AL RIES and LAURA RIES

THE 22 IMMUTABLE LAWS OF BRANDING

How to Build a Product or Service into a World-Class Brand

BONUS: Includes *The 11 Immutable Laws of Internet Branding*

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How to Build a Product or Service
into a World-Class Brand

(This edition combines *The 22 Immutable Laws of Branding* and
The 11 Immutable Laws of Internet Branding
with added illustrations and text.)

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Dedicated to Mary Lou and Scott.

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INTRODUCTION

What is branding? From a business point of view, branding in the marketplace is very similar to branding on the ranch.

A branding program should be designed to differentiate your product from all the other cattle on the range. Even if all the other cattle on the range look pretty much alike.

Successful branding programs are based on the concept of singularity. The objective is to create in the mind of the prospect the perception that there is no other product on the market quite like your product.

Can a successful brand appeal to everybody? No. The same concept of singularity makes certain that no one brand can possibly have a universal appeal.

Yet, broadening the base, widening the appeal, and extending the line are all popular trends in marketing. The same forces that try to increase a company's market share are also the forces that undermine the power of the brand.

It's the difference between selling and branding. Could you sell a $100 Rolex watch? Sure, you could probably sell millions of them and in the process increase sales of Rolex watches. But what would happen in the long term to the Rolex brand? A cheap Rolex would ultimately kill the expensive Rolex brand.

The same principles apply to almost every aspect of marketing. In the short term, conventional marketing strategies (expansion and line extension) can increase sales, but in the long run they usually undermine the power of the brand and decrease sales.

Conventional marketing is based on selling when it should be based on branding. Marketing is not selling. Marketing is building a brand in the mind of the prospect. If you can build a powerful brand, you will have a powerful marketing program. If you can't, then all the advertising, fancy packaging, sales promotion, Web designs, and public relations in the world won't help you achieve your objective.

Marketing is brand building. The two concepts are so inextricably linked that it's impossible to separate them. Furthermore, since everything a company does can contribute to the brand-building process, marketing is not a function that can be considered in isolation.

Marketing is what a company is in business to do. Marketing is a company's ultimate objective. That's why everyone who works in a corporation should be concerned with marketing, and specifically, with the laws of branding.

If the entire company is the marketing department, then the entire company is the branding department.

As illogical as it might seem, we can visualize a time when the marketing concept itself will become obsolete, to be replaced by a new concept called "branding."

What is accelerating this trend is the decline of selling. Selling, as a profession and as a function, is slowly sinking like the *Titanic*. Today most products and services are bought, not sold. And branding greatly facilitates this process. Branding "pre-sells" the product or service to the user. Branding is simply a more efficient way to sell things.

That old expression "Nothing happens until somebody sells something" is being replaced by today's slogan, "Nothing happens until somebody brands something."

Take a supermarket or a drugstore with brands lined up on the shelves. A lot of buying takes place as customers pick and choose among various brands. But where's the selling?

The selling is in the brand. In this age of multimedia, the verbal endorsement of a product—essentially, its guarantee—is represented by the brand name rather than by the personal recommendation of a salesperson.

What has been true for years in the supermarket is now beginning to catch on across the marketing landscape. Except at the cosmetic counters, most department stores sell products without the help of a salesclerk. The salesclerks are there to help ring up sales, period.

More and more car dealers are adopting the one-price, no-haggling Saturn strategy. Bookstores, pharmacies, bed-and-bath outlets are almost all self-service retailers. Even shoe stores are moving in that direction.

The retailing world is becoming one big Wal-Mart Supercenter. Products are stocked in depth, artfully arranged, and reasonably priced, but never "sold."

There's a seismic shift taking place in the world of business. The shift from selling to buying. This shift is enhanced by, accelerated by, and caused by brands.

The essence of the marketing process is obviously building a brand in the minds of consumers. But what, you may ask, is a brand?

Some managers believe that brands possess unique identities and qualities separate and distinct from their company or product names.

"They made their name into a brand," said one analyst about a company's successful marketing program.

They made their name into a brand? What does this statement mean? In truth, nothing. On paper, there is no difference between a company or product name and a brand name.

