



Creating New Markets Through Brand Ideals

On October 18, 2010, the top story in *The Wall Street Journal* pronounced, “Apple Inc. posted a 70% surge in quarterly earnings ... the latest sign that CEO Steve Jobs’s gamble on consumer gadgets is paying off.”



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To us, this view seems incomplete. We would argue that because it focuses on the “what” and not the “why,” the story obscures the leadership role Jobs played in brand creation. It does not explain why, in the vast and fiercely competitive market of consumer gadgets, Jobs won out over a myriad of very savvy competitors. The fact is, Jobs is one of many players in the highly crowded market for consumer gadgets, but he holds a virtual monopoly in the market for self-expression. And that is the true source of Apple’s sustained competitive advantage. By maniacally focusing on its brand ideal — to empower people to express themselves — Apple has created a market that it singularly owns. We predict that the best businesses of the future will be those that, like Apple, serve a human ideal.

The Traditional View of Market Strategy

If, when Jobs returned to Apple in 1996, he had hired a traditional strategy consulting house to advise him on “where to play and how to win,” the consultants would have looked at the existing market for white spaces and trends. They would likely have forecast the following for the first decade in the new millennium: a rising population, more disposable income for many more consumers, Western values going global, the rise of a new middle class, technology everywhere, and wireless expanding to become the norm. Their white space analysis might have led to the recommendation: “Go after consumer gadgets.”

Ideal-driven Business

This advice would not have gotten Apple to where it is now. In 1996 (and even more so today), the market for consumer gadgets was replete with competitors. Had Apple taken such a traditional approach to market entry, its efforts would likely have been overshadowed by strong, established players that were much larger at the time, such as Microsoft and Sony. By focusing on a shared human motivation — the desire to express one’s individuality — Jobs transcended the saturated market of consumer gadgets to create a whole new market — a market focused on the ideal of fulfilling the primordial human quest for self-expression.

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The *means* through which he manifested this ideal may have been what others consider “gadgets,” but what Jobs brought to the world was a new and different way of understanding ourselves, our lives, and our interactions with each other through technology. For example, Apple’s innovation in iTunes allowed people to create their unique music imprints. Just as no two people have the same DNA, no two people have the same iTunes libraries or playlists. Similarly, Apple stores go beyond retail outlets to become experiential environments for customers to unleash their creativity and self-expression.

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By placing the “why?” at the center of all that Apple did, Jobs avoided being defined by or confined to a particular product category. This is why it is so easy for us to imagine the way an Apple automobile or dishwasher would look and behave. The astonishing financial growth of Apple reported by *The Wall Street Journal* was a byproduct, not a driver, of Jobs’s decision to serve the ideal of self-expression.

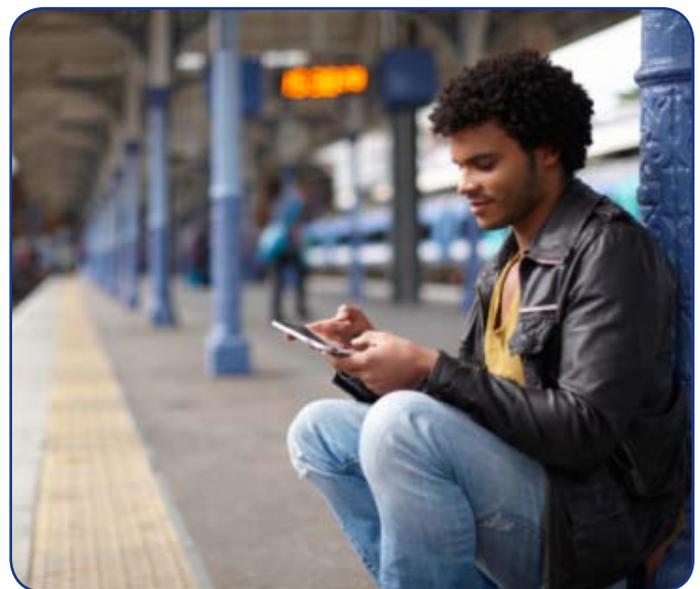
Apple’s shift from product to purpose — from its attention to “what” to its intention of “why” — is perhaps best illustrated by this year’s (2011) International Consumer Electronics Show

in Las Vegas. That Apple had no official presence there underscores the fact that the brand does not define itself as a maker of consumer electronics. Yet Apple still managed to dominate the conversation. As each of its competitors sought to one-up the iPad, Apple could rest in the knowledge that it really has no competitors at all. While other brands may continue to think of their business in terms of operating systems and connection speeds, Steve Jobs appears to look on from a different vantage point — a worldview that is simultaneously owned by him and by all of humankind.

For brands and the businesses behind them, the case of Steve Jobs offers insight into how the intangible marketplace of the mind can be the most profitable marketplace of all.

The Business Case for Ideals

As I discussed in my previous Point of View, “Brand: The New Business Leadership,” the businesses that have generated the most financial value are those that operate from a “brand ideal” — a higher purpose that appeals to a universal human value and governs everything an organization does. Jobs managed to look beyond the clutter of features and functions to recognize that, in a world of overwhelming material abundance, people still need a platform for creative expression. So what Jobs gambled on was not the continuing popularity of computers or MP3 players, but rather our desire to express ourselves.





By selling self-expression first and products second, Apple succeeded in creating a passionate, devoted community of followers. By operating on the higher level of human actualization, ideal-based businesses succeed in connecting consumers to themselves, each other, and the world.

Brands that operate from a higher purpose create deep relationships with customers who are yearning for connection, for community, and for participation in something bigger than themselves.

