# Harvard Business Review

## TOOL KIT

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# Customer-Centered Brand Management

by Roland T. Rust, Valarie A. Zeithaml, and Katherine N. Lemon

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Most managers today agree with the notion that they should focus on growing the lifetime value of their customer relationships. Building loyalty and retention, cross selling related goods and services, broadening offerings to fulfill more of customers' needs—all are ways of adding to overall customer equity. Indeed, given the cost of winning new customers (much higher than that of keeping current ones), and the ultimately finite universe of buyers out there, a mature business would be hard-pressed to increase profits otherwise.

The problem is, for all that managers buy into this long-term customer focus, most have not bought into its logical implications. Listen to them talk, and you may hear customer, customer, customer. But watch them act, and you'll see the truth: It's all about the brand. Brand management still trumps customer management in most large companies, and that focus is increasingly incompatible with growth.

Consider the story of Oldsmobile, an American car brand launched earlier than any other

in existence today. In the 1980s, it enjoyed outstanding brand equity with many customers. But as the century wore on, the people who loved the Olds were getting downright old. The managers that parent company General Motors put in charge of the brand realized that maintaining market share meant appealing to younger buyers, who unfortunately tended to see the brand as old-fashioned. We all know what came next: the memorable 1988 ad campaign featuring the slogan, "This is not your father's Oldsmobile." In 1990, less memorably but in the same vein, the company's marketers unveiled its next message: "A New Generation of Olds." Catchy or not, neither campaign turned back the clock. By 2000, Oldsmobile's market share had sputtered to 1.6%, from 6.9% in 1985. And in December 2000, General Motors announced that the Oldsmobile brand would be phased out.

Car aficionados might have shed a tear at the passing of a proud old marque, but we see the tragedy differently. Why did General Motors spend so many years and so much money

trying to reposition and refurbish such a tired image? Why not instead move younger buyers along a path of less resistance, toward another of the brands in GM's stable—or even launch a wholly new brand geared to their tastes? Cultivating the customers, even at the expense of the brand, would surely have been the path to profits.

We know why not, of course. It's because, in large consumer-goods companies like General Motors, brands are the raison d'être. They are the focus of decision making and the basis of accountability. They are the fiefdoms, run by the managers with the biggest jobs and the biggest budgets. And never have those managers been rewarded for shrinking their turfs.

We propose a reinvention of brand management that puts the brand in the service of the larger goal: growing customer equity. This doesn't mean that brand becomes unimportant. Compelling brand images remain essential to winning and keeping customers' trade. But it does mean fundamentally changing how management thinks about the goals, roles, and metrics associated with a well-managed brand. These changes will be among the most wrenching your organization ever undertakes. But they're long overdue.

### It's OK, I'm with the Brand

When a marketer focuses on growing a customer base, and not necessarily a brand, things can look very different. Let's take an example from the entertainment world, courtesy of songwriter and performer George Clinton. Known as one of the founders of funk, Clinton in the 1970s sought the attention of two different segments of record buyers—mainstream listeners, who liked vocal soul music with horns, and progressive listeners, who liked harder-edged funk. Clinton knew that his band was accomplished enough to play both kinds of music, but he realized that alternating between the styles would muddy the band's image and serve neither audience well. The solution was simple. The same group of musicians, essentially, recorded and performed under two different band names: Parliament, when the music was aimed at popular tastes, and Funkadelic, when it was edgier. Both bands were very successful, even though some Parliament fans would never listen to Funkadelic and vice versa. The point is that Clinton did not try to make his original brand

a big tent by stretching it to accommodate the tastes of very different markets. His branding reflected his customers' identities instead of his band members'.

