

CHAPTER 2

BRAND -failures-

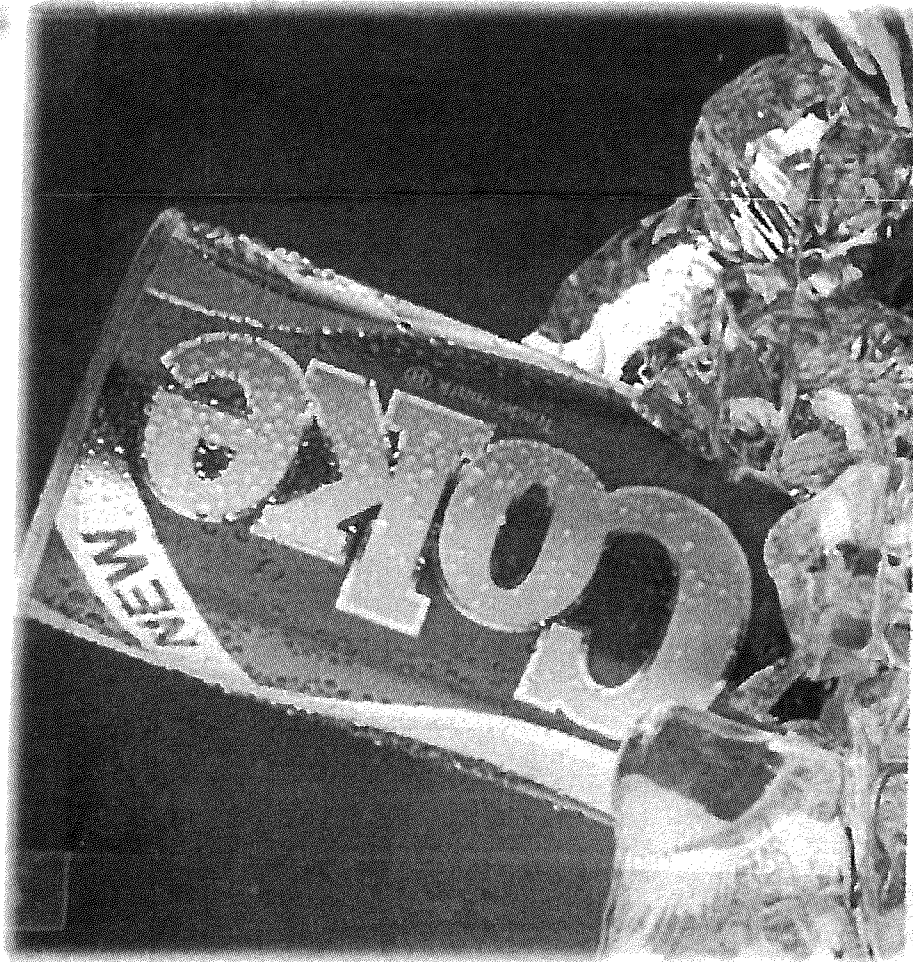
Classic failures

Some brand failures have proved so illuminating they have been discussed and dissected by marketing experts since they first happened. These 'classic' failures help to illustrate the fact that a product does not have to be particularly bad in order to flop.

Indeed, in the case of New Coke, the first failure we'll cover, the product was actually an enhancement of the formula it replaced. The reason it bombed was down to branding alone. Coca-Cola had forgotten what its core brand was meant to stand for. It naively thought that taste was the only factor consumers cared about. It was wrong.

In fact, all the examples in this chapter highlight fundamental marketing errors which many other brands have replicated since. These errors include such basic mistakes as setting the wrong price, choosing the wrong name, and getting too paranoid about the competition.

However, these failures also illustrate the general unpredictability of all marketing practices. No matter how strong a brand becomes, the market always remains elusive. The best any brand manager can hope for is to look out for any likely pitfalls which could catch them out. It is in the interest of identifying these pitfalls, rather than for the sake of *schadenfreude*, that the following classic failures are explored in some depth.



America's taste just got better.

So much better you won't believe it.
We're rushing to bring you the
greatest Coca-Cola® you ever had!
Get set for a surprise.

It's Coke - all Coke - but a giant step better.
Better tasting. Smoother feeling.
More refreshing, more inviting than ever.
New Coca-Cola will soon be dressed in its
brand-new best. Meanwhile, look for cans and
bottles marked "NEW". That's your Coke.

Now, more than ever...

Coke is it!

1 New Coke

Think of a brand success story, and you may well think of Coca-Cola. Indeed, with nearly 1 billion Coca-Cola drinks sold every single day, it is the world's most recognized brand.

Yet in 1985 the Coca-Cola Company decided to terminate its most popular soft drink and replace it with a formula it would market as New Coke. To understand why this potentially disastrous decision was made, it is necessary to appreciate what was happening in the soft drinks marketplace. In particular, we must take a closer look at the growing competition between Coca-Cola and Pepsi-Cola in the years and even decades prior to the launch of New Coke.

The relationship between the arch-rivals had not been a healthy one. Although marketing experts have believed for a long time that the competition between the two companies had made consumers more cola-conscious, the firms themselves rarely saw it like that. Indeed, the Coca-Cola company had even fought Pepsi-Cola in a legal battle over the use of the word 'cola' in its name, and lost.

Outside the courts though, Coca-Cola had always been ahead. Shortly after World War II, *Time* magazine was already celebrating Coke's 'peaceful near-conquest of the world.' In the late 1950s, Coke outsold Pepsi by a ratio of more than five to one. However, during the next decade Pepsi repositioned itself as a youth brand.

This strategy was a risky one as it meant sacrificing its older customers to Coca-Cola, but ultimately it proved successful. By narrowing its focus, Pepsi was able to position its brand against the old and classic image of its competitor. As it became increasingly seen as 'the drink of youth' Pepsi managed to narrow the gap.

