



Your Brand is Pathetic. 4 Steps To Real Branding.

Steve Sanduski:

Hi everybody, and welcome to On Your Mark, Get Set, Grow! I'm your host, Steve Sanduski, and our guest today is Mike Marchi. Mike has over 30 years of C-Suite experience where he has dramatically improved the operational performance and delivered profitable growth to a variety of companies. He has successfully led large corporate organizations, mid-size private equity back businesses, and smaller entrepreneurial companies as well. And along the way, he has held CEO and President roles in public, private equity, and family owned, privately held global corporations, including such well known names as General Electric during the Jack Welch era, Citibank, Kohler, American Standard, Grohe, among several others. He's had full P&L responsibility for companies anywhere from \$75 million to \$2 billion in revenue, and he's also a coach here at CEO Coaching International.

On today's show, we talk about the superpowers of building and maintaining a strong brand, and how that leads to higher profits. And I encourage you to be sure to listen to the end of the show where I ask Mike, what is one leadership trait that leads to success? And what he shared is something that he learned while he was working at GE during that Jack Welch era. And it's also something that is a core belief of the coaching process here at CEO Coaching International. So, please enjoy my conversation with Mike Marchi. Mike, welcome to the show.

Mike Marchi:

Thank you, Steve. I'm really glad to be here.

Steve Sanduski: Yeah, well we are excited to have you here, too, and I always love talking about branding. So, looking forward to digging in here. So, I thought where I'd start is asking you if in this age of the internet and online shopping, do you think that the concept of branding and having a strong brand name, is that more important today, less important, or maybe about the same compared to say 20 years ago?

Mike Marchi: Steve, I really think it's more important. With all the choices out there and the confusion that that can cause with consumers, understanding a strong brand and having a strong brand allows consumers to narrow in on your product versus the masses that are out there.

Steve Sanduski: And how would you actually define a brand?

Mike Marchi: The way I look at it, a brand is a unique promise that makes a difference out there compared to the other mass of products that are out there on the marketplace. It's what differentiates you from the competition, and it's what makes you unique or different.

Steve Sanduski: And would you say that every company, every product, every service is a brand, but it just may not be the one that you want it to be? It may be what kind of the public has imposed upon you?

Mike Marchi: No, I wouldn't say that. I would say that ... I'm losing it on that one, but let me rephrase that. I think every company has an image out there, but building a strong brand out there for your product is something that you have to focus on and that's unique to a company. Every company has an image, but not every company has a strong brand that people gravitate and consumers gravitate to.

Steve Sanduski: Well, I think that's a good distinction there. Everyone has an image, but not necessarily everyone has a brand. So, let's run with that here and let's talk about some of the steps that you have used in the past as you've worked at some of the different companies that you've worked for and led. What are some of the steps in the process? If a company says, "Hey, I want to build a strong brand." What advice would you give them as to the initial steps that they should take to start building that strong brand?

Mike Marchi: Well, I think a couple of the key steps that you need to take to build a strong brand first is, that brand is established at the senior most levels in the organization. It's with the CEO and him or her top team. It's not something that you just relegate to your marketing department. It's also something that you have to look and say, "What unique properties or unique skills do we want to bring to the marketplace?" I've worked for a number of very strong branded companies, and a couple of them focus very heavily on innovation. Whether it's innovation in design or technology, or a single level of very high quality, or quick delivery, or those are some of the key areas that I've seen branded companies focus on.

Steve Sanduski: So, you started off by saying that brands are established at the senior level. So, what happens if the person who establishes the brand, the CEO in this case, what if they came up through, say the finance department? Or more of an operational role where they may not have a lot of marketing in their background? How do they help lead the brand development process?

Mike Marchi: Well, the brand, again, as I said before, the brand gets established by the senior most team. If your background as a CEO, your background is not in marketing or sales or product development, you can bring in outside people that can help you establish the brand. But again, what I'm saying, Steve, is don't relegate that to your marketing department and let them come and do a presentation to you. Be actively involved in establishing your brand promise and your value proposition in the marketplace.

Steve Sanduski: And then-

Mike Marchi: It's that important.

