Brand Monopoly

Who Commands the Most Attractive Competitive Position?

Dr. Oliver Börsch

"Competitive strategy is about being different." This was the succinct conclusion of the Harvard mastermind Michael Porter. For more than 25 years now, the economist has been urging companies to stabilize their differentiation in competition as an important pillar of their corporate strategy alongside efficiency. At the core of his differentiation strategy is the selection of company activities and their unique design. The reasoning appears plausible: competitors can quickly copy methods and processes for the creation of similar products and services – quite frequently with the collaboration of external corporate consultants. Only a system of differentiating business activities protects the company from the interchangeability of its products and services and the decline of its prices. That is the theory, anyway....

But even the constant expansion and refinement of this thought model by the addition of strategy variants and strategy processes could not protect Michael Porter from the final judgment of actual practice. Companies cited as sterling examples in his writings found themselves in serious trouble only a few years later. Other companies were never able to even begin with the realization of his system approach. The accelerating dynamics of the markets and the technologies driving these developments forward turned competitive differentiation into a chain of nonstop sprints during which many companies ran out of breath. Even where elaborate strategy processes were enhanced with feedback, reactions, and revisions, they were generally overtaken on the outside by the results of competitive developments running contrary to strategy. Market and competition dynamics increasingly counteracted the differentiation efforts of companies.

Reality simply refuses to conform to economic strategy models. It is probably intractable no matter what the theoretical model, but it is especially recalcitrant when it comes to economic models. And as long as economists do not burst the bonds of the narrow reference frameworks of their economic strategy models, their models will continue to be plagued by a similarity to Procrustean beds. Even the famous axiom, "...the competitive strategy is rooted in the economic structure of an industry...", has long since been left behind by reality. Concepts such as "industry" or "market" are statistical fictions today. Business migrations and the dissolution of market boundaries became common well before the Internet put in an appearance. For example, how does "ALDI" set itself apart? Products? Processes? Costs? Prices? Distribution? Presentation of merchandise? Concentration on specific merchandise? Target groups? Market segments? A little bit of everything, or none of the above? The conventional way of looking at things does not lead to any enlightening insights. ALDI is not oriented to economic differentiation models; ALDI pursues a *brand strategy*.

Differentiation through the use of brands differs as a principle from differentiation through the use of business objects and processes. Brand strategy is an alternative to conventional economic strategies in the sense of

the phrase *alter natus* = different at birth. Brand strategy aims solely at people and their constant need to decide in favor of or against something. It looks at people in their roles as *choosers* – no matter when, where, and what they have to choose. The influencing of people's behavior when making choices is the sole focus of a brand. That is why a brand strategy requires a smaller number of parameters which differ qualitatively as well in comparison with economic models. In consequence, they provide a comparatively higher degree of security concerning the results and a longer-term effect of the results, the basis of their superiority, which always puts on an especially impressive demonstration whenever a brand strategy is used as a comprehensive corporate strategy; a prime example is *Apple*.

But since the nature of the brand strategy is different from that of the economic strategy, its use does not preclude the parallel application of the latter. Brand strategy is a differentiation strategy which initially leaves all of the other business dimensions open because it goes about its work in a different way: a brand strategy differentiates because it generates *differentiated emotions*. And these emotions control all of the downstream assessment and opinion-shaping processes in all of a company's target groups. Brands evoke differentiated emotions which in turn stabilize differentiations in the willingness to behave in different ways. The consequence: pre-judgments which channel and control all of the processes handling the information about a company and its products and services. If a company's products and services are coordinated with the brand idea, emotion and cognition reinforce each other and establish the long-lasting unique position of a company.