That kind of thinking led to Honda's development and marketing of the Acura Legend in the United States. The same car was introduced in most other countries, including Japan, as the Honda Legend. But the company had good reason to think it would not succeed using that name Stateside. In the 1980s, U.S. buyers, much more than their counterparts elsewhere, associated the Honda brand with economy cars. They expected and trusted the company to provide inexpensive, dependable—if not very exciting—cars. Rather than work to change that image (which served the company well with other models), management decided to launch a new brand. "Acura" had no positive equity established with upscale buyers, but neither did it have baggage to overcome.

Honda's successful branding strategy stands in direct contrast to Volkswagen's more recent disappointment with the Phaeton. Volkswagen is one of the world's most recognizable brands and has excellent brand equity among buyers of low- to medium-priced cars. The Phaeton, however, is a high-priced luxury car, positioned to compete with such icons as BMW and Mercedes. To Volkswagen, the car is simply an extension of the engineering prowess it already prides itself on. And by all accounts, the objective attributes of the Phaeton (fit and finish, comfort, and power) are competitive with those of other luxury marques. Unfortunately, the company's brand is defined not so much by its exacting producers as by its customers. It has virtually no brand equity among luxury buyers. This is undoubtedly why management's sales projections were so flawed. When the Phaeton was launched in Europe in 2003, Volkswagen predicted 15,000 would be sold. Several months later, it admitted that only about 2,500 had been.

Finally, let's turn to an example that really pushes the envelope. In Japan, there is a brand called WiLL that is owned and managed by a consortium of consumer goods companies. The companies have little in common on the production side of things; they range from carmaker Toyota to electronics marketer Matsushita (Panasonic) to beer

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brewer Asahi. But they have a great deal in common in their pursuit of a certain new and affluent demographic. In fact, this target segment of consumers—"new generation" women in their twenties or thirties who like things that are "genuine" and fun—defines the WiLL brand. The design of the WiLL Web site, www.willshop.com, is exclusively focused on that rather narrow demographic and psychographic profile. It features a hip mix of Japanese and English, a fashionable color palette, and disparate products unified by the quirky playfulness of their design. The products include the WiLL Vi (an automobile manufactured by Toyota), the WiLL PC (made by Panasonic), and WiLL beer (brewed by Asahi). These megabrands have chosen to become, in essence, private label manufacturers behind a brand they own jointly. It makes sense because, independently, none of them would have invested so heavily in a branding effort that hit just one segment, no matter how squarely between the eyes. For that matter, the list of partnering companies could change, along with the kinds of products offered, and the WiLL brand would remain strong—because its meaning and value stem from its customers.

## Customer Equity Is the Point

Forward thinkers like George Clinton, Honda, and the WiLL consortium aside, most companies today are geared toward aggrandizing their brands, on the assumption that sales will follow. But for firms to be successful over time, their focus must switch to maximizing customer lifetime value—that is, the net profit a company accrues from transactions with a given customer during the time that the customer has a relationship with the company. In other words, companies must focus on *customer equity* (the sum of the lifetime values of all the firm's customers, across all the firm's brands) rather than *brand equity* (the sum of customers' assessments of a brand's intangible qualities, positive or negative). And though the two often move in concert, it is important to remember that acting in the best interests of brand equity isn't necessarily the same as acting in the best interests of customer equity.

Suppose we have a customer—let's call her Ann—who tends to favor one of our current brands, Brand A. To the extent that Ann values Brand A above and beyond the objective value

*Companies must focus on customer equity rather than brand equity.*

of the product's attributes, we can say that it has positive brand equity for her. If Brand A's equity increases in her eyes, Ann is likely to buy it more frequently and perhaps in higher volume per purchase. This of course increases Ann's lifetime value to the company. But what happens if Ann grows tired of Brand A? Or if the brand ceases to resonate with her? If we manage the customer relationship properly, we can introduce Ann to another of our brands that is a better match with her sensibilities. In fact, we should be willing to do whatever is necessary with our brands (including replacing them with new ones) to maintain our customer relationships. Our attitude should be that brands come and go—but customers like Ann must remain.

