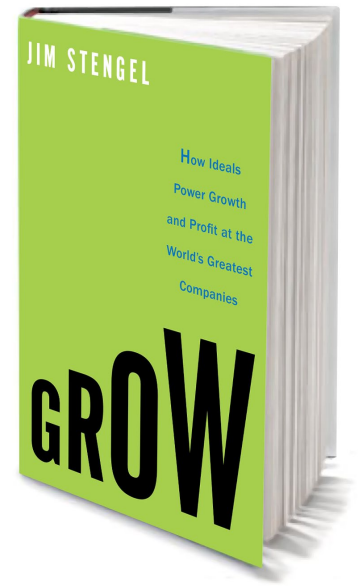


IDEALS: THE NEW ENGINE OF BUSINESS GROWTH

“Doing well by doing good” - is that really attainable?

We have always thought so, but now we have proof. The most successful brands and businesses in the world are built around something other than just making profit. They are built around ideals.



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The evidence is in Jim Stengel’s new book, *Grow: How Ideals Power Growth and Profit at the World’s Greatest Companies*. With the help of Millward Brown Optimor, Jim identified the 50 brands that ranked highest on both consumer bonding and value creation over the past decade.¹ As we worked with Jim to understand what made these brands so successful and fueled their growth, we observed that the best businesses are ideals-driven.

WHAT IS A BRAND IDEAL?

A brand ideal is a higher purpose of a brand or organization, which goes beyond the product or service they sell. Jim explains it this way: “The ideal is the brand’s inspirational reason for being. It explains why the brand exists and the impact it seeks to make in the world. A brand ideal actively aims to improve the quality of people’s lives. It creates a meaningful goal for the brand - a goal that aligns employees and the organization to better serve customers.”

The brands in the Stengel 50, though they come from both public and private companies in B2B and B2C businesses, and include established as well as younger, smaller, fast growing companies, all have a clear sense of purpose. Zappos is in the business of delivering happiness. Pampers does not just sell diapers; it cares for the happy, healthy development of babies

around the world. IBM’s purpose is to make a smarter planet. Google exists to organize and give access to the information of the world, and Discovery Channel’s ideal is to satisfy curiosity.

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A BRAND IDEAL IS NOT ...

A brand ideal is not a mission statement. Mission statements tend to be narrow, business oriented statements such as “Be the leader in customer satisfaction” or “Be the most innovative company.” Mission statements tend to be self-serving and therefore limiting. Ideals, being outward focused, extend beyond the company’s financial interests. Red Bull’s ideal is to uplift mind and body; it exists to energize the world. “To be the #1 energy drink” is probably a mission for the company, yet it is seen as an outcome, not *its raison d’être*.



Jim Stengel
Global Marketing Officer
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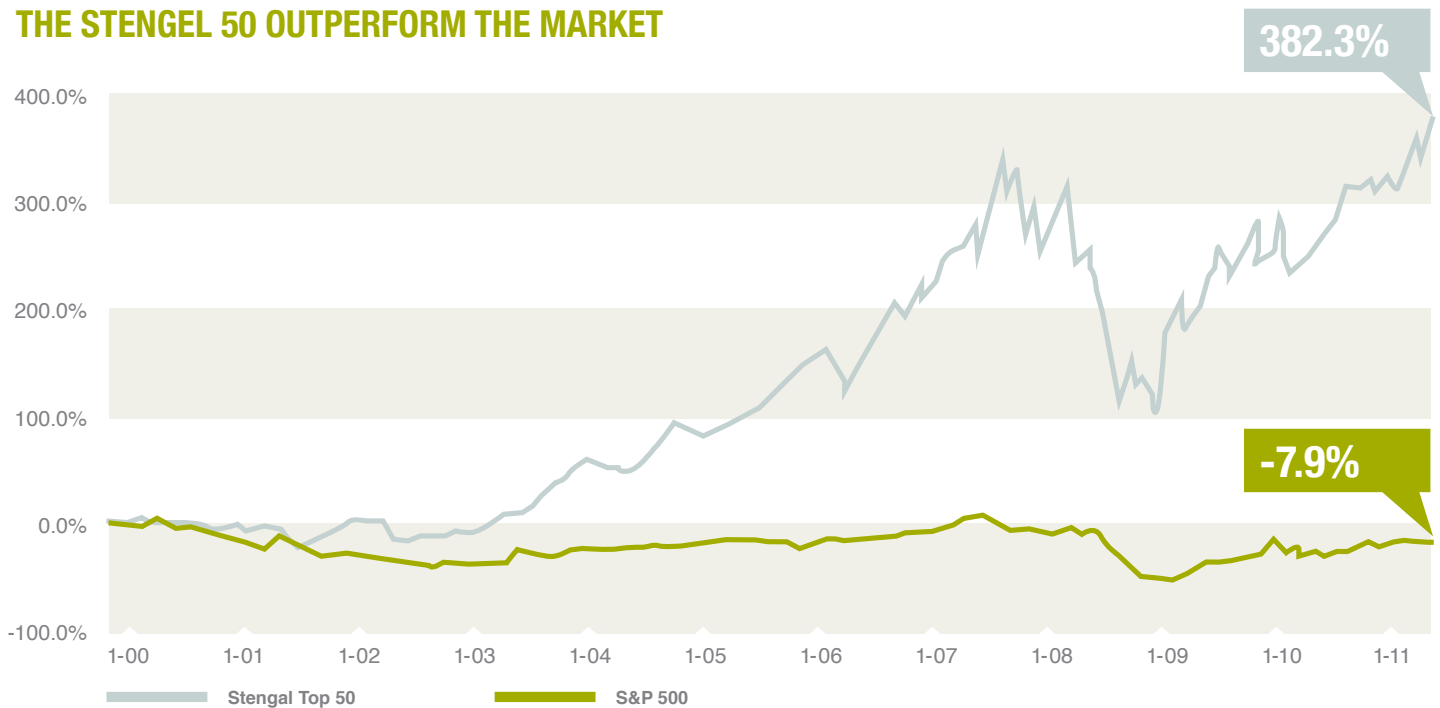
¹Learn more about the study:
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POINT OF VIEW

