Georgia Business #428

Guest: Laura Ries
President, Ries and Ries Focusing Consultants

Richard: Hello, I'm Richard Warner and this week on *Georgia's Business*, in the past most of us would have not [paid attention to what a company's management is up to. But in this era of financial turmoil, billions paid in bonuses to executives of failing companies, retirement accounts that are shot, all of a sudden, it's all about accountability. Where should we look for answers? Well, an answer says marketing expert Laura Ries, the author of a new book called *War in the Boardroom*, is not where you might expect. The book is called War in the Boardroom, written with your dad, right?

Laura: Uh-huh.

Richard: And when you hear war in the boardroom, I sort of think of Donald Trump and you're fired, but that's not really what this is about.

Laura: No, the boardroom is where decisions are made; where the big strategic direction of a company is determined. And you have all the key people in there and unless you make the right decision, your company is not going to succeed. And it usually ends up being there's two sides at that big table. There's marketing on one side and management on the other. And they're constantly fighting. They don't understand each other and each side thinks the other side makes no sense at all.

Richard: Is nuts.

Laura: Absolutely.

Richard: Now you actually draw the delineation of right brain, left brain. Right brain being the analyt- no the creative... you get these mixed up. The right brain is...

Laura: The visual, intuitive, holistic. That's the marketing type of person. That's what Al and I are. We've been in those meetings. We've lost a lot of those battles and we said why is it? Why is it happening? We realized that management people think differently. Their brains are different.

Richard: They're left-brained.

Laura: They are left-brained. They are logical. They're analytical. I mean, they are all about verbal. They're great talkers those management people, but they don't get the visual, intuitive, holistic ideas that marketing sometimes presents.

Richard: Okay. So my retirement plan is shot. Why is this a factor in that?

Laura: Well, it's a factor because those companies are in trouble because those companies have destroyed their brands. What's wrong with GM? Has it have to do with their pensions? No! It has to do with they have no brands that stand for anything. What's a Chevrolet? What's a Saturn? Saturn at one time was a wild success, but management over the years destroyed that brand with ideas that sound logical to a management person like expanding the brand, serving more customers, but destroy the brand because it no longer means anything.

Richard: So one point of the book is particularly in this financial environment, the growth, so to speak, isn't shrinking.

Laura: Well, the growth in essence, it's not about the company shrinking, it's about the idea shrinking. You wanna shrink so that you own one word in the mind of the customer. It doesn't mean that your company doesn't have to be successful. Look at Toyota today they're the world's largest automotive maker. How? Because they have very focused brands that stand for something. Toyota stands for reliability. Lexus is for luxury. Zion is for funky cool for the kids, and then of course, Prius for the hybrid cars. They're very successful. They're very big. They make a lot of money because they have strong brands.

Richard: Alright, while you're on cars, let's talk about one that went in the other direction and that's Mercedes.

Laura: Mercedes, well indeed. What takes when you have a great brand, it take many years to destroy that brand. And Mercedes has made a lot of poor decisions. Obviously the combination with Chrysler made no sense at all. Luckily they've gotten out of that. Also, they had "what is it about Mercedes?" It stands for prestige. It stands for a hundred thousand dollars. I mean that use to be the base line entry car for Mercedes...

Richard: It went down market.

Laura: And they went down market. And it has taken time, and that brand has go down so that BMW is outselling Mercedes Benz in the United States. They've taken an enormous hit with what? With their reliability. People don't believe that the cars are as great and in the quality surveys, they've tanked, and that brand has been very seriously damaged and mainly due to things, as you say, the expansion and going down market that has undermined their authenticity.

Richard: Let me throw out some names here. Who's right, who's wrong, who's hot, who's not. Wal-mart?

Laura: Wal-mart is hot. We all know that. They're hot because they have the right strategy at the right time. They are about low prices and what do people want today? They want to have low prices. But they haven't always got it right. Remember they tried to go into fashion. What a disaster. They had ads in Vogue magazine. They weren't kidding. They threw a lot money into this and that was a huge disaster. Something that a marketer knows can't happen. Why? Because this is a classic example of the difference between management and marketing. Management believes in reality. Marketing believes in perception. For management they say,

hey, we'll hire designers, we'll make fancy clothes, and people will think of Wal-Mart as a great place for fashion. We change the reality; we change the perception. That's not how it works. Marketing knows that it is about the perception. The perception of Wal-Mart is that it's cheap but it ain't chic and no matter what's in the stores people will never perceive it as a fashion place. And today that works for them and they are known.

