

KENNETH B. LERMAN
Business and Brand Management Consultant
email: lermank@kenlerman.com • www.kenlerman.com
1668 N. Sagebrush • Wichita, Kansas 67230
Office (316) 733-5800 • Fax (316) 733-5077

BRAND MANAGEMENT
PROFITABILITY & THE NEW ECONOMY

For nearly 30 years larger, well-known sophisticated companies have prospered with Brand Management. Its entrance into mainstream business America and its acceptance is just beginning.

Proctor & Gamble introduced the business building strategy of brand management to re-emphasize and assign responsibility for individual brand profitability – Kellogg's Corn Flakes is the brand, Kellogg's is the company. The New Economy has also re-strengthened its performance standards of business profitability – focusing on real profitability, not virtual profitability.

Unfortunately few U.S. business owners and fewer managers are familiar or experienced with brand management. Many are now rapidly learning the multiple financial benefits from building brand market share, brand equity and brand profitability. Brand management is about business profitability based on brand qualities and premiums – in contrast, “branding” is about graphics and promotion of your brand name.

Reducing commodity mentalities in your management is necessary before you attempt to reduce commodity perceptions in your marketplace.

As commodity producers attempt to influence vertical distribution channels and enter new market segments, they are now becoming more open to brand management strategies that build revenues, market share and profitability. Currently and in the recent past, my business consulting includes two large well known Kansas companies, one in energy and the other in agriculture. My assignment: to establish or

intensify brand management structure and strategies within both organizations.

It is not surprising that brand management has moved slowly into volume driven commodity producers. Sustained brand market share requires continuous reinforcement and merchandising of brand premiums or values to a targeted consumer.

With profitability once again the primary business performance and management evaluation criteria in the New Economy (thank goodness), I've prepared a brief brand management overview and some insights that might enhance the profitability of your business large or small.

Many consumer packaged goods companies followed P&G's lead and filled Brand Manager positions with MBAs in the 70s (myself included at H. J. Heinz, Johnson & Johnson Baby Products and Pepsico.) Service industries, financial institutions, apparel and durable home products began embracing brand management to build competitive market share. More industries in the 90s saw the margin potentials of brand management and restructured their organizations. Unfortunately dot coms did not, relying on Internet alliances and advertising dollars that kept them highly vulnerable to competitive displacement and declining access to capital.

Brand Management

All business, B2B, B2G, B2C – business to business, business to government, business to consumer – all sell solutions to user needs.

Kellogg's sells large varieties of dried cereal solutions, conveniently and attractively packaged,

all focused on satisfying your breakfast needs for taste, energy, nutrition, speed, etc. Within their current Brand Manager structure there might be a brand manager on Corn Flakes, one on Rice Krispies and another on Sugar Frosted Flakes, Sugar Crisp or Shredded Wheat. The “Brands” might be grouped into several categories such as sweet, non-sweet, and instant hot cereals.

Each brand or category manager carries short-term (current year) profit and loss responsibility. Group product managers and marketing directors are responsible for brand profitability mid and long-term.

For you, the consumer, to continue buying a specific Kellogg’s brand name, the brand manager must become your advocate and ensure the values, brand qualities and premiums you desire are both promoted and delivered – thereby building your purchase frequency, brand loyalty and what I’ve termed “Purchase Trust.”

Brand Profitability

Whether delivering and improving brand qualities, developing impactful selling and promotion materials and providing purchase/use convenience to current brand users and new triers – the brand manager must also ensure that forecasted business profitability and budgeted profit margins are attained.

Particularly close attention must be given to brand pricing strategy and implementation. Timely price increases must “flow through” (be accepted by the market) to meet cash flow requirements and generate end of year profit projections. Operating and product development R&D costs and all marketing and selling costs must be covered through a balanced price/value relationship with the consumer or purchase decision-maker.

On April 22, I will present a Wichita seminar titled “New Economy Business Growth” where brand management strategy will be discussed and illustrated with marketplace examples. For a brochure or details, please call. (See byline)

You might say, “Brand management doesn’t fit our business.” I would disagree. Every business – large or small, private or public – would enhance their profit potential with brand management strategies.

Copyright. © 2003. Kenneth B. Lerman. All Rights Reserved.

BYLINE: Ken Lerman actively consults with companies on brand management and business growth in diverse industries across North America. He presents in-house business development and training programs and public seminars. For additional articles and information, Ken can be contacted at (316) 733-5800 and through his web site at www.kenlerman.com.