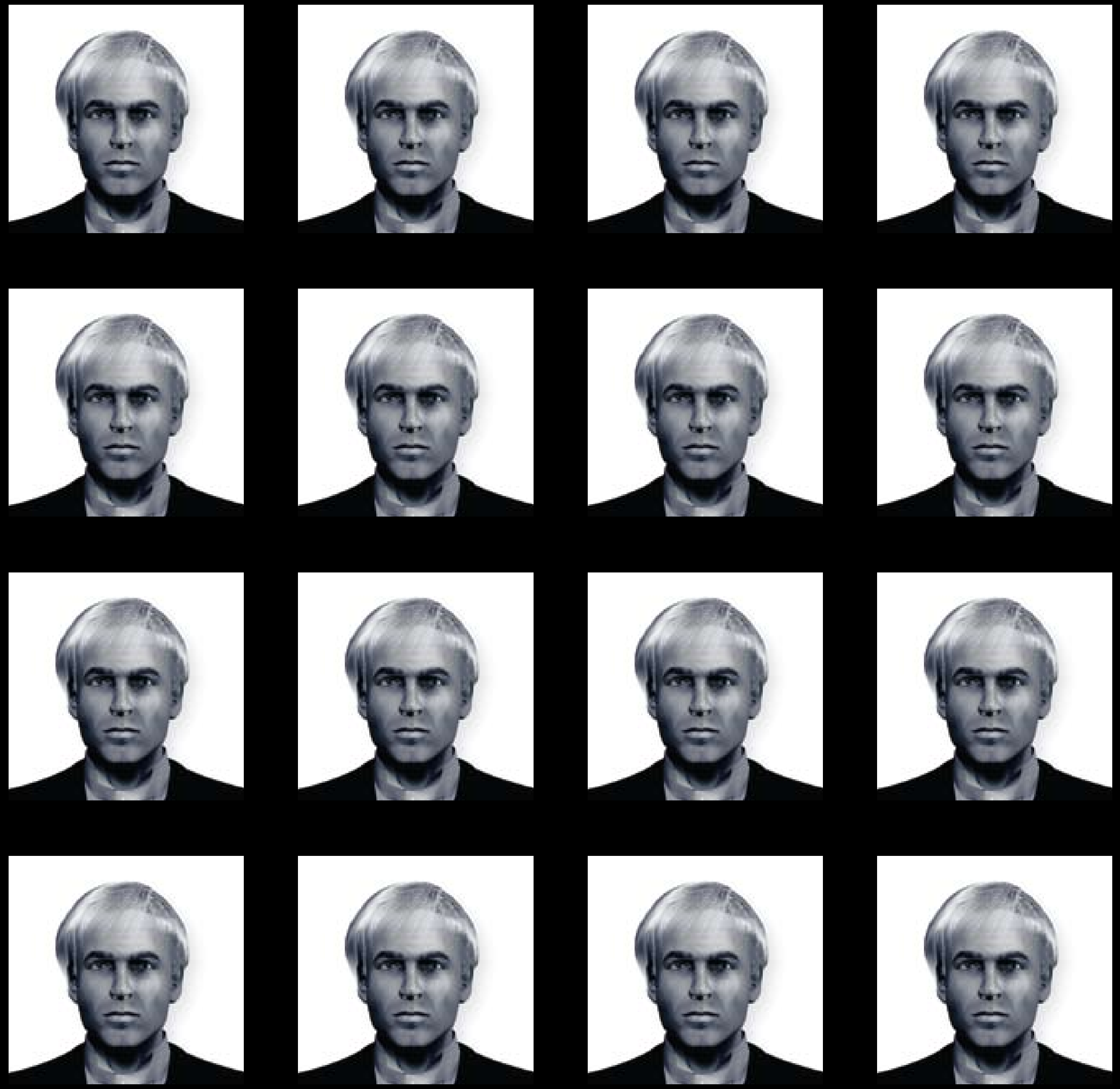
But they struggle to attract customers.

And to keep those they have.

They cannot extend into new areas.

And their margins are low.

They represent a kind of *living death* in modern commerce.



What makes your brand so different?

HOW BRANDS BECOME CLONES

Tom is a brand manager.

His approach is thoroughly professional.

He's searching the world for best practice, and is bringing it to his brand.

He's also benchmarking his brand against competitors, making it look as good as they do.

And he's optimizing his communication plans, ensuring they're best-in-class.

What's the problem?
'Seeking best practice', 'benchmarking' and 'best-in-class' sound important. But they all mean Tom is *copying* his competitors.

And because his competitors are professionals too, they are copying Tom back.

In today's world, *everyone* is searching for the same best practice.

Everyone benchmarks against each other.

And *everyone* optimizes their communications plans.

Everyone is copying each other.

And so their brands are becoming clones.

Airlines have cut costs so much in recent years that what's left is generic.

Perfect information
There's a further problem.

Today we live in a world of perfect information.

Everyone has exactly the same Google sitting on their desktop.

All brands have access to high quality market research.

All brands have high quality competitive intelligence.

Faced with exactly the same information, it's difficult for marketers *not* to make exactly the same decisions.

Easy access to information is turning brands into clones too.

Digital makes things even worse
Things have got worse, not better, as the world has moved online.

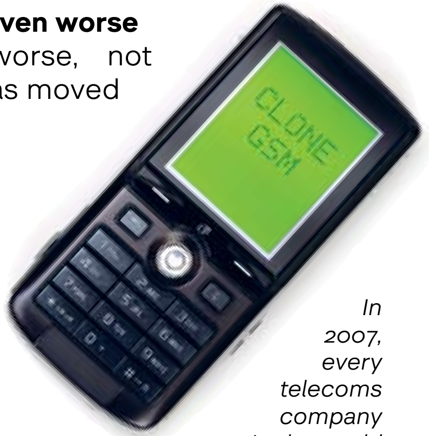
In 2004, Tom tried e-commerce.

In 2005 he developed a Flash-based website

In 2006, he launched an organic search strategy.

In 2007, he explored paid search.

In 2008 he dipped into social networking.



In 2007, every telecoms company in the world launched the same mobile, fixed line and broadband package.

But so did every other brand manager in the world.

Digital is making brands look like clones too.

Management can add to the problem
Management pressure for marketing to behave professionally can encourage brands to become clones too.

Tom's CEO encourages him to follow industry norms, and not to deliver 'surprises'.

His finance director encourages him to adopt the same level of marketing budget as others within the industry.

The rest of the board encourage Tom to work like their departments do, in slow predictable movements, not in radical leaps.

Company managements are encouraging brands to become clones too.

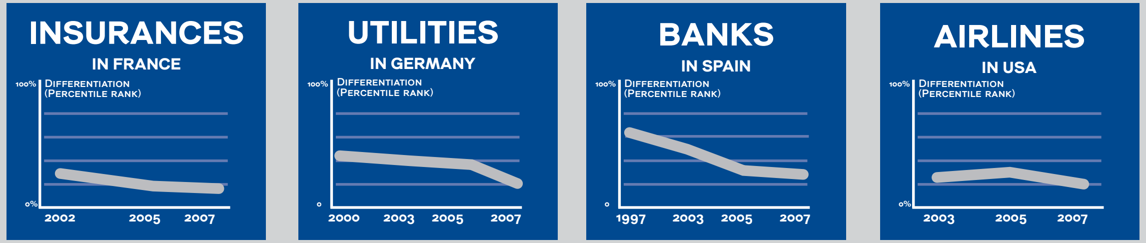
Entire industries are filling with clones
The clone problem is so bad that today *entire industries* are following exactly the same marketing strategies:

- In 2007, every telecoms company in the world launched a multiple-play package of fixed line, broadband and mobile.
- In 2008, they all launched a mobile broadband USB dongle.
- And a new package of services with a free web notebook bundled in.
- And throughout this period, all offered a complex package of minutes and texts that none of their customers understood.