Richard: It's like Sears. Sears craftsman dresses, you know?

Laura: The softer side of Sears never worked for them.

Richard: Tanked. Target?

Laura: Target.

Richard: Target. Hot or not?

Laura: Well, Target is hot indeed. It is a classic number 2 brand and the best way to be a strong number 2 brand is not by copying the leader like K-Mart did but by being the opposite. And of course Wal-Mart is cheap but it ain't chic and so Target of course took that position in being cheap chic. And you know they're having a bit of trouble with the economy, but it's about long term thinking. A management many times is way too concerned about short term numbers and stock price and sales and what not. But you have to think long term, and in long term you want a slow, steady ship that stands for something. Tinkering around especially in this economy, is gonna get a lot of companies and brands in trouble. Target has got a great brand and strategy. They need to hold true and they're doing that I think.

Richard: What about a company that is in trouble and it's public knowledge, let's take Blockbuster for example, which is now flirting with bankruptcy. To protect the image or the value of the brand that's in trouble, what do you do?

Laura: Well, you know Blockbuster again is another classic case that also reminds me of Kodak. And again you have a classic battle between what marketing and management sees as the problem. Clearly do you want to save the company or save the brand? Management is concerned about the brand actually and they want to save that brand and expand Blockbuster and save it. On the other side, marketing understands that you want to save the company and sometimes brands have to die. I think, for instance in the case of Blockbuster, you have an iceberg, and the top of the iceberg is the brand, but below we know it's huge. And for video rentals, that's an iceberg that's melting. The same thing with Kodak. Conventional photography is melting. That iceberg is going away guys. You gotta plan for the future. To save that company, they should have launched a second brand. That's what Kodak should have done. I think Blockbuster, the same thing. They should have since this coming; that the future is gonna obviously by mail in some cases, and digital. Really, they should have planned. They had lots of time, lots of money, but they couldn't do it with the Blockbuster brand. They needed a second name on that thing and of course management never wants to do that. And they're in trouble today clearly.

Richard: GE. The world's greatest purveyor of executive talent; now with a stock price that was unthinkable a year ago. You're GE... do you need to fix it? Protect it?

Laura: Well, GE is kind of a classic case of everyone wants to be like GE, but you know what, most of us can't be like GE. Most of us, you know, don't have a hundred plus year heritage. We don't have the luxury of getting out of businesses we're not number 1 or number 2 in. We also don't have the competitors that they have. In most cases, they're with huge conglomerates who are not as well known and of course GE's dominating the major businesses, you know the aviation and all the really big things. Consumers think of light bulbs but GE, we know is much more than that. The problem with GE is that they haven't been very successful in future type products, in computers and things like that. And that is troublesome. But they need to stay focused. I mean, they need to stay focused on again what they have in terms of what businesses are strong for them and taking the GE Brand into the future is going to be difficult. Again, they need second brands; strong brands, launch second brands. GE needs to do more of that, not put GE on everything.

Richard: In listening to this and trying to apply it to your company, which you know, small, medium sized businesses are the biggest employers in the state. They're not GE. They're not Target, but they probably wrestle with a lot of the same issues, which is who are we? How then do you figure out who you should be? Marketers rule? Is that the answer in two words?

Laura: Well, you need to always figure out who the competition is. I mean, you can't think of it in a vacuum. Strategy isn't just about who you are but who are you competing against. What can we be first in? Clearly you want to dominate a new category. Customers don't care about brands. They care about categories of branches. The brands just represent those categories.

Richard: Tell me what a category is?

Laura: Well, look Under Armour. How are they competing so well against Nike? Not just by being better. They were the first compression type sports underwear if you will. And that has built a huge brand. Red Bull and energy drinks. It was a new category that built those brands, those companies. Not by topping the competition but by being first in something. You can't be first, you want to be a strong opposite number 2 brand like Target did against Wal-mart. And if you're a 3 or 4, you're in trouble and you gotta think about really what should be do here?

