

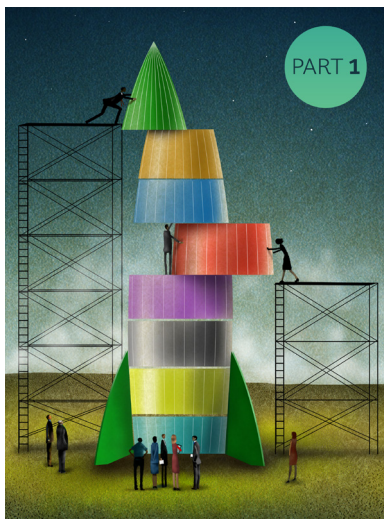
perspectives

THE ROCKET SERIES

EIGHT LESSONS TO SECURE INFINITE GROWTH

By Michael Silverstein, Dylan Bolden, Rune Jacobsen, and Rohan Sajdeh

AT A GLANCE



To secure infinite growth, you need to create an *apostle brand*—one that inspires enduring trust, loyalty, love, and almost evangelical endorsements and advocacy.

Apostle brands capture a disproportionate share of discretionary dollars: 2 percent of their consumers account for 20 percent of sales, drive 80 percent of total sales, and contribute 150 percent of the company's profits.

BCG has devised eight rules that provide you with a game plan for converting your customers into apostle consumers—the influential 2 percent.

Remember: brands are fragile. If yours is not improving, it's declining. To stay on top, your job is to deliver magic—every day, in every way.

BCG

THE BOSTON CONSULTING GROUP

EIGHT LESSONS TO SECURE INFINITE GROWTH

This article is the first in a series based on Rocket: Eight Lessons to Secure Infinite Growth, which tells the stories of 16 business leaders who created iconic brands. The book, by Michael Silverstein, Dylan Bolden, Rune Jacobsen, and Rohan Sajdeh, will be released in October 2015.

HUMAN BEINGS ARE CURIOUS. They love to explore. And they love to shop.

Many consumers—up to 25 million Americans—visit a mall on any given Saturday or Sunday. Sometimes they arrive with a list of priority items that they're ready to purchase. Sometimes they just wander and browse. Sometimes they are looking to touch, feel, and experience products that they will later buy online.

If you have a brand, this is your chance to stand out from the crowd. Retailers tell us that strong brands sell without promotion. Consumers come into the store and ask for signature products. Weak brands sit on shelves, waiting to be scooped up at a steep markdown by bargain hunters.

In our experience, great brands can last forever—if you work them. Brands make consumers' lives easier. They take the anxiety out of decisions. When a consumer buys a gift, choosing a great brand reduces the risk that the receiver will be disappointed.

Consumers love to love brands. They love to talk about them. If you get consumers talking about a brand that they care about, there is no detail that's too obscure. They love bending your ear with little facts. They want to show you that they really really know. But what they know is never enough. They will ask: Where is the product made? What are the ingredients? How is it tested? Will my friends express envy that I own it and they don't?

They want access to more. They want to have a totally transparent relationship with you. They want to know who you really are. They seek the truth. They search out not only all your brand's technical and functional features, but also all its emotional elements. They care about your social profile: How do you treat and pay your employees? How do you treat your suppliers? Do you treat the planet with respect?

For successful brands, the payoff from having the first position in consumers' minds is very high. When consumers love you, they will provide you with loyalty, a stream of purchases, a price premium, and advocacy with friends and strangers. You will have a valuation that is a multiple of sales. We observe that for most great brands, 2 percent of their consumers directly contribute 20 percent of sales and drive 80 percent of total volume with their recommendations. Also, they contribute 150 percent of the company's profits.

If you fail your best customers, be ready for a firestorm. They will scold you. They will scowl at your name. Worse, they will tell everyone they know what they think of you. And, in this digital age, word spreads quickly. They can tell the world with the click of a button on their keyboard. Reputations can be tarnished unfairly and fast.

To stay on top, your job is to deliver magic—every day, in every way. That is what *apostle brands* do.

Apostle Brands, Apostle Consumers, and the Eight Lessons for Infinite Growth

What apostle brands do better than their rivals is convert customers into fanatical followers.

You may think you know why you love Apple, Amazon, or Starbucks. But replicating their success is a real challenge. Apostle brands are rare. Few companies have brands whose signature products and services are widely revered everywhere. There are 10,000 multimillion-dollar consumer companies around the world, but only 100 of them can properly claim to have apostle brands. They offer magic and light. They provide entertainment, nourishment, imagination, and utter joy. They inspire enduring trust, loyalty, love, and almost evangelical endorsements and advocacy. To their fans, followers, and believers, they are like religions. They capture a disproportionate share of discretionary dollars.

