Big Brands, Big Trouble
Lessons Learned the Hard Way
by Jack Trout

Not that long ago Digital Equipment, Levi-Strauss, Miller Brewing, and Xerox dominated their respective markets. How did they fall from grace, what mistakes did they and other superbrands make that took them from the pinnacle of success to wallow in mediocrity or even end up in bankruptcy?

Big Brands, Big Trouble, the latest book from marketing guru Jack Trout, reveals some of the most disastrous (and surprisingly common) blunders that some of the world’s leading companies have made and provides a candid analysis as to how those mistakes could have been avoided. This book also offers a set of principles on how to build, protect, manage, and expand your company's brand while avoiding some of the most common brand-killing mistakes.

The Most Popular Mistakes

Misunderstanding Consumer Perceptions

"The failure to understand the simple truth that marketing is a battle of perceptions trips up thousands of would-be entrepreneurs every year." The perception of the brand or product in the mind of the consumer is the reality — everything else is an illusion, so expecting the public to realize the truth — that your product is simply better than your competitor's — is a waste of energy. Truth has no bearing on the subject — it's all about how the consumer thinks of your brand.

What Are You Selling?

Another frequent marketing bungle is the "What are you selling?" mistake. It's important to define your product in a simple, understandable way. This can be especially difficult for new concepts and technologies, as demonstrated by the runaway success of Palm "hand-helds." Palm wasn't the first to come up with the concept — Apple did that, but Apple's chosen name for the product, "PDA," didn't rest well with consumers because it wasn't clear just what a PDA was.

We're Very Successful

"Success often leads to arrogance and arrogance to failure." When companies become successful they often substitute their own judgement for what the market wants, thereby committing the "We're very successful" mistake. Digital Equipment Corporation (DEC) is a case in point.

In the 1970s, DEC was the second-largest computer manufacturer in the world, after IBM. When IBM began producing desktop computers, DEC chose to delay development of its own line of PCs, believing that the new market was not worth
the time and money. Even though the company relented a few years later by introducing 3 PCs, DEC had already been left far behind.

DEC founder Kenneth Olsen was so enamored with his own view of the computer world that he ignored three of the biggest developments in the computer industry — the personal computer, then open systems and finally reduced instruction set computing (RISC). He fell into the "We're very successful" trap and DEC paid dearly.

The Other Guy's Idea

Two companies cannot own the same idea in the mind of the prospective customer. Trout calls this the "Other Guy's Idea" mistake. Unfortunately, some marketers believe that if you spend enough money on promotional programs, you can own the idea.

This is wrong, as Burger King discovered when it wasted resources on a massive marketing effort to convince consumers that it was the fastest of the U.S. hamburger chains. McDonald's already owned this position in terms of consumer perception, and Burger King's "Best food for fast times" campaign was a complete disaster. The result was a downhill slide that continued for many years.

Lessons Learned

Big Brands, Big Trouble is chock full of stories of real brand-killing blunders by well-known companies, providing new insights that allow readers to learn from the mistakes of others.

Lesson: "Differentiation is critical in a competitive world."

In the early 1990s, AT&T had more than a 60% share of the long distance market; but there were problems on the horizon. Customer satisfaction scores were lagging, both Sprint and MCI were very close to AT&T in terms of perceived reliability and consumers couldn't see a real difference between AT&T and the other long distance providers.

But AT&T had a secret weapon — the Fastar program, a system that automatically reroutes calls around an accidental break in a cable line. The system took 5 years and cost $13 billion to develop, but it remained a secret because AT&T didn't market that system. Indeed, instead of positioning itself as the "reliable choice" based on its innovative Fastar technology, AT&T marketers positioned the company as the "right choice," which meant nothing to consumers.

AT&T made a massive investment in making their system the reliable choice yet didn't let their prospects and customers in on "the secret." So learn from their mistake. If you have something very special to offer, that the competition doesn't have — then tell the world.
Lesson: "Not keeping your costs in line helps your competitors."

Levi Strauss executives wanted to prove that a company driven by social values, not profits, could be #1, so they relied on their "Made in the U.S." slogan to sell jeans. This meant that their costs were 25% higher than competitors whose jeans were made in offshore manufacturing facilities. What Levi Strauss didn't realize was that consumers didn't care where the jeans were made, and they began choosing lower-priced competitor brands instead. In 1990 Levi Strauss had 48.2% of the jeans category. By 1998, their share had dropped to 25%.

Lesson: "You can't predict the future."

Time and again, Xerox executives attempted to predict how the office of the future would look, and developed technology that would fit into their scenarios. The consistent result, however, has been a series of ill-fated ventures starting in 1975, when the corporation lost $85 million in a failed computer manufacturing operation.

By misreading the future, Xerox allowed its competitors, Canon, IBM and Hewlett-Packard, to take away many of its most important customers. For example, Canon and IBM have made deep inroads into the high-speed copier business, which is Xerox's most profitable product line.