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THE STENDEL 50 OUTPERFORM THE MARKET



Nor should an ideal be confused with corporate social responsibility (CSR) or cause marketing. **The ideal is a core principle inherent in a brand**, something that emerges from a company's DNA.

Though such a high-minded concept may seem impractical or lofty, we also have proof that ideals-driven businesses deliver higher performance. We have consumer research data as well as financial data that verifies the power of ideals. Research recently conducted by Millward Brown found that, when asked to name brands that were based on ideals, people mentioned the brands in the Stengel 50 more than other brands.

We also have proof that ideals-driven businesses deliver higher performance. As shown in the chart below, Stengel's top

50 brands outperformed the market over the past 10 years. An investment in the Stengel 50 would have been 400 percent more profitable than an investment in the S&P 500.

Red Bull's ideal is to uplift mind and body; it exists to energize the world.

When a brand ideal is at the heart of a business, **it serves as a light from within that guides every decision of the leaders and employees in every department**, from HR to finance to marketing to product development. Ideals, we found, help shape a business and organization in three distinctive ways.

HOW BRAND IDEALS LIGHT THE WAY

First, ideals lead to the creation of more meaningful products, services, and customer experiences. Second, ideals align the organization and its culture behind a common purpose. And finally, ideals lead companies to rethink the way they engage and communicate with consumers; ideals move them beyond selling and telling consumers what to do to inviting them into dialogue.

IDEALS INSPIRE OUTSTANDING BRAND EXPERIENCES

The sense of meaning that comes from delivering on an ideal inspires a high level of dedication to producing the best possible brand experience for customers. Product performance, innovation, packaging, design - all of these elements are inspired, developed, and refined in the light of the ideal.

Method, the household cleaning company, was built on the ideal of inspiring a home revolution to create happy, healthy homes. Every aspect of each product is inspired by the ideal: the non-toxicity, the natural scents, the beautiful "cosmetic-like" packaging. Apple offers the best experience through beauty and simplicity. Chipotle Mexican Grill, another one of our top 50, fulfills its ideal of

bringing integrity and taste back to food by inviting patrons to create their own custom dishes using fresh, natural, and locally sourced ingredients.

A brand ideal serves as a light from within that guides every decision in every department, from HR to finance to marketing to product development.

IDEALS ALIGN ORGANIZATIONS

The best companies align their organizations and culture behind their ideals. By being purposeful (beyond making money and growing market share), they provide a higher meaning to all employees. The ideal provides clarity and intentionality. More importantly, these companies develop systems and processes to stay true to their ideals. For example, Red Bull has set unique hiring guidelines. They don't put a priority on hiring people with beverage industry backgrounds; instead they focus on athletes, DJs, and former Red Bull student ambassadors - people who believe in and live the ideal. Even the workplace



Pampers has partnered with UNICEF in providing vaccines to eradicate maternal and newborn tetanus

is designed to be true to the ideal. For example, Red Bull's London headquarters has skateboard ramps and slides from floor to floor!

