Editorial

Hi-tech brands at the crossroads

INTRODUCTION

I have chosen to write about hi-tech brands precisely because this is an area that is less well understood than fast moving consumer goods or services branding, and because I was hired by a hi-tech company precisely to help the company improve the contribution that effective branding made to its overall marketing programmes.

A CUSPAL PERIOD FOR HI-TECH BRANDS

The current performance of hi-tech brands is binary — there are outstanding successes and a litany of complete failures. The great successes include Intel, Compaq, Microsoft and Sony, but the failures list is almost endless: ICL, Thomson, Bull, Sinclair, Amstrad, Novell, Apple, Acorn, Apricot and countless others.

Hi-tech brands confound the usual way that brands generate equity which is over an extended period of time as customers experience consistent value and services standards. In the hothouse world of hi-tech branding, brands shoot quickly to stellar status or equally quickly to failure and disgrace. In hi-tech, customers often suspend disbelief in order to believe in a brand before it has proven itself, whereas in many other markets the very opposite is true (eg financial brands). Normally mass acceptance of a brand comes after a period of slow and steady growth, especially, when the offer is revolutionary. First Direct Bank in the UK is a good example of this where the real growth in customer numbers

came only two years after the launch, when the whole concept was proven to work.

Let's face it, hi-tech brands are really a very new phenomenon and few of them are holistic and well-developed. Too many of them are simply labels for agglomerations of products, but as many areas of hi-tech are maturing and, dare one say it, commoditising, then branding suddenly takes on a new relevance.

Once a brand owns a sector of the market in the eyes of the customer and channel then it is almost impossible to break in. Microsoft is a good example of this where it controls both operating systems and standard desktop software.

When a hi-tech market is mature it is very difficult for new entrants to break in because although the theoretical barriers to entry are low at this point, both end users and channels of distribution will not take on new brands or extra lines and risk at this stage in the market. Also there is no way, at this stage, that channels are powerful enough to step forward as brands to challenge mature vendor brands. Contrast this with the grocery or gasoline markets in Europe.

The importance of branding is also growing as hi-tech companies become truly global and try to exploit the last frontiers in the form of China and India.

The rewards for those who get their branding right are literally unparalleled. Just look at the capitalisations and forward P/Es of Microsoft, Cisco and Intel. Companies like these generate the kind of customer loyalty which constantly allows them to stay

ahead of the technology curve and which earns them a few precious months of grace when they fall behind it or make a small mistake as all three of the above have done.

Brands of this size can eclipse their competitors and take the focus away from absolute technology issues to investment protection and forward compatibility issues. There is no reason why these brands cannot continue their success almost indefinitely and become the Persils, Boeings, Landrovers and Coca-Colas of the late twentieth century.

In the boardrooms of companies like this the word brand, rather than byte, is being heard more and more.

THE ANATOMY OF A HI-TECH BRAND

The key point about branding in hi-tech is that it is not the *most* important thing in the business, it is the *second* most important. The most important thing is always technology and bringing this to market quickly. If you own the right technology at the right moment then, in the words of Geoffrey Moore,¹ 'the correct marketing strategy is really to ignore the customer! The reason is that, inside the tornado, customers are lining up for the hot product. They do not need — or want — to be courted — the problem is not to create demand; they need — and want — to be supplied. Anything you do to restrict the throughput of the supply process works against this goal. That is why Henry Ford not only could say, but was correct in saying, "You can have any color Model T you want as long as it's black" '.

So why is technology more important than branding and understanding the customer? Technology is knowledge which, once discovered, cannot be undiscovered. It will therefore be commercialised and only time will tell whether it is a success or a failure. Once the discovery or the step forward has been made then it is a race to market and the market will decide

whether there is long-term value in this opportunity or not. This is true of gigabit ethernet in computer networking which has been launched before the technology has been standardised and before the previous technology wave of fast ethernet has run out of capacity in customers' networks. Customers do not *need* gigabit ethernet but some may want to buy it. How many Ferrari drivers ever get off urban streets with speed limits of thirty miles per hour? How many home users of PCs are utilising their expensive and up-to-the-minute high capacity CPUs while playing computer games?

