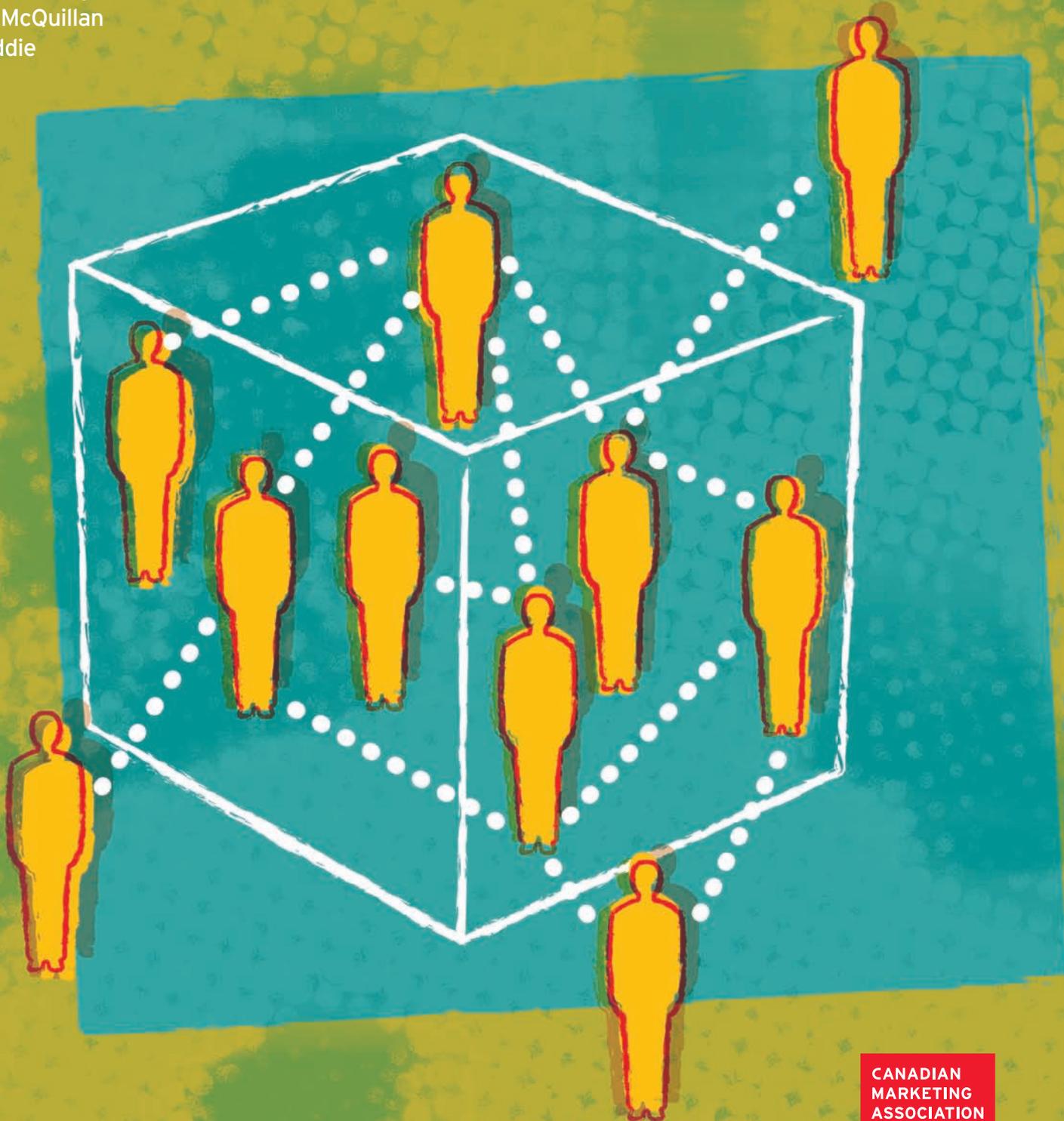


Internal Branding Best Practices Study

Nina MacLavery
Patricia McQuillan
Hugh Oddie



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MARKETING
ASSOCIATION

CMA

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1. Executive Summary

1.1 Background

During the spring of 2005, the CMA Branding and Strategic Planning Council identified a need to delve deeper into Internal Branding, one of the top issues identified by Canadian marketers. The Council began its research into internal branding with an online survey that examined how organizations view and implement internal branding practices. The results, subsequently published in CMA's 2006 Fact Book, have since been supplemented with additional research. Together, they are presented in this white paper, 'Internal Branding Best Practices Study.'

1.2 Summary of Findings

Internal branding is a relatively new approach practiced by the companies of leading Canadian brands. Given the newness of this area, it was not surprising to find that its application is relatively inconsistent across participating organizations. This emerging area of brand management presents significant opportunity to the Canadian service industry with the ability to be more attentive to branding and customer promise development. Internal branding also facilitates more consistent delivery.

1.3 Implications

The successful implementation of the "Internal Branding Best Practices Study" can build the bridge between strategy and execution. Significant improvements to customer experience and loyalty ratings can be achieved once this connection is made, assuming that an organization's brand promise is well researched and meets current customer needs.

2. Methodology

This Canadian Marketing Association's internal branding best practices study is based on both qualitative and quantitative research methods. The qualitative research consisted of eleven in-depth phone interviews conducted from July to December 2006 with executives that are responsible for internal branding within their organizations. Contributing organizations are listed on the Acknowledgment page of this paper and are sincerely thanked for their candid and thoughtful input. The quantitative research portion of this study was managed through a CMA 2005 Internet survey of 475 respondents across industries.