Steve Sanduski: And then a second thing you said here is that you should really be asking yourself, what are some unique skills that your firm has that you can bring to the marketplace? You mentioned examples of say innovation or high quality, or maybe speed, that sort of thing. Are there other areas to think about or other questions that a firm should ask itself as they're trying to develop and establish their brand?

Mike Marchi: Yeah. Those are the ones that I've been involved in in three different companies where they've really focused on innovation. Design innovation, technology innovation, speed to market, quality. But there are other things that you can do. To me, the innovation though, and speed to market, to me are some key differentiators that are sustainable over a long period of time.

Steve Sanduski: Well, let's use innovation as an example. So in your experience, when you think about building a brand around innovation, what does that mean? Can you give an example of how a company should think about, when we say, "Hey, we want to be innovative. We want to be known as an innovative brand, innovative in our products." How would you actually deliver that in the marketplace?

Mike Marchi: I can give you a couple examples on that. I've worked for two companies that are very, very focused on driving innovation. One of them drove innovation heavily on design, and another one drove it heavily on technology. So, they were looking out in the marketplace, finding out what new designs, what consumers were looking for out there, whether it's design or technology. And then they were developing a new product development process to launch products that catered to those new designs or new technologies. And many of them have a very structured process. You may have heard the term stage gate, which is a structured, new product development process that allows you to go out in the marketplace, look at advanced development, see what's going on out

there. And then take it to a stage gate kind of process that allows you, at each step in the process, to validate that it's still a great concept and it'll be a successful product or service to the market.

Steve Sanduski: Now, in design innovation, do you have some examples of where people get their design ideas? Do they go to Europe and go to fashion shows or something? How do they actually come up with some of the ideas that ultimately they put into their design?

Mike Marchi: You know, it's interesting because the best innovation I've seen comes actually outside of the industry that you're in, and comes into other areas. Fashion is one of them, and I will say many times Europe seems to be in leading in some of those areas in design. In technology, I've seen it come from other industries, the military, oil and gas. Industries that you would not expect to come into a consumer product, but they found a unique technology or a unique way to do something, and then you are able to incorporate that into your product.

Steve Sanduski: And do you see people at the C-Suite level that actually are part of that process? Meaning, they are going to Europe, they're going to the fashion shows, they try to go out to these different areas where they can then connect the dots? Or is it more at a lower level within the organization that does those things, and then maybe brings it back to the C-Suite?

Mike Marchi: Well, I would say it's at a lower level more. The experience I've had is the advanced development team in my organization are the ones that are out there searching, and they're bringing that back to me as the CEO of the company at the beginning stages of stage gate, when we're looking at new and innovative ideas. I've also tripped across some of that. I'm a continuous learner, so I'm out there always visiting trade shows, visiting our customer base, and looking at what's new and out there. The true innovative items you're not gonna find in your existing industry if you're leading in it, if you're leading in innovation. But if you're a fast follower, being out there and looking at trade shows, seeing what your competitors may be coming up with. Even if it's not in the Americas, it's starting in Europe or Asia, you can acquire that by visiting trade shows and seeing new product launches and following the like.

Steve Sanduski: Now, I imagine that as you're thinking about your brand, you need to have some vision, some idea of what you want your brand to stand for. So, maybe starting at that high level, in your experience, how have you thought about brands? How should companies think about brands? Do we start with kind of this big picture vision of what we want our brand to be about?

Mike Marchi: Yeah, it's that unique customer proposition. What do you want to convey out there to the consumer about your product or service that's different or unique? And why they might want to come to you versus others in the marketplace. What value are you bringing? What kind of emotional connection? What kind of

deeper experience? What are you bringing that gets your product to command a premium price and create a stronger customer following or loyalty?

Steve Sanduski: So, you mentioned a premium price. So, certainly that's one of the benefits of a strong brand name, is that typically you are gonna be able to charge a premium. So, what are some of the other benefits of having a strong brand? And I'd love to explore that a little bit because we want to understand, hey, if I'm gonna invest in building the brand, there must be some financial benefit. So, in your experience, what are some of the benefits beyond being able to charge a premium price that developing a strong brand will help create?