All banks now offer exactly the same cards and the same ATM functions.

Today, most utility companies are just a logo on a bill.

DIFFERENTIATION IS LOW AND FALLING IN MANY CATEGORIES



BASE: CATEGORY AVERAGES IN EACH COUNTRY.
SOURCE: BRANDASSET VALUATOR DIFFERENTIATION (e) MEASURE

Differentiation levels in many categories have collapsed over the last decade.

It's the same with banks.

Today, all offer exactly the same Visa cards.

And the same ATM functions.

And the same loans leaflets.

In industry after industry, brands are becoming clones.

And there's hard evidence for it
Differentiation levels are falling for brands in certain categories all over the world.

It's visible on Y&R's global BrandAsset Valuator tool.

It's the only global study that actually measures differentiation.

As can be seen in the charts above, in many categories differentiation levels have *collapsed* over the past ten years.

The clone effect is both quantitative and real.

DOES IT MATTER THAT BRANDS ARE BECOMING CLONES?

If the last chapter doesn't worry you, it's because you have never realized how important differentiation is for your brand.

Large companies are happy to track words like 'trust', 'quality' and 'a brand for people like me'.

But they never try to track differentiation itself.

And in most companies, what doesn't get measured, doesn't count.

So measure it
We've been measuring differentiation since 1993.

Our BrandAsset Valuator study has interviewed 500,000 consumers in 48 countries about 38,000 brands since then.

Measuring differentiation isn't easy
It isn't easy to measure differentiation:

1. Differentiation is *volatile*. Attributes like 'reliable' only go up or down a few percentage points a year. With a hit product like iPhone, differentiation can rise ten percent within months.

HOW BRANDASSET VALUATOR MEASURES BRANDS

BrandAsset Valuator has measured 38,000 brands since 1993 using research amongst 500,000 consumers in 48 countries.

It measures all brands in exactly the same way.

And it has told us that brands have four key pillars.

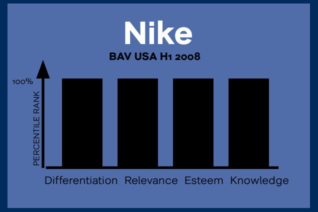
Differentiation is the first. The others are:

- *Relevance:* the ability of a brand to connect with a consumer's needs.
- *Esteem:* the level of respect consumers afford a brand.
- *Knowledge:* the level of familiarity a consumer feels with a brand.

An up-and-coming brand looks like this:

ALL CHARTS FEATURE THE BAV DIFFERENTIATION (E) MEASURE

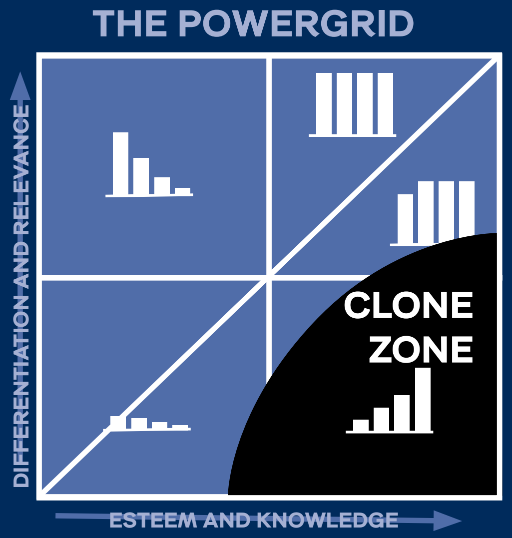
A big, established brand looks like this:



And a clone brand with eroded differentiation looks like this:

The PowerGrid

To look at brands more easily, we combine differentiation and relevance into a leading dimension we call Brand Strength, and esteem and knowledge into another lagging dimension we call Brand Stature, and plot one against the other to form what we call a PowerGrid:



This allows us to look easily at the development of brands.

On the PowerGrid, new brands start in the bottom left of the diagram. Successful, differentiation-driven brands then tend to move clockwise around it towards the top right hand corner.

And established brands with weakening differentiation tend to fall and cluster in what we call the '*Clone Zone*'.

2. Differentiation needs *stabilizing*. We've spent a lot of time refining our differentiation measure, as it's a tricky thing to measure.
3. Differentiation is an *absolute* measure – it is measured against all other brands, not just the ones within a specific market. You can't measure differentiation within a market. That's because differentiated brands change the very nature of the market they're in.

Clone brands tend to score low on words like 'interesting' and 'fun'.

But it's worth it

BrandAsset Valuator makes clear the serious problems faced by brands in the Clone Zone - established brands with low differentiation:

1. Clone brands struggle to attract customers

We've found that all the brands with rapidly growing user bases lie outside the Clone Zone.

Brands within the Clone Zone typically have static or declining user bases.

2. Clone brands have all failed in the past

We have studied the movement of brands around the PowerGrid for fifteen years.

We have never seen a new brand start in the bottom left hand corner of the PowerGrid, and then move directly into the Clone Zone.

Brands in the Clone Zone were therefore generally highly differentiated at some point in the past, *and then lost it.*

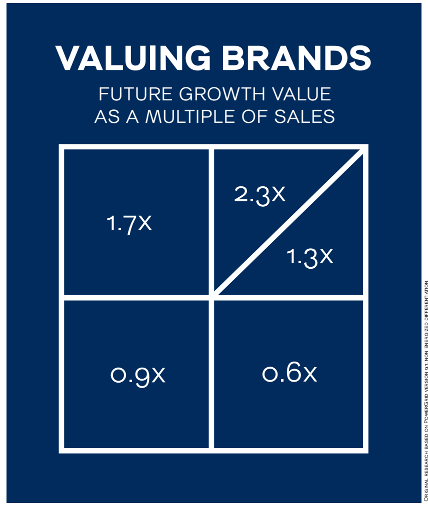
3. Cloning can happen fast

We've found that the differentiation levels of many brands *collapse* two years after their launch - the clone tendency can start early.

Once a brand has fallen into the Clone Zone, it struggles to attract new users.

This is why marketers often say that they pick up all the users they will ever pick up in the first two years after launch.

4. Entire industries can become clones
Differentiation can decay fast as a market becomes less sexy. Mobile service provider brands did well in the 90s as the mobile phone became the coolest accessory for young people everywhere. Ten years later, mobile service providers are struggling to maintain differentiation, as their marketing promises become little more than *low, low prices. Thus does an industry become clones.*



Stern Stewart looked at the financial performance of brands on various points on the PowerGrid.

Brands lying above the diagonal produce much higher returns on capital than brands that lie below it.

5. Clone brands cannot range extend
Range extending a brand is an important part of marketing.

We've therefore looked at brands that have successfully extended their ranges and meanings into new areas, as well as brands that have struggled to do so.

The brands that have successfully extended into empires, like Nike, which extended from sports shoes into an entire sports-driven lifestyle, and Apple, which extended from computers into music players and phones all lie towards the top of the PowerGrid.

We have struggled to find examples of brands in the Clone Zone that have succeeded in extending themselves.

To ensure his soldiers had reached their quota of twenty kills in each battle they fought, Ghenghis Khan insisted they show him the right ears of their victims.

