



STRATEGIC VISION ALLIANCE

FORTUNE - Features **BREAKAWAY BRANDS**

How to Build a Breakaway Brand

How ten companies, making products from drills to waffles, took good brands and made them much, much better. By [Al Ehrbar](#)

What do Gerber, [Google](#), and Eggo have in common? They're all selling familiarity, trust, and quality—those intangible traits summed up by the word "brand." Right now that word is more important than ever before, because competitors are more instantly reactive and consumers more sophisticated than ever before. The Model T Ford was in production for 18 long years with little change; Sony's Cyber-shot digital cameras go out of production while the packaging is still crisp. And once upon a time shoppers pretty much believed the hype; these days Internet-powered bargain hunters are armed with accurate pricing and product information—and brutal in their search for value.

In this cutthroat marketplace, which brands have been most successful? To find out, FORTUNE turned to Landor Associates, a brand and design consultant in San Francisco. Landor mined a huge database of brand perceptions called the BrandAsset Valuator, or BAV, to identify ten products that scored the largest increases in brand strength from 2001 to 2004. (Landor is part of WPP Group's Young & Rubicam division, which owns the BAV.) Landor's partner, the New York consultancy BrandEconomics, then calculated the pop in economic value each of these breakaway brands gave their parent companies.

Here's how it works. First, Landor and BrandEconomics asked consumers—9,000 of them—what they thought of 2,500 U.S. brands. Then they looked at brand strength. This is a combination of two properties: differentiation and relevance. Differentiation is the degree to which a brand stands out. Relevance is the degree to which consumers believe a brand meets their needs. That all sounds rather obvious, but what's surprising is that the two factors don't necessarily go together. Rolls-Royce has stellar differentiation but hardly any relevance, since few people can pay \$300,000 for four wheels. Kleenex is highly relevant but undifferentiated: Most tissues feel alike. The brands that do best are those that deliver on both counts.

In addition, the BAV measures a brand's stature, which can also be broken down into two components—esteem and knowledge. Esteem is how well regarded the brand is, while knowledge refers to whether the consumer understands it. And once again, those two qualities don't operate in lockstep. A high-esteem, low-knowledge profile may be a sign of a brand on the rise—the consumer's curiosity is piqued. A high-knowledge, low-esteem profile, on the other hand, is the consumer's way of dissing a brand: We know it, and it's nothing special (think Dodge or Coor's Lite).

Weakening brands tend to depend more on coupons and discounts; muscular ones can command a premium. How much does that matter? A lot. The intangible value of a company is its market value minus its tangible capital (i.e., property, plant, equipment, and net working capital). A



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BrandEconomics analysis found that companies with strong, well-regarded brands had an intangible value of 250% of annual sales; companies with listless brands had one of only 70%.

In important ways, though, the value of a brand is incalculable. A rising brand secures more customer loyalty, higher margins, greater pricing flexibility, and new opportunities for growth. And brands on the way up, BrandEconomics research shows, ride through economic downturns with less trauma. "The combination of faster growth with less risk," says Hayes Roth, vice president for global marketing at Landor, "is business nirvana." Here's a look at ten brands that are pretty close to paradise right now.

IPOD

LESSON: Great Product + Great Marketing = Great Brand.

How did iPod make a large fortune? By spending a small one. With an iPod and iTunes ad budget of over \$200 million since 2001, Apple has outspent Sony, iRiver, and Creative combined by more than 20 times, according to TNS Media Intelligence. The TBWA/Chiat/Day-designed ad campaign has managed to turn the human silhouette, a cubic box, and even the color white into symbols of Apple. "It's easy to reinforce brand perceptions with that much advertising," says Forrester analyst Joshua Bernoff.

Of course, there's far more to the iPod story than ads. "Having the brand without the substance will never fly," says IDC consumer electronics analyst Susan Kevorkian. Steve Jobs argues that iPod's astounding success—some 28 million sold—is about elegant software, not elegant billboards. And he's right. Those happy ads simply reflect the smooth user experience that a union of great software and hardware creates.