In the 1970s, Coke's chief rival raised the stakes even further by introducing the Pepsi Challenge – testing consumers blind on the difference between its own brand and 'the real thing'. To the horror of Coca-Cola's long-standing company president, Robert Woodruff, most of those who participated preferred Pepsi's sweeter formula.

In the 1980s Pepsi continued its offensive, taking the Pepsi Challenge around the globe and heralding the arrival of the 'Pepsi Generation'. It also signed up celebrities likely to appeal to its target market such as Don Johnson and Michael Jackson (this tactic has survived into the new millennium, with figures like Britney Spears and Robbie Williams providing more recent endorsements).

By the time Roberto Goizueta became chairman in 1981, Coke's number one status was starting to look vulnerable. It was losing market share not only to Pepsi but also to some of the drinks produced by the Coca-Cola company itself, such as Fanta and Sprite. In particular the runaway success of Diet Coke was a double-edged sword, as it helped to shrink the sugar cola market. In 1983, the year Diet Coke moved into the number three position behind standard Coke and Pepsi, Coke's market share had slipped to an all-time low of just under 24 per cent.

Something clearly had to be done to secure Coke's supremacy. Goizueta's first response to the 'Pepsi Challenge' phenomenon was to launch an advertising campaign in 1984, praising Coke for being less sweet than Pepsi. The television ads were fronted by Bill Cosby, at that time one of the most familiar faces on the planet, and clearly someone who was too old to be part of the Pepsi Generation.

The impact of such efforts to set Coca-Cola apart from its rival was limited. Coke's share of the market remained the same while Pepsi was catching up. Another worry was that when shoppers had the choice, such as in their local supermarket, they tended to plump for Pepsi. It was only Coke's more effective distribution which kept it ahead. For instance, there were still considerably more vending machines selling Coke than Pepsi.

Even so, there was no getting away from the fact that despite the proliferation of soft drink brands, Pepsi was winning new customers. Having already lost on taste, the last thing Coca-Cola could afford was to lose its number one status.

The problem, as Coca-Cola perceived it, came down to the product itself. As the Pepsi Challenge had highlighted millions of times over, Coke could always be defeated when it came down to

taste. This seemed to be confirmed by the success of Diet Coke which was closer to Pepsi in terms of flavour.

So in what must have been seen as a logical step, Coca-Cola started working on a new formula. A year later they had arrived at New Coke. Having produced its new formula, the Atlanta-based company conducted 200,000 taste tests to see how it fared. The results were overwhelming. Not only did it taste better than the original, but people preferred it to Pepsi-Cola as well.

However, if Coca-Cola was to stay ahead of Pepsi-Cola it couldn't have two directly competing products on the shelves at the same time. It therefore decided to scrap the original Coca-Cola and introduced New Coke in its place.

The trouble was that the Coca-Cola company had severely underestimated the power of its first brand. As soon as the decision was announced, a large percentage of the US population immediately decided to boycott the new product. On 23 April 1985 New Coke was introduced and a few days later the production of original Coke was stopped. This joint decision has since been referred to as 'the biggest marketing blunder of all time'. Sales of New Coke were low and public outrage was high at the fact that the original was no longer available.

It soon became clear that Coca-Cola had little choice but to bring back its original brand and formula. 'We have heard you,' said Goizueta at a press conference on 11 July 1985. He then left it to the company's chief operating officer Donald Keough to announce the return of the product. Keough admitted:

'The simple fact is that all the time and money and skill poured into consumer research on the new Coca-Cola could not measure or reveal the deep and abiding emotional attachment to original Coca-Cola felt by so many people. The passion for original Coca-Cola – and that is the word for it, passion – was something that caught us by surprise. It is a

wonderful American mystery, a lovely American enigma, and you cannot measure it any more than you can measure love, pride or patriotism.

In other words, Coca-Cola had learnt that marketing is about much more than the product itself. The majority of the tests had been carried out blind, and therefore taste was the only factor under assessment. The company had finally taken Pepsi's bait and, in doing so, conceded its key brand asset: originality.

When Coca-Cola was launched in the 1880s it was the only product in the market. As such, it invented a new category and the brand name became the name of the product itself. Throughout most of the last century, Coca-Cola capitalized on its 'original' status in various advertising campaigns. In 1942, magazine adverts appeared across the United States declaring: 'The only thing like Coca-Cola is Coca-Cola itself. It's the real thing.'

By launching New Coke, Coca-Cola was therefore contradicting its previous marketing efforts. Its central product hadn't been called new since the very first advert appeared in the *Atlanta Journal* in 1886, billing Coca-Cola as 'The New Pop Soda Fountain Drink, containing the properties of the wonderful Coca-plant and the famous Cola nuts.'

In 1985, a century after the product launched, the last word people associated with Coca-Cola was 'new'. This was the company with more allusions to US heritage than any other. Fifty years previously, the Pulitzer Prize winning editor of a Kansas newspaper, William Allen White had referred to the soft drink as the 'sublimated essence of all America stands for – a decent thing, honestly made, universally distributed, conscientiously improved with the years.' Coca-Cola had even been involved with the history of US space travel, famously greeting Apollo astronauts with a sign reading 'Welcome back to earth, home of Coca-Cola.'

To confine the brand's significance to a question of taste was therefore completely misguided. As with many big brands, the representation was more significant than the thing represented, and

if any soft drink represented 'new' it was Pepsi, not Coca-Cola (even though Pepsi is a mere decade younger).

If you tell the world you have the 'real thing' you cannot then come up with a 'new real thing'. To borrow the comparison of marketing guru Al Ries it's 'like introducing a New God'. This contradictory marketing message was accentuated by the fact that, since 1982, Coke's strap line had been 'Coke is it'. Now it was telling consumers that they had got it wrong, as if they had discovered Coke *wasn't* it, but rather New Coke was instead.

So despite the tremendous amount of hype which surrounded the launch of New Coke (one estimate puts the value of New Coke's free publicity at over US \$10 million), it was destined to fail. Although Coca-Cola's market researchers knew enough about branding to understand that consumers would go with their brand preference if the taste tests weren't blind, they failed to make the connection that these brand preferences would still exist once the product was launched.