Mike Marchi: Well, premium price is one of them, but let's go through them. I think one of the powers of a very strong brand is increased sales. When consumers are uncertain or confused or have a variety of options to look at, they have a tendency to look at a brand as ... let me back up again. There are significant benefits to having a very strong brand. One of them is increased sales. When consumers are out there in the marketplace and they're looking at all the myriad of options that are available, a strong brand provides a very comfort to them. And all things being equal, consumers will normally go toward a branded product versus a generic or unbranded product. So, increased sales is one.

Mike Marchi: Higher profits is another. You can collect a premium, a higher gross margin, for a product that has a very strong brand following or brand name. Look at Apple or Nike. On some of the products that they've launched, compare an Apple phone to an Android phone, you pay a premium for that because of the brand. And then thirdly, there's retention and loyalty. If customers feel a deeper experience and an emotional connection to your product, there's a retention factor and a loyalty factor. So, when they go to buy a product again, they're going to look for your brand or your product as one in the set of products that they're evaluating. And those to me are some of the three or four key powers of having a very strong brand.

Steve Sanduski: And let's maybe talk in some detail here about the different ways that we can actually engender this kind of emotional connection to the brand. So, today we have all different types of technology. We have social media, we have this idea of the experience economy. Whereas say 20, 30 years ago, before the internet, before social media, it seemed like in order to build your brand, a lot of it was done through heavy advertising. Maybe putting ads on TV as well as ads in periodicals, magazines, that sort of thing. So, what are some of the ways that you've seen that companies are actually building the brand? The different outlets that they use to connect with their consumers on more of an emotional basis?

Mike Marchi: You know, it's really interesting Steve, 'cause I think you've hit it head on. It used to be 15, 20 years ago, it was television and print. Now, it's shifting very heavily to the internet and social media. You have to be connected with your customers across all spectrums. So, where before, as we said, print and

television was key, a lot of it now is, am I connecting with you on the internet? How do I look on social media? What's my reputation? How do I get my brand out there via the internet? Those are all key.

Steve Sanduski: And are there other ways that companies, do they typically have dedicated departments that are driving these social media activities and trying to make that emotional connection? And how important is it that you hear that, hey, if someone is posting something on Twitter. Let's say I had a bad customer service experience. Well then you better have someone that is monitoring your social channels so that you can respond immediately, so I'd imagine that that's gonna be a critical part of maintaining that brand as well.

Mike Marchi: Yes it is, Steve. It's interesting because I would say your social media team or the group, one thing is they have to be digital natives. They can't be older. I'm older because of my careers that I've had, but the people that I hire for my social media, they need to be younger. They need to have grown up in that environment. They need to have lived it and have breathed it their whole life. To me, that's one of the keys. The other one is the response and how you need to respond, especially if you have a bad experience or someone had a bad experience. They say that you've got about 30 minutes of time between when a consumer has a very bad experience with your product and when you need to respond back to them before it gets blown up within the media.

Steve Sanduski: So, you mentioned when it comes to the powers of a strong brand, you've talked about being able to charge a premium price, increase sales, higher profits, retention, and loyalty. Let's talk about the higher profits piece. So, if I have to spend money to create the brand in some of the different ways that you've talked about here, that's an expense obviously, or an investment in the business. How then is that gonna translate into the higher profit margins if I'm spending extra money to kind of create and maintain this brand?

Mike Marchi: That's a good question, Steve. You know, my experience on very strong branded companies, they can sell their products anywhere from 10, 15, sometimes even higher percentages, higher profit margins than unbranded or generic products. So, while you may be spending 3 to 5% of your sales dollars gross revenue for building your brand, driving innovation, driving new product development, you're gaining that back because of the higher margin. And I think if you look at key public companies like Apple, Nike, Amazon, Disney, companies that have very strong brands, what you see is that investment that you're making in developing and driving that brand message and those products or services to support the brand more than pay for themselves in higher profitability and bottom line net income.

Steve Sanduski: Well, along those lines, recently it came out in the news that 3G Capital, which had purchased Kraft Heinz a few years ago, they came out and announced that their profits were gonna be significantly lower and they think the stock price dropped pretty significantly on that announcement. And of course, Kraft Heinz

has some really popular, well known consumer brands. And one of the things that 3G Capital did in terms of how they run the business is they have this thing that they call zero based budgeting, which simply means that each year, every department in the company has to start at zero. Your budget is zero, and then you have to justify basically every penny that you spend.