It is highly probable that differentiation by means of brands will gain even further in significance in the future. As material, technical, financial, and informational competitive advantages level off more and more, a paradigm change is imminent: following decades of economic growth measured against quantitative material standards, the pressure for growth according to qualitative emotional standards has built up. The question about the ideal value of what has been achieved is rumbling more and more ominously due to this pressure. This vague rumbling can be heard in many areas of our society and is not something new that has erupted for the first time since the start of the current "crisis". Conversely, interested observers perceive more and more often situations in which emotional causes have enormous economic effects. For example, people pay more for the "Kelly Bag" from *Hermes* than for one hundred technically perfect leather handbags from *C&A*, or the tickets for the *Cirque du Soleil* cost many times more than what a conventional circus can dream of charging.

The probability rises even higher if the assessment is based on longer time periods. Industry and economy grew up as siblings, both being children of rationalism, and are today more than 300 years old. Their development was marked by the spirit of the Enlightenment, which proclaimed the progress of man through reason. Today, in the so-called post-industrial era, the signs are multiplying that we are entering a kind of *economic Storm and Stress epoch* as was once seen in art and literature. Ironically, two spearheads of technological-scientific progress, cognitive psychology and neuroscience, confirm today that the mind does not function without emotion and is controlled by the latter unconditionally. Every judgment is based on emotions and is only later rationalized in the form of cognitive opinions. A leading brain researcher provocatively puts it this way: "A human being is an ape with a spin doctor in his head."

Company managers who overcome their anxiety and integrate modern brand strategies into their portfolio of strategy types, who learn today to deal rationally with the irrational, will have a good chance tomorrow to differentiate their companies long-term and occupy a highly profitable competitive position. Whoever does so has fans, whoever does so is cult, whoever does so sets himself apart by means of a powerful attraction which works by suggestion and holds a *fascination monopoly*. In terms of competition standards, he is not interchangeable, is unique – and will stay so long-term. A differentiation based on brands is always a long-term strategy. It generates calm and

orientation in the company and on the market – you know who you are and what you can do.

Brand strategy is also interesting as a differentiation strategy because it is a growth strategy. One can all too easily slip into thinking of differentiation in competition as a *niche strategy*. But this is a misunderstanding. The differentiation goal of a brand is uniqueness, the new, as yet unoccupied position among the competitors, not the niche. The circumstance that, by its nature, there are not very many competitors crowding each other in this position and that a correspondingly large market volume could manifest itself does not indicate limited growth. On the contrary, new, original, and vital market positions in particular inherently include the opportunity for tremendous growth from the attraction and bonding of previously undeveloped target group potential. This insight can easily be expanded to encompass entire national economies: differentiation through brands creates vast spaces, room between the competitors' positions. The *fascination* which brands generate puts distance between their target groups, generating a general harmonization of the competition. When every company cultivates its identity on the basis of brand differentiation, both it and its supporters set themselves more and more clearly apart from the competitors and their supporters. A genuine Porsche fan does not trade in his car for a Corvette even if it is offered to him at a lower price. And a true "Apple believer" would not touch an *IBM Think Pad* with a ten-foot pole. *Fascination* is incorruptible. That is what protects strong brands from price declines and interchangeability.

Differentiation through the brand is warmly welcomed among a company's public, simplifying for them as it does the process of forming a judgment and opinion regarding the offered services. The function of the brand, its reduction of complexity, is all the more important the more confusing and in need of explanation a line of products is. That is why brands are becoming increasingly more interesting on our highly modern services markets, especially for companies with abstract and complex business activities. Although a brand does not shield a company from its competitive struggles, it integrates and binds together all of its competitive advantages into a single *good name*.

But actual practice passes final judgment here as well. And experience shows that it is not such an easy matter to establish and defend this kind of *good name*. The Age of Enlightenment mentioned above went hand in hand with the idea of conformism, the adaptation to the collective ideals, schools of thought, management fashion and models. At the strategic level, this adaptation peaked, for example, in the principle of *benchmarking*. Benchmarking is a good way to anchor technology standards and quality norms, but it is terrible for any form of differentiation. At the communicative level, this type of adaptation expresses itself frequently in the form of interchangeable identities and messages. This is where strategy must mobilize a spirit of resistance and train the power of resistance. This is much more a question of character than one of intellect. We remember Michael Porter: "It's all about being different."

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