Since the original iPod's 2001 launch, Jobs has unveiled a succession of improvements, such as color screens and podcast-ready software, and a series of variations—the iPod Mini, the Shuffle, the white-hot Nano, and most recently an iPod that plays video and TV shows—that keep the buzz alive. The iPod family represented 19% of Apple's sales last year. Another smart move: Apple has lent some of the cachet of the iPod brand to its other products. For example, Apple designed its iMac G5 computer to look a lot like the iPod by giving it the white translucent shell, rounded corners, and simple thin-panel design. It's a hit.

Apple, says [Morgan Stanley](#) analyst Rebecca Runckle, has been known for one-hit wonders in its product line. Today the company is using the iPod brand to develop a portfolio of successful products that share a common look and feel and are pieces of a coherent company vision. "Years ago Jobs proclaimed his interest in creating a solution for the digital hub," she says. "When we look back three years from now, we'll see that iPod was just the first foray into it." — *Abraham Lustgarten*

DEWALT

LESSON: Know Your Customer.



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Rick and Rose Whitaker weren't comfortable with the idea of a white-gown-and-tux wedding. They kept coming back to the fact that Rick, a carpenter, had a passion for power tools. Specifically, DeWalt power tools. Jokes Rose: "He loves DeWalt nearly as much as he loves me."

So at the July nuptials, 50-plus guests gathered in Rick's backyard wearing DeWalt's trademark yellow-and-black T-shirts. The Michigan couple—both are now 44—dressed in shirts emblazoned with an image of DeWalt-sponsored NASCAR driver Matt Kenseth. They made their way to a wooden chapel that they had built with their DeWalt gear. There they exchanged power tools, cutting the cake with a power saw.

DeWalt didn't always have such fanatical customers. Less than 20 years ago it was a dead brand walking. By the late 1980s production of the line stopped, and the brand was shelved. "Makita [a Japanese tool company] had eaten our lunch throughout the '80s," says Nolan Archibald, CEO of [Black & Decker](#), which owns the name. "So we started doing a bunch of market research." They were surprised to learn that professional tool users had a high regard for DeWalt. "The light went on," says Archibald. Black & Decker launched a line of portable electric power tools under the DeWalt name in 1992, and then an innovative line of cordless tools two years later.

In just 13 years, the Towson, Md., company has become one of Black & Decker's most profitable divisions. With \$1 billion in annual sales, it commands a 35% share of the professional-tool market. In August 2004, editors at *Tools of the Trade* magazine called DeWalt the "single greatest change within the power-tool industry this past decade."

How did DeWalt fix itself? For one thing, the company decided to market DeWalt primarily to professionals—who make up 69% of U.S. tool sales. "The contractor doesn't want a tool that has the same name as his wife's toaster," says Dan Gregory, vice president of marketing for DeWalt. The company also made the tools more rugged and reliable. That was important to people who use tools every day; it also allowed the company to charge a higher price. Frequent upgrades keep the products fresh.

Then they got creative. An army of tool guys in bright-yellow trucks swarmed construction sites around the country to get workers to test and critique DeWalt tools on the spot. The DeWalt folks also became frequent and welcome squatters in [Home Depot](#) and [Lowe's](#) parking lots, inviting passersby to test their tools. "DeWalt pioneered that marketing," says Home Depot's senior vice president of merchandising, Craig Menear.

Figuring that many of their customers were likely to be car guys too, DeWalt started investing in NASCAR in 1993. Now DeWalt spends more than \$10 million annually on NASCAR sponsorships and events. The company has a signature 18-wheeler known as Rolling Thunder that docks trackside on race day and transforms itself into a 6,400-square-foot demo site.