Pepsi was, perhaps unsurprisingly, the first to recognize Coca-Cola's mistake. Within weeks of the launch, it ran a TV ad with an old man sitting on a park bench, staring at the can in his hand. 'They changed my Coke,' he said, clearly distressed. 'I can't believe it.'

However, when Coca-Cola relaunched its original coke, re-dubbed 'Classic Coke' for the US market, the media interest swung back in the brand's favour. It was considered a significant enough event to warrant a newflash on ABC News and other US networks. Within months Coke had returned to the number one spot and New Coke had all but faded away.

Ironically, through the brand failure of New Coke loyalty to 'the real thing' intensified. In fact, certain conspiracy theorists have even gone so far as to say the whole thing had been planned as a deliberate marketing ploy to reaffirm public affection for Coca-Cola. After all, what better way to make someone appreciate the value of your global brand than to withdraw it completely?

Of course, Coca-Cola has denied that this was the company's intention. 'Some critics will say Coca-Cola made a marketing mistake, some cynics will say that we planned the whole thing,' said Donald Keough at the time. 'The truth is we are not that dumb, and we are not that smart.' But viewed in the context of its competition with Pepsi, the decision to launch New Coke was understandable. For years, Pepsi's key weapon had been the taste of its product. By launching New Coke, the Coca-Cola company clearly hoped to weaken its main rival's marketing offensive.

So what was Pepsi's verdict on the whole episode? In his book, *The Other Guy Blinked*, Pepsi's CEO Roger Enrico believes the error of New Coke proved to be a valuable lesson for Coca-Cola. 'I think, by the end of their nightmare, they figured out who they really are. Caretakers. They can't change the taste of their flagship brand. They can't change its imagery. All they can do is defend the heritage they nearly abandoned in 1985.'

Lessons from New Coke

- *Concentrate on the brand's perception.* In the words of Jack Trout, author of *Differentiate or Die*, 'marketing is a battle of perceptions, not products.'
- *Don't clone your rivals.* In creating New Coke, Coca-Cola was reversing its brand image to overlap with that of Pepsi. The company has made similar mistakes both before and after, launching Mr Pibb to rival Dr Pepper and Fruitopia to compete with Snapple.
- *Feel the love.* According to Saatchi and Saatchi's worldwide chief executive officer, Kevin Roberts, successful brands don't have 'trademarks'. They have 'lovelinks' instead. In building brand loyalty, companies are also creating an emotional attachment that often has little to do with the quality of the product.
- *Don't be scared to U-turn.* By going back on its decision to scrap original Coke, the company ended up creating an even stronger bond between the product and the consumer.

- *Do the right market research.* Despite the thousands of taste tests Coca-Cola carried out on its new formula, it failed to conduct adequate research into the public perception of the original brand.

2 The Ford Edsel

Among many US marketing professors, the story of the Edsel car is considered the classic brand failure of all time. Dubbed 'the Titanic of automobiles', the Edsel is certainly one of the biggest branding disasters to afflict the Ford Motor Company.

As with other, more recent brand failures featured in the book (see New Coke, WAP and boo.com for three examples), the Edsel car was launched amid a vast amount of hype. Although the car didn't appear in showrooms until September 1957, ads promoting it had begun to appear months previously bearing the teaser slogan: 'The Edsel is Coming'.

Ford decided though, to fuel public interest, the car itself should not be seen in the ads, and even when Ford dealers started stocking the car in their showrooms, they were told they had to keep the vehicles undercover. If they did not they risked a fine and the loss of their franchise with the company.

As Ford hoped, interest was fuelled. The company did not think for one moment that the product would not be able to match the hype, and would lead to a consumer backlash. After all, more work and research had gone into the development of this car than almost any previously.

However, some of the research had already proven futile by the time of the launch. For instance, part of the market research process had been to find a suitable name for the new car. This should have been a good idea. After all, the highly popular Ford Thunderbird car, which had been launched in 1954, had gained its evocative name as a result of market research findings. This time, research

teams were sent out to New York, Chicago and Michigan, where members of the public were asked what they thought of certain names and to come up with their own suggestions. There was also a competition among employees to come up with the best name, and the company even contacted the popular poet Marianne Moore. Her brief was to find a name which would signify a 'visceral feeling of elegance, fleetness, advanced features and design.' Her rather eccentric suggestions included *Mongoose* *Civique*, *Resilient* *Bullet*, *Utopian* *Turtletop* and the *Varsity* *Stroke*.

Altogether, the company now had a pool of 10,000 names to choose from. Too many, according to company chairman, Ernest Breech, as he scanned through the names during a meeting of the Ford Executive Committee in November 1956. 'Why don't we just call it Edsel?' he asked, exasperated. Henry Ford II, the grandson of Henry Ford, agreed. Edsel was the name of his father, and the Ford founder's only son.

Not everyone held the same opinion though. The PR director, C Gayle Warnock, knew that Edsel was not the right name. It had been an early suggestion, and had not been liked by those members of the public who had taken part in the market research (in word-association tests, it had been associated with 'weasel' and 'pretzel' – hardly the best associations for a dynamic new car). Warnock had preferred other names on the list, such as *Pacer*, *Ranger*, *Corsair* or *Citation*. When the decision was made, Warnock made his feelings perfectly clear. According to Robert Lacey in his book *Ford: The Men and the Machine*, Warnock responded to the new Edsel name by declaring: 'We have just lost 200,000 sales.' For Warnock, a rose by any other name clearly didn't smell as sweet.

As it turned out, the name was the least of the Edsel's problems. There was also the design.

The first blueprint for the Edsel looked truly impressive, as Robert Lacey writes in his book on Ford. 'With concealed aircoops below the bumpers, this first version of the car was original and dramatic – a dreamlike, ethereal creation which struck those who saw it as the very embodiment of the future.' However, this

magnificent design never got to see the light of day. The people who held onto the purse strings at Ford decided it would simply be too expensive to manufacture.

