A WHITEBOARD OVERVIEW BY **MARTY NEUMEIER**
AUTHOR OF **THE BRAND GAP**

**WHY CUSTOMERS
NOW RUN COMPANIES
—AND HOW TO
PROFIT FROM IT**

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TO MY TRIBE

PREFACE

You hold in your hand a book. But what is a book? Is it something you BUY or something you BECOME? To many authors and publishers, a book is 75,000 words on 300 pages held between two rigid covers that measure 6 by 9 inches. Or, it's 75,000 electronic words that can be resized, customized, read, and annotated by the user.

Every book is both container and content. The container is what gets made, advertised, sold, and distributed. If it looks like a book, feels like a book, and downloads like a book, it must be a book.

But what about the content? What if some people view a business book not as a trophy on their bookshelf but as a step change in their career? What if some people—and here I mean you—want the most inspiration in the least number of hours?

In that case, a book needs to have the least number of words, not the most. It should be designed to stay in your mind, not in your hand. It should get you out from the covers and into your projects as fast as possible. And it should reveal its deeper wisdom reading after reading. This is the book I tried to write. It'll require two hours of your valuable time, which I don't take lightly. But if it's the book you need, it'll pay you back for years.

—Marty Neumeier

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THOSE WHO INITIATE CHANGE WILL HAVE A BETTER OPPORTUNITY

TO MANAGE THE CHANGE THAT IS INEVITABLE. —WILLIAM POLLARD

INTRODUCTION

One of the more stunning insights in the theory of management came from Peter Drucker, a practical visionary who changed business discourse with his 1973 book THE PRACTICE OF MANAGEMENT. He said that a business has only one valid purpose: to create a customer.

What's more, he said, if the purpose of a business is to create a customer, then it has only two basic functions—innovation and marketing. Innovation produces the products, and marketing tells the stories that sell them. These two activities drive results, and all the others are costs.

Drucker was ahead of his time. The discipline of branding had been stuck in the Industrial Age, and lacked strategic subtlety. He couldn't have known that someday it would gather up the very concerns he was talking about—innovation, marketing, and the primacy of customers—into a toolbox of principles that could be studied, practiced, and improved over time. Or that the word BRAND itself would become shorthand for the Drucker way of thinking.

Thirteen years ago I tried to redefine branding in my book THE BRAND GAP, and took it further in my next book ZAG. As of this writing, THE BRAND

GAP's principles have been viewed online by more than 10 million people, and ZAG has been named one of the top 100 business books of all time. These volumes have stayed relevant, and continue to form the basis of my work.

Then why write another book? Because the rapid advance of technology, rather than making THE BRAND GAP and ZAG seem dated, has made them seem timid. For me, they occupy the odd position of being visionary and incomplete at the same time. In my world of workshops and keynotes, they've ceased to scratch the itch.

When I wrote THE BRAND GAP, the term SOCIAL MEDIA wasn't in popular use. Neither were VIRAL, SMARTPHONE, TABLET, DISRUPTION, TRANSPARENCY, and SELFIE. Back then the central problem of branding was how to align business strategy with customer experience. Today it's how to empower the customers who will drive your success.

"We believe putting customers first is the only way to create lasting value for shareholders," said Amazon CFO Tom Szkutak. Amazon is
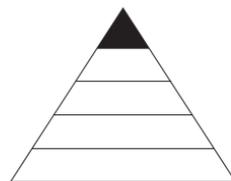
one of a growing number of companies that have adapted to—and encouraged—the primacy of customers.

To the degree that the customer is boss, shouldn't we know what the boss wants? The best customers are no longer consumers or market segments or tiny blips in big data. They're individuals with hopes, dreams, needs, and emotions. They exercise judgment, indulge in whims, express personal views, and write their own life stories. They're proactive, skeptical, and creative. They've reached the top of Maslow's Pyramid, where the goals are autonomy, growth, and fulfillment. They don't "consume." HAVING more runs a distant second to BEING more.

An explosion of connectivity, and the power it gives customers, is turning companies upside down. The question isn't WHETHER your industry will be disrupted, but WHEN. Companies today have a stark choice: they can leap into future and possibly land on their feet, or they can wait for roiling disruption to upend them.