Zappos has set up processes that allow employees to be true to the ideal of delivering happiness. Employees do not have quotas or time goals for customer calls. Nor do they adhere to scripts. They are empowered to help customers in need, whatever it takes. There are stories of employees sending flowers to customers in distress and helping customers order pizza in the middle of the night. And for Zappos, delivering happiness has delivered sales. The company exceeded the \$1 billion mark this year and has the highest loyalty rate of all online retailers.

IDEALS REDEFINE CONSUMER ENGAGEMENT

Finally, a brand ideal changes the basic rules of communication by inspiring companies to engage with consumers in a more meaningful way. Rather than telling consumers what to think or do, they take the lead in inviting consumers to co-create with them. For example, IBM invites consumers, thought leaders, and employees to rethink how we can make the planet smarter, whether that's by fighting crime, addressing traffic congestion, or using energy more efficiently. Rather than simply communicating the benefits of their diapers, Pampers has partnered with UNICEF in providing vaccines to eradicate maternal and newborn tetanus, and created online and offline forums where moms can gather to discuss and learn about the health and development of their babies.

Companies and brands can go off course, whether or not they are guided by ideals. **However, a brand ideal can help a company find its way back. The rise, fall, and recent turnaround of Starbucks provide a good example. Starbucks was built on an ideal - to create human connections.**

IDEALS CAN ALSO LIGHT THE WAY BACK

From a few stores in Seattle, the chain grew into being the cornerstone of every neighborhood in America and around the world.. However, this focus on growth became a distraction that got Starbucks into trouble - until it returned to its beliefs, values, and ideal.

After years of rapid growth and expansion, in 2007 the chain found itself overexpanded and confused about its purpose. Was Starbucks meant to promote human connection or simply to be ubiquitous on every street corner? Was Starbucks meant to promote human connection or simply to maximize profits through speedy and efficient service?

A succession of incremental decisions made over the years had led Starbucks away from its fundamental values. Drive through windows didn't foster face-to-face interactions.

An emphasis on speed and efficiency interfered with employees' ability to create a sense of community. Automatic espresso machines reduced the need for the care and craftsmanship of a Starbucks barista. The magic and romance had been lost; Starbucks was no longer celebrating coffee.

When Howard Schultz returned as CEO in January 2008, he refocused the organization on the brand ideal, thereby impacting the product and customer experience, the company culture, and its consumer engagement. First, Schultz restored coffee to its original place as the brand centerpiece. “Starbucks is more than coffee,” said Schultz, “but without coffee, we have no reason to exist.”