## The Value of a Brand Depends on the Customer

One of the most important things to understand about a brand is that its value is highly individualized. A customer might grow tired of a brand, or more enamored, independent of how other customers are responding to it. One reader sees the *Wall Street Journal* as the pinnacle of probity; another calls it a reactionary rag. For some people, Stouffer's stands for taste and convenience; for others, trans fats and carbs. Between the two extremes are infinite shades of gray.

Yet most marketing managers speak about the value of a brand as though it were solid and monolithic, and they measure brand equity with a summary metric of brand strength. It's a perfect example of what's been called the "flaw of averages." The value they arrive at is true for practically no one—and hardly a useful management tool.

We conducted a survey of customers in two cities to measure brand equity for 23 brands in five industries. Look, for example, at the wide range of values customers assigned to the American Airlines brand. (See the exhibit "Customers Differ on Brand Equity.") Many marketing decisions proceed from what managers believe to be the strength of the brand. Defining that value as the average would lead to actions that weren't right for many customers.

Assigning an average value to brand equity is dangerous because it obscures the fact that brand value is idiosyncratically assigned by the customer. Managers begin to believe that the

value of their brand is somehow intrinsic—that, like a diamond in a necklace, the brand has an objective, inherent value. We know of one company, for example, that stumbled badly as it tried to make headway in South American markets. It was one of the world's largest and most successful brands, and its marketing managers assumed that its outstanding brand equity was a given. In truth, while the brand tended to have very high equity with consumers in the United States and many other countries, people in South America were more likely to favor local brands. Confused by poor sales, management seemed unable to acknowledge that the brand might not be such an asset. The company only redoubled its efforts at what could be called brand imperialism, with limited success.

### Put Your Brands in Their Place

If you accept that the goal of management is to grow customer equity, not brand value,

## Customers Differ on Brand Equity

We surveyed customers of 23 brands to measure differences in brand equity. For the American Airlines example shown here, customers had widely varying perceptions of the value of the brand. This distribution was typical across brands and industries and shows why average measures of brand equity are misleading.

Percentage of customers surveyed

31%
28%
18%
13%
5%
5%

0%–39% | 40%–49% | 50%–59% | 60%–69% | 70%–79% | 80%–100%

**Customers' ratings of the American Airlines brand**
(relative to maximum)

and that brand value is only meaningful at a highly individual level, then you will likely manage your brands in a profoundly different way. Our work with leading companies crafting customer-centric branding strategies suggests seven directives that go against the grain of current practice.

**Make brand decisions subservient to decisions about customer relationships.** This means creating or strengthening the role of the customer segment manager and allocating resources to that function rather than to traditional brand managers. It may even make sense to go beyond segments and assign managers to specific customers, if they are big and important enough. In the business-to-business world, this is known as managing key accounts; companies like Ericsson and IBM assign account managers and give them broad authority in marketing to important customers. Consumer companies can also use the approach, organizing around customers or customer segments. Brand managers will still have an important role in the marketing function, but they will be dependent on the customer segment managers for distributing resources. Brand management will become a team-oriented task.

