

Foundation for a New Business

by Antonio A. Prado

The world - meaning investors, clients, vendors and employees - sees a tech company through its brands. These days, a lot of tech brands have gotten a bad rap.

Public perceptions have been battered by the tech wreck and the dot-com crash, along with all the preceding hype. The desperation and price discounts of the recent fire-sale mentality

Firms need to protect image — many tech companies hurt by hype, lofty expectations, says corporate identity guru.

don't help, either.

Tech execs even have a gloomy view of their own industry. In Liquid Agency's 2001 "Bruised and Battered Brands Poll," 80% of marketing executives surveyed said the industry downturn has hurt tech brands.

Brand image must be protected for a company to ride out the recession looking strong, says John Allen, senior partner at corporate identity consulting firm Lippincott Mercer in New York.

Allen spoke with Investor's Business Daily about protecting tech brands during an economic downturn.

IBD: What's hurting tech brands during this downturn?

Allen: It's benign neglect. This has been a hybrid bad time since Sept. 11. It's not just the recession, but that people are asking a lot of questions about what they're spending on. And in bad times, (consumers and corporate buyers) experiment less with new products. Plus, a lot of brands have been discounted.

IBD: Why is that bad?

Allen: There's a big spread between street price and list price. People are automatically expecting to get 15% or 20% off. We've been conditioned by this word "sale." It's lost its luster. That's a loss of control. You shouldn't be sitting there where you're discounting your product to the point where you've commoditized it. And everybody's done it a bit. The "rising tide" analogy exists here somewhere. But this ebbing tide hurts everybody.

IBD: How did tech firms lose control?

Allen: High-tech buyers are pretty well educated. They're pretty good at questioning. They really do some research here. They really understand price points and configurations. They actually spend time looking at things. There are also different (sales) channels here. You tend to expect different price points at different channels, like warehouse stores, catalogs, business-to-business portals, etc.

IBD: How does hype hurt a company?

Allen: It's always dangerous. Hype puts a lot of expectations on a company. It's a dangerous position - to always have to be on the cutting edge of this or that. And it's difficult for tech people to understand that. When companies are constantly unveiling new products and services,

marketing materials can grow out of control. Look at the Super Bowl two years ago. That was bordering on avarice.

IBD: What's an example of a well-handled tech brand?

Allen: IBM. They never got into "This is the fastest, this is the cheapest" and so on. IBM was seen as this big, slow whale. You don't have to look any further than those three letters to see a good way of rebuilding a brand.

IBD: What about big marketing campaigns?

Allen: There's a tendency to believe that it's how much money you put behind a brand that makes it good. That's kind of a myopic way to look at it. Heavy advertising spending is not a prerequisite for building a strong brand. EBay (EBAY), one of the few profitable Internet companies, spent only \$15 million on advertising in 1999. That's one-third of what some other dot-coms shelled out on advertising.

IBD: How can a chief executive help or hurt a company's brand?

Allen: A CEO doesn't necessarily have to be charismatic. If they understand intuitively the company's vision, mission and position, and they can communicate that - and not just to five analysts on Wall Street - it is such a tremendous tool that the company has. You have one person who can galvanize everything. Those kinds of people are priceless. There aren't a lot of them around.

IBD: Can a depressed stock price hurt a brand's image?

Allen: If you don't promote your own brand, if you're not out there promoting the positive things, then the only news you're ever going to get is what happens to its stock. Then when the market goes down, the only perception you're going to get is that the company is in trouble. Public relations really helps here more than (advertising).

IBD: What can firms do during a downturn?

Allen: Tighten the communication reins. It is tempting and seemingly efficient to slash marketing budgets across the board by 20%. But there is a more strategic approach. An objective communications audit is the first step to ensuring that all marketing efforts are consistent and not wasteful. It requires some analysis upfront and some applied thinking after that. Other cost-cutting measures include co-branding advertising, consolidating outside vendors and cutting down on printing costs by creating more electronic promotional material.

IBD: Why is this a good time to launch a brand-management program?

Allen: An economic downturn can be the best time to centralize brand control and establish a system that codifies control of the brand across the company. Lean times, or even the threat of lean times, force us to be more careful in our decision-making.

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