And when his men started cheating by bringing him left ears too, he switched body part and insisted they collect twenty noses per battle instead.

Through careful measurement, Ghenghis Khan ensured that all his victories were precisely calculated.

Thus he conquered the world.

Similarly today: the best victories are measured.

And the ones that aren't measured probably didn't happen.

Which makes it puzzling.

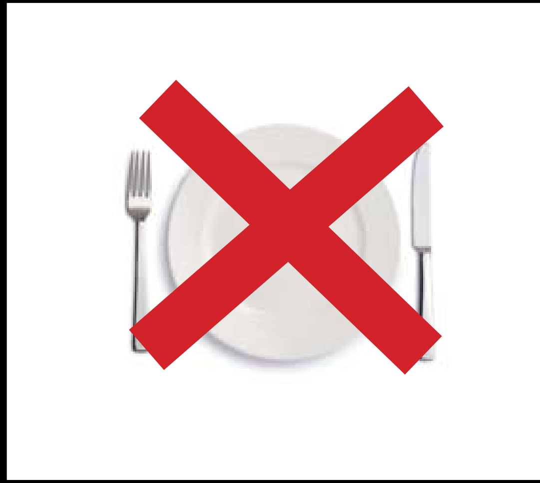
If differentiation is so important, why does no major marketer measure it?

WANT TO BE A GLOBAL BRAND? THINK DIFFERENTIATION

The world's best-selling shampoo doesn't say it will clean your hair. It says it will *clear your dandruff*.

The world's best-selling yoghurt doesn't say it's a tasty dessert. It says it will *speed your digestive transit*.

The world's best-selling toothpaste didn't grow by saying it would clean your teeth. It offered *social confidence*.



The world's most popular restaurant chain doesn't offer you a plate, knife or fork.

6. Clone brands struggle with me-toos
Marketers of clone brands spend their lives fighting off private label and other types of me-too brands. Highly differentiated brands do not need to do this. Apple's iPod team do not worry about new entrants to the MP3 market.

7. Clone brands have the lowest margins
Financial analysts have looked at the financial performance of brands at differing positions on the PowerGrid.

Brands in other parts of the PowerGrid have margins *up to three times higher* than brands in the Clone Zone.

Clone brands therefore do not just perform badly in image terms.

They also make less money.

So
Lack of differentiation is the key problem that many brands face.

But we should not be too negative. Our study of differentiation reveals that it is a *very strong, positive* force.

Most marketers feel that their brands face a range of problems.

Our research shows that if they can get their differentiation up, *most of their problems will just melt away.*

DIFFERENTIATION: THE HOLY GRAIL OF MARKETING

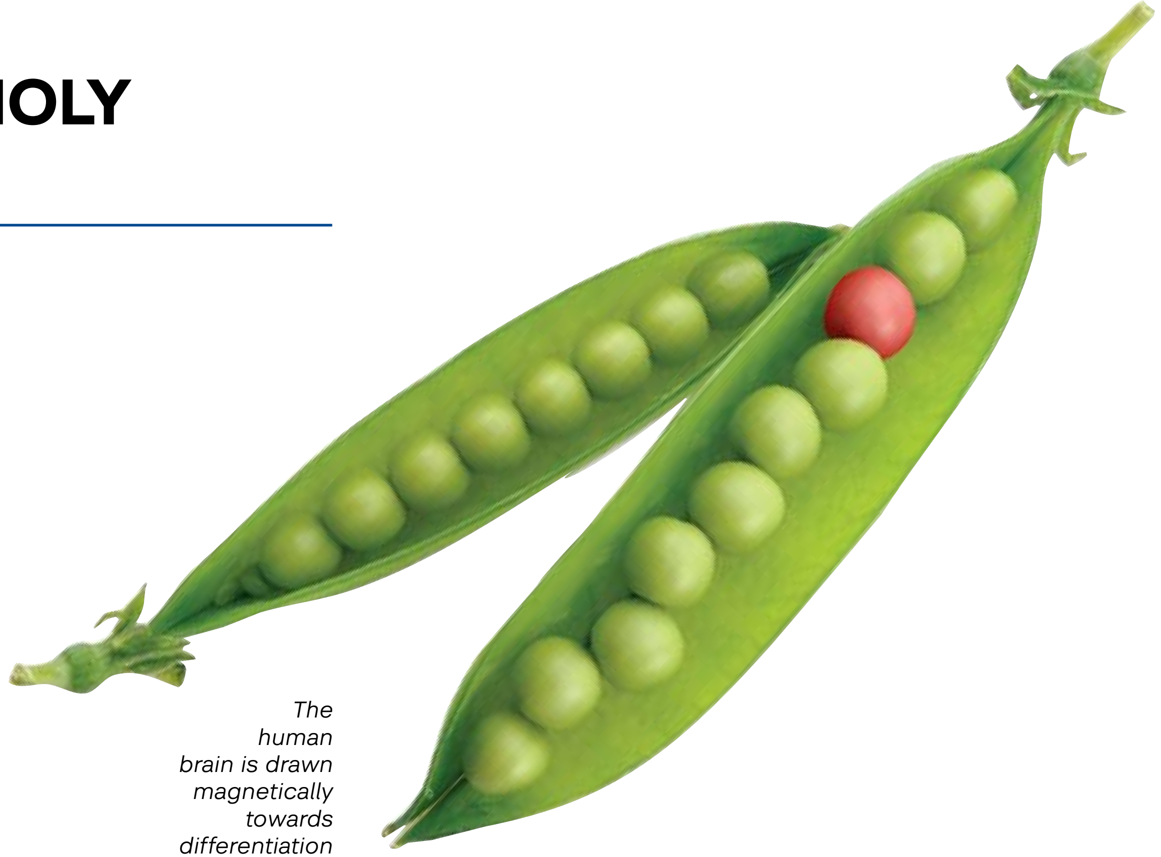
If you study only one aspect of your brand, that aspect should be its level of differentiation:

Differentiation is vital

- When a successful brand is launched, the first thing to rise is its level of differentiation. After that, other attributes like 'stylish', 'caring' and 'up-to-date' may rise, as it develops a brand image. Some attributes, like 'trust', can take a decade or more to grow.

  If differentiation doesn't rise, a positive brand image struggles to appear. *Differentiation is therefore the most important attribute in marketing.*
- Once a brand has differentiation, it then needs to persuade consumers that its difference is *relevant* to their needs.

  It can succeed with a low level of any attribute apart from differentiation and relevance. But if a brand is not differentiated, it *does not leave the starting gate.*
- What about awareness? Does differentiation produce it or vice versa? Differentiation is the thing that gets you to first notice a brand, therefore differentiation is the thing that produces awareness. Awareness doesn't produce differentiation: there are plenty of high awareness brands with low differentiation. *Differentiation is therefore more important than awareness too.*