**Build brands around customer segments, not the other way around.** Some products, like Viagra, are inherently directed at the needs and requirements of a particular customer segment. Others, like the Black Pride beer once sold actively in the African-American neighborhoods of Chicago, are generic products positioned for a specific segment. Procter & Gamble markets an extensive portfolio of soap brands, each targeted to a different psychographic or demographic segment. Its laundry detergents, too—Tide, Gain, Cheer, Ivory, Bold—are differentiated more by target customer segment than by product features. The world's largest women's clothing company, Liz Claiborne, has a similar focus on the customer. Each of its customer segments has its own named brand and personality. The company makes the high-end Dana Buchman brand for professional women; the stylish Ellen Tracy brand for sophisticated but casual women; the young, upscale Laundry brand for individualists; the Liz Claiborne brand for its traditional casual market; and the Elizabeth brand for plus-size women. The lines are so well differentiated by brand, fit, and style that
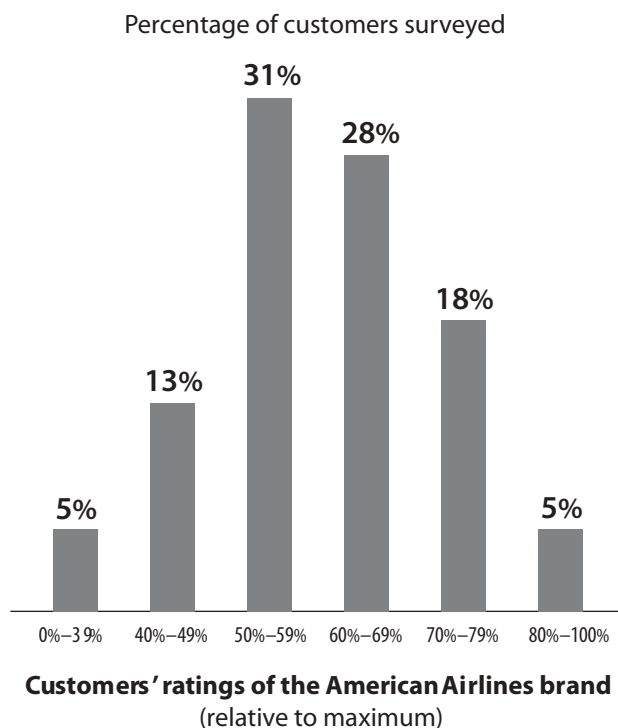
few consumers know they are made by the same company.

**Make your brands as narrow as possible.** Henry Ford may have sold the Model T to a broad cross section of consumers, but today there are men's and women's formulas of vitamins and distinct television channels for Latinos, African-Americans, women, golfers, senior citizens, and gays. As advances in technology and customer information make such segmentation easier, this trend is likely to become even more pronounced. And it should. If the customer is central, then the purpose of a brand should be to satisfy as small a customer segment as is economically feasible. Allowing for the fact that some breadth is desirable for its own sake, the tendency should be toward brands that are increasingly narrow over time. A tighter focus can only enhance the clarity and value of the brand in customers' eyes (see the sidebar "How Big to Brand?").

**Plan brand extensions based on customer needs, not component similarities.** Many companies are guilty of brand overextension—usually because they evaluate extensions according to how similar the new product is to the old one. Instead, they should be thinking about whether the two products' customers are similar. Clearly, it makes no sense to try to extend a brand to a dissimilar product with dissimilar customers. But even extending a brand to a similar product doesn't work very well if the customers have little in common. This was Volkswagen's mistake with the Phaeton. It also caused headaches for IBM when the company entered the personal computer market in 1981. It was widely believed at the time that IBM's superior brand equity in computers would guarantee its dominance of the PC marketplace. In fact, IBM had a far more difficult time than expected. Customers of IBM's PC (individuals) were entirely different from customers of its mainframe computers (business buyers). Personal computer buyers had much less attachment to IBM and were open to competing products from Apple, Atari, and other previously minor players in

# How Big to Brand?

Once your frame of reference has shifted to customer management, the central problem of brand management becomes: How big should the brand be? Customers are individuals with unique tastes and desires. Suppose, for example, a customer named Benito was being targeted by a company. In an ideal world, where money was no object, would this mean creating a "Benito" brand?

Not quite. To some extent, customers look to brands to provide safety in numbers. Buying a popular brand not only increases the customer's trust that the offering will perform as promised but also contributes to the customer's social needs (why buy a Harley if not for the Harley community?). So even if it were financially and operationally feasible to create millions or billions of separate brands, it would not be advisable. Still, brands should cater to individual needs as specifically as possible, given the current threshold of economies of scale.