Tailgaters can test tools, meet Kenseth, and compete against one another in a staged pit tire change. To reach Hispanics—who represent nearly 20% of DeWalt's customers but aren't huge NASCAR fans—

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Dewalt hired EMG (Ethnic Marketing Group), a Los Angeles-based agency. In 2004, DeWalt and EMG launched a contest to find the most dedicated, respected Spanish-speaking construction worker in the Southeast. This year it is running similar programs in four cities, from San Diego to Orlando, doubling its Hispanic marketing budget along the way.

Just as interesting is what DeWalt doesn't do. It doesn't do TV commercials. It doesn't sell at Wal-Mart. The strategy is all about controlling distribution and protecting the brand. Of course, a brand not aimed at ordinary Joes gives DeWalt a certain cachet. "The less we talk to do-it-yourselfers," says John Schiech, president of the division that includes DeWalt, "the more they want our product." — *Julie Schlosser*

LEAPFROG

LESSON: Branding Isn't Everything.

"Other than women's shoes, toys is one of the most fickle markets there is," says Maria Weiskott, the editor-in-chief of *Playthings*, a toy industry magazine. LeapFrog mastered it by giving education-obsessed, gadget-friendly parents the products they want.

The company was founded in 1990 by Mike Wood, a Bay Area lawyer for a venture capital firm, who had watched his son struggle to learn to read. With the help of an educational advisor, Wood developed and patented a portable electronic reading toy called the Phonics Desk. It was the predecessor to LeapFrog's flagship product, the LeapPad, an interactive, portable reading toy, introduced in 1999. By combining technology, entertainment, portability, and good results, LeapFrog hit the sweet spot. A LeapFrog product was named Best Educational Toy by the Toy Industry Association every year from 2000 to 2004.

In a sense LeapFrog built its brand the retro way—by producing terrific products. It helped, though, that it chose a name that stuck in consumers' minds and that inspired a whole line of characters, such as Tad and Lilly. Then there is the LeapFrog color—a bright forest green that is in the logo and on packaging. "UPS has brown, **Target** owns red, and LeapFrog owns green," says president Jerry Perez, with just a touch of hyperbole. Leapfrog also started its Schoolhouse division—selling learning products for the classroom. That not only created a new market but bolstered the old one as well: Parents liked having something with the teacher's seal of approval. In the early 2000s, the Wal-Mart and Target aisles that were packed with LeapFrog toys began to be known as the "green mile." From July 2002, when LeapFrog took the leap and went public, to mid-October 2003, its stock price soared more than 250%.

Then LeapFrog took a dive. Last year it botched an attempt to modernize its inventory and distribution management. In the turmoil LeapFrog failed to introduce any blockbuster products at Christmas. After earning \$72.7 million in 2003, it lost \$6.5 million in 2004; revenues dropped from \$680 million to \$640 million. The firm has hired a new CFO, CIO, and supply-chain manager.



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LeapFrog may be down, but because of its strong brand identity, it's not out. The task now is to build on the fact that consumers still love it. But it needs a hit. So it has gone back to the (high tech) drawing board, and its pipeline is stuffed with promising new stuff like the Fly—a "pen-top" computer marketed to tweens that, when used on special paper, can create a calculator, a language translator, and a keyboard. "Innovation," says Perez, "is the lifeblood of the future." —*Corey Hajim*

SUBWAY

LESSON: Break the Rules—but Break Them Judiciously.

For years after its founding by Fred DeLuca and Peter Buck in 1965, Subway was a dependable yet undistinguished chain of sandwich shops. Now it's a phenomenon.

The turning point came in the late 1990s, when Subway violated one of marketing's commandments—"Thou shalt not market fast food as healthy"—by touting seven of its subs as having six grams or less of fat. The company wanted to stand out in a sea of lardy options. The key was to emphasize that the sandwiches tasted good, too, something other attempts at selling healthier fast food had forgotten. "Subway redefined what the consumer was looking for," says Ron Paul, president of restaurant consultancy Technomic. In doing so, it redefined itself.