The human brain is drawn magnetically towards differentiation

Differentiation grows brands

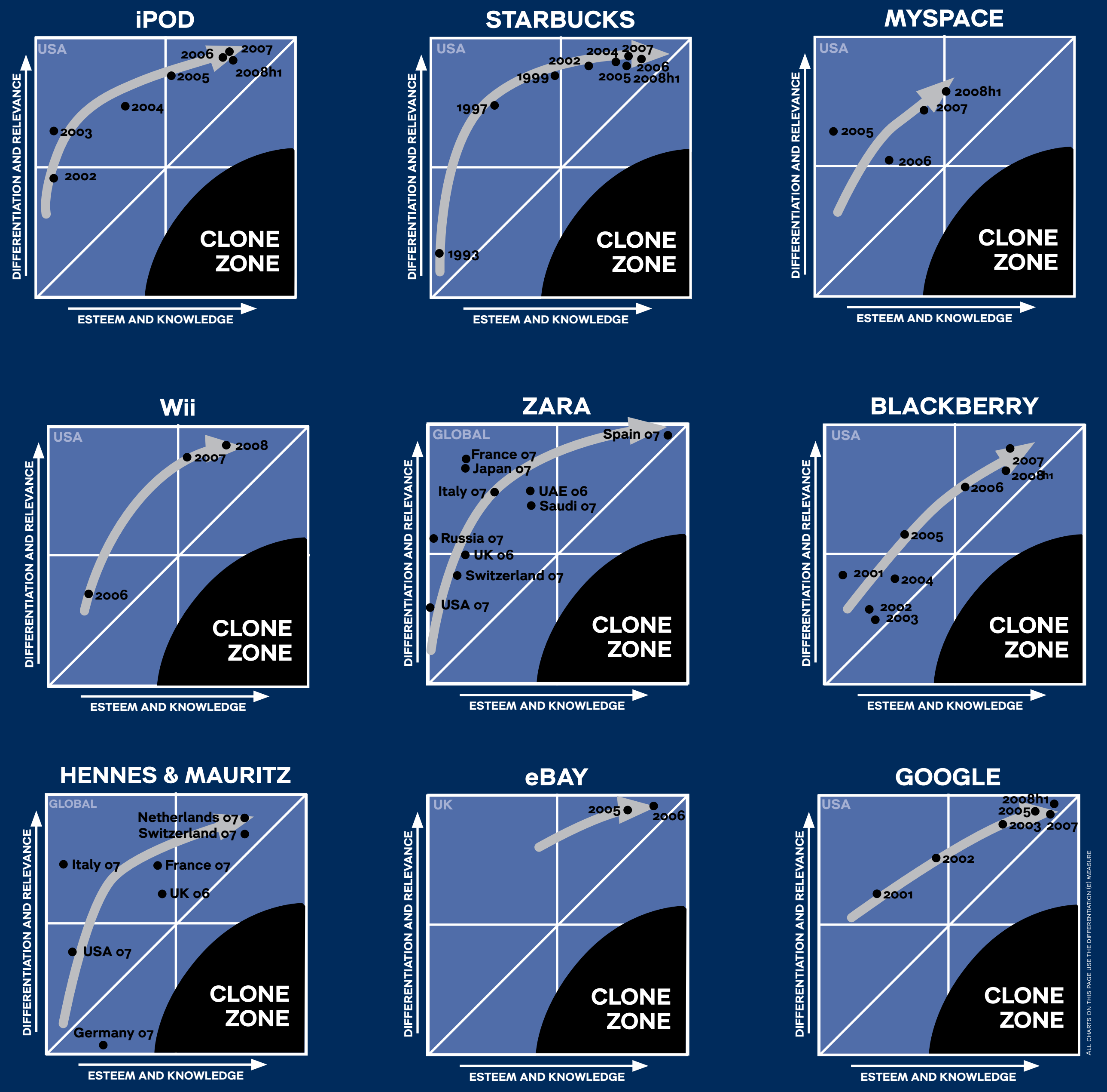
Differentiation is the thing that makes a brand grow.

A brand that acquires high levels of differentiation and relevance tends then to grow rapidly in terms of esteem and knowledge, and move towards the 'iconic' brands like Coke, Ikea and Nike in the top right of the PowerGrid.

As can be seen on the chart on the next page, *all the big brand successes of this decade have grown along this path.*

- If you're a smart marketer, differentiation can rocket even before you've launched your brand. Spanish clothes brand Zara was one of the most differentiated brands in Sweden - *before it opened its first store.*
- With Starbucks and iPod, their differentiation level just keeps building over time. The trick is not just to launch something different. It is to *keep it different* as time goes on.

ALL THE BIG SUCCESSES OF THIS DECADE DID IT THROUGH HIGH DIFFERENTIATION



But differentiation is counterintuitive
The way differentiation works is not obvious:

- High levels of differentiation disrupt other brands that lie outside conventional perceptions of a brand's marketplace. Starbucks is a coffee shop, Nescafé is packaged coffee. But when Starbucks level of differentiation went up, that of Nescafé and other packaged coffees went down.
- Differentiation involves *taking the road less traveled.* If you're a yoghurt manufacturer, would you promote your yoghurt as being good at speeding digestive transit, rather than talking about yummy chunks of fruit? All your focus groups would say no. But Activia did it in 2000. Eight years on, Activia is the most successful dairy brand in the world.
- You can differentiate anything, including water. Evian is a highly differentiated brand, especially in France.
- With differentiation, you can be *the* brand or the *other* brand. There are often only two highly differentiated brands in a market. Coke and Pepsi are one pair. Nike and Adidas are another.
- Note to marketers who have a close relationship with R&D scientists: *Differentiation is in the eye of the beholder.* Coke and Pepsi taste pretty similar. They come in similar cans. But both are highly differentiated brands.

All successful brands begin with differentiation.

Differentiation also keeps top brands at the top
Maintaining a high level of differentiation is also critical to keeping a leading brand a leader:

- When a top brand stumbles, the first thing about it to decline is its level of differentiation. It is an early warning sign of trouble for the brand.
- As your market gets mature, a *distinctive philosophy* can keep you differentiated. Nike's compelling 'Just Do It' philosophy has kept it differentiated for twenty years.
- Measuring differentiation answers the age old question of whether one should line-extend one's brands. Highly differentiated brands like Coca-Cola extend with impunity. Weakly differentiated brands end up meaning nothing.

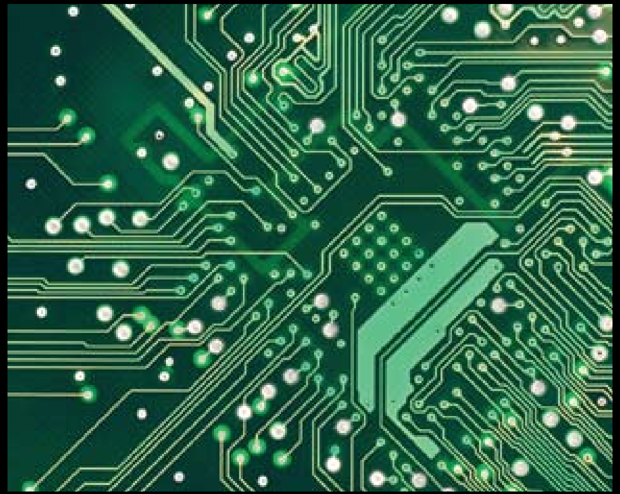
What drives differentiation?
BrandAsset Valuator allows us to see what brand attributes are associated with differentiation in a category. This gives a picture of how previous brands made a splash within the market.

But you would be ill advised to copy these traits with your brand, because you would be copying the moves the last successful entrant made. Differentiation always involves taking a *walk on the wild side.*

Is differentiation a relic of the age of advertising?
No. Advertising that persuades you that a brand is somehow different, and then which persuades you that that difference is somehow decisive has always been good at raising differentiation.

But Starbucks built a high level of differentiation without any conventional advertising, just through word of mouth, and a powerful, distinctive instore experience.

HIGHLY DIFFERENTIATED BRANDS REDEFINE MARKETS



Microsoft's mission to put a computer on every desk changed the definition of what a computer is for.

The iPod changed the MP3 player from a geeky toy into a mainstream youth accessory.

Google changed computer search from being a nerdy activity into most people's first call when they need to know a train time or a date's background.