The magazine industry is a good indicator of how narrow the niches can become, given the technology and consumer information available today. People used to subscribe to general interest magazines. If you were female, you might put a finer point on your reading by buying a women's magazine. Today, the *Life*s, *Look*s, and *Saturday Evening Post*s are gone, and even the idea of a women's magazine is laughably vague. Depending on the woman, the right magazine might focus on general fitness (*Shape*), health (*Natural Health*), self-esteem (*Self*), parenting (*Working Mother*), high fashion (*Vogue*), high fashion in midlife (*More*), shopping (*Lucky*), ethnic women (*Essence*), gay women (*Curve*)—the choices go on and on.

The key, of course, whether we're talking about magazines or cars, is identifying the point at which creating a narrower, clearer brand yields customer benefits insufficient to pay back the company's costs of supporting it. Long-term historical trends indicate that this trade-off point is steadily shifting toward even narrower brands, due primarily to changes in both customer tastes and production capabilities. In the United States and other developed countries, explosions of immigrant populations and the proliferation of media have made for increasingly fragmented customer markets. Meanwhile, computerization and modular manufacturing are making it progressively cheaper to customize goods and services—and individualized communication networks like the Internet, combined with computerized data analysis, enable companies to microtarget their messages.

The shift to narrower and more numerous brands is difficult for even the most astute marketers to accept. Unilever, for example, fought against market fragmentation by instituting a brand consolidation program in 1999. Its management eliminated hundreds of brands in search of economies of scale. Among the discarded were such successful brands as Elizabeth Arden cosmetics and the Diversey cleaning and hygiene business. The strategy was lauded by some analysts at the time, but it doesn't seem to be aging well. Five years later, Unilever's sales have stagnated, while primary competitor Procter & Gamble, with its niche branding strategy, has enjoyed healthy gains.

the computing market. This paved the way for success by later entrants into the PC category such as Dell, Compaq, and Hewlett-Packard.

Brand extensions are more likely to be successful if the customers are similar, even if the products are not. Virgin, for example, has extended into a wide variety of unrelated products, including airlines, music stores, soft drinks, and mobile phones. What unites Virgin's offerings is value pricing, high quality, and a hip, fun image that attracts a particular customer segment. This psychographic similarity in Virgin's customers makes it possible for the company to create brand extensions that would not otherwise work. Likewise, Tiffany's found it possible to extend from expensive jewelry to expensive perfume because both products attract the wealthy prestige buyer. Disney is involved with products as diverse as movies, hotels, and amusement parks. These extensions work because the target market (the young and the young at heart who want to be entertained) does not change.

The best results, though, come when both the products and customers are similar. This is one reason that line extensions are so common. It was not difficult to predict that Caffeine-Free Coke would be an easy stretch for Coca-Cola or that Visa could extend from credit cards to debit cards. Even when the brand extension is not just a line extension, a similar enough product and a similar customer make success more likely. Yamaha could extend from organs to pianos to guitars with some confidence because all were musical instruments and all had similar customers. The brand equity that a musician accorded to Yamaha pianos could easily be extended toward guitars.

**Develop the capability and the mind-set to hand off customers to other brands in the company.** There's absolutely no sense in spending disproportionately to hold on to a brand's customer relationship if the customer is a more natural fit with another brand in the company's portfolio. Brand managers need to know their customers well enough to tell when it's time to hand off customers. In extreme cases, a company might even encourage some customers to abandon a brand to which they are loyal if another brand will better cultivate the relationships and increase customer equity. Imagine, for example, a longtime customer of Fairfield Inn, Marriott's

budget hotel brand. What if the company has discovered that he is a good prospect to move up to the higher-priced Marriott brand, perhaps by analyzing the customer's purchase history and connecting that to patterns with other customers? Under traditional brand management, nothing would happen; Fairfield Inn would hold on to its customer at all costs. But most of us would agree that the company should forfeit the Fairfield Inn brand relationship for a higher-value customer relationship with the Marriott brand. In practice, that would mean that if Fairfield customers who begin traveling more frequently and more widely tend to switch to the Marriott brand, then customers who fit that profile should be actively invited to try the Marriott brand, perhaps with promotional hotel stays or special deals. Future profits are driven not by repeat business at Fairfield Inn but by the customer's purchases across all Marriott brands.