The brand really took off in 2000, when it decided to showcase Jared Fogle, who had shed 245 pounds by eating exclusively at Subway. This was dumb luck—Fogle came to Subway, not the other way around—and there was internal resistance to the idea. Subway went ahead, though, and the result "was like lightning striking," says retail consultant Neil Stern.

Fogle has become a brand icon, and sales surged from \$5.17 billion in 2001 to \$7.75 billion last year. Wannabe franchisees came running. Between 2001 and August 2005, the number of U.S. Subway shops increased 43%, to more than 19,100 (about 5,000 more than *McDonald's*). Such growth helped the chain rise from seventh to fourth in fast-food market share, behind *McDonald's*, *Burger King*, and *Wendy's*, according to Technomic. (And the Bigger Three have all jumped on the "healthy" bandwagon.)

Subway has enhanced its "good for you" image by sponsoring the American Heart Association's fundraising events. Harvard even invited Subway's icon to address a forum on obesity in 2003. When Jared speaks, Harvard listens: Now that's brand power. — *Matthew Boyle*

GERBER

LESSON: Exploit Your Expertise.

Just about everyone born in America is a Gerber baby. The tot-targeted leviathan owns 80% of the \$890 million baby-food market. The brand has been so strong for so long that it seemed there was little the company could do to tweak it. But it did, primarily by focusing on a strong nutritional message and by establishing itself as a pediatric nutrition and feeding authority.



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In 2000, Gerber analyzed the results of an eight-year study it had commissioned on kids and food. "We saw that early eating habits are really important in affecting later health," says Kurt Schmidt, president and CEO of Gerber Products Co. (the company that became Novartis acquired Gerber in 1994). "That brought out our drive to be an innovator in nutrition."

So in 2002, Gerber launched an intensive two-year study of baby and toddler eating habits. The results were shocking. "We found that as early as 15 months, French fries were the most commonly consumed vegetable," says Dr. Kathleen Reidy, the company's director of nutrition science and regulatory affairs. Gerber swung into action. It teamed with the American Dietetic Association to establish an advisory panel of pediatric nutrition experts who set new feeding guidelines for tots. It changed its advertising and direct-mail educational materials to parents to include the number of servings of fruits and vegetables each item contains. And it launched a new range of nutritious products.

Then Gerber boosted its marketing budget to promote its "Start Healthy, Stay Healthy" nutrition program. Since 2000 the company has quintupled the amount of health information on its website and has registered half a million parents for its regular newsletters, which discuss everything from breastfeeding to patience in introducing babies to new foods.

It has also allied itself more closely with pediatricians. Gerber-branded brochures on healthy eating and common baby problems are sent to waiting rooms around the country. "They give useful advice on things other than just food—on how to keep children healthy," says Dr. Susan Roberts, a professor of nutrition at Tufts University. "So you feel like Gerber is for one-stop shopping." — *Julia Boorstin*

BP

LESSON: Promote Your Least Controversial Product.

No question: BP's CEO John Browne is an oil man. But beginning in 1997, he cast himself as a different kind of oil man by pledging to reduce BP's carbon-dioxide emissions. It was the first step in a sweeping re-branding that sought to paint the oil giant as a friend of the earth. "They have nailed their colors very firmly to the environmental mast," says Patrick Barrow, managing director of the Public Relations Consultants Association.

BP's acquisition of Amoco in 1998 and Castrol and Arco in 2000 helped push Browne in that direction. He wanted to create an image that unified the diverse companies—but also set BP apart from the rest of Big Oil. The key moment came in 2000, when Courtney Reeser, managing director of Landor San Francisco, which led BP's initial rebranding effort, proposed an aggressive identity change. The British Petroleum shield disappeared, replaced by something that looks like a green and yellow sunflower. Ads drew attention away from its core oil and gas operations. One read, "We believe in alternative energy, like solar power and cappuccino." BP's new slogan: Beyond Petroleum.