Obviously, marketing people have all sorts of definitions for company names, division names, brand names, and model names, not to mention subbrands, megabrands, flanker brands, and other variations.

When you look inside the mind of the prospect, however, all of these variations disappear. Imagine a customer saying to a friend, "What do you think of this new flanker brand?"

"Not much. I stick with megabrands or subbrands."

People don't talk that way. Nor do they think that way. To paraphrase Gertrude Stein, "A brand is a brand is a brand."

A brand name is nothing but a word in the mind, albeit a special kind of word. A brand name is a noun, a proper noun, which like all proper nouns is usually spelled with a capital letter.

Any and every proper noun is a brand, whether it's owned by an individual, a corporation, or a community. Patagonia is a brand name for a clothing line, but it's also a brand name for the tourist industries of Argentina and Chile interested in promoting travel to this pristine and beautiful place.

Philadelphia is a brand name for the leading cream cheese, but it's also a brand name for the City of Brotherly Love.

Brands are not limited to the 2.5 million trademarks registered with the U.S. government. Nor the additional millions of names and logotypes registered with other countries around the world.

Any proper noun is a brand. You are a brand. And if you want to be truly successful in life, you should consider yourself a brand and follow the laws of branding outlined in this book.

The power of a brand lies in its ability to influence purchasing behavior. But a brand name on a package is not the same thing as a brand name in a mind.

The customer who stops at a 7-Eleven to pick up a loaf of bread and a quart of milk usually ends up purchasing two branded products. Yet there might be little or no brand preference in the buyer's mind. It's just a quart of milk and a loaf of bread. Both commodity purchases.

Yet the same customer might also buy a six-pack of beer and a carton of cigarettes. Chances are high that the customer will search out a particular brand of beer and a particular brand of cigarettes to buy.

Conventional wisdom suggests that beer and cigarettes are different from bread and milk. Beer and cigarettes are brand buys. Bread and milk are commodity purchases.

While this may be literally true, it overlooks an important consideration. You can build a brand in any category, including bread and milk, as long as you follow the laws of branding. Some companies already have done so with brands like Lactaid in milk, Silk in soy milk, and Earth Grains in bread.

If there ever was a commodity category, it's H_2O, otherwise known as water. Since almost every person in America has access to good, clean water out of a tap, there is no need to buy water from a store, but many people do.

The brand name Evian is so powerful that the last time we bought 1.5 liters, we paid $1.69. That same day, on a per-liter basis, Evian was selling for 20 percent more than Budweiser and 40 percent more than Borden's milk. That's the power of branding.

What this book will help you do is to apply brand thinking or the branding process to your business. In other words, to turn your water into Evian, or yourself into the next Bill Gates. Aim high. You can never achieve more than you aspire to.

Since we wrote *The 22 Immutable Laws of Branding,* the Internet has arrived on the marketing scene. It's our opinion that the Internet will have an enormous impact on the way products and services are marketed. For example, 30 percent of all Southwest Airlines tickets are currently sold on the Web, 50 percent of all Dell computers are now sold on the Web, and an astounding 68 percent of Cisco's orders are currently taken on the Web.

The Internet is the ultimate in brand-centered buying. Consumers are purchasing automobiles from Websites without ever seeing the cars or going for a test drive.

What's happening in the automobile industry is also happening in many other fields. In financial services, for example, companies like Charles Schwab, E*Trade, Fidelity, and Vanguard are offering direct access, cheaper commissions, and on-line customer service, giving traditional stockbrokers a run for their money.

The Internet will have an enormous impact on the way products and services are branded. Why? One reason is that Internet brands are invisible. Before you can visit a Website, the name of that site first has to be registered in your mind. You can cruise the aisles of a supermarket and pick up brands that look interesting, but cruising on the Internet is a totally different story.

With millions of sites to choose from, you pretty much have to know where you're going before you embark on your Internet journey. You can, of course, start your journey at a search-engine site. But that's only a temporary solution. As more and more brands get embedded in the prospect's mind, why would anyone want to waste time checking in with a search engine when he or she can go directly to the site?

Why would anyone check out where to buy books at Yahoo! when you can go directly to Amazon.com? The Amazon brand was one of the first brands to be strongly registered in the mind of the book-buying public. But there are certain to be many more Amazon-like Internet brands to come.

