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## Losing Your Cool.

### “THE IMPORTANCE

of protecting Customer Service and Brand in a hybrid economy.”

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#### Why is Brand important?

Let's examine Brand through the lens of Globalization. With an Internet connection, every brand can be accessed at any time, anywhere on earth. Internet connectivity, mobile communications and the modernization of once Third World countries have led to rapid access to all types of branded and commodified services and goods.

Today more than ever, companies are relying on the emotional selling proposition of their products in which the purchase of a commodified good or service is more reflective of a lifestyle choice than it is a choice for a stronger, faster, sleeker product. The brand selling proposition (in which a brand is stronger than the physical dimensions of the product) is dominating marketing campaigns Worldwide.

One need only look at brands such as Pepsi, Apple or Cisco to realize that it is not the soft drink or the hardware that is driving sales. It is the notion of a bigger and better experience that marketers view as the ultimate decision-driving factor.

Some companies are getting this right. There can be no doubt that the sales of companies like those mentioned above are being driven through the roof by the effects of brand-based selling focused on the emotional component, while other companies choose to continue to compete on the simple features and functionalities of their products. For example, while Microsoft struggles remain relevant in the consumer electronics space, the Apple experience dominates.

However, understanding the importance of brand and the customer experience extends beyond the pure economic proposition that companies who get it right fare better in the markets. In a sense, the American experience itself can be measured by the success of the brands (and equally the customer experience) we export every day. In fact, to best understand the power of brand, it is helpful to understand how gross domestic product (GDP) is measured.

GDP is one of the measures of a nation's income and output. It is defined as the total market value of all goods and services produced within a country

within a given period, usually a calendar year. The most common approach to measuring GDP is based on the expenditure method in which:

$$\text{GDP} = \text{consumption} + \text{gross investment} + \text{government spending} + (\text{exports} - \text{imports})$$

GDP is generally understood as applying only to nation-states. However, if we remove the government spending variable from the equation above, we start to have a snapshot of how most companies arrive at their P&L statements. Certainly, when considering the above equation, one must arrive at the final statement, which is: “exports minus imports.” The concept that the goods or services which you export (or sell) are offset by those which you import (or buy) is a fundamental economic principle, and one that should be considered alongside the power of brand and the customer experience.

In an increasing flat world, the notion of GDP, and even P&L statements, becomes outdated. Especially as the “remix culture” takes over and artistic works (and here we mean the products of innovation), creativity and R&D are spread across the planet to such an extent that almost nothing can be said to have had been “invented here,” and everything can be classified as having been created by customer demand. Rest assured, the notion of “not created here” is absolutely irrelevant in the post-millennial economy.

In the new Hybrid Economy (see Lawrence Lessig, *Remix: Making Art and Commerce Thrive in the Hybrid Economy*.) Lessig outlines the notion of an economy that transforms Internet commerce into a thriving economy based on globalized creativity. Creativity, here, should be understood as innovation, solution and brand as one. In this Hybrid Economy, the old measures of GDP and P&L will continue to be broken down and understood in terms of a Nation's (or company's) ability to export meaningful brands and customer experiences. These concepts of Brand and Customer Experience revolve in a world of image, attitude and ideal. This means a new creative class of workers. In a word, it comes down to cool.

In fact, in his revolutionary book, *Telecosm: How Infinite Bandwidth will Revolutionize our World*, ( New York: the Free Press, 2000), George Gilder architects and illustrates the future of the creative class (those who create brands and customers experiences) in somewhat glowing terms.

According to Gilder, “*the customers are the product and the product is the customer and both serve one another, in a rudimentary interplay between producers and users, a resonance of buyers and sellers in which the buyer also sells and the sellers also buy in wide-reaching webs of commerce. The resonance is the wealth and light and there is no impotence in the middle...*”

He goes on, “*At the millennium, the incandescence is defusing around the world offering a promise of new freedom and prosperity... Encircling the globe under the oceans and beaming from satellites, the radiance is increasingly eroding the powers of despots and bureaucracies and principalities.*”

While this might sound hopeful and beyond economic reasoning, surely we can all agree that Gilder has a right when he says:

So, against the backdrop of 20th-century capitalism and the American “can-do spirit,” our individual and corporate view of productivity and profitability are becoming increasingly based on our ability to create: not only new products or services, but the very way in which those products or services are positioned within the market at large in the broader global marketplace.

So that our bearings are not lost in the halls of academia, where books such as *The World is Flat*, *The New Asian Hemisphere*, *The Rise of the Creative Class* and others shape our corporate thinking, it might be prudent to consider the simple fact that there are some companies that are outperforming losers on both the NASDAQ and the Dow, and that those are the companies that have embraced the notion that brand and customer experience is more important than product.

One only has to look at the daily performance of any given Silicon Valley company’s stock to differentiate between those who care about the customer experience and those who don’t. For instance, compare Apple stocks to those of Microsoft. Or perhaps, the shares of Google to those of AOL. Clearly, one does not need a degree in economics to understand that the culture of cool is dominating the bottom line.

Which leads us to the essential question, why is losing our cool unacceptable? Before we answer that question, it may be wise to explore the application of measuring cool in an industry not normally associated with that term.