The design that eventually emerged was certainly unique. Edsel's chief designer, Roy Brown Jr had always set out to design a car that would be recognizable instantly, from any direction. And indeed, there is no denying that the first Edsels to emerge in 1957 fulfilled this objective. In particular, the car's front-end bonnet and grille commanded the most attention. 'The front end design was the most prominent feature,' confirms Phil Skinner, a respected Edsel historian, 'If you consider other cars from the mid-1950s, they all looked somewhat alike. Basically it was two headlights and a horizontal grille. By having the big impact ring in the middle – what we now call a horse collar – it really set the Edsel apart.'

Although some members of the automotive press commended this distinctive look, most were unappreciative. One reviewer famously remarked that it looked 'like an Oldsmobile sucking a lemon.' While another thought the front-end grille was less like a horse collar, and more like a toilet seat. ('The customer comments later proved to be even worse with some saying that the grille looked like a 'vagina with teeth'.

However, Ford had good relations with the press and Warnock, the PR director, was determined to maximize the media coverage immediately before and after the launch date. Articles subsequently appeared in both *Time* and *Life* magazines heralding the Edsel as a breakthrough and explaining how it had been planned for over a decade – a blatant exaggeration on the part of Warnock as Roy Brown had only begun designing the car in 1954. The promotional brochure to mark the September launch of the Edsel also promised a great deal. 'There has never been a car like the Edsel,' it promised. This was a big claim, but Ford had equally big ambitions. The company expected to produce 200,000 units in the car's first year. This constituted around five per cent of the entire market.

Anyway, the pre-publicity had initially seemed to work. Car showrooms became packed with curious visitors, desperately

seeking their first glance of the car. In the first week of its launch, almost three million members of the US public visited Edsel showrooms. The Edsels they saw had a number of distinct features, in addition to the 'love-it-or-hate-it' front-end grille. For instance, the car was the first ever to have self-adjusting brakes and an electronic hood release. It also had a very powerful engine for a medium-range car. However, these features weren't enough.

In the minds of the public, the car simply didn't live up to the hype. And unfortunately for Ford, neither did the sales. Edsel sold only 64,000 units in its first year, way below the number anticipated. Ford launched 1959 and 1960 Edsel models but sales fell even further (to 44,891 and 2,846 respectively). In November 1959 Ford printed the last ever ad for the car and halted production.

So what had gone wrong? In the case of Edsel there are almost too many reasons to identify. In fact, it would be easier to ask: what *hadn't* gone wrong?

The marketing campaign was certainly a key factor. In simple terms, Ford had overstated its case. Buoyed by the success of the Thunderbird only a few years previously the company must have felt invincible, and this was reflected in the rather too self-assured advertising material.

However, no-one can excuse Ford of underexposure. On 13 October 1957 the marketing campaign for Edsel took product promotion to new heights when Ford joined forces with the CBS television network, to run a one-hour special called *The Edsel Show*. The show, a parody of 1950s favourite *The Ed Sullivan Show* featured celebrities such as Frank Sinatra and Bing Crosby. But even with such prime-time promotion Ford was unable to shift anywhere near enough units of the car. Consumers didn't care whether it was 'revolutionary' or not. All they knew was that it looked ugly and had a name that sounded like 'weasel'. Furthermore, in an age when all the successful cars had tailfins, the Edsel was finless. According to Bob Casey, curator of transportation at the Henry Ford Museum, this fact meant that the Edsel 'didn't quite fit into people's vision of a car'.

In addition to misguided advertising, bad looks and a stupid name, Edsel faced a further problem – it was too expensive. As Sheila Mello explains in her informative book, *Customer Centric Product Definition*, the launch of the Edsel coincided with a move towards cheaper models:

Ford's decision to highlight the Edsel's powerful engine during a period when the buying public was gravitating toward smaller, more fuel-efficient cars alienated potential customers. The first models in the showroom were the most expensive, top-of-the-line models, resulting in what we refer to today as sticker shock. Unfortunately, too, while some Edsel models were more expensive than comparable cars, they had an equivalent or greater number of quality problems. Often parts did not fit properly or were simply missing, since Ford frequently built Edsels between Fords and Mercurys on the same assembly line. Many dealers were ill equipped to replace these parts or add accessories.

The car ended up looking more expensive than it actually was because of poor timing. In the 1950s, US new car models typically appeared in November for the following year. For instance, a 1956 Thunderbird would have come out in November 1955. However, Edsel was launched in September, two months before the other new models arrived. It was therefore a 1958 car competing against 1957 models – and more importantly, 1957 prices.

In fact, the situation was even worse than that. Not only had Edsel decided to push its most expensive models first, but the 1957 models it was competing with were being offered at a discounted price in order to sell them before next year's models were wheeled into the showroom.

A high price may have been acceptable if it had been worth paying. However, the experience of those few early Edsel customers quickly gave the car a reputation for mechanical problems. Edsel now popularly stood for Every Day Something Else Leaks.

One thing though was completely beyond Ford's control. After a boom period for the US car industry during the mid-1950s, the end of 1957 saw the start of a recession. In 1958 almost all car models saw a drop in sales, some by as much as 50 per cent. Ironically, one of the very few models to witness an increase in sales that year was the Ford Thunderbird.

In a September 1989 article for *The Freeman*, a publication of The Foundation for Economic Education, car industry journalist Anthony Young explained how Ford had paid little attention to market research, and that this was the true reason why the Edsel failed:

The Edsel serves as a textbook example of corporate presumption and disregard for market realities. It also demonstrates that advertising and pre-delivery hype have their limits in inducing consumers to buy a new and unproven car. In a free market economy, it is the car-buying public, not the manufacturer, that determines the success or failure of an automobile. A manufacturer shouldn't oversell a new car, or unrealistic expectations will be built up in the minds of consumers. If the newly introduced car doesn't live up to expectations, it is practically doomed on the showroom floor.