How do you build a brand like Amazon.com? And furthermore, will brand building on the Internet be different from brand building in the real world? We think not. We think that all the laws of branding apply equally to the Internet as they do in the real world.

Recently, of course, the dotcom boom has become the dotcom bust. But is the Internet destined to go the way of the hula hoop? Hardly. In our opinion, most dotcom failures are branding failures.

- BarnesandNoble.com, Walmart.com, and Sears.com violated Internet Branding Law No. 1, the Law of Either/Or. None of these sites have done well.

- Pets.com, Garden.com, eToys.com, Furniture.com, Living.com, Hardware.com, Auctions.com, and hundreds of other sites violated Internet Branding Law No. 3, the Law of the Common Name.
- Free-PC, Freeinternet.com, and a host of sites based on giving products or services away in order to sell advertising have gone bankrupt. Why? They violated Internet Branding Law No. 6, the Law of Advertising.

And so it goes. You can't build a brand in the real world, and you certainly can't build a brand on the Internet, if you violate the laws of branding.

On the other hand, there are a number of big branding successes on the Internet:

- Amazon.com in books
- eBay.com in auctions
- Monster.com in jobs
- America Online in Internet service

What differentiates the winners from the losers? Good branding. And so we predict that those companies that follow the principles of Internet branding will be able to develop successful Internet brands . . . even though the Internet itself has become a graveyard of broken dreams.

Which is nothing new. In the past hundred years there have been some two thousand American automobile companies. Today, however, only two remain (General Motors and Ford). Does that mean that the automobile business is a bad business? Not necessarily.

In the past twenty-five years there have been some two hundred American manufacturers of personal computers. Today, two companies dominate the PC field, Dell Computer and Compaq. Does that mean the personal computer business is a bad business? Not necessarily.

So, too, with the Internet. Like any other high-profile industry, the Internet has attracted thousands (if not millions) of players. And most will fail.

If your company wants to be a powerful player on the Internet, then you need to study both the Internet itself and the laws of branding.

In addition, there are some unique circumstances about the Internet that pose special problems for branding. That's why we originally wrote the book *The 11 Immutable Laws of Internet Branding*.

Since the laws of branding apply equally to the real world and to the Internet, we feel that it would be helpful to have all the laws of branding in one convenient volume. Hence this book.

THE 22 IMMUTABLE LAWS OF BRANDING

1 THE LAW OF EXPANSION

The power of a brand is inversely proportional to its scope.

Think Chevrolet. What immediately comes to mind?

Having trouble? It's understandable.

Chevrolet is a large, small, cheap, expensive car . . . or truck.

When you put your brand name on everything, that name loses its power. Chevrolet used to be the best-selling automobile brand in America. No longer. Today Ford is the leader.

Think Ford. Same problem. Ford and Chevrolet, once very powerful brands, are burning out. Slowly heading for the scrap heap.

Ford buyers talk about their Tauruses. Or their Broncos. Or their Explorers. Or their Escorts.

Chevrolet buyers talk about their . . . Well, what do Chevy buyers talk about? Except for the Corvette, there are no strong brands in the rest of the Chevrolet car line. Hence, the brand-image problem.

Chevrolet has ten separate car models. Ford has eight. That's one reason Ford outsells Chevrolet. The power of a brand is inversely proportional to its scope.

Why does Chevrolet market all those models? Because it wants to sell more cars. And in the short term, it does. But in the long term, the model expansion undermines the brand name in the mind of the consumer.

Short term versus long term. Do you broaden the line in order to increase sales in the short term? Or do you keep a narrow line in order to build the brand in the mind and increase sales in the future?

Do you build the brand today in order to move merchandise tomorrow? Or do you expand the brand today in order to move the goods today and see it decline tomorrow?

The emphasis in most companies is on the short term. Line extension, megabranding, variable pricing, and a host of other sophisticated marketing techniques are being used to milk brands rather than build them. While milking may bring in easy money in the short term, in the long term it wears down the brand until it no longer stands for anything.