Richard: It's interesting. An Emory University professor, never forget it, wrote a book called, I believe it was *The Power of Three*. And his point was, in any business there are only going to be three players. There's dominant number one, a strong competitor, and distant number three.

Laura: Absolutely. Long term, every category goes like this.

You see at the beginning of an industry you have thousands of players and automobiles, there were two thousand different makers. Today we're down to the big three.

Richard: So to speak.

Laura: Yeah, well they're going to be the big nine if a few minutes. But of course, yeah, telecommunications; now we have AT&T and Verizon, a host of very small players. Coke and Pepsi and number three is almost nowhere if you have two strong players. Unless you're one or two, you really have to think about what else can we do and what category can we start.

Richard: So for your company - you and your dad have positioned yourselves very well in the marketplace. You're a columnist for an ad agency you're names all over the place. You very tightly defined who you are. When you go in on an engagement with a company whose trying to figure out what it is...what do you do? What's the first thing that you attempt to do to get them in the right direction?

Laura: We talk to them. One of the biggest problems we found in the war here, if you will, is that you can't go in and be marketers and big visuals and dog and pony shows - that isn't going to get it done. That's not going to convince someone of your side of the table. What you need to do is we go in and we talk with them. Left brainers, one of the things that they are very good at is talking, they like to talk. They don't like visuals, they like to talk one on one, and that's what we do with them. We ask questions and we talk to them about it long and hard to get to the problem. Really, finding the problem is the first step, and then course going in the direction of finding the solution. It's all about simplicity of what is that one word we can own? How can we position? Is our name right, is our logo right, or our colors right? What is our PR strategy? Who is our PR spokesperson?

Richard: But it all starts with that word.

Laura: It does - absolutely.

Richard: Who are you, in a word.

Laura: What is, can you define it in a word? And the strong brands are those that can define it in a word. Like "Volvo and safety," "BMW and driving," "Marlboro and cowboys." I mean think about that simplicity over, not just months, not just years, but decades. And that was a strong brand does. It's not short term tinkering, it's long-term strategic direction focused very narrowly, extremely narrowly, on one word and one visual.

Richard: And yet, managements, particularly of a public company where next quarters revenue growth is what it's all about, they're going to want to expand that. Why do we just do this one thing because it's so limiting? What about all these other markets? Are we shutting ourselves out of those markets by picking that one word.

Laura: Well this is a enormous pressure on this idea of "growth" that sales needs to grow 10-20% forever. Well do the math… that just is not going to work. Nobody can grow like that forever. And it causes you, like you say, to do foolish things to make those short-term numbers that are just not realistic. And what you end up doing is destroying the whole thing.

Richard: So you go in and you actually say to top management of a company, "Ten percent growth forever is not going to be sustainable...rethink you're priorities?" And they're going to say, "Thank you very much, I've enjoyed it."

Laura: No I think they understand it. I mean they're getting the pressure from Wall Street and from the media to give them these numbers but they understand that this is not feasible, but they need the rational. And they need to trust marketing… that marketing does make sense and does get it done. I mean the big successful companies that have been started are not those driven by left-brain big companies… they're those that come to us from entrepreneurs. And in general entrepreneurs are right-brainers at haeart. I mean they trust their gut, they're very visual, they're intuitive, and they have brought us Amazon and Google and Under-armor and Red Bull and Starbucks. These have not come from big companies. Something is broken at big companies. It comes from this desire to have un-ended growth and expansion, all these things aren't working guys, we've got to change it. This is the first direction, to understand marketing, to appreciate marketing, to end this war in the boardroom and give them a chance.

Richard: And yet you are saying that you have lost a lot of these battles. Pick one that you remember and the lesson you learned from it, or what they should have learned from it.