However, Ford quickly learnt its lesson. A few years later the spectacular failure of the Edsel was counterbalanced by the equally spectacular success of the Ford Mustang. Launched in 1964, the Mustang sold half a million vehicles in its first year of production. Not only did it have a better name and a good-looking bonnet, the Mustang had one further advantage over its predecessor – it was affordable.

As Sheila Mello points out, between 1960 (when the Edsel was phased out) and 1964 (when the Mustang was launched) Ford, along with most of the car industry, had shifted its focus towards what the consumer actually wanted. 'The success of the Mustang demonstrates that Ford Motor Company did learn from the Edsel

experience,' she writes. 'The key difference between the ill-fated development of the Edsel and the roaring success of the Mustang was the shift from a product-centric focus to a customer-centric one.'

This view is supported by Lee Iacocca, who oversaw the creation of the Mustang as Ford president, before taking over the reins at Chrysler. In his autobiography, Iacocca explains the approach behind the Mustang: 'Whereas the Edsel had been a car in search of a market it never found, here was a market in search of a car. The normal procedure in Detroit was to build a car and then try to identify its buyers. But we were in a position to move in the opposite direction – and tailor a new product for a hungry new market.' As a result, the Mustang went from strength to strength and is still in production today.

So while the whole Edsel episode may have been a costly embarrassment for Ford in the short term, it helped the company learn some valuable lessons which it has carried with it to this day.

Lessons from Edsel

- *Hyping an untested product is a mistake.* 'I learned that a company should never allow its spokespersons to build up enthusiasm for an unseen, unproven product,' confessed C Gayle Warnock, the PR director responsible for the publicity surrounding the Edsel launch.
- *Your name matters.* At the most basic level, your brand *is* your name. It doesn't matter how important the brand name is to the company, it's what it means to the public that counts. If the name conjures up images of weasels and pretzels it might be a good time to scrap it.
- *Looks count.* Visual appearance is a key factor in creating a brand identity for most products. It was the distinctive shape of Coca-Cola bottles which helped that brand become so big. In the car industry, looks are particularly important and as Edsel proved, ugly ducklings don't always become swans.

- *Price is important.* Products can be too expensive or too cheap. When some brands price themselves too low, they lose their prestige. However, with a car such as the Edsel, the high price couldn't be justified in the minds of the public.
- *The right research is important.* Ford spent time and money carrying out the wrong kind of market research. Instead of hunting for names, the company should have been concentrating on whether there was a market for its new car in the first place. As it turned out, the market it spent millions trying to reach didn't even exist.
- *Quality is important.* Of course, product quality is always important but when it comes to cars it is a matter of life and death. Bad quality control proved an extra nail in Edsel's coffin.

3 Sony Betamax

According to received branding wisdom, the best way to become a strong brand is to be first in a new category. This theory has been repeatedly emphasized by the world-renowned brand guru Al Ries. 'Customers don't really care about new brands, they care about new categories,' he writes in *The 22 Immutable Laws of Branding*. 'By first pre-empting the category and then aggressively promoting the category, you create both a powerful brand and a rapidly escalating market.'

There are indeed a number of cases to support this point. Domino's was the first company to offer home-delivered pizza and remains the leader in that particular market. Coca-Cola, the world's most popular and financially successful brand, was the first in the cola category.

As Chapter 9 will make clear, this theory breaks down, however, in technology markets. Owing to the fact that consumer behaviour tends to be approximately five years behind technological breakthroughs, the first mover advantage is often lost. Furthermore,

companies have often proved to be very bad at predicting how new technologies will be used. For example, most of the European mobile phone companies were caught completely unaware by the rapid rise of text messaging, a facility which some didn't even bother to explain in their instructions booklets.

The all-time classic among technology brand failures was Sony's Betamax video recorders. During the 1970s, Sony developed a machine designed to deliver home video-taping equipment. The machine used Betamax technology, and hit the stores in 1975. In its first year, 30,000 Betamax video recorders (or VCRs) were sold in the United States alone. But a year later Sony's rival JVC came out with the VHS – short for 'video home system' – format VCR. By January 1977, there were four more Japanese electronics companies manufacturing and marketing VHS-based machines.

Whereas Sony had either been unwilling or unable to license Betamax technology (depending on which account you believe), JVC had been more than happy shating their VHS format. This would later prove a critical factor in the demise of Betamax.

Although Sony pioneered most of the advancements, JVC and the other VHS manufacturers were not slow to catch up. For instance, JVC and Panasonic introduced VHS hi-fi formats only weeks after Sony's introduction of Betamax hi-fi. However, most experts agree that the tape quality on Betamax was superior to that of its rival.

As the two formats were incompatible, consumers were forced to decide between them. Pretty soon Sony was feeling under pressure as its competitors started to drop prices to as much as US \$300 below Sony's machines. By 1982 the price war was in full swing and Sony reluctantly joined in, offering a US \$50 rebate as a 'Home Improvement Grant'.

There were other marketing problems too. Up until the early 1980s the word 'Betamax' was used as a synonym for 'video recorder'. This association had negative as well as positive consequences because in 1979, Universal Studios and Disney took legal action against Sony, claiming VCRs were infringing the copyrights of

movie producers. Although Sony emerged apparently unscathed from the lawsuit, several commentators have suggested that the case had a detrimental impact on the way Sony marketed its Betamax products.

One thing is for sure, from 1981 onwards Betamax-based machines were rapidly losing popular favour. In 1982, the year of the price war, Betamax VCRs accounted for a paltry 25 per cent of the entire market and the public were being warned that the selection of video rentals available for Betamax owners would be slightly smaller than that for VHS owners.

