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Design & Brand Strategy Consulting

Strategic Missteps–Not Crises–Pose the Biggest Risks to Brands

The past three years have seen a non-stop parade of catastrophes—bankruptcy, scandal, terrorism, even war—with disastrous impact on the economy and on the very foundations of consumer confidence. Fortunes have been lost, reputations destroyed and brands have suffered irreparable damage in the wake of the unprecedented "perfect storm" of crises. But this crisis phenomenon is more the exception than the rule.

The overwhelming numbers of crises businesses have faced in the last three years do not represent the true historical picture of brand risk. And despite the downfall of several corporations, some have continued to show positive earnings growth. What is the difference between those able to sustain a competitive advantage and those that are not?

For a true picture of brand risk, we must take a look at history. We did just that, in a study looking at Fortune 1000 companies over a 10-year period, from 1989 to 1999—before a confluence of crises created a "new normal." In this study, it was discovered that 10% of these companies lost 25% of their shareholder value within a one-month period.

Was this due to some sort of crisis? Product recall? Scandal? Industry fallout? The answer is no. Not one of the companies lost value due to a crisis of this nature. In fact, approximately 60% of the loss was attributable to strategic missteps caused by brand-related issues—predominantly demand shortfall due to unanticipated competitive activity, having the wrong products at the wrong time or addressing the wrong needs and pressure to compete on price rather than retaining product and service value.

Can a look at lessons learned from the past prevent brand damage in the future? Certainly not in every case. But as corporations emerge from their bunkers, marketers must look beyond their crisis preparedness plans if they are to recover and rebuild what has been lost. Many basic marketing lessons of the "old normal" are relevant again. Brand management tools such as monitoring and brand assessment help keep marketers in touch with the prevailing and unanticipated needs of their marketplace and disciplined programs ensure customer experience alignment across all brand touch points.

Most importantly, this will help the brand build enough goodwill to sustain occasional dips—and yes, even crises.

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