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Seven Rules for Investment Branding

We all understand the power of a brand, particularly one that has been well nurtured and updated over the years. Powerful brands, such as McDonald's, Crest and Tide in the consumer market can quickly convey important product messages and help create a loyal customer base. Similarly, powerful "investment brands" serve to convey a clear investment rationale and help stimulate interest on Wall Street.

"Brand names" such as General Electric, Lucent Technologies and Cisco have successfully built their "investment brand" by distinguishing themselves from other brands and communicating their advantages in terms of management, strategy, financial performance and competitive advantage. This has enabled these standouts to establish themselves as long-term favorites among the investment community and has contributed to the creation of shareholder value.

An investment brand communicates dynamism, maturity, confidence and an ability to sustain the business, but also the flexibility to change as the market evolves. There are seven principles a company must follow in order to create an investment brand that will make the investment community sit up and take notice.

1 Position Uniqueness

In 1996, Lucent Technologies was spun off from AT&T as an independent, publicly-traded company with the all-time largest initial public offering to date (112 million shares). It positioned itself as the leading company in telecommunications equipment with a unique portfolio of assets built on the innovations of Bell Laboratories. Bell Labs was #1 in its field, and Lucent adopted that mantle for itself.

2 Easily Understandable

"But what do they do?" is a common response to long, complex business models. The old conglomerates always had a hard time getting analysts to understand them. Priceline.com is simply low prices, not just a grocery company. Amazon.com doesn't say "just books." Lucent is simply telecommunications equipment; its simple logo – "completing the loop" -- was a major factor in building Lucent's identity.

When IBM and Sears Roebuck created an "Internet access provider" called Prodigy no one knew what an "access provider" was. When Steve Case created AOL his focus was the immediately understandable, "To turn the Internet into a friendly place for everyone."

How AOL/Time Warner describes its business model will have a major bearing on its success in the financial markets. Confusion over this business model is one of the key factors that has driven down the stock prices of the two merging entities. Business Week quoted one confused AOL shareholder:

"I feel betrayed. I bought a company that was going to change the world. I didn't buy a big, fat conglomerate. And now I've got one."

Is your investment brand tired?

Out of step with the times?

Take this simple test:

- Compare your company's multiple with those of its peers. Is it higher or lower than the average?
- Are you receiving your fair share of coverage by the financial media and securities analysts?
- Are members of your management team delivering important speeches or participating in high -- level panel discussions at industry trade shows?
- Has the percentage of your stock owned by institutional investors increased, decreased or remained the same over the past five years?

3"Warm and fuzzy messages"

Similarly, the message communicated has to be simple, understood quickly and memorable. It helps if it fits neatly into the way people think, like comfort food. No one has to think about "pot roast and mashed potatoes," but you have to be a gourmand to get your mind around "cervelles with capers." For example:

- Lucent bypassed the complex, state-of-the-art PBX technology it is producing for the homespun, "We make the things that make communications work." Other Lucent messages, equally straightforward, were:

-- A "must own" stock for the next century

-- Well positioned for revenue and earnings growth

-- Free from strategic conflicts with its customers

-- Shareholders are important to the company

- Alfred P. Sloan built General Motors with the message, "A car for every purpose and purse," and dominated the old economy as much as Microsoft has dominated the new.

4Consistency

Messages must be reinforced for them to be remembered. Proper reinforcement requires that only a few messages be used over a lengthy time in all communications. An executive going into an interview should have one to three messages to communicate; any more leads to diffusion of the effort. If those same three messages are communicated in every interview, in every speech, in every direct mail piece, on the Website, in the road show and other communications vehicles, the unified repetition will create understanding.

Powerful "investment brands" serve to convey a clear investment rationale and help stimulate interest on Wall Street. Messages

Microsoft, under Bill Gates, for years used the homespun message, "A computer on every desk and in every home." Now, with the metamorphosis to Steve Ballmer, the message has changed to the clunkier, "Empower people through great software, any place, any time and on any device," which reflects the strategic change that has taken place at Microsoft. We can expect that new message -- perhaps in a more streamlined form -- to be consistently used as the company repositions itself as an Internet application provider.