Laura: It's kind of classic in that you can't really talk about some of the battles but indeed you want them to do the right thing, and in the end they just say, "Forget it, we're doing it my way." And it's hard to argue with a CEO. Al back in the day, to go back in history, argued with a lot of people over this idea that every wanted to go into computers. IBM, in fact, he was at an IBM meeting and he said, "You guys are launching a personal computer? Don't do it with the IBM name." Well the guy said, "Are you crazy? This is IBM!" And they launched the IBM PC and what was that? A terrible failure. They sunk 15 billion dollars and eventually had to basically give the thing away. And of course Al was never invited back to an IBM meeting, so. I'm trying not to say bad things about people but, indeed, it is just that these very large companies it's just unheard of to really trust and really follow the advice or marketers. They think that marketing is common sense and nothing can be further from the truth. Because, like you say, really great marketing goes against common sense. It makes sense-IBM was the inventor of the computer. They stood for mainframe computer, why wouldn't you put IBM on the PC? Because it's a different category. And the mind doesn't relate mainframe and PC. Had they had done - they could have had a very strong second brand, and of course, they didn't, and they lost the battle. What a tragedy, really.

Richard: Ok so a company that has multiple products, they're about to start a new one because there's always that quest for something new at a growth path. Generally, is it better to brand it separately?

Laura: It depends on the size of the company. We actually find it's the opposite. The very large companies want to put their one brand name on everything, like IBM put them brand on everything, and GE. Small companies are all about multiple brands, and many times small companies have too many brands, and they should get rid the small ones, to focus really on one brand. Spend all their time on that one brand, and they can sometimes live with some expansion ideas, but it really has to do with the size of your company. And again, it's about the competition.

You need to be more focused then your competitors. Think about GE, people say, "Well GE isn't focused." Well GE's competitors are mostly this large, dynamic conglomerates as well. So it doesn't really hurt them that they're not as focused type businesses, they're in trouble with that very general name. You know, Nokia, stands for cell phones and they're the most successful cell phone in the entire world focused on one product.

Richard: It was interesting that your dad was not a supporter of the iPhone when it came out. He was not enthusiastic about it. Does history, that is, a year and a half, bear him out?

Laura: Well I think it's going to take a little bit longer to see what the end of the story is. I think in general we were concerned about the iPhone because of the idea of convergence - that you're wanting it to do too many things and it's not going to be good at all of those things. It's not going to be great at watching movies, listening to music, doing email, and surfing the web. So you'll always have it not be very good at any one thing. And where you have the Blackberry that's very good at wireless email. What I think you've seen now with the iPhone is really it's become a devise of its own in a category of its own. That it's not really, it's benefit is not the convergence of different things, but the emergence of a new thing. And that's the mobile internet. And being able to have the iApplications and that’s something that we didn't foresee and I think the iApplications is a very interesting idea, but I've heard also a lot of criticism from, you know, the email is very important. Without that physical keyboard people are not terribly happy with that iPhone. Of course then you have the power problem, and will in the future people have multiple devices versus can one really handle everything.

Richard: You know the question that comes to mind? And this again applies to any company that's trying to come up with a new product, back to that iPhone, did they see it emerging as it's own category back in the day when they rolled it out?

Laura: Probably not and you know what's very- Apple is a great company. Steve Jobs is one of the greatest right-brained thinkers of all times. I mean he is fabulous. He understands marketing and he has done such wonderful things for that company. One of the keys of a great right-brainer is that they're uncertain about the future. They don't know what's going to happen, and they realize this. Left-brainers on the other hand, tend to be very certain of what's going to happen. You know, they're like computers - well we studied the past and it's just going to happen in the future like the past. Marketers know that isn't true, and I think they are starting to understand the iPhone. Initially, if you remember the ads, it was all about the combination of feature. Today it's not so. Today it is about the iApplications, and that's where the excitement is. They didn't know that, but that's why you have to roll these things out. That's why you have to have a long term plan, and again, who is the competition? There's nobody.

Richard: Well you say that, I was thinking...when you mentioned Nokia, which has the dominant market share, more than the next two competitors combined. Nokia I think would be the competition.

Laura: Well I mean and they were. Nokia was very focused on bringing combination devices out. They had the Engage which was the so-called game, and phone, and all of these things were

dismal failures. Motorola had many with the music, you know the rocker, and all these other things.