Furthermore, while Sony continued to claim that Betamax was a technically superior format, video owners were becoming increasingly aware of one serious failing. Whereas VHS machines could record for a considerable length of time, Betamax machines could only record for one hour – meaning that most films and football matches couldn't be recorded in one go. This was the price Sony paid for enhanced sound and picture quality. To deliver that better standard, Sony used a bigger, slower moving tape. As a result, it sometimes took as many as three cassettes to show an entire movie. This caused frustration both among video owners, who had to swap tapes over, and retailers, who had to supply more cassettes. The problem is explained by one anonymous VHS fan on the blockinfo.com Web site: 'What made VHS succeed was that you could get a whole movie on a tape. Okay, maybe the picture and sound weren't as good as Beta; but what the heck, you didn't have to get up in the middle and switch cassettes. VHS delivered value on a dimension that mattered to consumers. Beta delivered excellent value on dimensions that did not.' Sony refused to bite the bullet though. Indeed, it may have been losing market share but the number of units sold still continued to rise, peaking with global sales of 2.3 million units in 1984.

However, three years later VHS had gone way beyond the tipping point with a 95 per cent share of the market. In 1987, *Rolling Stone* magazine ran an article on Betamax (entitled 'Format Wars') and declared 'the battle is over'. On 10 January 1988 Sony finally

swallowed its pride and announced plans for a VHS line of video recorders.

Although Sony was adamant that the press should not see this as the 'death' of Betamax, the press weren't listening. On 25 January, only a fortnight after Sony's announcement, *Time* magazine published a eulogy to the brand with the headline, 'Goodbye Beta'.

The same article also argued that Betamax had failed because it had refused to license the format to other firms. 'While at first Sony kept its Beta technology mostly to itself, JVC, the Japanese inventor of VHS, shared its secret with a raft of other firms.' This claim has since been hotly disputed by the defenders of Betamax. For instance, one AFU (Alt Folklore Urban) white paper on *The Decline and Fall of Betamax* refers to the statement as 'blatantly untrue'. According to James Lardner, author of *Fast Forward*, Sony invited JVC and Matsushita to license the Betamax technology in December 1974, but both companies declined the offer.

Either way, the fact that Betamax video recorders were only manufactured by Sony meant that it couldn't compete against the growing number of companies pushing VHS. However, even when Sony started to make VHS machines it didn't abandon Betamax. Overseas production of Betamax hobbled on until 1998, and in Sony's home territory, Japan, machines were still being made until 2002, although not in huge numbers (Sony produced just 2,800 units in 2001).

On 22 August 2002 Sony finally announced it would be discontinuing Betamax products. 'With digital machines and other new recording formats taking hold in the market, demand has continued to decline and it has become difficult to secure parts,' the company said in a statement.

Now, of course, VHS itself is under threat from the rapid rise in digital versatile disc (DVD) players, and may not be able to survive into the long term. While DVD has finally drawn a line under the battle between Betamax and VHS, it has also managed to create its own destructive war between different DVD formats, and therefore delayed the take-off of that market.

However, at least some of the lessons of Betamax have been learnt. Sony and eight of its competitors eventually joined forces in 2002 to create a common format for DVD, meaning this time Sony will not be left on the sidelines.

Lessons from Betamax

- *Don't go it alone.* 'Contrary to popular belief, what would help every category pioneer is competition,' says Al Ries. True, providing the competition isn't pushing a format incompatible with your own.
- *Let others in.* Whether Sony refused to license its format or not, there is no question that the company would have had a better chance if its rivals had adopted Betamax.
- *Cut your losses.* Sony's decision to ignore VHS until 1987 was, with hindsight, an undeniable mistake.
- *Supply equals demand.* When the manufacturers of pre-recorded tapes decreased their supply of Beta format tapes, demand for Sony's Betamax recorders inevitably waned.

4 McDonald's Arch Deluxe

As well as the McLibel Trial (covered in Chapter 5), McDonald's has also experienced a number of more conventional marketing problems in recent years. Most of these problems have been new products that have failed to inspire consumers. McLean Deluxe (an attempt to cater for the health-conscious customer) and McSoup are two obvious examples, but it was with the Arch Deluxe burger that McDonald's experienced its most embarrassing flop.

Marketed as the 'Burger with the Grown-up Taste', the idea was to have a burger which wasn't associated with children. Indeed, the

advertising campaign for the Arch Deluxe rammed the message home with various images of kids shunning the 'sophisticated' product.

The trouble was that nobody goes to McDonald's for sophistication, they go for convenience. Part of this convenience is knowing exactly what to expect. McDonald's restaurants may serve up gazpacho in Spain and lamb burgers in India, but on the whole they are the same the world over. Most people who walk into a McDonald's restaurant know what they are going to order before they reach the counter. They don't want to be bombarded with a million and one variations on what is essentially the same product – a hamburger.

The other problem with the Arch Deluxe was the fact that it was sold on taste. Everybody knows that McDonald's is never going to be awarded a Michelin star, yet everybody still comes back. In an article headlined 'McDonald's Missing the Mark,' which appeared in *Brand Week* on 12 November 2001, Dave Miller attacked the 'compete on taste' strategy apparent in the promotion of the Arch Deluxe:

We don't come to the Golden Arches on the merits of taste and tantalization and culinary delight. We prize your brand on friendliness, cleanliness, consistency and convenience. They are value propositions that you've abdicated in recent years and – luckily – competitors have neglected to capture. Exactly how many failed menu concepts does it take before all of those development dollars are instead ploughed into the value proposition?

However, the problems encountered with the Arch Deluxe are symptomatic of an even bigger problem. As with other brands of such an enormous scale, McDonald's has been accused of losing touch with its customers and being too far behind the market.

Indeed, this is a problem acknowledged by the company's CEO, Jack Greenberg, who arrived in 1998. 'We have been taking much

too long to develop an idea and get it to the market, then too long to decide whether we want to do it or not,' he told *The Financial Times* in that same year (in an article entitled 'A mission to buff up the golden arches').

