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CUSTOMERS

The Most Successful Brands Focus on Users — Not Buyers

by Mark Bonchek and Vivek Bapat

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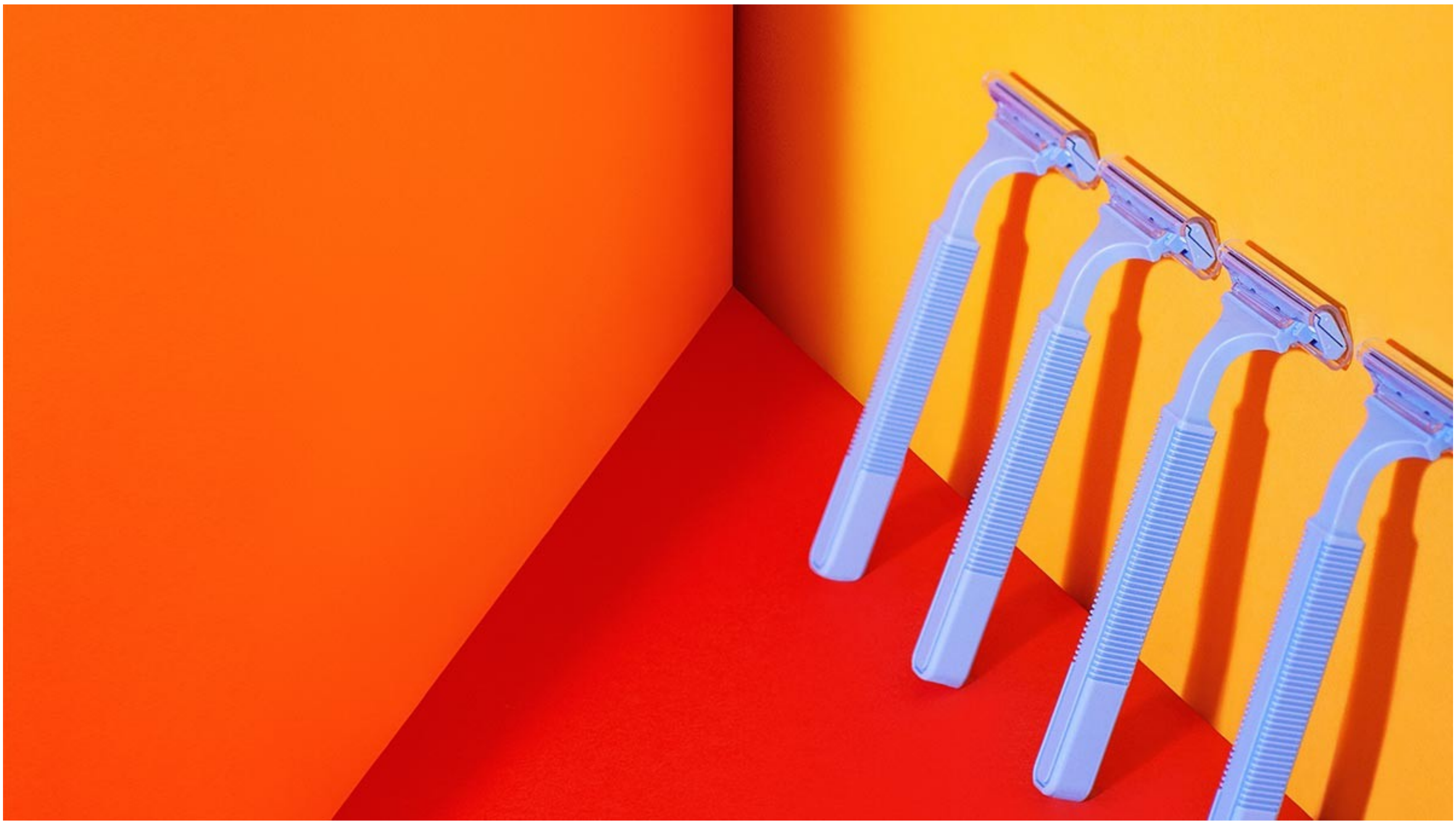

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What makes a brand successful in the digital age? A joint study by SAP, Siegel+Gale, and Shift Thinking suggests that digital brands don't just do things differently; they also think differently. Where traditional brands focus on positioning their brands in the *minds* of their customers, digital brands focus on positioning their brands in the *lives* of their customers. Furthermore, they engage customers more as users than as buyers, shifting their investments from pre-purchase promotion and sales to post-purchase renewal and advocacy.

As part of our study, we conducted an online survey of more than 5,000 U.S. consumers and asked them about 50 different brands, both digital and traditional. We asked them about their perception, usage, preference, and advocacy for the brands. We also supplemented the survey with well-known brand rankings, Net Promoter Scores (NPS), and an analysis of their marketing expenditures and strategies.

We found distinct differences between legacy/traditional brands and newcomer/digital brands. For example, consider the following "brand twins" - pairs of legacy and newcomer brands that compete in the same industry. In every case, the legacy brand rated higher on the statement "Is a brand that people look up to." But the newcomer brands all rated higher on the statement "Makes my life easier."

- Airbnb vs. Hilton/Marriott
- Dollar Shave vs. Gillette
- Red Bull vs. Coca-Cola
- Venmo vs. American Express/Visa
- Tesla vs. BMW

There were similar differences in how people's brand perceptions are formed and reinforced. Respondents were more likely to hear about legacy brands through advertising and traditional media, compared to digital brands which are more often discovered via social media and direct word of mouth.