Richard: Razor

Laura: Well the combination in all of them have been terrible failures, because people don't want a combination. They want an Apple. I mean they were willing, really, to almost buy anything that's Steve Jobs. Because all of the phones out there were just not very interesting. They weren't very beautiful, they weren't marketed very well, and Apple knows how to market, that's for sure.

Richard: We started out this half hour by saying that the battle in the boardroom between the marketers and the executives had a role in putting us in the recession that we're currently in. Can marketers lead us out of that?

Laura: I think so. I mean really what has gotten us into this recession is severe left-brain thinking. The companies being run by the numbers, run by the computers, run by the analytics, that just, you know, predicted terrible things. And right-brainers understand, you can't lend people money that aren't going to pay it back. That just doesn't make sense. And for companies, you need to stand for something. To get out of this, to get out of any recession, to do well in any economy you need a brand. To have a brand you need to stand for a word in the mind, and hopefully, in the boardrooms of America and around the worse, there's going to be a better understanding of marketing, or branding. And how companies truly become successful. They become successful because they have strong brands. Strong brands is what gives a company profits, because people are willing to pay more for them. If you sell just on price, you're going to be in serious, serious trouble. The key is having a brand.

Richard: Being able to define who you are over and over… over a long period of time, because you're going to get tired of that message, that's certainly been a lesson I've seen in marketing, you get tired of it much sooner than customers do.

Laura: Absolutely. I mean many, look at Coca Cola. I mean they're a classic example of this with constantly changing their advertising agencies, and advertising campaigns because, you know, they want to do something. And internally they want to show that they're doing something. Well what works in marketing is the same message over and over for years and decades. Like the classic, you know, Marlboro and cowboy, I'm sure, you know, they'd love to put something else on those ads but it would be a terrible idea. Because that's what works.

Richard: Well they brought Speedy Alka-Seltzer back

Laura: Yeah

Richard: So you are seeing, maybe that's a boomer thing. I've also

Laura: A little retro a bit I think. They should have stuck with it all along, that's the point. Not as much bring it back, but you never should change. Don't change. When you get something that works, stick to it. And you see a new idea? Launch a second brand.

Richard: Entrepreneurs who are listening to this and trying to figure out how to survive in some cases, perhaps grow in others. The message that you're sending to an entrepreneur is shrink youre message, clarify your message. Be clear.

Laura: Yeah well entrepreneurs are very good, I think, at understanding the need for a very clear and simple message that lends itself well to a visual. They get that. Sometimes I think entrepreneurs, when they're starting in business, the worst thing they can do it listen to their left-brain friends and associates, who might try to steer them in the wrong direction. And research, that's another thing that can be very, very troublesome to any company.

Richard: Research that shows what?

Laura: Well, research when you're launching a brand, entrepreneurs and companies love to do research. But entrepreneurs - think of Red Bull. The entrepreneur Dietrich Mateschitz did some research for Red Bull before launch, and he found, in that research, people hated the taste, they hated the name, they hated the price, they hated the can - big companies would never have launched that brand. But you know what he said? Ah that heck with it I think it's a good idea, we'll go with it. You know why? People can't predict the future. You know, they don't take that experience in a focus group, they don't know

Richard: Go with your gut and fly in the face of research

Laura: Well in some cases, yes. If you are a great thinker, right-brainer and you have a feeling, if you have an instinct for this, absolutely. Don't base your decision simply on analytics and computers and research in a boardroom. Base it on perception. Base it on your experience. Base it on, you know, knowing history but understanding and having a vision for what can be in the future. And there's always going to be new categories, that's the great thing, there's always opportunity for building new brands.

Richard: Laura Ries whose book with her dad, Al, is War in the Boardroom. Available now at bookstores, Amazon, elsewhere.

Laura: Yep, everywhere you can buy books, it's there.

Richard: Always a pleasure, thanks for being with us

Laura: Thank you.

Richard: And thank you for watching. You can catch a replay of this show in Atlanta on the radio on WCFO that's 1160 AM and you can listen on iTunes, just do a search on Georgia's Business. For now, I'm Richard Warner, thanks for watching. And until next week, don't sell yourself short.