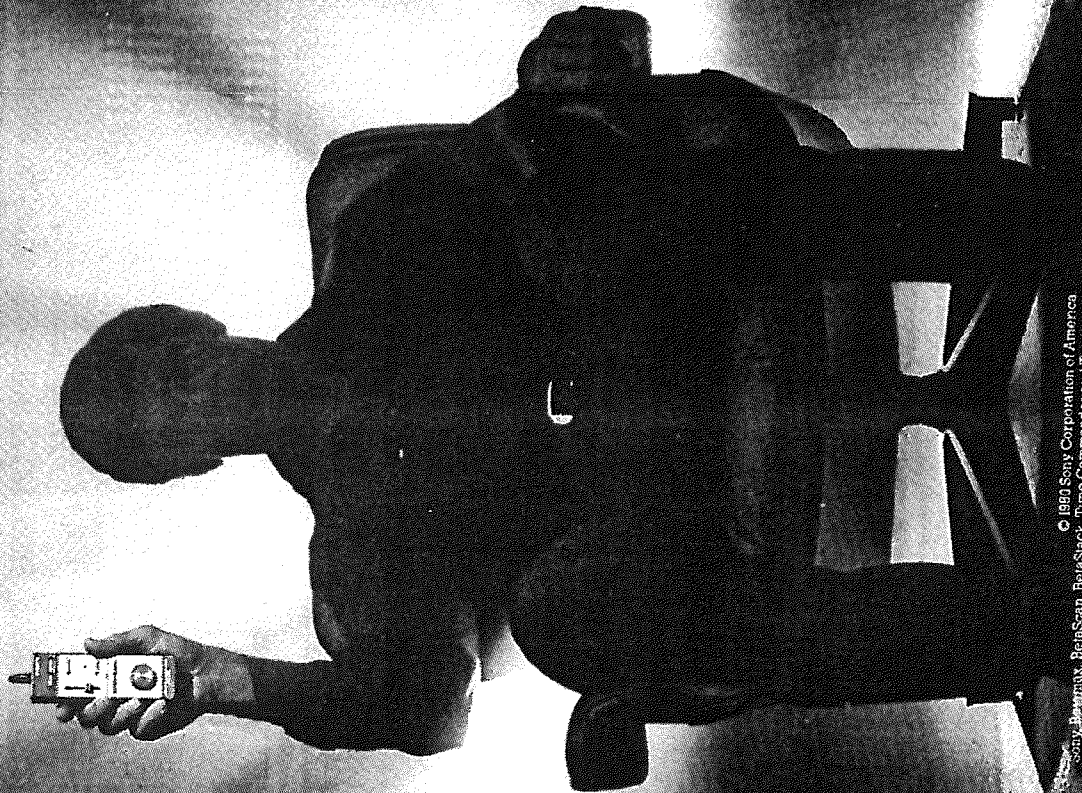
As you would expect with a brand that has built its name through uniformity, McDonald's is heavily centralized. Most branding and marketing decisions need to go through the company's headquarters in Oak Brook, Illinois. The recipe for the Arch Deluxe itself came from the Oak Brook kitchen. This contrasts with McDonald's major product successes such as the Big Mac, the Hot Apple Pie, the Egg McMuffin and the Filet o' Fish, which were all invented in operators' kitchens out in the field (whereas other flops such as the McLean burger and McPizza were also conjured up at the Oak Brook headquarters).

Another interesting aspect of the Arch Deluxe failure is that the product was well researched. After conducting masses of market research, it emerged that people would love to eat a burger designed specifically for adults. Unfortunately, these people seemed to be in short supply when the product was finally launched.

Lessons from Arch Deluxe

- *Go for what you know.* Part of McDonald's brand identity is simplicity. Another part is its child-friendly approach. A 'sophisticated' burger designed to exclude children was therefore destined to misfire.
- *Avoid customer confusion.* 'McDonald's is not cognitive, it is reflexive,' says Dave Miller in the November 2001 *Brand Week* article. 'We treasure not having to think about it. It just "is".' By extending its range with products such as the Arch Deluxe, Bratwursts, McTacos and McMussels, McDonald's was creating a need to think.
- *Be sceptical of research.* Market research has its place when carefully conducted, but it should never be taken as gospel truth.

Experience the freedom of total control.



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The new Sony Betamax SL-5800 frees you from the restraints of time, memory and circumstance. And makes you master of them all.

Mastering time, memory and circumstance.

The Betamax gives you the power to alter the fabric of time itself. You can record one channel while watching another.

You can program it to record a variety of shows on four different channels, for up to fourteen days in advance.

And with our optional BetaStack tape changer, you can ever-record up to twenty solid hours of consecutive programming.

If having all this programming in the palm of your hand seems a bit overwhelming, we've got some more good news for you.

Mastering motion.

The Sony Betamax SL-5800 has a remarkable feature called BetaScan that allows you to find any single

image from amongst the thousands of images on a tape many hours long. BetaScan lets you go fast forward

or reverse without interrupting the image on the screen. A Variable BetaScan feature lets you adjust the

speed at which you can view the tape from five times up to

twenty times normal speed. A Variable slow motion feature allows you to go from Freeze Frame up to one-third

normal speed. And our Freeze Frame is really frozen. It's clear and still and optically true, without noise lines or distortion.

Mastering space.

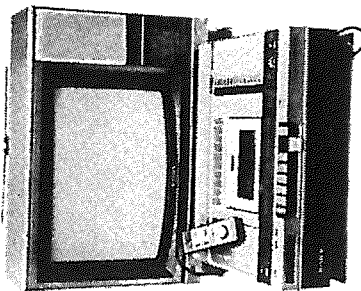
This Betamax also has a Time Commander Remote Control feature that lets you utilize Variable BetaScan, Variable Slo-motion, Frame-by-Frame Advance and Freeze Framing, without moving from the comfort of your bed or easy chair.

Mastering the medium.

The elegant, sophisticated technology of the Betamax SL-5800 gives you a new kind of freedom. It lets you record whether you're home or away. It gives you access to a vast variety of programming that you can buy or rent. And a Sony Portable Videotape Camera enables you to actually make your own programs, and play them back instantly.