**Take no heroic measures.** Sometimes a brand becomes very unattractive to a customer segment. Reversing that impression might simply be too hard to do. By analogy, suppose you went on a summer vacation for two weeks, left the car at home, and returned to find that a skunk had jumped into it, sprayed, then died. Given your investment in the car and its replacement cost, you would labor mightily to get that smell out of the car. But we can tell you with some authority, it would be a lost cause. Now suppose such a lingering stench has attached itself to your brand. At what point would you cut your losses and invest in a new one?

For discount airline ValuJet, that point came just as the brand had started to build momentum. ValuJet was off to a stellar start when in May 1996 one of its airliners crashed, killing all aboard. The National Transportation Safety Board accused ValuJet of failing to ensure the safe handling of the hazardous materials that had set the plane on fire and caused the crash. No question: The brand stunk. Rather than try to redeem it, ValuJet dumped the name. It merged with another carrier, AirTran, and its fleet was soon back in business under that brand. AirTran is currently one of the few U.S. airlines making a profit.

In a ValuJet situation, the decision seems obvious. Unfortunately, most companies face decisions more like GM's with Oldsmobile.

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And just think of the angst that must have surrounded the renaming of *McCall's* magazine first to *Rosie's McCall's* and then to *Rosie* (not to mention the second-guessing after the new venture imploded). Now think of the discussion going on at Martha Stewart Omnimedia. Nabisco phased out its Mr. Salty brand when the public became concerned about the ill effects of too much sodium. Painting over the WorldCom sign was an easy decision. But would it make sense to walk away from the Tyco name?

Brands should never be scrapped frivolously, but companies should retain only those that have avid customers—not sentimental owners or overly aggressive brand managers.

Retiring ineffective brands is easier to do if the marketing resources of the firm are controlled by customer segment managers, as we propose, rather than brand managers. If brand managers control the resources, they will persist too long with a brand that has lost its punch in a particular segment. To do any less would feel like a personal failing.

**Change how you measure brand equity.** A focus on customer equity doesn't mean brand equity is unimportant. To the contrary, improving brand equity remains one of the most important marketing tasks. And that means it needs to be reliably measured and tracked. The task is greatly complicated—but not rendered impossible—by the realization

## Brand Equity in the Scheme of Things

To manage something, you need to be able to measure it, and brand managers have long struggled to find the right formula for measuring brand equity. If what we care about most is customer lifetime value, then that has two major implications for how we measure brand equity. First, we must put it in the context of customer equity. Second, we must recognize that it varies by individual. Any aggregate measure we produce must not be a meaningless average.

The model shown here presents a way to measure customer equity and brand equity by understanding what drives each one and to what degree. By extension, the model is a tool for decision making. Once management knows the drivers and their relative weights, it can predict the impact of specific brand-building actions on customer equity and, in turn, on profitability.

Let's start with the bottom line of the model, which is customer equity, the sum of the lifetime values of the firm's customers. As shown, a customer's lifetime value is driven by choices, and those choices are driven by three considerations, or, as we term them, forms of equity. *Value equity* is the objectively considered quality, price, and convenience of the offering. *Brand equity* is the customer's subjective assessment of a branded offering's worth above and beyond its objectively perceived value. *Relationship equity* factors in switching costs—the customer's reluctance to go elsewhere because

of learning curves, user-community benefits, or other considerations perhaps as simple as friendships with salespeople. The first challenge is to determine the relative influence of these three drivers on a given company's customer equity. This can vary dramatically from category to category and even from product to product. Our own research, for instance, reveals that brand equity is a dominant driver in the facial tissue category and for grocery products in general. It makes sense: These are classic instances of what marketers call "low involvement goods"—relatively low-priced and frequently purchased products that consumers don't want to spend much time thinking about. Brand equity is far less important in industries like air travel and rental cars, where value is examined more carefully and relationship equity has become a greater factor since the advent of loyalty programs.