What apostle brands do better than their rivals is convert customers into fanatical followers. We call these people *apostle customers*. They are the reason why the apostle brands are so successful. They are worth a multiple of the value of their own purchases. They recommend the brand that they love passionately and unequivocally. They carefully explain the backstory behind their beloved brand: the quality differences, the value, the authenticity, and the reasons to believe in it. They do this using the language of their peers. This is the power of word-of-mouth advocacy. Apostle brands win on the words of their users.

An apostle customer can be an eight-year-old elementary-school student, an eighty-year-old retiree, or someone anywhere in between. Likewise, apostle purchases can come in many different sizes. They can take the form of a \$4 espresso at Starbucks, an \$8 burrito at Chipotle, a \$16 ticket to a Pixar movie, a \$660 Rimowa suitcase, a \$7,500 Hermès Birkin bag, a \$74,000 Audi A7, or a rare \$250,000 Patek Philippe watch.

How do you convert customers into apostles? How do you build an apostle brand?

You don't have to be a genius like Steve Jobs to create an apostle brand. Many hard-working business executives—ordinary mortals—have found a way to build brands that stand the test of time. In the course of our work for more than 80 percent of the world's largest brands over the

past five decades, we have encountered many similar patterns of winning. Now, in our book *Rocket: Eight Lessons to Secure Infinite Growth*, we have synthesized our findings to create a set of eight branding rules.

Rule No. 1: Don't ask your customers what they want (because they don't know until you show them). A few years ago, a global communications giant was considering the cell phone business. In focus groups, salesmen were invited to look at the box phone and were then asked, "When will you use it?" The salesmen said that they would sooner put a quarter into a pay phone than pay \$500 or \$1,000 for an unwieldy box. As a result, the company put the cell phone idea on a back burner. This was an expensive error. It cost the company billions of dollars to buy its way back into the business after it had taken off. The consumer could not imagine a better way to make a phone call and certainly could not imagine paying for it. Success requires curiosity and courage, instinct, and a taste for the jugular. It requires you to look beyond simple answers and impulsive consumer rejection.

Rule No. 2: Woo your biggest fans (because they're absolutely worth it). Few companies count the value of their best customers' purchases and the value of the purchases that those customers promote through word-of-mouth advocacy. Our research supports the "rule of 2-20-80-150." The 2 percent of customers whom we call apostles are personally responsible for a full 20 percent of a company's sales. But when their advocating to friends and acquaintances is taken into account, they are responsible for a total of 80 percent of sales. This combination of apostles' own purchases and their recommendations to friends delivers up to 150 percent of a company's profits. Companies fight to capture the remaining 20 percent of sales from "strangers"—people with whom they have no apostle relationship—and they generate losses chasing this business.

The combination of apostles' own purchases and their recommendations to friends delivers up to 150 percent of a company's profits.

One apostle begets many others. The math of propagation for the consumer who spends \$1,000 per year is significant. In 12 generations, you can achieve more than \$1 billion. This cycle of 12 generations can happen within three years. The law of propagation is this: *innovation times trial times uniqueness and power equals uptake.*

Rule No. 3: Always welcome your customer's scorn (because you'll come back stronger). Toyota says that a complaint is a gift. The company tracks and processes every customer complaint. This operates as a system to stamp out repeated customer dissatisfaction. Complain once, let me fix it. Complain twice, shame on me. Complain three times, and I should be replaced. Toyota's approach translates into higher resale value, a higher repurchase rate, and deeper loyalty.

So when the complaints are vehement, listen and get ready to change. As a leader, open your e-mail to get direct feedback. Always give a polite

Passion equals
knowledge. Knowl-
edge equals solutions.
Solutions translate
into sales.

and thankful response. Quantify the sources of complaints and fix them. Respond to scorn. Change as a result.

Also, find out not only *what* your customers really, really want, but also *when* and *why* they really want it. We have established that the biggest determinant of customer choice is the *occasion of use*—a real event in a consumer’s life that is filled with drama, emotion, energy. Customers prioritize different products with different features on different emotionally based occasions. Ask the right questions, and you can create a map of different kinds of needs and wants—what we call demand spaces. When do customers consume a product? Whom are they with at the time? How do they want to feel? You can then create bull’s-eye products that respond directly to specific sets of consumer demands.

Rule No. 4: Looks do count (because people really do judge a book by its cover). Consumers use their eyes in every purchase. They look for beauty. They dream about a better world for themselves and their loved ones. The best dreamscape company in the world is Disney. Little girls visiting Disney World go to the Magic Kingdom. They see Cinderella and Snow White. They carry the image in their subconscious. For many, it draws them back when they decide to marry. Disney has created a rich business by fulfilling fantasy. Customers can be princesses marrying their prince—and they do it in droves. You can count thousands of bricks with the names of couples who took their vows in the fantasy world of the Magic Kingdom (at Disney World). They paid up to \$250 to have their names immortalized. Visual brilliance costs a lot, but its value is priceless. It allows you to put your framed picture in the living rooms of your most important consumers.