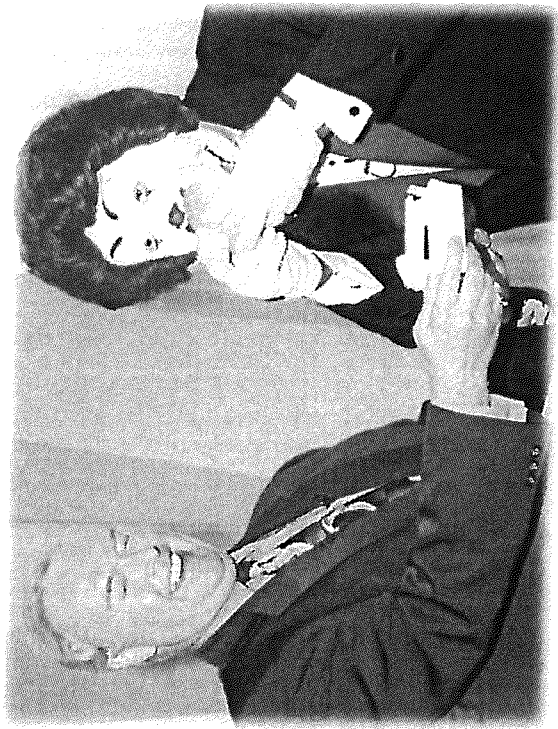
The Sony Betamax SL-5800 lets you shape and mold television to conform to your desires, to satisfy your own particular needs and interests. It allows you to make the final decision

about what you'll watch and the way you'll watch it. It presents you with an almost infinite possibility of choices. And that's what freedom is all about.



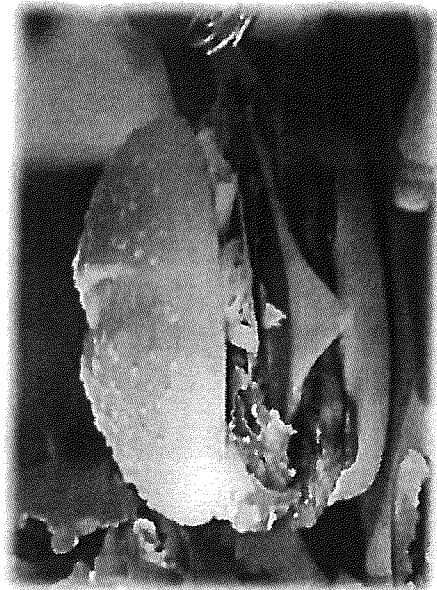
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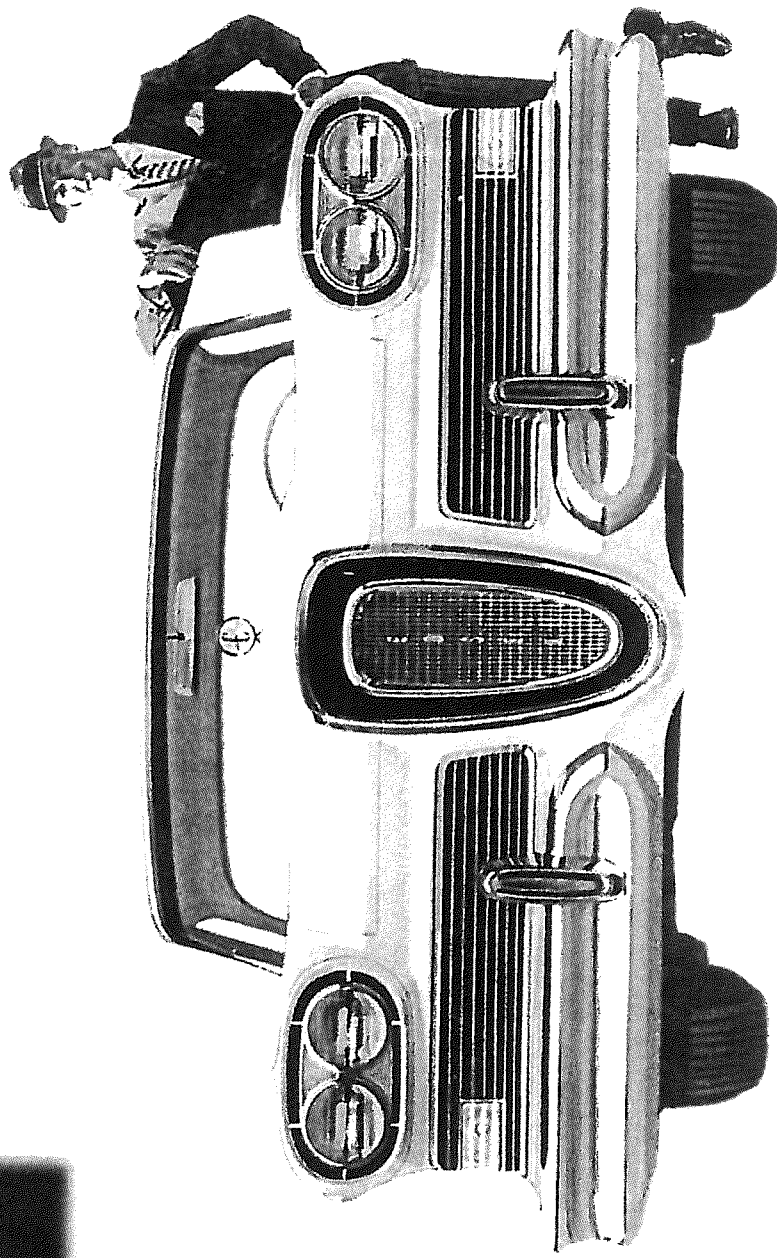
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Above: McDonald's Mascot Ronald McDonald samples the Arch Deluxe – a "premium" burger aimed specifically at adults.

Right: Print advertisement for the Ford Edsel featuring its notably unique front grill – often compared to a puckered mouth.



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