

Time to focus on Value-Chain Integrity - managing your brand reality, not just reputation -

By Tim Kitchin, Partner, Glasshouse Partnership

In 2001, Nike refused to embroider the personal ID 'sweatshop' onto Jonah Peretti's personalised Nike trainers. When Peretti copied the resulting email exchange (excerpted below) to 'a few close friends', it caused the world's most prominent youth brand to fundamentally rethink its definition of accountability.

"...The personal ID on my custom ZOOM XC USA running shoes was the word sweatshop. Sweatshop is not: 1) another party's trademark 2) the name of an athlete, 3) blank or 4) profanity. I chose the ID, because I wanted to remember the toil and labor of the children that made my shoes. Could you please ship them to me immediately. Thanks and Happy New Year. Jonah Peretti."

Pre-Peretti, pre-internet, pre-OFR, pre-CSR reporting, pre-Sarbanes Oxley, what a brand stood for was what it said about itself. Whether it was the 'real thing', 'probably the best lager in the world', or the 'crumbliest, flakiest chocolate in the world', you bought *into* the image and you *onto* the brand.

That level of deference and acceptance has gone forever. In an age of ever increasing transparency, what a brand stands for is increasingly governed by what it actually does in the world. Not just at a functional level, but at a relationship level, and at a behavioral level.

Now, when consumers buy a brand, they increasingly want to understand what it *really* stands for. Not just its promises, but its emotional implications, its relationship intentions and ethical motivations. Increasingly consumers will audit a brand for its total consistency.

When consumers buy a pair of trainers, they also buy the company that makes them; all of its suppliers; all of its distributors and all of its customers. For Jonah Peretti, young, blind and impoverished children didn't seem to resonate with a brand story of optimism and endeavor. For him, the Nike brand stood for the impact of its lax governance on developing world suppliers. Peretti's alternative brand 'meme' successfully hijacked the meaning of the Nike brand, and it cost the company billions to win it back.

To regain its brand soul, Nike has to look deep inside and even beyond itself. Right to the end of its value-chain. It redefined its processes, changed its treatment of people, and reinvented its corporate purpose - to genuinely enable human achievement, not just pretend.

The rapid spread of this level of scrutiny, and the commitment with which Nike responded, hold a key lesson for all brand owners. When customers buy brands, they buy value-chains, not products. And increasingly they want to scrutinise those value-chains at multiple levels: at a product level, at a process level, at a people level, and at a purpose level – the 4Ps of value-chain management. Finally, once they have made their assessment, they will be ruthless and evangelical about campaigning their verdict. The only solution is a wholesale commitment to brand integrity – across the whole value chain.

Why does integrity matter?

Dictionary.com defines integrity three ways:

in·teg·ri·ty *n.* (ĭn-tĕg'rĭ-tē)

1. Steadfast adherence to a strict moral or ethical code.
2. The state of being unimpaired; soundness.
3. The quality or condition of being whole or undivided; completeness.

These are precisely the dimensions of scrutiny which brand users apply to value-chains:

Adherence: To what extent does the chain reflect the brand's purported values?

Soundness: How reliably and consistently does the chain connect brand value to the end customer?

Completeness: How accountable and transparent is the chain to the end customer?

Peretti's probing of the Nike value-chain is again instructive. Against these criteria, for Peretti's purpose, the Nike chain seemed to have zero integrity.

Its local market behaviour, as expressed by its suppliers was entirely detached from the brand code – a breakdown in *adherence*. Standards were variable and uncontrolled – a breakdown in *soundness*. And the value-chain itself was fragmented – a breakdown in *completeness*. Back in Portland, no-one, apparently, could actually see to the end of the chain. Like the frayed ends of an electric wire, the value-chain simply petered out, bare copper lying exposed – just waiting to spark a brand meltdown. Building supply-chain integrity from this start-point demanded a full-scale transformation – and remains a work in progress.

Brand owners come to the issue of value-chain integrity from many different departure points. Among the most common motivations are:

- A need to assess and quantify reputation risk
- A need to enforce effective governance
- A need to account for environmental impact
- A need to comply to new legal standards
- A need to pre-empt consumer complaints

Dominating all these needs is the threat of dissatisfaction and exposure, from customers or external stakeholders who may see inconsistencies, inaccuracies, or omissions between a brand's projected identity and its underlying value-chain.

However, this risk-management mind-set threatens to miss the true character of the integrity issue. If customers demand an increase in integrity, and if brands exist to serve customers, then integrity should be a key competitive battleground.

More than that, integrity is a source of value which is based upon broad competencies, products, people, process and purpose - not just a dissociated image. Value chain integrity, in other words, is a lasting source of brand differentiation.

Many brand owners, Nike included, stand to see a real upside from building (and continually rebuilding) their value-chain integrity.

Glasshouse Partnership predicts a mindshift among value-chain stewards, from pure risk management towards increasingly opportunistic, brand-centric perspectives, addressing real customer needs through an investment in integrity. Value chain integrity addresses:

- A desire for reassurance
 - 'prove to me my shampoo is GMO free'
- A desire for personalisation
 - 'make me one without the gluten, please'
- A desire for insight
 - 'terry nappies or disposables? Help me decide'
- A desire for personal accountability
 - 'help me track my biodiversity impact'
- A desire for engagement
 - 'show me a picture of the farmer who ground my beans'

Any brand which aspires to sustain long-term value should audit its performance, and across 12 critical elements of brand integrity:

	Product	Process	People	Purpose
Adherence	Are the components/ingredients all that brand buyers would expect them to be?	Are all processes in accordance with corporate guidelines?	Are all participants aligned to the brand values?	Are the brand's vision and values expressed?
Soundness	Do we know the true origin and identity of all our components and ingredients?	Are the processes which connect participants secure and reliable?	Are our participants known to us; accurately identified and reachable if need be?	Is our purpose robust and defensible?
Completeness	Are we able to account for all our product. Its origins and destinations?	Are we actively monitoring and managing the processes which create customer value?	Are we maintaining active relationships with all those who impact brand perceptions?	Do the brand values impact all relevant aspects of the value creation?

Future developments:

Far from being a monolithic threat, the outline above shows that the development of supply-chain integrity is a complex strategic opportunity for brand managers. Building and protecting integrity is arguably the most pressing stewardship challenge they now face.

Embracing this reality will require new forms of collaboration, new skills and new process, reaching far beyond traditional brand management boundaries, into and beyond the corporate organization. The prize unlocked by value-chain integrity is very real:

- Move from mere value-chain adherence to **commitment** and much greater emotional loyalty can be unlocked.
- Move from mere soundness to mutual **accountability**, and the prize can be a step-change in market responsiveness.

The final, and largest opportunity for brand owners, is to:

- Move from mere completeness of information, to real **richness** of knowledge, and completely new forms of customer value are revealed. New customer stories can be told.

As brand management becomes an increasingly substantive process, so the value that brands deliver will need to be increasingly accountable. Marketers must take responsibility for managing brand reality; not just brand reputation.

-ENDS-

About the author:

Tim Kitchin is a founder partner of Glasshouse Partnership, a consultancy which advises on brand and social responsibility management. He has written widely on issues of branding, supply-chain management, corporate social responsibility and customer relationship management.