Overall, we found two distinct clusters, which we have categorized as *purchase brands* and *usage brands*:

- Purchase brands focus on creating demand to *buy* the product, while usage brands focus on creating demand for the *use* of the product. Consider the makeup department of a department store. The whole focus is getting you to buy the product with samples and professional makeovers. By contrast, Sephora and Ulta provide instruction, community, and services to help people feel confident in being able to use the makeup themselves when they get home.
- Purchase brands emphasize promotion; usage brands emphasize advocacy. Vail Resorts remade their entire marketing strategy with a program called EpicMix. It's a social network for skiers that uses gamification, performance data, and photos as social currencies that skiers want to share with their friends. Most other ski resorts focus on promoting their snow-making abilities and giving discounts on lift tickets.

- Purchase brands worry about what *they* say to customers; usage brands worry about what customers say to *each other*. For example, where traditional hotels put more emphasis on the content in their advertising, Airbnb puts a greater emphasis on the content generated and shared by hosts and guests about their experiences.
- Purchase brands try to shape what people *think* about the brand along the path to purchase; usage brands influence how people *experience* the brand at every touchpoint. Apple Stores are an example of this shift, from the removal of a checkout area at the front of the store to the prominence of the Genius Bar. Where other stores are focused on making a purchase, Apple Stores are about having an experience.

The simple view would be that traditional brands are purchase brands and digital brands are usage brands. But there are exceptions, including brands like Visa, FedEx, Lego, and Costco, which exhibit many of the characteristics of usage brands. We suspect that the nature of their products, culture, and business model leads them to more of a usage mentality. They think of customers less as one-time buyers and more as users or members with an ongoing relationship.

The difference between purchase and usage brands can be seen through the lens of the "moments of truth" method that has become a cornerstone of customer experience design. Purchase brands focus on the "moments of truth" that happen *before* the transaction, such as researching, shopping, and buying the product. By contrast, usage brands focus on the moments of truth that happen *after* the transaction, whether in delivery, service, education, or sharing.

The benefits of shifting from purchase to usage are reinforced by our research. Survey respondents show more loyalty to usage brands. They had stronger advocacy in the form of spontaneous recommendations to others. And they showed a higher preference for usage brands over competitors, not just in making the purchase but in a willingness to pay a premium in price. On average, the usage brands were willing to pay a 7% premium, were 8% less likely to switch, and were more than twice as likely to make a spontaneous recommendation of the brand.

Golf coaches have long known what marketers are figuring out: the best way to hit the ball is to focus on the swing and follow-through.

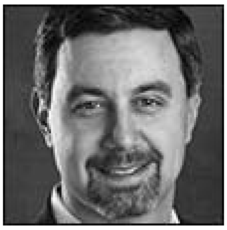
Companies looking to exploit the branding potential unlocked by core digital technologies need to make the shift in their engagement with customers - from purchase to usage. These changes fundamentally require rethinking strategy, organization, investment, and measurement. In many organizations, marketing comes after product development. But a usage mindset requires a closer relationship between marketing and product development because the brand and experience are increasingly one and the same. Typically at purchase brands, customer service and loyalty take a back seat to marketing campaigns and lead generation. Usage brands, by contrast, elevate customer service and loyalty from resource-starved cost-centers to key drivers of growth and profitability.

The role and investments in advertising must also change to shift toward a usage model. Purchase brands try to create differentiation in brand perception in the hope it will influence consideration and purchase. But usage brands are focused on how their products will make a customer's life better. The role of advertising for a usage brand becomes getting useful content and experiences into the hands of customers. The message becomes "Look how we can make your life better now, before you've even spent any money with us. Just think how much more we can do if you become a customer and use our product or service."

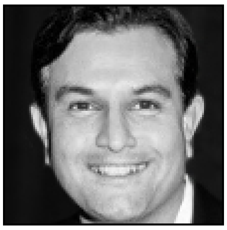
The shift from purchase to usage has implications for measurement as well. Ad impressions are valuable, but what matters most is engagement. Usage brands look at engagement through a much wider aperture. They recognize that some of the most meaningful activity happens outside the sales funnel. Do people find the content created by the brand to be relevant and useful? Are people actually using the product? Are people spontaneously talking about the brand or product? A usage brand marketer would rather have a five-star rating in their online reviews than win an advertising award at Cannes.

More broadly, the shift from purchase to usage suggests that we need to rethink how we measure brand equity. We've all seen the annual brand ratings put out by the top firms. But they measure how much a brand is worth to investors more than consumers. Furthermore, their focus is on how people *perceive* the brand rather than how they *experience* the brand. Companies that get too focused on winning in the ratings will find themselves ultimately losing in the marketplace.

Although our survey emphasized B2C brands, we believe the Purchase and Usage mindsets are equally, or even more, relevant for B2B brands. Business solutions tend to have longer life cycles than consumer products and there is an even greater opportunity to deliver value outside the sales funnel. In addition, many B2B companies are moving to cloud-based services with membership and subscription-based business models. With these models, the purchase is just the beginning of a long-term relationship. The economics are driven primarily by renewals rather than by initial purchase. In turn, renewal rates are driven not by what buyers think about the brand, but what users experience of the product or service. The key is to think about prospects not as buyers, but as future users.



Mark Bonchek is the Founder and CEO (Chief Epiphany Officer) of Shift Thinking. He works with leaders and organizations to update their thinking for a digital age. Sign up for the Shift newsletter and follow Mark on Twitter at @MarkBonchek.



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