Once the relative importance of brand equity is established, the next challenge is to figure out what drives brand equity in a particular company. Typically, as shown, these drivers include elements like consumers' awareness of the brand, their attitudes toward the brand, and their perceptions of the company's ethics and corporate citizenship. Finding the relative weight of these drivers is again the challenge, but it involves no surprising technique. This type of key-driver analysis is done routinely to measure customer satisfaction using survey data of individual customer ratings. As in cus-

tomer satisfaction analysis, success depends on defining drivers that are directly related to specific areas of expenditure and capable of being perceived and rated by individual customers. A number of companies (among them IBM, Sears, ChevronTexaco, and Saks Fifth Avenue) are already applying the technique to tease out the drivers of customer equity and brand equity.

The final step is to statistically link the customer equity drivers (brand equity drivers plus value equity drivers, relationship equity drivers, and inertia) to customer lifetime value—at the level of the individual customer. Conceptually, this amounts to estimating how "consumer utility," or the consumer's perception of value from the transaction, is affected by those drivers, and, in turn: how that level of consumer utility relates to switching patterns (the tendency of consumers to change brands); what those switching patterns mean for projected future choice; and what that projection of future choice yields in customer lifetime value. With these relationships established, a company can tell how much customer equity will increase as a result of a given improvement in any one of the drivers of brand equity.

As an example, we applied this approach to a major airline we'll call Aerosphere (the example is based on actual data, but the company has been disguised[1]). Consider Aerosphere's decision whether to invest in seat-

that brand equity varies dramatically from customer to customer. In the sidebar "Brand Equity in the Scheme of Things," we describe in detail a workable method. It starts with a means for helping managers understand the drivers of customer equity and the extent to which brand equity affects customers' buying decisions (more so in some industries than in others). The method then involves an analysis of the drivers of brand equity.

Most important, for measurements to be truly useful, brand values must be calculated on an individual customer basis and rolled up only at the highest level. The alternative, tempting in its simplicity, is to average the measures associated with each of the brand drivers. For example, companies have long assessed advertising effectiveness in terms of recognition and recall. Typically, they refer to these measures based on their averages, attempting to differentiate good ads from poor ads. But it is possible, using the same data set, to relate the measures associated with each individual to that person's choice of brand. Because a sample of customers (perhaps augmented by customer panel data or purchase intent data) gives individual-level data on both brand choice and advertising, the two measures can be related statistically. Likewise, if a full set of drivers, including advertising activities, is measured at the individual customer level, then we can statistically infer which driv-

back video units to enhance customers' perceptions of cabin service. (Cabin service is a driver of quality, which in turn drives value equity.) Say installing the units would cost $100 million, and an additional $5 million would be required annually for upkeep. If test market results indicated that having seat-back video units would result in an average improvement of 0.2 (on a five-point rating scale) for perceived cabin service, the rating would rise from a current average of 3.6 to 3.8. Given a discount rate of 10% and a time horizon of three years (because Aerosphere probably couldn't be confident about the nature of the market and competitive reactions past that period), we can predict the chain of effects: Aerosphere's customer equity would increase from $6.8 billion to $6.94 billion. That increase would outweigh the net present value of the improvement costs ($112 million), and the result would be an ROI of 28.8%.