This is the challenge of the brand flip.

To better understand what has changed in brand building, it might help to look at old and new

COMPANY

CREATES

SUSTAIN

OLD
BRAND
MODEL

BRAND

CUSTOMERS

ATTRACTS

COMPANY

CREATES

SUSTAINS

NEW
BRAND
MODEL

CUSTOMERS

BRAND

BUILD

diagrams on the left page. The old model of brand was based on the logic of factory management. The company created the brand (through products and advertising), the brand attracted customers (as a captive audience), and customers supported the company (through repeat purchases).

The new model of brand is similar, but with one important difference: the order of events. Instead of creating the brand first, the company creates customers (through products and social media), then the customers create the brand (through purchases and advocacy), and the brand sustains the company (through customer loyalty). This model takes into account a profound and counterintuitive truth: a brand is not owned by the company, but by the customers who draw meaning from it. Your brand isn't what YOU say it is. It's what THEY say it is.

In the pre-flip days, a company could find a hole in the market, fill it with a product, determine a price, and drive the product into people's lives with heavy advertising and distribution. The only choice customers had was to buy or not to buy. The real power lay with the company and its leaders, who were seen as authority figures.

Today's customers reject that authority, and at

the same time require a measure of control over the products they love. They no longer BUY brands. They JOIN brands. They want a vote in what gets produced and how it gets delivered. They're willing to roll up their sleeves and help out, not only by promoting the brand to their friends, but by contributing content, volunteering ideas, and even selling products or services. Many of them know more about the company, its products, its pricing, and its competitors than the CEO and employees do. In a very real sense, the best customers are co-leading companies into the post-flip world.

Each of the 18 chapters describes a single flip—an accepted business "truth" upended by technological change. These individual flips add up to the overall flip. Yet this book is not just a description of change, but a prescription for it. At the center is a simple matrix for modeling the relationship between your company and its customers. To demonstrate the matrix, I've added the example of a hypothetical tea company— a modest startup that would surely languish in obscurity under the old model of branding.

But what would happen if we flipped it?

BETTER PRODUCTS ↷ BETTER CUSTOMERS

Ambitious companies are eager to invest in innovative products. They seek to create new features, new solutions, new markets, new industries. Ideally, they want to invent a product or service that disrupts the existing ecosystem, redefines their category, and generates monopoly profits for decades. They're barking up the wrong tree.

In a flipped business, the product is not the innovation, the CUSTOMER is. The battle is no longer between companies, but between the people who buy from them. In other words, the nature of your customers determines the future of your company. The company with the best customers wins.

You can see this principle at work in the trajectory of Apple. From early on, the company invested heavily in its customers, making technology accessible to non-techies, standing as a bulwark against lumbering giants such as IBM, giving computers to schoolchildren to inculcate a new kind of literacy. Even as Apple's market share slipped to 3 percent after the ouster of Steve Jobs, its customers remained passionate and vocal. When Jobs returned, he was joined by a talented army of volunteers who were eager to be led.

The lesson is this: Instead of thinking about how to improve and position your products, think about how to improve and position your customers. They're the ones who will fight for your success. In his book WHO DO YOU WANT YOUR CUSTOMERS TO BECOME?, Michael Schrage says, "Truly successful innovations generate wealth for their users, not just their creators." Wealth is not only financial. It can be social, educational, physical, spiritual, and temporal—any good that people get out of a product or service.

What's the highest good you can want for your customer?

Ritz-Carlton wants its guests to be more sophisticated. Its motto? "We are ladies and gentlemen serving ladies and gentlemen." When you treat yourself to the impeccable service at the Ritz, your self-image soars to lofty new heights, and you somehow find yourself exuding greater confidence, generosity, and charm.

Dell wants to "enable customers everywhere to grow, thrive, and reach their full potential." The company backs this up with its "nurture" program (which also generates order amounts of 25 percent higher than the previous average).

The primary good that a company can offer its customers is empowerment. The best brand builders see greatness in their customers, and figure out ways to enable it.