5Use Multiple Channels

Publicity, speeches, e-mail newsletters, Web site, direct mail, one-to-one meetings, seminars and advertising are all important channels of communications that have their own roles in an investor relations program. Each technique brings to the table its own unique benefits. Publicity brings the third party endorsement of media; the Internet provides the immediacy of online communications;

speeches, meetings and seminars offer variations on the power of personality; direct mail provides detailed content and message control, while advertising enables repetition and message control. For example:

• Lucent communicated in every form: orally, in print and via video and other media. In addition to publicity, advertising, two simultaneous road shows, and dozens of one-on-one meetings, Lucent:

-- Held "Lucent Day" a company-sponsored briefing of 170 buy-side and sell-side analysts by top officers

-- Arranged teleconference briefings given by its Chief Financial Officer for analysts following quarterly earnings announcements

-- Distributed a HighLights newsletter to more than 2,000 analysts

-- Leveraged its logo for maximum brand-building effectiveness

6Address All Constituents

A company's financial audiences are more than just its shareholders and the financial community. Employees, customers, vendors, local news media and even regulators are all potential endorsers (or detractors) that can have an impact on valuation. A mistake many companies make is not paying attention to all its constituents.

• It was essential to Lucent that its appeal be both to institutional and individual investors including potential investors and AT&T shareholders who received Lucent stock. Influencing the latter group presented a challenge because many of those shareholders viewed their investment as a utility/high dividend stock, while Lucent was positioned as a growth stock, subject to greater price volatility. Lucent's strategy was to execute two complementary efforts. Its internal communications program complemented the IR effort making employees, retirees and vendors unofficial ambassadors. As a result, the stock's value increased by 104 percent in seven months, far better than the Dow or S&P 500 during that time. Retail ownership increased from 54 percent to more than 58 percent instead of the predicted 10 percentage point decline.

7Be Fresh

IBM, Hush Puppies and Teflon have something in common: they all became "New & Improved" brands in the past five years. Each had found that their corporate brand had become passé and embarked on campaigns of brand realignment.

• IBM created an entirely new "look and feel" that stressed its shift from a hardware/software company to a total "solutions" provider and, in the process, turned around its fortunes on Wall Street.
• Hush Puppies was considered old-fashioned and relegated to the backwater of clothing retailers. It changed its product mix from comfort dress to comfort casual to keep up with the trend in corporate casual dress. Communications adopted the tagline, 'We Invented Casual' as the company leveraged its casual heritage and brand equity.

Seven Rules of Investment Branding

1. **Position uniqueness** What is the unique selling proposition, the value proposition?

2. **The business model must be easily understood** "Priceline is simply lower prices."

3. **Simple messages, "warm and fuzzy"** Lucent bypassed PBX technology for "We make what makes communications work."

4. **Consistency**
Repetition of the same messages through a unified communications process.

5. **Use multiple channels**
Publicity, speeches, direct mail, one-to-one meetings, advertising.

6. **Address all constituents**
Shareholders, analysts, employees, customers, vendors, regulators.

7. **Be fresh**
Avoid a tired brand. Change is the only constant

• DuPont Teflon had 99% awareness among consumers as non-stick protection for pots and pans. But DuPont, losing interest on Wall Street, repositioned the brand as a multi-application protector as it built interest in Teflon in fabrics and industrial processes. As a result, there is renewed interest among financial analysts.

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• And then there's SAP, the German titan that dominated business management software until recently. As the paradigm shifted to the Internet in 1999, SAP held to its course eschewing e-commerce and is now seen as yesterday's "phenom."

Corporate management must constantly monitor how effectively its messages are resonating with its various constituencies, namely the financial community, the media, customers/clients, among other groups. Consider undertaking a perception study to determine how your company is perceived by the sell- and buy-side as well as the media. Whether you are first creating an investment brand or re-launching a tired one, the dynamics of the marketplace require that you consistently understand the many factors that can affect that investment brand. The winners, like AOL and Wal-Mart, understand that. The losers, such as SAP and J.C. Penny, are learning the lessons of the seven principles for investment branding the hard way.

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