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The ads continue to feature a strongly green theme, and BP's image makeover is a hit, regularly featured in B-school case studies and corporate conferences. What makes the transformation remarkable is that BP is more invested in fossil fuels than ever before. Over the past five years, BP has invested \$64 billion in its oil and gas products, compared with \$500 million in solar. The revenues from renewables are a fraction of a drop in the bucket for the \$285 billion company.

"We are an energy company whose primary source of revenue is hydrocarbons, and it will be for a long time," says Ross Pillari, president of BP America, but "it's important to put the aspiration out there." He points out that BP also offers a line of low-sulfur gasoline that reduces vehicle emissions and that the company has cut its own CO2 emissions by 10%.

The value in BP's rebranding, says Peter Sealy, a professor at the University of California at Berkeley's Haas School of Business, is in the goodwill that it buys. "It's like precrisis management," he says. "Once you have consumer trust, you have the wind at your back in case something bad does happen." —

Abraham Lustgarten

EGGO

LESSON: Expand Your Product Category.

The Eggo waffle has been on the breakfast table since 1936—and 60 years after its launch it was looking distinctly elderly. The strategy for rejuvenation came down to three little words: Smart brand extensions. It worked: Kellogg found the sweet spot between overprotecting Eggo and spreading it too thin.

By the late 1990s frozen waffles had become a commodity. "Kellogg was stuck with the question 'How do you grow a mature brand?'" says David Wellman, former editor of *Frozen Food Age*. It answered that question by introducing around a dozen Eggo waffle flavors, including strawberry and chocolate chip—which helped it capture a record 67% share of the frozen-waffle market. Then Kellogg launched six non-waffle breakfast products branded with the Eggo name, from Toaster Muffin Delights to maple syrup. Sales for the entire Eggo brand grew 11% in 2004.

The key to reno-vating the brand was identifying its two key constituencies—children and harried adults—and finding distinctive ways to sell to them. For kids, in 2000, Eggo introduced limited-edition waffles (yes, really) featuring the likes of Scooby-Doo, Spider-Man, and Sponge Bob. Promoting them was Waffleman, a larger-than-life mascot who is decked out in a waffle suit. Eggo became identified with trendiness and fun, which is a pretty big achievement for a frozen waffle.

As for the grownups, Kellogg realized that what they wanted was healthy stuff that was easy to fix. So it created three Eggo waffles co-branded with its Nutri-Grain cereal line. And it introduced a line of products that can be eaten while driving. In January, Kellogg launched Eggo Toaster Swirlz, a type of mini-cinnamon roll. It took the product national less than two months later, making it the fastest launch in Eggo's history. The bottom line: The Eggo brand is on track to produce a record half-billion dollars in sales this year. — *Julie Schlosser*

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SONY CYBER-SHOT

LESSON: Learn How Your Customers Want to Use Your Product.

What is the secret to the Sony Cyber-shot's success? That this digital camera wasn't designed by traditional camera experts. Instead, the consumer electronics folks took the lead. "We don't think like a traditional, analog camera maker, and we're not stuck in that mindset," says Steve Haber, the head of marketing for Sony's personal, mobile, and imaging division.

Launched in 1996, the Cyber-shot was Sony's first mass-market digital camera. Sony wanted to sell to the masses, just as it had years before with the Walkman. After copious market research, it had a blazing insight. Most people who use cameras are not professional photographers but people out to have a little fun. So the 15 Cyber-shot models are sleek, and easy to use; most are pocket-sized, with a generous display screen that makes it a portable photo album. Those are now common qualities among digital cameras, but by being the first to market with a quality product, Sony gave itself a crucial headstart. It has consistently maintained No. 1 or No. 2 position among digital cameras. Now it is No. 1, with 20.5% market share, just ahead of Canon. "There is a pass-along effect, which generates a brand association," says Richard Doherty, an analyst at Envisioneering Group, a tech market research firm.