P&G puts its customers' ambitions right smack in its purpose statement: "We will provide branded products and services of superior quality and value that improve the lives of the world's customers, now and for generations to come."

By contrast, Las Vegas casinos care little about their customers' lives beyond offering a brief respite from the daily tedium. When visitors get back home, they'll face the same old grind, but with thinner wallets. This is the opposite of seeing greatness in customers. Instead, they see only weakness, naïveté, and addictive behavior.

Lori, meanwhile, comes to the realization that all profitable brands are habit-forming at some level. That's what makes them sustainable. The only question is whether the habit, on balance, is a healthy or unhealthy one. Both chocolate and tea can be habit-forming, since they appeal to the pleasure centers of the brain. But her tea contains little that might be considered unhealthy: there are no sugars or artificial ingredients. On the contrary,

it contains compounds that people might consider health-giving, such as procyanidins, known to reduce the risk of heart disease; more antioxidants than green tea and red wine; and theobromine, a milder stimulant than caffeine. The effect is a slight boost in serotonin levels for a happy, mellow mood. All in all, a healthy habit.

But what else could it be? What does a busy mom want that the tea could provide? Lori makes a quick list.
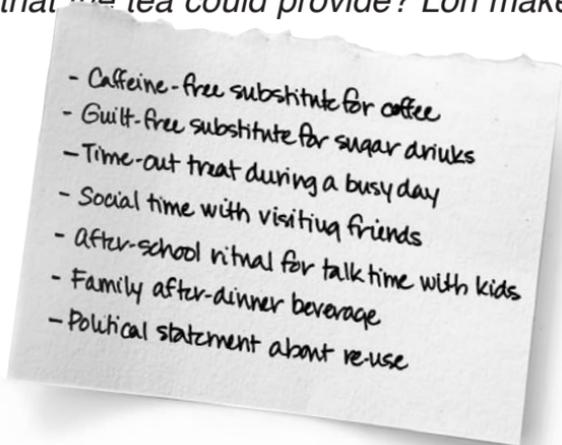
- Caffeine-free substitute for coffee
- Guilt-free substitute for sugar drinks
- Time-out treat during a busy day
- Social time with visiting friends
- After-school ritual for talk time with kids
- Family after-dinner beverage
- Political statement about re-use

These are some of the "jobs" that the product could do for busy moms. What are we addressing? A lack of time, health concerns, worries about her kids' schooling, a desire to create family memories, a need to maintain social ties, and a desire to improve the environment.

We'll let these ideas steep while we examine the next flip, the mental shift from segments to tribes.

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Marty Neumeier is Director of Transformation at Liquid Agency, a firm that develops brands for "fast companies"—organizations that depend on innovation, disruption, and relentless growth for success. This is his sixth book on brand building and business creativity.

His first book, THE BRAND GAP, redefined a brand as "a customer's gut feeling about a product, service, or organization," rejecting the widely held view that a brand was a logo or a campaign promise. His next book ZAG, introduced "onlyness" as the true test of a brand strategy, and was named one the "100 Best Business Books of All Time." His third book, THE DESIGNFUL COMPANY, offered leaders a blueprint for building a culture of brand innovation.

He joined Liquid Agency in a 2009 merger. Liquid offers clients a full range of services from brand planning and messaging to brand identity and experience design. Its presence in Silicon Valley gave it early access to the people, ideas, and companies that are now transforming the world. From this vantage point came "Silicon Valley thinking," an approach that informs the work of all its offices, from San Jose and San Francisco to Portland, New York, and Santiago.

In 2012 Neumeier published METASKILLS, a book about workplace creativity in an age of increasing automation. He followed METASKILLS with THE 46 RULES OF GENIUS, a "quickstart guide" to innovation mastery.

His vision for business creativity has led to engagements with many of industry's most exciting companies, including Apple, Google, Microsoft, Twitter, and Patagonia. From these experiences he has drawn the principles he shares in his books, keynotes, and workshops.

When Marty isn't advising clients or leading workshops, he retreats to the Aquitaine region of France, where he and his wife keep a *petite maison*. After nearly ten years of trying to speak French, he still confuses *pommes* with *pommes de terre*.