Now suppose that costs turned out to be somewhat higher than anticipated ($105 million for installation) and that the perception of cabin service actually improved a bit less than anticipated (to 3.79). Inserting these revised figures into the statistical model yields an ROI of 17.1%. The framework provides something management has long sought: financial accountability for marketing decisions, both before and after an investment is made.
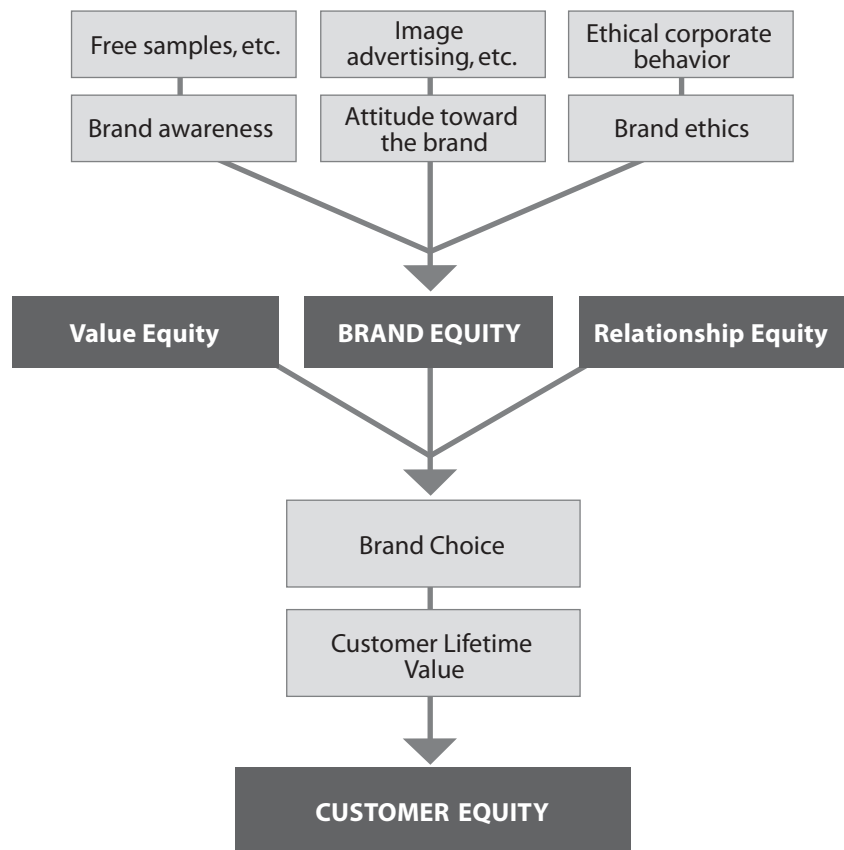
1. For more statistical details, see Rust, Lemon, and Zeithaml, "Return on Marketing: Using Customer Equity to Focus Marketing Strategy," *Journal of Marketing*, January 2004. To pursue this example further or try other potential expenditures, download our free software from http://www.rhsmith.umd.edu/ces/books/Customer%20Equity.html.

*If brand managers control the resources, they will persist too long with a brand that has lost its punch.*

ers are the most important, as well as how much an improvement in one of the drivers would increase choice.

## Overcome Your Blind Spot

The changes we're suggesting will reverberate throughout an organization, shifting roles and responsibilities, budgeting processes, performance measurement systems, and more. This kind of broad-based reinvention is possible only when it also entails a fundamental change in perspective on the part of the executive team. People learning to drive realize quickly that they have a vulnerable area where their vision is hindered or obscured. For many management teams, brand is one of those blind spots. Executives must begin looking at the problem of brand management more deliberately and from the customer's point of view.

In a customer-centered company, brands are important. But they are not all-important. Therefore, companies cannot be structured, staffed, and motivated to grow their brands, full stop. It is top management's job to correct this focus, and only top management can do it. The first step is to develop a competent cadre of customer segment managers. The second is to hand them the purse strings. The third is to track and reward their progress using reliable metrics for customer and brand equity. Make these adjustments and you in turn will see changes—subtle at first, but substantial over time. Your people will understand that brands are only a means to an end, and the end is this: to create and cultivate profitable, long-term relationships with customers. ▽

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