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“With the market space of the net, anyone anywhere can issue a petition or publication, utter a cry for help, broadcast a work of art. Anyone can create a product, launch a company, finance growth, or spin off into the web of **trust.**”

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## Putting the Cool into Business Continuity and Disaster Recovery

For over 25 years, the standard of measuring impacts during the process of creating a BIA has included measures for brand and customer perception. This approach is not ill-advised as it is; in fact, based on guidance from the FFIEC as well as the FDC and the office of the Comptroller. In the FFIEC’s Business Continuity Planning IT Examination Handbook, the notion that a successful BIA includes “analyzing threats based on the impacts of the institution and its customers in the financial markets it serves,” is clearly spelled out. It is important to note that within this guidance is embedded the concept that the impact to the institution is primarily grounded in the impact to its customers and the financial markets it serves; i.e., brand and customer value.

This guidance does not stand alone in the recommendation for measuring customer value and brand. In a recent NCUA letter to credit unions that are federally insured, they urge that credit unions must consider “...the amount (of allowable) service or system downtime before there is an effect on membership or reputation...” Here, the terms “membership or reputation” directly relate to the concept set forth in this paper as customer and brand value.

The notion that brand and customer value has an impact to the bottom line of any organization is one of the cornerstones of a complete BIA. This is a widely recognized best practice within the business continuity and disaster recovery community.

In other engagements this year, BAM agents have encountered whole organizations that have considered customer and brand value as the primary and singular measure in conducting their thoughtful consideration of risk during the Business and Application Value Assessment process. Now, if the customers in question were Oakley, Toyota or Caterpillar, the reader may fully appreciate this singular approach to measuring value within the business. However, the customer in question was one of Arizona’s largest credit unions. In other words, a purely financial organization put its highest premium on protecting the value of its brand and customer experience.

The concept of protecting the brand and the customer experience is not new. Time and again, we have witnessed customers who have chosen to protect the value identified in our practice of measuring customer satisfaction and brand value in front of the financial values.

So what’s to be learned when we look introspectively upon the business of business continuity and disaster recovery? Perhaps it is this: If customers value their brand and customer experience as much as (if not more than)

the bottom line, then perhaps there is a new emerging awareness that, like Lessig, Florida and Friedman, we have come to realize that in the global economy cool is as important as cash.

The Jack in the Box crisis falls under Coombs' 'accident' category - "unintentional and happen during the course of normal organizational operations" (Coombs, 1995, p. 454). The crisis was devastating to Jack in the Box in the short-term. They had projected losses of between \$20 and \$30 million by the 24th of March, 1993, resulting from the E. coli crisis.

### Keeping our Cool on the Global Stage

On Tuesday, the 23rd of September, 2008, a hearing on Capitol Hill regarding the bailout of several of America's largest financial institutions waxed into this realm. With regards to the proposed \$700 billion plan to rescue the financial sector, the discussion turned to the issue of cool. In a heated debate, Treasury Secretary Henry Paulson stated; "I share the outrage that people have. It's interesting to look at this, and I think it's embarrassing to the United States of America." The embarrassment that Paulson is referring to goes beyond the financial impacts of the current crisis and strikes to the core of America's financial woes.

What Paulson seems to be driving at here is what is commonly referred to as consumer confidence in brand America. And inside of that argument is the argument that America's edge on capitalism is failing. Again, what's at stake is not the billions of dollars needed for the bailout, but the loss of value in the American brand of Capitalism.

If business is war (and it is), then what are we to make of policy-makers emphasizing embarrassing customer and brand impacts over massive financial losses? Perhaps it's easiest to understand the reasoning if we agree that these so-called soft measures are more important than the oft-cited bottom line because they are long-term in nature and not easily reconstituted, rebuilt or recaptured.

It has taken 200 years for America to establish its supremacy based on free markets. It appears that those values are at great risk and could be lost in a matter of months. The stakes extend well beyond the financial damages done. Senator Chris Dodd, (D.-Conn.) said; "After reading this proposal I can only conclude that it's just not our economy that is at risk, Mr. Secretary, but our Constitution as well."

It is these very values, the values of brand America; i.e., democracy, free markets and capitalism, that lie at the heart of the war in Iraq. Why has our

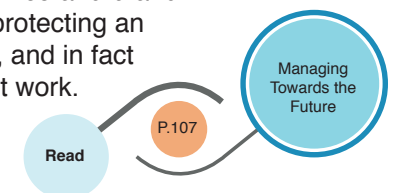
administration emphasized the changing of hearts and minds over the cold incalculable cost of this lengthy war?

As General David Petraeus makes clear in his U.S. Army Marine Counterinsurgency Field Manual, it is the civil considerations, with an emphasis on the people, the history and the government in the area of operations, that are more important than the complexity of the terrain, key infrastructure or lines of communication when engaging the enemy... and, that the structure of social institutions and the attitudes and activities of the civilian leaders, politicians and organizations within the area of operations influence the conduct of the military operation itself. In short, General Petraeus is more concerned with the prosecution of third-generation warfare and how it results in a brand and customer conscious military than he is in the expenditure of munitions and the dealing out of casualties.

It would seem obvious that not only is business war, but war is business, and in this context the values and brand of America are truly at stake.

### Key Takeaways:

- Cool = brand and customer values.
- Cool is no longer a soft measure of a company's value, it is the deciding factor.
- Cool is directly related to the ability to maintain a business's brand and customer experience after disaster strikes.
- Cool is not a soft measure or qualitative value, it is directly attached to the bottom line and your organization's overall performance.
- Losing your cool is as unacceptable as losing millions of dollars a day to lost transactions due to computer failure.
- Finally, protecting customer service and brand recognition is as important as protecting an organization's online presence, and in fact is a route directly related to that work.
- Cool will become increasingly important in the global economy of the 21st century.



### Re:Think...

brand. If a brand is a lifestyle and not a logo, does your plan protect the image you are trying to build now?

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