Apple literally connects people through its phones and laptops, but its success as a brand and a business is ultimately rooted in the ability of its ideal to inspire a higher-order connectedness to a common purpose. As social researcher Dr. Brené Brown has shown — at the deepest levels of human neurobiology — connection drives happiness. And as Apple shows, it can also drive profits.

Though Apple's ideal-based vision and approach to business leadership are non-traditional, they can still be evaluated using traditional business tools, such as Porter's famous Five Forces, which delineate the factors that are thought to influence any industry: Rivalry, Threat of Substitutes, Buyer Power, Supplier Power, and Barriers to Entry. Companies like Apple, which operate in an intangible, higher-order marketplace, are better protected than those with businesses grounded in a specific product, service, or experience. While gadgets can have infinite iterations, ideals are singular and pure; this makes rivalry in the intangible marketplace nearly impossible.

The degree of leadership required to run an ideal-based business affords another level of protection. Ideals galvanize entire organizations and inspire individuals to higher levels of commitment and achievement, thus creating another powerful barrier to entry.

Beyond Apple: Ideals in B2B

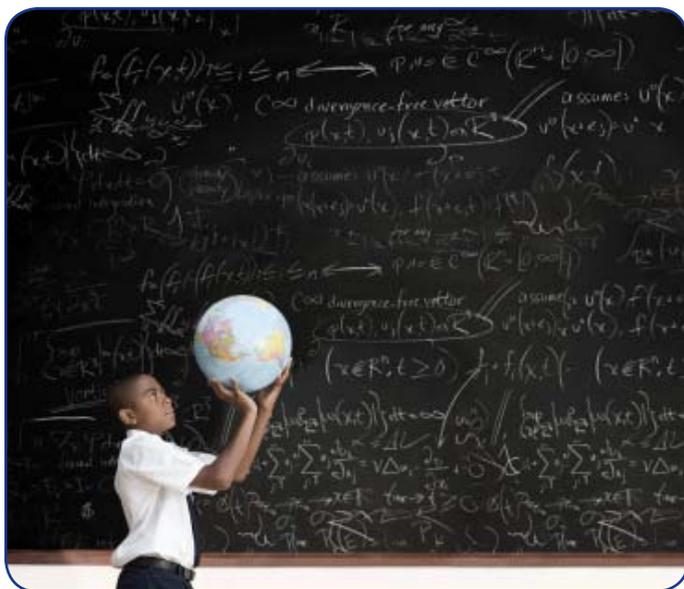
Apple may currently be the most striking example of ideal-driven brand leadership, but it is by no means the only one.



IBM shows us how this can be done in the B2B arena. A gigantic corporation that until a decade ago was known for providing a very specific set of products and services has transformed itself into a company that has transcended any functional category in the minds of its customers. To do this, IBM utilized the power of an ideal. IBM's ideal — to create a smarter planet — is a concept that is becoming increasingly critical to human sustainability.

“Smarter” underlines a definitional element of our species: intelligence. IBM's ideal points us to the imperative to evolve our very definition of intelligence. For millennia, being individually intelligent has worked for mankind. As codified in 1776 in Adam Smith's *Wealth of Nations* (the cornerstone of modern economics), the premise is that people acting on their self-interest will maximize efficiency, thus maximizing output, production, and consumption for everyone.

In classical economics, individuals maximize consumption (utility) and businesses maximize profits. This may work in a world where resources seem unlimited, and by and large, resources have seemed unlimited up to now. However, those same forces that would have led our imaginary consultants to a “consumer gadget” recommendation for Apple — a rising population, more disposable income, globalization — are now the forces that render the resources on our planet limited. To address this new reality, we need a new kind of



intelligence. We need a shift from intelligent individuals to an intelligent planet. For businesses that maximize profits, this shift is not possible; for businesses that help build a smarter planet, it is.

Why Ideals Drive Value

Does it seem ironic that the businesses that focus on ideals rather than profits actually make more money? The explanation lies in analyzing a quote by Jim Stengel: “Brands are people.” And here we define “people” as employees and customers.

Our world has transcended the structures of the past. Generations that “changed” every 25 years are now changing every 10, and the rate is only accelerating. Previously, leadership was about anticipating and planning for the needs and events of the future. That is impossible now. Reality is changing so fast that leadership is no longer about planning for what will happen next (because we can’t), but rather about building enough flexibility into our organizations and our people so that they can handle that which *will* happen next.

We are realizing that what is most important is to facilitate our organizations and our people to “sense and seize emerging opportunities as they arise,” as Otto Scharmer writes in *Theory U*. To achieve this, our people must operate from a different place than before, from a place of higher purpose, from an

ideal they can connect to. What applies to good parenting at the individual level — that one cannot foresee or guarantee a child’s future, that one can only teach children principles to use to respond to life’s events — now applies at the collective level to organizational leadership. To truly tap into our employees’ potential, we need to provide them with a compass and then let them free to create, co-create, and innovate.

As complexity increases, the shift from the individual to the collective emerges not only for employees but also for consumers. The result is an evolution of consciousness from egocentric to ethnocentric to world-centric. Social networking, the darling of current marketing discussions, is but one manifestation of this shift.

Brands that operate from a higher purpose are therefore successful due to at least two reasons. First, they better equip their employees to tap into their deepest reservoirs of intuition and imagination to address the changing reality as it unfolds. Second, they create deep relationships with customers who are yearning for connection, for community, and for participation in something bigger than themselves.

The challenge for brands going forward will be to authentically create and sustain their own intangible marketplaces, using their ideals to connect, unite, and inspire.

Special thanks to analyst Eric Tsytsylin for his help in the preparation of this point of view.

To read more about brands and brand ideals, visit our blog at www.mb-blog.com.

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