Steve Sanduski: And so some of the chatter that came out after 3G made this announcement, that their profits were gonna be way down, is that this idea of the zero based budgeting was a real problem. Because the company really took a financial view of trying to grow the business, so they were basically increasing profits by cutting expenses. They probably starve the marketing and branding part of the business. So, I'm curious, A, if you have any thoughts about that, but also how you think about budgeting for the brand. In terms of, how do you think about how much money we're gonna allocate to our branding and marketing efforts, and how do you review say the return on investment in that area as well? Is it really concrete where I can specifically say, "This is the ROI we got on that"? Or is there maybe just a little bit of magic in there that we aren't always able to attribute specific investments to a return that we got?

Mike Marchi: Steve, I don't think there's magic in it. I believe there is an ROI in every investment you make in brand. The issue is, it's a longer term play. And you have to believe that by making those investments now, the payout will come in the long term. I have seen the return. I can give you an example. I ran a business during the economic recession in the United States during the housing crisis, between '07 to '11. We kept a significant amount of investment in driving the brand, both in new product development and in innovation, and also in brand advertising to the consumer, whether it was internet, TV, print media. And we also kept a key focus on driving new product development and innovation. And what I was able to do during that timeframe is we were able to keep the company profitable, where a lot of our competitors were not profitable during that timeframe. And we also were able to take a significant amount of market share away from our competitors at that time.

Mike Marchi: So, there is an investment that needs to be made. A lot of our competitors, especially the ones owned by private equity, cut back significantly on new product development and brand investment. 'Cause it's easy to do short term, it's a line item you can take out without taking out a headcount. You can take out all of your advertising, you can take out all of your trade show involvement. But once you do that, it takes you three, five, and seven years to really build that all back. So, you have to have the will and the understanding of what that brand and what that innovation does for you, and keep investing in it. And the way I did it is I kept investing as a percent of sales. So, while the market might be tight, we never pulled out completely in those key areas of brand development, new product development, innovation, or communication out to our marketplace, and it pays off. The top companies understand it and do it, and they're successful, and they're always profitable, and they make money.

Steve Sanduski: Well, I think that's a great point. So, at the most difficult time, let's say we're in a recession and business is down, when you really want to cut expenses. It sounds like what you're doing is you're actually continuing to make those investments and you're gonna see the payoff down the road. So, that's an important point there. Now, you also mentioned that, and I think this is what I heard you say, is that you kept your investment in the brand as a percent of sales. So, I'd love to explore that a little bit further. Was it kind of a certain percentage that you targeted, or do you have any rules of thumb in that area?

Mike Marchi: Yes. When the market drops, when you're in a recession, you can't spend the tens of millions of dollars, the exact same dollar amount that you might've done during the heyday in the marketplace. But what you can do is you can spend a percentage of your sales. And what I've seen is, I've worked for a number of great companies. If people are spending 5, 6% of their top line revenue on new product development, innovation, and brand, that's a good number. That's a key number. I've worked for companies that are headquartered in Europe that have had that as a key initiative for them, where they say, "We're always gonna spend at least 5% of our revenue on new product development and brand." And I think that's a good number to focus on, and it's a good check to see, if you look inside your company, to say, "What am I spending in there?" That might give you a good gauge to say, "Am I spending enough? Am I constantly investing? And if I do, I will get the return out of that investment."

Steve Sanduski: Well, I think that's a good takeaway for all the listeners here, is to take a look at your business and see if you are spending 5 to 6% of your sales on your brand and product development areas. So, good rule of thumb there to think about. Now, I'd also be interested to hear any mistakes that we should watch out for. Or based on your experience, what are some of the mistakes that you see people make when it comes to trying to develop the brand or maintain the brand?