What Chevrolet did with automobiles, American Express is doing with credit cards. AmEx used to be the premier, prestige credit card. Membership had its privileges. Then it started to broaden its product line with new cards and services, presumably to increase its market share. AmEx's goal was to become a financial supermarket.

In 1988, for example, American Express had a handful of cards and 27 percent of the market. Then it started to introduce a blizzard of new cards including: Senior, Student, Membership Miles, Optima, Optima Rewards Plus Gold, Delta SkyMiles Optima, Optima True Grace, Optima Golf, Purchasing, and Corporate Executive, to name a few. The goal, according to the CEO, was to issue twelve to fifteen new cards a year.

American Express market share today: 18 percent.

Levi Strauss has done the same with blue jeans. In order to appeal to a wider market, Levi introduced a plethora of different styles and cuts, including baggy, zippered, and wide-leg jeans. At one point, Levi's jeans were available in twenty-seven different cuts. And if you could not find a pair of jeans off the rack to fit, Levi's would even custom cut jeans to your exact measurements. Yet over the past seven years the company's share of the denim jeans market has fallen from 31 to 19 percent.

Procter & Gamble has done the same with toothpaste. When we worked for Crest, the marketing manager asked us, "Crest has thirty-eight SKUs. Do you think that's too many or too few?"

"How many teeth do you have in your mouth?" we asked.

"Thirty-two."

"No toothpaste should have more stock-keeping units than teeth in one's mouth," we responded.

When we were asked that question, Crest had 36 percent of the market. Today the brand has more than fifty SKUs, but its market share has declined to 25 percent. And not surprisingly, Crest has lost its leadership to Colgate.

Many companies try to justify line extension by invoking the masterbrand, superbrand, or megabrand concept.

- Chevrolet is the megabrand and Camaro, Caprice, Cavalier, Corsica-Beretta, Corvette, Lumina, Malibu, Metro, Monte Carlo, and Prizm are the individual brands.
- Pontiac is the megabrand and Bonneville, Firebird, Grand Am, Grand Prix, and Sunfire are the individual brands.
- Buick is the megabrand and Century, LeSabre, Park Avenue, and Regal are the individual brands.

But people don't think this way. In their minds, most people try to assign one brand name to each product. And they are not consistent in how they assign such names. They tend to use the name that best captures the essence of the product. It could be the megabrand name. Or the model name. Or a nickname.

The Lumina owner will say, "I drive a Chevrolet." The Corvette owner will say, "I drive a Vette."

There are thousands of tiny teeter-totters in the consumer's mind. And like their real-life counterparts, both sides can't be up at the same time. On the Chevrolet/Lumina teeter-totter, the Chevrolet side is up, so the car owner says, "I drive a Chevrolet." On the Chevrolet/Corvette teeter-totter, the Corvette side is up, so the Corvette owner says, "I drive a Vette."

Marketers constantly run branding programs that are in conflict with how people want to perceive their brands. Customers want brands that are narrow in scope and are distinguishable by a single word, the shorter the better.

But marketers, in an effort to distinguish their products from other similar products in the marketplace, launch ridiculously overzealous brand names:

- Vaseline Intensive Care suntan lotion
- Neutrogena oil-free acne wash
- Gillette ClearGel antiperspirant
- Johnson's Clean & Clear oil-free foaming facial cleanser
- St. Joseph aspirin-free tablets for adults
- Kleenex Super Dry baby diapers
- Fruit of the Loom laundry detergent
- Harley-Davidson wine coolers
- Heinz all-natural cleaning vinegar

Marketers often confuse the power of a brand with the sales generated by that brand. But sales are not just a function of a brand's power. Sales are also a function of the strength or weakness of a brand's competition.

If your competition is weak or nonexistent, you can often increase sales by weakening your brand. That is, by expanding it over more segments of the market. You can therefore draw the conclusion that line extension works.

But in so doing, the only thing you have demonstrated is the weakness of the competition. Coca-Cola had nothing to lose when it launched Diet Coke, because the competition (Pepsi-Cola) also had a line-extended product called Diet Pepsi.

While extending the line might bring added sales in the short term, it runs counter to the notion of branding. If you want to build a powerful brand in the minds of consumers, you need to contract your brand, not expand it.

In the long term, expanding your brand will diminish your power and weaken your image.