Starbucks created new expectations in packaged coffee, as well as in coffee shops.

Google too built itself into a globally important brand without any conventional advertising whatsoever – it used strategic partnerships with AOL and others.

So?
Differentiation may not be measured by most companies.

But it is fundamental to marketing, both analog and digital.

Without differentiation, a brand cannot lead a market, or extend into new areas, or charge a premium.

Without differentiation, a brand becomes a clone.

BUILDING DIFFERENTIATION

Knowing about differentiation is good.

But what really helps is knowing how to *grow* it.

Unfortunately, many big packaged goods companies have forgotten.

Instead of building their own highly differentiated brands, they have started buying them in from other companies.

The world's biggest marketers have *outsourced* the most important part of marketing.

So how do you grow it?
Here are some of the things we have learned grow differentiation:

1. *Talk to non-users:* when Nintendo invented the Wii, they did so by talking to people who didn't use video gaming consoles, and asked them why they didn't. Girls told them that unlike their brothers, they didn't get off on killing things. Nintendo gave them *Cooking Mama, Wii Fit* and *Nintendogs.*
2. *Get a vision:* the Body Shop moved away from other 'natural' toiletry retailers when it announced it was *against animal testing.*

No brand need suffer the indignity of low differentiation.

3. *Keep developing your offer:* a brand that continually reinvents itself keeps its differentiation up. The iPod developed the capability to carry more songs. Then photos. Then podcasts. Then videos. Then it introduced a touch interface, wifi, and then music and application stores. Not all digitally based brands do this – most banks haven't added any more facilities to their ATMs since the 1980s.
4. *Give your brand a sense of dynamism:* Coffee shop chain Tchibo keeps differentiation up by offering a rapidly changing set of offers for household appliances, foods and garden equipment. The rapidly changing offer keeps the brand fresh.
5. *Use the power of scarcity:* if you find yourself a nice dress in Zara, buy it now. Because once an item sells out in Zara, they don't restock it.
6. Getting differentiation up can sometimes mean *rethinking your business model.* In 2008, Prince realized that with CD sales in freefall, he was not about to make great sales of his new album. So in the UK, he gave the album away on the front of the Daily Mail newspaper. His subsequent concert tour sold out.
7. *Make it real:* Grand Theft Auto San Andreas was a great computer game. The improved graphics of Grand Theft Auto IV makes it feel like you really are mugging and carjacking people.
8. *Go for the jugular.* Dr Kawashima's Brain Training for the Nintendo DS has been a huge hit amongst fifty-something adults because it

Differentiation may have its roots in evolutionary psychology. Mankind only survived in the hunter-gatherer era by spotting the unusual, like edible berries or a lurking predator, fast.

is upfront about how weak their mental faculties are. ‘You have the brain of an eighty year-old’ screams Dr Kawashima at his terrified users.

9. *Don’t worry about value for money.* The Red Bull can is smaller than a typical soda can. That’s what makes people think Red Bull is special.

10. Repeat, *do not worry about value for money.* Baileys was just the leader in the cream liqueur market until Diageo started pushing the price up way above the competition. Girls in bars then realized that if they ordered a Baileys they’d look expensive, and if they asked for anything else they’d look like a cheap date. Today Baileys is in a class of its own.

11. *Don’t dismiss what initially feels absurd.* ‘How about we put little pieces of metal in our cinnamon schnapps?’ was a winning idea for Goldschläger.

    Similarly, could a pen with a squishy grip be positioned on a stress-relieving health benefit? The idea has built Dr.Grip into a powerful brand in Japan in the past few years.

These are our *general* findings on how to improve differentiation.

Now let’s look at it in some individual categories that could do with more of it.

Don’t reach for a pill if you’re stressed. Reach for the squishy barrel of Dr.Grip.

HOW TO DIFFERENTIATE A BANK

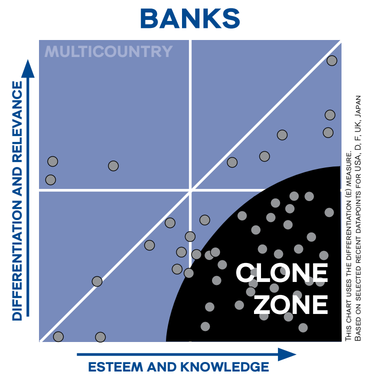
Banks have adopted digital technology hugely in the last ten years.

But they have used it to cut costs, rather than to differentiate themselves.

Banks are acutely aware that a face-to-face transaction with a customer can cost them as much as fifty dollars; a postal transaction can cost a few dollars, but a digital or ATM transaction costs them just cents.

And so they have driven their customers out of their branches to the ATMs outside:

- If a customer does venture into the bank nowadays, the helpful people have been replaced by *aggressive loan salesmen.*
- Throughout the world, ATMs and online banking portals offer *exactly the same services.*
- And the smart stuff in banking - like putting credit card functionality into mobile phones - are being driven by payment systems like Visa, not by the banks themselves.



Around the world, most banks fall in the clone zone.

If banks had better differentiated their offers, perhaps they might not have needed to compete so hard to lend money to people they knew could never pay it back.

Differentiation levels at banks have therefore collapsed.

It needn't be that way

- Do banks have low differentiation levels because they are a low interest category? A break-the-rules bank like ING Direct, which enters new countries with an online deposit account with a market leading rate of interest, always ends up with high differentiation. No bank *need* remain undifferentiated.
- Small savings banks like Spain's *cajas* and Germany's *Sparkassen* have been growing in differentiation for the past five years - not because they have done anything different, just because they have kept their local branches and customer service whilst their larger competitors have shut branches and told their customers to 'talk to the machine' outside. *Sometimes brands just get lucky.*

So

Banks need now to dig themselves out of the clone zone:

1. Even back in 1980, ATMs allowed you to check your balance, order a check book and withdraw money. Moore's Law means that today computers are a million times faster, smarter and more sophisticated. But ATMs offer nothing more than they did then. ATMs need to move with the times, rebuilding the distinctive relationship that no longer happens in the branch.
2. Similarly bank internet portals are no smarter than they were ten years ago. Yes, banks

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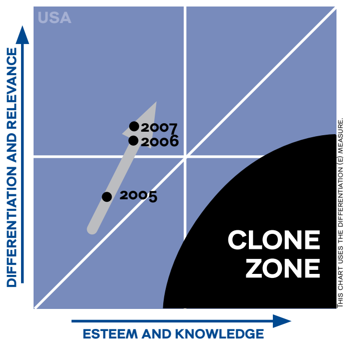


Banks that break the rules, like ING Direct, end up with high differentiation.

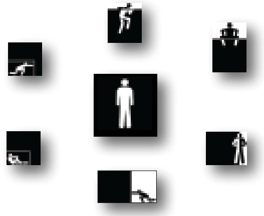
Are you a succeeder or a risk-averse mainstreamer? Take our online quiz at http://4cs.yr.com/diys

need to keep their security levels up to avoid phishing and other attacks. But they are leaving the development of smart banking portals to outsiders, like *mint.com*, which looks at your banking transactions, analyses them by type and gives you smart, intuitively helpful commentary on your spending habits.

3. Many banks are currently asking their customers to elect not to have paper statements, arguing that it is greener not to, and that it eliminates a source of identity theft. But those banks should be careful. Eliminating the paper statement is one more way banks will lose their relationship with their customer.
4. Banks would connect better with their customers if they better understood their customers' motivations and appetite for risk, rather than mailing out applications for loans, credit and mutual funds to them indiscriminately.

