Chapter 8 – Building a valuable brand: survival development, 'divorce'

Your brand and survival

The pressure on today's companies to have a brand is overwhelming. The brand gurus at agencies like Interbrand argue that only strong brands survive.

The media preach the virtues of branding – often without actually having a true understanding of what it involves. A strong brand is viewed as synonymous with unbridled success. It is a panacea for all a company's woes. Only companies with weak brands are destined for the scrap heap.

But is that really the case? This chapter will help you understand and build a brand, and use that brand as a tool in the sales process – but not at the expense of building your business.

Let's start with the kind of cautionary tale that's meat and drink to the branding experts (who shouldn't get too much – if any – of your money, by the way).

A case of premature branding

Rocket, as you may recall, was a business that I became involved with after leaving Virgin. Rocket offered time-poor professionals ready meals that were made from high-quality fresh ingredients. The idea was that it would be possible to get the meal from packet to plate in six minutes.

Rocket chose to focus on its brand development from day one. My goodness, the level of detail was overwhelming – branding agencies, a fancy brand document, point-of-sales materials, elaborate print campaigns, development of colour schemes, logos, uniforms… you name it, they spent money on it. Hundreds of thousands of pounds were spent on materials and design before a single sale was made.

The only thing the company wasn't spending sufficient money on was survival. The management team didn't understand how to generate sales. So while Rocket won praise for the look and layout of their stores and the well-dressed staff, sales remained shockingly low. The business was going under at a rate of knots.

Realising that there was no time to be lost, I began developing plans to ensure the business could survive. But when I raced in with the blueprints, a huge debate with the management ensued about whether these ideas were consistent with the brand strategy. The business was haemorrhaging cash and going nowhere, yet the management's main concern was that we didn't contradict any of the brand attributes that they had spent so much money on.

Inaction is the death knell for any start-up business, and Rocket was crippled by its brand obsession. The obvious truth was that the brand was defined too early, before the team knew what the key elements were that would drive revenue. The fact was that they had not spent enough time on working out how to convince customers to buy their product. Rocket's management team did eventually come to its senses, but not before it had wasted a huge amount of time, effort and money. If its parent, Unilever, had not had such deep pockets, Rocket would have crashed and burned.

During the dot-com boom I was approached by a venture capital investor to see if I would be interested in taking a senior position (a very lucrative one, I might add) at Boo.com. The chief executive of the business was proudly proclaiming that 'with a marketing and PR spend of only $22.4 million, we have managed to create a worldwide brand'. My instincts were to immediately say no to the job offer – the business seemed like a classic case of style over substance. As it turned out, my instincts were right – the veneer of the brand covered a fundamentally flawed business model. By the time Boo.com went under, more than $130 million of investors' money had been spent and the Boo.com name and images were sold for just £250,000.

There are countless other examples like Rocket and Boo.com where businesses have put brand (or at least their understanding of brand) before commercial business. Too many start-up companies are led to believe that 'brand' is a panacea for all the issues that the business will face. I'm dismayed and outraged by the so-called brand experts who hire stalls at start-up exhibitions and insist that it's vital for would-be business-builders to spend thousands of pounds on a brand they just don't need. I can't tell you how many times I have been frustrated by aspiring entrepreneurs telling me that they could launch their business if they could just raise, let's say £250,000 to establish and build the brand.

Sales – not branding – are the imperative in business-building. Successful entrepreneurs know that a brand is no good without sales. The new business's initial efforts must be focused on driving sales and meeting customers' expectations. As sales increase, the brand become established. If customers buy the product and are satisfied with it, they will encourage others to buy too. At the end of the day, a brand is nothing more than a promise that is consistently delivered. Just like the culture within a business, you will always have a brand. It is an inherent philosophy. It's either rubbish or it's good. Either way, it's led by your customers' experience of your business, and will take time to develop, change and evolve.

But before you jump in your car to go and protest outside the office of your local branding agency, let's look back on some of the experiences I've outlined in the foregoing chapters. I remember sitting in a Mayfair bar sipping vintage champagne and celebrating the successful securing of a 50% investment in Virgin Direct by joint venture partner AMP, the Australian financial services group, for £900 million. And why did AMP invest £900 million? They wanted permission to use Virgin's brand. So, in practice, all Virgin brought to the Virgin Direct venture was its name.