The camera's marketing reinforces its strengths. One TV commercial features a woman effortlessly photographing rocker Steven Tyler in a chaotic restaurant while her friends fumble to use their more complicated cameras. And the price is friendly too: While models meant for serious shutterbugs run up to \$999, the Cyber-shot starts at \$199. — *Julia Boorstin*

GOOGLE

LESSON: To Thine Own Self Be True (And Let Others Know It).

For a little-known artist, Dennis Hwang has a gigantic audience. That's because the 27-year-old webmaster moonlights as the Google doodler. From Googleplex, the company's headquarters in Mountain View, Calif., he creates the art that intermittently hugs the company's logo on its homepage. His quirky sketches—celebrating events as obvious as Christmas and as random as Claude Monet's birthday—are quintessential Google.

Most companies are shy about fiddling with their logos, but any company that named itself Google is not too worried about the rules. In fact, Google has built itself into a blockbuster while shunning conventional brand-building. "Google does not participate in traditional marketing activities," says spokeswoman Eileen Rodriguez.

Google believes that in the online world, branding is mostly about the experience. Build a product that is great to use, and a great brand will follow. It's a philosophy that might give marketing pros the shivers, but it complements Google's stated mission: "To organize the world's information and make it universally accessible and useful." By focusing its resources primarily on building and constantly upgrading its technology—it recently added a blog search tool—

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Google has become the search engine of choice. It "became a verb for a very good reason," says UBS analyst Ben Schachter. "It was that much better than the competition."

Google also offered something its competitors didn't: simplicity. While other search engines and portals cluttered their home pages with horoscopes and stock charts, Google kept its website tidy. Google focused on search and only search, and its innovative search technology, listing websites in order of hits, was a key to making it the market leader. Then it devised an advertising business model that drove revenues in its direction. As the company grows, so does its ambitions. The zillion-dollar question is, Can it successfully shed its one-service image?

But remember that even the Google doodler was questioned early on. Skeptics told company leaders, "You can't put sketches in the logo, because it screws up the brand," says John Battelle, author of *The Search*, a new book on the company. In true Google fashion, they did it anyway. And it worked. — *Julie Schlosser*

SIERRA MIST

LESSON: Find a Niche and Work It.

Creating a brand with staying power isn't easy. Just ask the world's second-largest soft-drink maker, [PepsiCo](#). The company has struggled to invent a lemon-lime soda to rival Coca-Cola's Sprite and Cadbury Schweppes's Seven-Up. Remember Teem? Or Storm? No one else does either.

Undeterred, Pepsi introduced Sierra Mist in late 2000. This clear, caffeine-free, carbonated soft drink tastes a lot like Sprite, and its green and blue packaging isn't that different. That's intentional. "Our plan was to go up the middle of the category, picking up everything that the consumer already gets," says Cie Nicholson, who spearheaded the launch and now heads marketing for Pepsi-Cola North America's noncarbonated beverages.

In an already crowded soft drink market, such sameness can be a recipe for disaster. But Sierra Mist's launch was anything but. First-year sales surpassed \$100 million (the lemon-lime market is \$6.5 billion in all), propelling the fizzy drink into the top-ten carbonated-beverage rankings in record time. The drink went national in early 2003; by 2004 it had passed Seven-Up and trailed only Sprite.

Sierra Mist succeeded not by being different but by seeming to be different, a feat it managed through clever distribution and marketing. Pepsi decided to sell Sierra Mist to the 18 to 34 age group (Sprite's demographic is younger) and to appeal to them with humor. Sierra Mist would be the lemon-lime drink with an ironic twist. So it assembled a troupe of five comedians dubbed the Mist-Takes to spearhead its campaign. The BBDO ad agency created "sitcommercials," a cross between a *Seinfeld* episode and a traditional 30-second spot. In "Kitchen," an ad that debuted during this year's Academy Awards, the troupe tries to recover and "ungift" an unopened bottle of Sierra Mist they brought to the party. The result? Consumers say the brand is "fun." Maybe you had to be there. — *Julie Schlosser*