   To help this process, Y&R has developed a consumer segmentation system called 4Cs that segments banking customers into typologies. The system identifies customer's basic life motivations using Mazlow's hierarchy of needs.

   Of the seven groups, two groups, *succeeders* and *mainstreamers* look identical to most banks. But succeeders have an appetite for risk, and therefore in most countries are attracted to equities, whereas mainstreamers stick firmly to risk-free deposit accounts. 4Cs thus identifies customer groups that banks *can't detect themselves.*



Learn more about the 4Cs segmentation at http://pubs.yr.com/sevenkinds.pdf

HOW TO DIFFERENTIATE A TELECOMS COMPANY

In emerging markets, telecoms is the most exciting, innovative industry on earth.

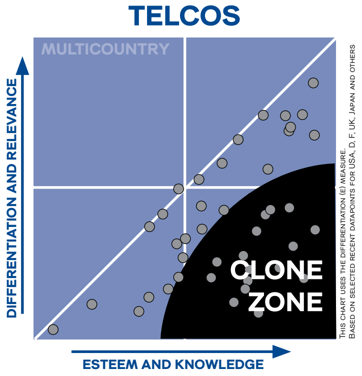
In India, companies like Airtel are putting mobile phones in the hands of subsistence farmers and fishermen, and are thereby changing their lives.

Having caught a netful of fish, an Indian fisherman need no longer sail to a port in the hope of a good market price; he can now phone or text two or three ports, and do a deal at the best price before sailing.

This effect is massively important: an extra ten phones per hundred people in countries like India makes GDP grow 0.6% a year faster than it otherwise would*.

Meanwhile

Meanwhile in the developed world, mobile phone companies now have phones in the hands of every



In Europe and the US, many telcos have fallen towards or into the clone zone in the past decade.

Whatever the country, telecoms advertising seems to involve complex numerical offers.

The innumerate need not apply.

Handsets are what's sexy, not the mobile service providers.

Mobile telecoms advertising, 2012?

Western man, woman and child who will ever have them.

Penetration rates have reached 110% in some countries.

The great mobile phone land grab is over.

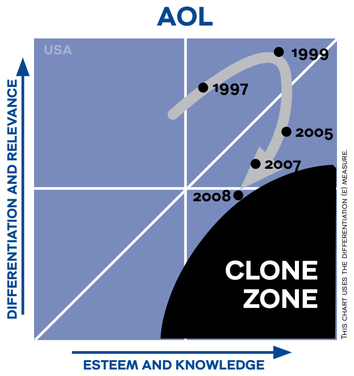
And Western mobile phone countries are now suffering from Alexander Syndrome:

> *'When Alexander saw the breadth of his domain, he wept, for there were no more worlds to conquer.'*

Mistakes have been made

Telecoms companies have missed huge opportunities on the way:

- Over the past ten years, the size of the ringtone market in most countries has grown to be larger than the CD singles market. But mobile phone companies have left it to specialist companies like Germany's Jamba and its *Crazy Frog* series.
- Phone wallpapers too have been a huge business over the last ten years. But the money has gone to specialist content providers, not to the phone companies.
- At the time of writing, mobile phone companies are missing out on a huge revenue stream from people mailing their holiday photos home from abroad - the MMS system still doesn't work, and the cost of emailing a holiday photo home using mobile data is too high because data roaming rates are $15 a megabyte in many countries.



No brand is safe from the clone zone.

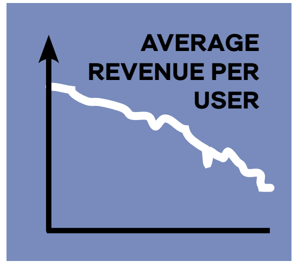
So think different:

It's clear that mobile telecoms companies need to break out of the clone zone if they are to prosper again:

- The fundamental question they must ask is 'what market am I in? Over the past five decades, the computer has shrunk from the mainframe, to the mini computer, to the desktop PC to the laptop. The next stage in its evolution looks remarkably like a mobile phone. Which means that telecom companies are sitting on top of a potential goldmine - if, and only if, they can identify it conceptually.
- As the world moves over to the concept of cloud computing, the mobile phone will become the access device of choice, because it is the only device that most people have on them at all times.

  But the clouds at most telecoms companies still look pretty dumb: they'll let you store your photos, and your contacts, but little else.

  Telecoms companies, *this is your wake up call.*



A lot of telecoms companies are in the ARPU poo.

It's not a phone. It's the next evolution of the computer.

HOW TO DIFFERENTIATE AN AIRLINE

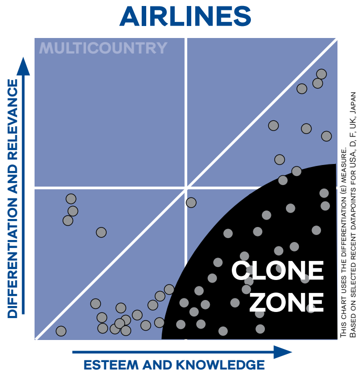
In the nineties, most airlines pulled their big advertising campaigns and put the money instead into their frequent flyer schemes.

It was a smart move – even in cities like New York, 95% of their TV advertising landed on people who would never sit in their premium cabins. With frequent flyer schemes, all the media landed on people who flew frequently.

But then the schemes started to break down.

Frequent flyers started to accumulate so many miles that airlines no longer wanted to redeem them. The blackout dates grew so that most airlines could never fly you to where you wanted to go, or charged you so much in taxes and supplements on your 'free' ticket that it was cheaper to book via Expedia instead.

Airlines need to rethink their relationship with their precious premium customers:



With the notable exception of Virgin Atlantic, most airlines around the world are sliding towards the clone zone.

- Through frequent flyer schemes and advance passenger information, airlines know where and when you're flying in advance. They also have your email address. So why does no airline mail you a PDF destination guide? It could be the cheapest and most effective piece of brand-building airlines have ever done.
- Airlines could be greener and more customer friendly at the same time. Emirates have just dumped the two tonnes of dog-eared inflight magazines and shopping guides that the average plane carries, and have replaced them with up-to-date versions on their seatback video screens.
- Airlines need to think about what else they can do cheaply and well for their premium customers. Space and weight is at a premium inflight - but not at the airport before they board.

  So Virgin Atlantic have built free beauty treatments, jacuzzis, Playstations, sushi and cocktails into their frequent flyer lounges. *Other airlines need to realize that beer and peanuts are no longer enough.*
- Airlines need to recognise that after a decade of cost cutting, what image they have left is the result of their national origin. For example, it's very difficult to be perceived as unpunctual if you're a German airline. And it's very difficult for

Starbucks call their shops the 'third place' in your life, after your home and your workplace.

Airlines need to apply similar thinking to their customer experience.

your airline to be perceived as unstylish if you are from Italy.

Ask to see Y&R's 'Nations' presentation of BrandAsset Valuator research to learn more about how your country's image can benefit your brand.

- The world is much more global than it was ten years ago – and business travellers are travelling more and more beyond their home airline's network.

  Airlines need to focus more on their alliance brands, like Star Alliance, Skyteam and One World, ensuring that their customers are looked after at the most critical point in their business lives – *when they get into trouble on the other side of the world.*

HOW TO DIFFERENTIATE A UTILITY COMPANY

Back in the early days of electricity, electrical companies were very imaginative marketers.

In the 1890s Edison was marketing direct current (D.C.), and Westinghouse was marketing alternating current (A.C.).

Their battle was the first format war – the precursor of VHS vs. Betamax, and of HDDVD versus BluRay.