Because these technology wars are binary in outcome brands have to be robust enough to accept and encompass failure. Sony failed with Betamax, some of Intel's Pentium processors have had bugs and Microsoft's Windows 95 was not perfect, but they are forgiven.

It is also interesting to note that the most successful hi-tech brands are those that face business-to-business customers *and* consumers. This is not only because there is a natural continuum between the home and the office in hi-tech but also because the consumer side of the brand allows for an ubiquity of presence and an accessible brand persona. Business-to-business brands are rarely fun, consumer brands are. The relationship between the Sony Playstation or Walkman and Sony news gathering video camera is, strangely enough mutually reinforcing. Novell, stranded in the desert of business-to-business branding is struggling against Microsoft even in network operating systems because of the pervasiveness and subtle accessibility of the Microsoft brand. Intel never sells a CPU to a consumer and yet it spends hundreds of millions of dollars advertising to them. Bill Clinton plays the saxophone in public for the same reasons.

It is also interesting to reflect on why most hi-tech brands are American or Japan-

ese. For the Americans, Silicon Valley is a part of their culture. It is not grafted on in imitation of someone else and there is a genuine passion for things hi-tech in the USA. The American gift for theatre and the grand gesture also means that these brands are showbusiness and fun. They are as authentically American as Fords and apple pie. The American passion for the global brand also suits this marketplace which is driven by functionality and commonality.

By comparison, Japanese brands, with the notable exception of Sony, are pale imitations of their American progenitors. These brands tend to sell to those who focus solely on price and the Japanese are still better at componentry rather than integrated products because this means not having to understand and market to the end customer but rather to understand the economics of supply and demand at different stages of the technology cycle.

However, hi-tech brands are often incomplete compared to other marketplaces. Hi-tech has not yet cracked service in the way that BMW has, moving the purchase decision away solely from the hardware. The frequent cycles of innovation and product introduction mean that a happy customer is often only happy for six months before he sees his PC for sale at half the price he bought it for and the next generation having thirty per cent more functionality for the same price.

There is also a notable polarisation between huge powerful mega-brands and true niche brands in hi-tech. There are no barriers to competition or distribution which allow smaller less competitive brands to survive. You are either on your way to being the next Microsoft or Cisco, or you are on the way to being history.

SO WHERE DOES THE CUSTOMER FIT IN?

We have already observed that the customer comes second to the need to ride the tech-

nology wave. So how do customers feel?

In hi-tech the customer, whether a consumer or a business-to-business customer often feels; confused, wary, disappointed, not given proper service and bombarded by information. This is again why the big brands are self-sustaining to some extent. In the kingdom of the blind the one-eyed man is king. These big brands are *relatively* more 'trustworthy' service oriented and likely to continue to introduce new, compatible products at the top of the technology curve. The lack of full trust in these brand means that in business-to-business there is a phenomenal role for consultants who can support business decisions and give objective advice to customers. These consultants are regarded as the accountants of the hi-tech world and accepted as a necessary evil.

The customer rarely feels empowered and tends to make safe choices — the big, consequently, get bigger.

THE CHALLENGE FOR THE FUTURE

So what will the successful hi-tech brand of the future look like?

I think that the successful hi-tech brand of the future will change to be:

- focused on customer benefits rather than tech-specs;
- the application of technology;
- addressing both consumers and business-to-business customers;
- appealing to the channel of distribution;
- more visible in marketing terms;
- fun and accessible.

I also think that the nerdy phase is going to end. Future brands will demonstrate a more harnessed and democratic passion for high technology and its applications like Boeing, BMW and Landrover. These latter companies are focused on what you do with technology rather than on tech-

nology itself. Has Microsoft already understood this?

THE CHALLENGE TO MARKETERS

The challenge to marketers is to create these hi-tech brands of the future and to give marketing equal weight alongside the engineering and sales communities who are still in control at high-tech companies.

So if I may paraphrase the slogan from the poster of Lord Kitchener from the First World War 'Marketers — hi-tech needs YOU!'

Richard Zambuni
Editorial Board

REFERENCE

- (1) Moore, G.(1995) 'Inside the Tornado', HarperCollins, London, UK, pp 78–9.