Mike Marchi: I think one of the key ... we had talked about it earlier in the conversation, but one of the key mistakes I've seen in companies starting out is to relegate that brand decision only to the marketing department. You need the CEO and the C-Suites involved in it. This is an investment that you're making long term in the company, and it's not something that just gets done by a functional department, number one. Number two is, your brand promise, if you're stepping into an existing company, really evaluate it. But changing a brand promise dramatically overnight is not easy, so be very cautious about having someone come to you and say, "We want to change our brand image and our brand promise, and we can do it very quickly." It's not gonna happen quickly, and it's not gonna be ... it will be costly to change it. So, figure out what you have and see if your existing brand promise makes sense. If it doesn't and you're gonna change it, then really understand that that will take time to make that change.

Steve Sanduski: Well, I think I would ... let me start that again.

Mike Marchi: Sure.

Steve Sanduski: Well Mike, is there anything else that you want to add here that we haven't talked about as we get ready to wrap up?

Mike Marchi: The only other thing I'd say is, one of the things that I've learned is, especially for brands that are focusing on innovation whether it's design or technology, I've worked for a number of companies. And the most successful ones, those leaders of design and technology innovation report directly to the CEO. They don't report under a functional head, but they report directly to the CEO. And that sends a clear message out there that brand, innovation, and technology is important to the company. And I think it's something I want to get out to the listeners because that's not something that gets relegated down to a junior member or even a C-Suite member on your team. It should really be reporting directly to you, a CEO.

Steve Sanduski: Excellent. All right, well let's wrap up with a couple of things here. The first is, you are now a coach at CEO Coaching International. So, I'd love to hear what attracted you to the firm, and what are you hoping to accomplish with the clients that you work with?

Mike Marchi: Thank you, Steve. I've had the opportunity in my career to lead five great companies across multiple industries with some really strong brands. And I've gained several experiences from those five companies, some great successes, and I've also learned what not to do. So, the next chapter in my life is really where I want to help other leaders. In CEO coaching, we say, "Make big happen," and that's what I'm looking to do. I want to use my learnings to really help other CEOs, and then I also know by doing that I'll also learn something new from them as my coaching clients.

Steve Sanduski: Well, we are excited to have you here at the firm. So, looking forward to all of the impact you're gonna have on the clients that you're coaching and working with. So, let's finish here with just a few rapid fire questions. The first one is, I'd love to hear who has had the greatest impact on you as a leader.

Mike Marchi: Well, I like to say it was my father. He taught me to work hard, hold to my core values, and laugh at times.

Steve Sanduski: And how about what is one leadership trait that you think brings success?

Mike Marchi: The one leadership trait that I really focus on is make and meet commitments every time.

Steve Sanduski: And are there some that are typical commitments that you make, or examples of commitments that you've made in the past?

Mike Marchi: Yeah. I'm a believer that whenever you're in any role, I don't care if you're the CEO, a functional leader, or a frontline associate. You need to have focus on a couple of core objectives and make commitments on how you're going to achieve those objectives, and then do whatever it takes to make sure you make or meet that commitment. I learned that when I worked for General Electric under Jack Welch, and I will tell you it's one of the key things to drive effective executions. You've got to first define what those commitments are. They need to be just a handful of critical commitments or objectives. And then you've got to stay focused on driving and making sure you focus your attention on achieving whatever it takes to achieve those objectives.

Steve Sanduski: And are you the kind of person who likes to compare yourself to what other people are doing and be better than them? Or are you more focused on, hey, I just want to be the best that I can possibly be? How would you look at that dynamic?

Mike Marchi: I have a tendency to be the best I can be. I think you always try to benchmark yourselves against some of the most successful people out there in the marketplace, but really for me it's being the best I can be at what I do, both in business and personally.

Steve Sanduski: All right. And then the final question here is I'm gonna start a sentence, and I'd like you to finish it. And the sentence starts with, what I know to be true is ...

Mike Marchi: What I know to be true is, while life is not always fair, integrity, passion, and perseverance always pay off in the long term.

Steve Sanduski: Excellent. All right, well I think that's a great way to wrap up today's episode. So, Mike, I appreciate you being on the show. Welcome to CEO Coaching International, and we look forward to all the great impact you're gonna have on the CEOs that you'll be coaching.

Mike Marchi: Thank you, Steve. I'm excited to be part of the team.

To inquire about our coaching services and programs, please call **1-866-622-9583**.



CEOCOACHINGInternational.com