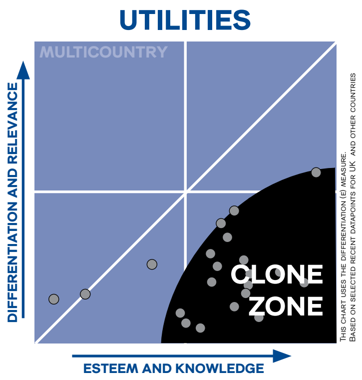
Edison knew that consumers were afraid of electricity, and played on this insight to differentiate his brand.

To prove that competitive A.C. was dangerous, Edison gave a series of demonstrations of its lethal power.

He publicly electrocuted dogs and cats.

And then he filmed the A.C. electrocution of Topsy, a Coney Island elephant*.

Meanwhile, his employee Harold P. Brown invented an even more compelling demonstration of the



Utility companies around the world suffer badly from cloning.

* Search for 'Topsy' on YouTube

The alternating current-based electric chair was invented by a utility company marketing direct current, to frighten consumers away from their competitor's product.

lethal power of A.C.: for the State of New York, he invented the *electric chair.*

Boring

The utility companies of today are much less imaginative marketers.

Dual fuel packages, and discounts for automated bill payments don't exactly capture the public imagination.

And so utility marketers have come to believe that the products they sell are boring.

Which is puzzling. Because if you talk to any schoolchild in the twenty-first century, they will tell you that energy and water conservation are the most important and emotive issues in the world.

An emotive issue

Utility companies struggle with guilt and doubt in this area, as they know that the bulk of their activities are to do with coal and oil.

But this is not the way the consumer thinks. For consumers, it is the corporate *intention,* not the corporate *business* that matters:

- BrandAsset Valuator reveals that some of the greenest, most corporately responsible companies in the world are *oil* companies - not because oil is green, but because they publicly advertise their corporate concerns about the environment, and make the world aware of their windfarms.

  The consumer feels frustrated by corporate and political indifference to green issues, and aches

Water companies need to separate communication of their water product from that of their no doubt exciting sewage treatment services.

Electrical power may not be sexy, but lack of it can be, says Cosmopolitan South Africa.

You can differentiate anything, including water.

to show favor to any company that shows they think the same way they do.

- The big upcoming issue for utility companies and the governments that sponsor them is how to sell the public on the idea of nuclear power again. A tip for companies trying to do this: technology that has been around for a while is a lot less scary to consumers than when they first encounter it.

  Many consumers were terrified by microwave ovens when they first appeared in the 1980s. Today, they are just kitchen infrastructure. Similarly, nuclear power may be a easier sell in the 2010s than it was in the 1960s.

No one passes on stories about neighbors trying to dry their dog in a microwave oven any more.

Established technologies don't scare consumers as much as new ones.

- And why do water companies struggle to communicate with their customer? Their corporate management always seem to be acutely concerned about not alienating their sewage division, and end up advertising their water product and their sewage treatment services in the same ads.

  Meanwhile, mineral water companies are managing to sell water at the same price as Coca-Cola. *Surely water companies could do better?*

HOW TO DIFFERENTIATE AN INSURANCE COMPANY

Life and pensions companies have been in the clone zone for a very long time.

When Y&R was founded in 1923, they were already struggling to differentiate themselves.

Even then, they wrestled with the fact that few people were interested in what they had to say at the time when they chose to say it.

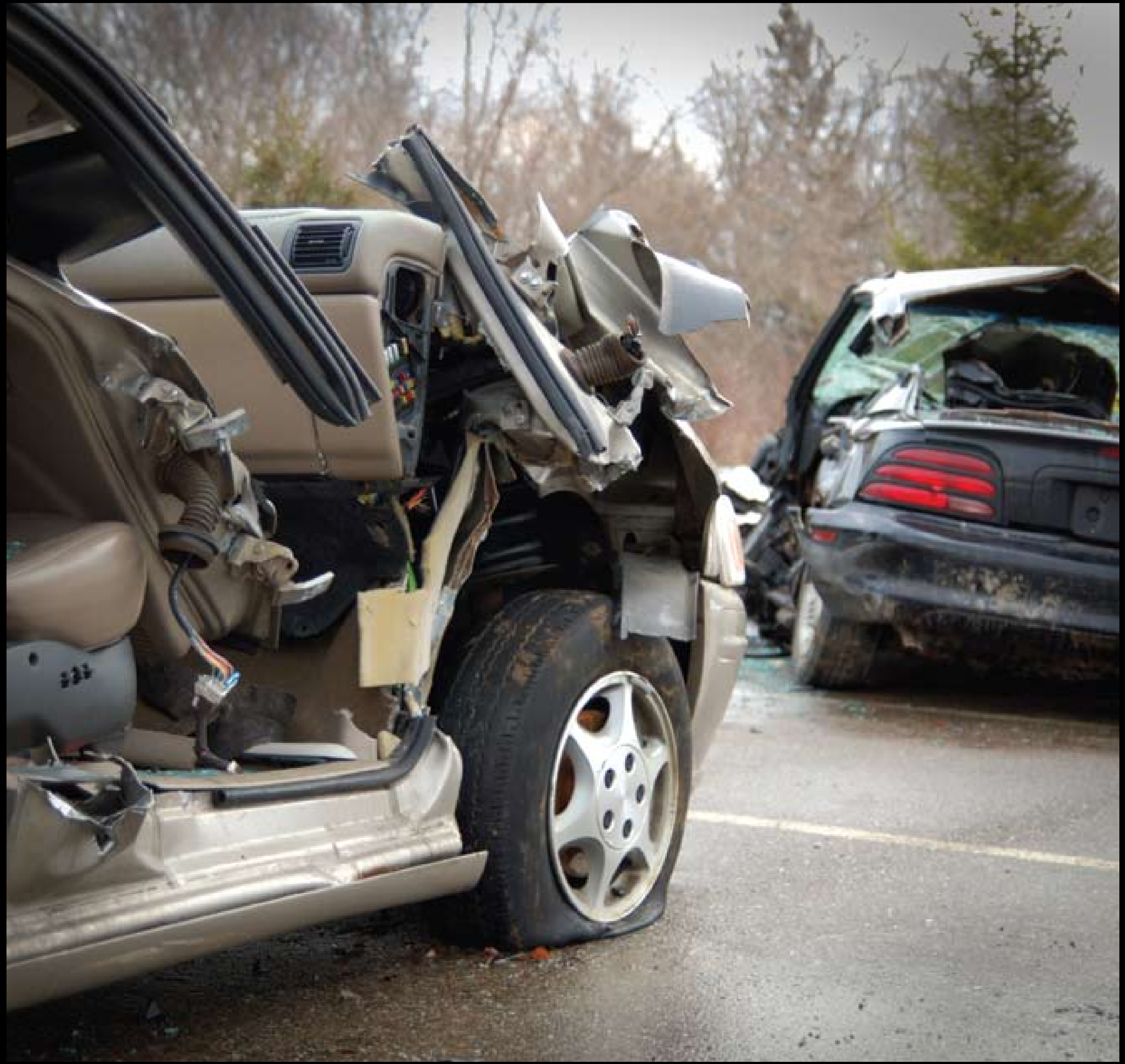
The problem in 1923 was that most insurance companies had built their business model in the nineteenth century when lethal infectious diseases like cholera, typhoid and TB were rife. Their products were designed to protect families if the breadwinner died.