Rule No. 5: Transform your employees into passionate disciples (because love is truly infectious). Walk into the Container Store with a vague idea about a storage problem and ask for help. Within moments, a counselor will have you telling him all your storage and living problems, and soon he will be offering solutions. They call this “man in the desert” selling—listening, helping, engaging, suggesting. The employees know how to charm you into better organization so that you can manage your closet, kitchen, bath, and office more productively. It is a perennial favorite company to work for. The Container Store’s associates are treated with respect, are paid twice the wage of competitors’ employees, and turn over at a fraction of the average rate.

Passion equals knowledge. Knowledge equals solutions. Solutions translate into sales. It’s so simple but so infrequently exercised.

Rule No. 6: Better ramp up your virtual relationships (because that’s what your customers are doing). The world has moved to

24/7. The consumers with the most disposable income have the least amount of time. But they have high-speed Internet lines at home and at work. And they want to buy what they want to buy when they want it.

Amazon understands this. It is an emotionally cold company. You search and get a list—in descending order of sales. It does have telephone support, but the company doesn't make it easy to access. Yet millions of people have signed up for Prime, a membership program where you pay \$99 to get free two-day shipping and other perks. Amazon gets to process and sort all your purchases. The company calls this *collaborative filtering*. It is the ultimate in suggested sale. There is no "person" choosing for you—it is a computer algorithm. But in 21 years, with relentless passion and a passion for growth, this company has garnered a market value of \$137 billion and sales of \$90 billion. The value of Amazon is now greater than the combined value of Macy's, Nordstrom, Kohl's, Best Buy, and, of course, Barnes & Noble. There's nothing virtual about the relationships that you forge with your customers online. Yet most companies are plain vanilla, with outdated websites. They don't appreciate that online is the opportunity of a lifetime.

Brands are always moving—up, up, up or down, down, down. If you are not improving, you are in decline.

Rule No. 7: Take giant leaps (because you're not going to win with timid steps). There are those who advocate continuous improvement, incremental advances, and consolidation. But no one ever changed the world that way. No one ever really built an apostle brand that way. To do these things, you must show foresight, fearlessness, and fortitude. Big wins require big dreams. Natura Cosméticos, a Brazilian company, started as a small shop and laboratory and quickly realized the enormous potential of the Amazon rain forest as a source of health-giving ingredients for beauty products. It now ranks as one of the world's most profitable cosmetics companies, transforming the lives of millions of women in Latin America and driving up the standard of living for its 1.6 million female sales consultants. It got there by leaps and bounds.

Rule No. 8: Find out what schismogenesis means (because it will save your relationships). Brands are fragile. They are subject to the laws of *schismogenesis*. This is a term from anthropology. It means that relationships are not stable. Brands work according to the same law. Brands are always moving—up, up, up or down, down, down. But once the dark winds are in your sails, it is almost impossible to break their hold. Think Sears, Kmart, or JCPenney. How do you know where your brand is headed—up or down? Learn how to use quantitative metrics, such as BCG's Brand Advocacy Index, which records your percentage of supporters and critics. Track them like the third leg of your P&L—revenues and profits, share of the properly defined universe, and advocacy. If you are not improving, you are in decline.

Follow the Eight Rules, Create Your Own Stories, and Build an Apostle Brand That Can Stand the Test of Time

Apostle brands represent a new class of brand winners. These companies behave differently and better. They source ethically, pay fairly, establish an advantage based on design, boast keen insight into consumer dissatisfactions, and have relentless experimentation in their veins. They do not exploit their followers but completely respond to their hopes, dreams, and wishes. They create a path to home, providing safety, a sense of being cared for, and emotional fulfillment. They sow the seeds for the telling and retelling of engaging, inspiring stories.

We recognize that you can't simply replicate the Apple or Amazon story. Your company will have its own constraints, market conditions, challenges, and opportunities. But you can imagine a better future. Our eight rules provide you with a game plan for converting your customers into loyal shoppers—customers who advocate for your brand and urge their family, friends, and colleagues to enjoy your products.

Now is the time to write your story, make it come alive for all, and create infinite growth.

EIGHT LESSONS TO SECURE INFINITE GROWTH

About the Authors

Michael Silverstein is a senior partner and managing director in the Chicago office of The Boston Consulting Group. You may contact him by e-mail at silverstein.michael@bcg.com.

Dylan Bolden is a senior partner and managing director in the firm's Dallas office. You may contact him by e-mail at bolden.dylan@bcg.com.

Rune Jacobsen is a senior partner and managing director in BCG's Oslo office. You may contact him by e-mail at jacobson.rune@bcg.com.

Rohan Sajdeh is a senior partner and managing director in the firm's Chicago office. You may contact him by e-mail at sajdeh.rohan@bcg.com.

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 82 offices in 46 countries. For more information, please visit bcg.com.

To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcgperspectives.com.

Follow [bcg.perspectives](https://www.facebook.com/bcg.perspectives) on Facebook and Twitter.

© The Boston Consulting Group, Inc. 2015. All rights reserved.
#498 8/15