An analysis was made of technology predictions written between 1958 and 1989 in such publications as the Wall Street Journal, the New York Times, Business Week, Fortune and Forbes — 80% were wrong. For Xerox, their predictions were long-shot gambles that kept coming up snake eyes.

Lesson: "Sometimes you've got to evolve your position."

In 1955, Crest debuted as the first toothpaste containing fluoride, which forever changed dental care, as it meant that consumers no longer had to lose teeth to decay resulting from age. Fluoride gave Crest the edge, and the brand became known as the cavity preventing toothpaste.

But by the 1980s, cavity prevention was less of an issue, which placed Crest at a crossroads. The natural evolution would have been a move from "cavity prevention" to becoming the "pioneer in tooth care," focusing on tartar control and gum disease — the new dental care issues. Unfortunately, Crest missed that opportunity and chose instead to simply tinker with different forms of Crest. Today Colgate leads the market with its "Colgate Total" toothpaste.

Lesson: "Don't put good money on a dying brand. Put it on a new idea."

The Firestone brand was already loosing its luster when disaster struck with the 2000 flap over tread separation leading to rollovers in Ford Explorers. The brand was dying and turning things around would be very difficult. The reason is that once people have a bad impression of your brand changing their beliefs and
attitudes is next to impossible; people have strong opinions — even about things of which they know little.

Since Bridgestone/Firestone’s chances of improving the Firestone reputation were remote, their wisest course of action would be to focus on their high-performance Bridgestone brand or value-priced Dayton brand and become known as the best in a particular category.

Lesson: "A brand that's many things can't be one thing."

In its heyday, Miller beer had two brands: High Life and Lite. Then they added Genuine Draft ... but they continued to add more and more Miller brands and the end result was lower total sales. Meanwhile Budweiser became stronger and stronger. Miller damaged what Miller meant in the mind of the consumer and for this it has paid a very heavy price.

Staying Out of Trouble

Now that you understand some of the most common marketing mistakes, how do you stay out of trouble? Who do you trust to guide your company and what should you focus on?

Management Consultants

"While no one has the real number, it has been estimated that management consulting has a global market of more than $50 billion. Consultants are drawn to money like bees to honey. So big rich companies are surrounded by all types of consulting firms, trying to collect as much as they can to feed their expensive teams."

Hiring management consultants is often a waste of corporate money, according to Trout. In recent years, there has been an absolute explosion of new management ideas and tools. The problem with tools is that they are process-driven — they don't address root issues. Besides, good leaders know where they are going without a management consultant to give them directions.

Board of Directors

The only way to avoid big trouble is to nip bad decisions in the bud; this is the job of the Board of Directors, right? But all too often, board members just sit by and do nothing while profits spiral downward, and then they fire the CEO. What's worse is that many board members don't have the experience or expertise necessary to be of much help, or are simply too busy serving on too many boards.

Trout suggests that you fill your board with experts in the various functions that are pertinent to your particular business — for example, a financial expert, a marketing expert, a human resources expert, et cetera. And remember, it's much easier to start with a good board than get rid of a bad board so do your homework
before forming this extremely important body.

**Analysts**

Wall Street analysts have an obsession with growth, which means that companies who want to receive favorable reports need to grow and this can create a real dilemma for many companies. The truth is that many analysts don't understand that building a business is not only about growth; it's about unique ideas and successfully navigating the waters of competition.

If your company is publicly held, make corporate strategies the focus of meetings with analysts — they probably won't understand them, Trout says, so you will have better control of the meeting and be less likely to feel you have to follow their advice. If your company is privately held, good for you; you don't have to worry about others staring at your numbers quarter after quarter.

**The Competition**

One simple rule that can keep you from making mistakes is this: know your competitors and stay focused on them. Don't try to emulate their strengths; when a competitor is known for one thing, be known for something else. Above all, never underestimate a competitor. Even small or sloppy competitors can grow, improve and steal market share. If you are a small company, attack your bigger competitors before they can attack you.

**Management**

Trouble begins and ends with the CEO, because even though these days CEOs are often expected to be superheroes, the truth is that at big companies they are barely in control of their organization's fate. The trick to surviving is staying focused on the perception of your company or brand in the mind of the consumer. Also, think long-term, and don't lose touch with the front lines; it's critical to know what's really going on, whether it's good news or bad.

**Conclusion**

Rather than extol the successes of well known companies, Trout details their failures as a guide to avoiding pitfalls. Company by company, Trout sheds light on popular myths of big-brand dominance, providing interesting insights into the fallibility of big names.

The lessons we have learned include: even winning positions must occasionally evolve; you can't predict the future; competitors must never be given an angle to exploit, differentiate your company; and, if you have something very special to offer — that the competition doesn't have — tell the world!

With *Big Brands, Big Trouble*, Jack Trout shares a plethora of fascinating case studies to illustrate some of the most common brand-killing blunders made by
very prominent companies. He hopes you can learn from the mistakes of others so you can build, protect, manage and expand your company’s brand, without making these costly and sometimes crippling mistakes.