They took a long time for them to change their promises and products to reflect the twentieth century concern, not of dying too soon, but of *living too long.*

In the 2000s

Today insurance companies are ignored by the consumer because they don't get twenty-first century consumer concerns.

95% of insurance companies' brand DNA is generic. They're just not different enough. Source: BrandAsset Valuator



Insurance companies are associated in the consumer mind with accidents and getting old. They should be associated more with *life management.*

For instance, in Germany, life insurance is the preferred way to save. But life insurance means 25 years of regular payment to build up a pot of money. Who today knows what they will be doing for the next 25 years?

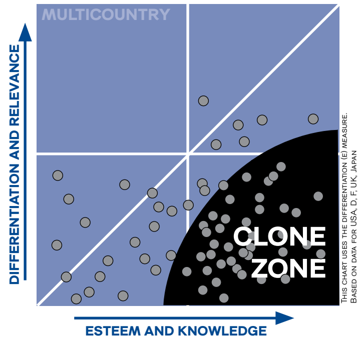
Insurance companies need to think different:

- Insurance company literature is all about the 1970s family - two kids born to a couple in their early twenties, who leave home when the couple are in their forties, leaving them two decades to build up their pension before retirement.

  Today, middle class couples across the world are having their kids in their mid thirties - which means they will be demanding college fees from semi-retired parents in their *mid fifties*. How does a pension plan help its owner put their kids through college?
- For people with money, retirement is an opportunity to open a dive school, or to become a landscape photographer. Pensions need to reorient themselves around the *hundred things you want to do before you die.*
- Research indicates that the 2007-9 credit crunch has severely damaged the relationship between consumers and the financial institutions they rely on. Like those who lived through the Great Depression, many will never trust financial institutions again.

  Today is thus a 'Year Zero' for insurance companies: a time to fundamentally redefine what they stand for.

INSURANCES



Many big insurance companies are in clone central.

HOW TO DIFFERENTIATE A CAR

In the past, automotive brands were regarded as some of the strongest in the world.

But recent developments in the car market indicate to us that differentiation is becoming more and more of a problem for car brands.

Put simply, car brands are becoming more and more the same.

Ten years ago, Porsche was a highly distinctive brand, with a clear image and a clear demographic, driven by its high price point, powerful engines and no room in the back.

Today, is Porsche a high-status brand for single men? Or with the launch of the Cayenne SUV, is it a family car?

Long term, the brand's differentiation can only suffer from this move, however lucrative it proves in the short term.

Similarly with BMW

Ten years ago, BMW was an aggressive saloon for executives on the way up the corporate ladder.

Sometimes, differentiation can be in the detail.

Today, with the launch of the 1 series, BMW is also a runabout for shoppers.

And with the launch of the X series, it is a family SUV too.

As with Porsche, BMW's high level of differentiation has allowed it to extend in this way, but whether it is a good idea for the brand or not is debatable.

Long term, its differentiation level is under threat too.

A Porsche driver, 2008

And in the mid market

It's even worse in the mid market.

All cars are covering all niches within the market - saloons, SUVs, small runabouts and station wagons.

Specifications and options are becoming more and more the same.

In the great rush to keep volumes up as the market floods with overproduction, brands are under threat.

So

- Now is the time for car companies to celebrate what they *don't* do. This strategy has an illustrious past. 'You can have your automobile in any color you want,' said Henry Ford as he launched the world's first mass-production car at half the price of his nearest competitor, 'as long as it's black.'
- Similarly, the opportunity for a car company to differentiate its brand as a testosterone-fueled two seater studmobile is wide open, now that Porsche is also a *family* car.

WHY IT MATTERS NOW

Marketers need to understand differentiation above all today.

The analog media we have used for decades are being replaced by digital media.

And the scary thing about digital media is how brutal the feedback is.

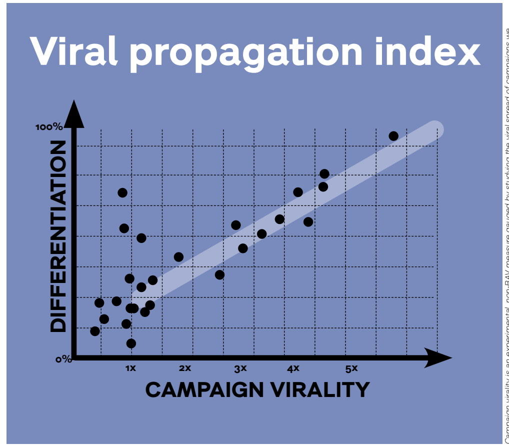
In the analog era, you could boast about the word of mouth your campaign was generating, safe in the knowledge that word of mouth was unmeasurable, and therefore you could not be contradicted.

You could also produce the world's most boring advertising campaign, and still reassure your shareholders that you had achieved 100 million impacts.

Not so today

In the digital era, you can produce a really brilliant website and still get no clicks.

And you can measure online word-of-mouth precisely with tools like VML's SEER (vml.com/seer).



Campaign virality is an experimental, non-BAV measure gauged by studying the viral spread of campaigns we have access to.

It's early days yet in our analysis, but it's already clear to us that if you want your blog posts or viral activity to propagate, your brand needs a high level of differentiation.

In the analog era, he who shouted the loudest got heard.

In the digital era, no one clicks on a brand unless it's got something *different* to say.

In the digital era, monitoring tools like dashboards let you watch people click on your ad, or interact, or respond as it happens.

The success or failure of your campaign is revealed quantitatively, decisively, and instantly.

Digital exposes failure
In the digital era, everything is measurable.

So the buck stops with the marketing.

And undifferentiated brands stand out by their failure to achieve anything.

No one wants to participate in your discussions unless you have a *different* point of view to make.

No one wants to interact with your 'social' advertising if it doesn't have something *different* to say.

No one will search for your brand online unless they think it offers something *different* to what they have already.

And no one will blog about your brand unless it's *different* either.

Clone branders, the party is over.

SUMMARY

1. Differentiation is the most important attribute in marketing. Without differentiation, there is no marketing.
2. But most marketers don't even measure it on their brands. And in most companies, what doesn't get measured gets ignored.
3. The result in many industries is that brands are becoming more and more the same, as marketers increasingly copy each other's ideas, under the guise of 'seeking best practice', 'benchmarking' and 'optimizing'.
4. The resulting 'clone' brands have lower margins, lower attractiveness to customers and lower loyalty. They also struggle to line extend.
5. Brands in the clone zone include most banks, insurance companies, airlines, cars and increasing numbers of telecoms companies.
6. Getting out of the clone zone is hard work. But any brand in any sector can do it. No brand *need* be left behind.
7. Strategies to do this break free of the market norm, and blaze new trails. They admit that *stealing with pride is still stealing.*

'Resist the usual'

RAYMOND RUBICAM
FOUNDER, Y&R

8. They also recognize that differentiation is the most powerful attribute in marketing - and that if a brand has high levels of differentiation, most of its other problems are not as serious.
9. Above all, they recognize that differentiation is not an easy, intuitive concept, and that its behavior is worthy of serious study.
10. Differentiation is particularly important today, as we move from analog to digital media. No one will pay attention to you if you have nothing different to say.

    They won't blog about you either.

    Or click on your links.

    Without differentiation, digital media strategies simply *do not work.*

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In the end, a brand has only one choice to make.

To be different.

Or to be the same as all the others.

Marketing is looking much more professional these days.

It's taught at business schools.

The techniques of lean production are being brought to it.

The only practice that matters is best practice.

What was once the mysterious art of marketing is becoming a clear, logical process.

There's just one thing though.

The process doesn't work.

Y&R