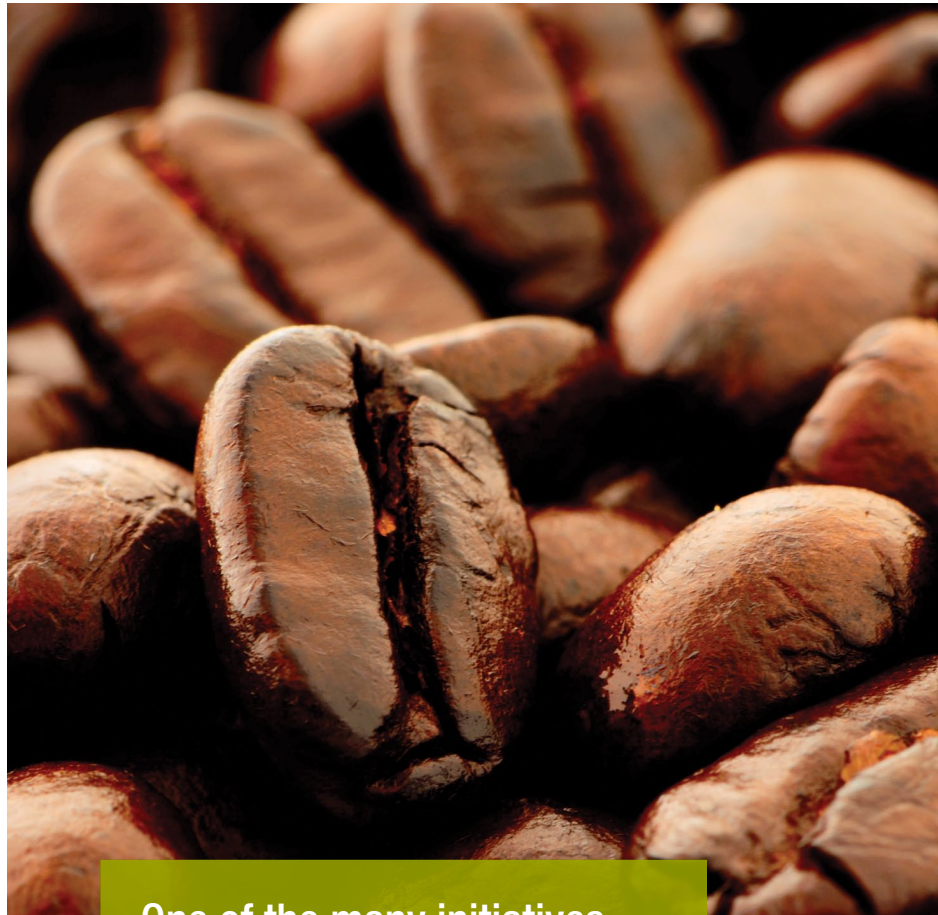


Starbucks set about re-engaging with consumers in a more meaningful way than before.

On February 26, 2008, 7,000 U.S. stores were closed for the retraining of 135,000 baristas. This bold action was just the first of many initiatives, including the return to on-location grinding, the launch of the Pike Place Roast, and the redesign of the look and feel of the stores.

Second, once he was back at the helm, Schultz reminded the organization and all of its partners why the company existed. Many companies fail, he said, "not because of challenges in the marketplace, but because of challenges on the inside." Schultz worked to remove operational and structural barriers to realizing the ideal and to reinforce the "big why" of Starbucks - to inspire and nurture the human spirit, one person, one cup, and one neighborhood at a time. Finally, Starbucks set about reengaging with consumers in a more meaningful way than before. Schultz entered the company into a highly visible and publicized partnership with Conservation International and committed its coffee to being "Responsibly Grown, Ethically Grown, and Proudly Served." One of the first brands to enter into dialogue with consumers when it experimented with MyStarbucksIdea.com in 2008, Starbucks continues to co-create with consumers and is now one of the most active brands in social media.

Going back to living its ideal helped turn Starbucks around. Its stock price, which bottomed out at \$8.43 in 2008, ranged between \$46 and \$48 during January 2012.



One of the many initiatives included the return to on-location grinding

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What Lights Up Your Brand? The best brands have navigated by the light of their ideals for decades. Some brands were organized around an ideal from their inception, while others chose to consciously and deliberately reorient their businesses around a higher purpose.

So we believe that all brands and businesses, whether they are presently driven by the loftiest ideals or the most mundane purposes, can learn from studying brands like those in the Stengel 50. Consider the following questions.

WHY ARE YOU IN BUSINESS?

Does your company operate around a brand ideal? If not, did it ever? Don't try to "invent" an ideal - a true brand ideal can't be developed by a task force. But your company may have been founded on an ideal that will still be relevant once it's unearthed. Consider your company's heritage. What did your founders believe in? Why did they get into business? What need did they set out to address? Why do employees believe in what they do?

IS YOUR ORGANIZATION ALIGNED AROUND YOUR IDEAL?

Take a look at your organization's structure. Does it facilitate the expression of your ideal? Are employees in all functions able to keep it in view? Is the achievement of short-term goals balanced against the long-term fulfillment of the ideal? In light of your ideal, how do you hire and promote?

BRAND IDEALS: THE NEW PATH FOR GROWTH

The brands that will survive and thrive in the decades to come will be those that are based on ideals, because in changing times and challenging circumstances, a brand ideal serves as a beacon. It guides the brand along a path of growth and change, helps to identify opportunities for challenging the status quo, and sheds light on new and different ways to deliver higher-order benefits in the future.

It's time to reset the course of marketing. Brand ideals represent a new path for growth. Leaders who build their companies around ideals will have a meaningful impact - on consumers, their employees, their businesses, and ultimately the world.

IS YOUR IDEAL CLEAR, AND ARE YOU ACTING ON IT?

Whether or not your company offers a higher-order benefit to the world, everyone in your organization should have a clear understanding of your brand's purpose and be empowered to act on it. Does your ideal guide decision making? Does it inspire innovation? How does the ideal impact your products and services?

HOW OFTEN DO YOU REVISIT YOUR IDEAL?

A brand ideal that is kept under glass will not serve your organization. Scrutinize every action, decision, and significant change in light of your ideal. Only by constantly referring back to your company's reason for being can you avoid the creeping incrementalism that undermined Starbucks.

If you liked "Ideals: The New Engine of Business Growth," you might also be interested in:

- "How to Change the Narrative of Business"
- "Creating New Markets Through Brand Ideals"
- "How Strong Brands Can Lead to a More Sustainable Future"