The CMA Branding and Strategic Planning Council provided additional input to this study in order to reflect cross-industry experience and other recent complimentary CMA research studies.

3. Internal Branding Defined

Commonly accepted definitions of either "brand" or "internal branding" could not be found in any of the research that has been undertaken to date.

The definition of brand has become a customer experience based concept.¹ Therefore, it is not surprising that businesses are looking for ways to ensure that the brand experience is delivered in a way that stays true to the brand promise. But staying true to the brand promise is easier said than done. Senior management typically develops brand strategy while the actual brand experience is most often delivered by the least-informed and lowest-paid service associates. Also, to further complicate matters, these front line associates are often part-time. Best practices in internal branding can build that crucial bridge between strategy and execution.

In 2005, the CMA surveyed marketers about their organization's internal branding activities. Internal branding was described within the survey as "promoting the company brand values amongst employees." In 2006, qualitative interviews were conducted with senior marketers across all business sectors. These in-depth interviews revealed an expanded concept of internal branding.²

While many companies do not use the words internal branding, all of the interviewees were able to describe the activities that build the bridge between strategy and execution. They used expressions such as:

- Living the corporate values.
- Leveraging the corporate brand strategy to reinforce brand requirements internally and reach out to potential recruits externally.
- Activities, processes and communication involved in empowering associates.
- Create and demonstrate consistent brand experience at all touch points.

¹ In 2004 the CMA undertook a project to gain an understanding of how companies measured "Brand". This was both a qualitative and quantitative study, the results published in "Today's Brand Measurement: The Integration of Perceptions, Behaviours & Environments," 2004.

² The respondents included 10 senior marketers and one human resource professional.

Based on these interviews and additional reading we would suggest the following definition for "internal branding":

Internal branding is the set of strategic processes that align and empower employees to deliver the appropriate customer experience in a consistent fashion. These processes include, but are not limited to, internal communications, training support, leadership practices, reward & recognition programs, recruitment practices and sustainability factors.

Given the depth of information gathered through the qualitative research, this definition has been expanded with an inventory of best practices falling under each of the processes defined, as outlined in Section 6: Implementation.

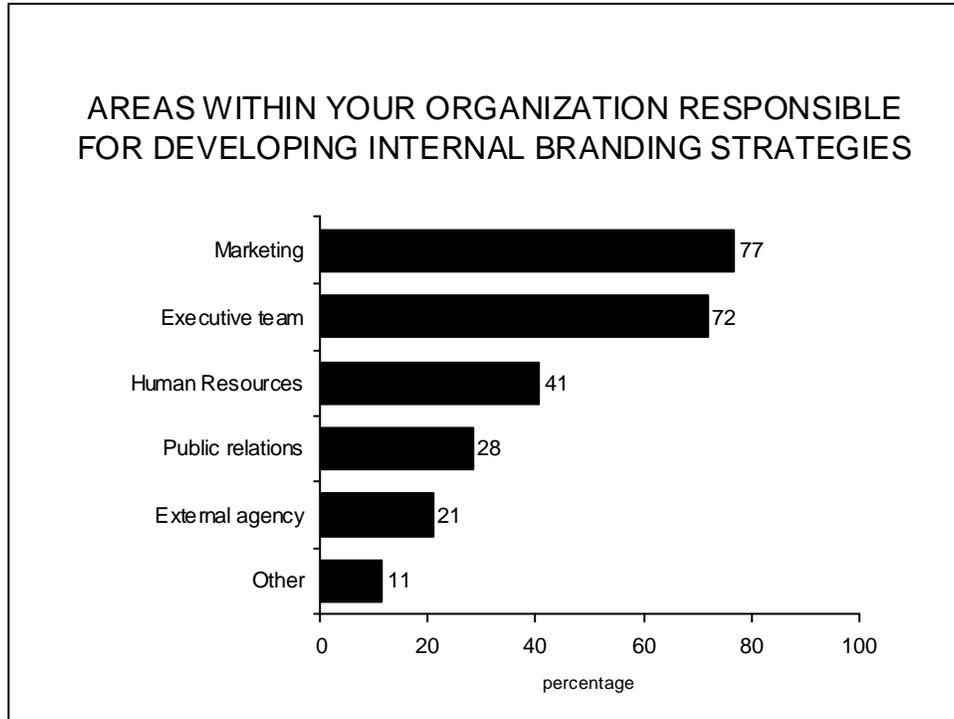
4. Leadership

Who is in charge of internal branding?

In the research, there was not one company that had expressly dedicated one individual's responsibilities to "internal branding". More often than not, it was one of a laundry list of responsibilities in a marketing executive's mandate, parked alongside the responsibilities of advertising, branding, direct marketing, merchandising, etc. One of the reasons for this lack of clear responsibility is the cross functional nature of the task. This responsibility was usually delegated to the marketing department in general. The logic for it being part of the marketing department's role is that the marketing department is the most involved in the interaction between company and customers. Thus, following on from the definition, it is this functional unit that needs to join company brand with customer experience.

The CMA Internal Branding Research Survey of 2005 confirms that the responsibility for internal branding resides within the purview of marketing:

Development of internal branding strategies tends to be shared by the marketing group and executive team with more than one-quarter mentioning internal branding as a marketing responsibility and 72% stating that the executive team holds some responsibility. External agencies are utilized by one in five of the companies surveyed.



When asked if these were the same groups responsible for external branding strategies, almost six in ten companies (59%) suggested that the same groups build internal and external branding strategies.

Even if internal branding is nominally anchored in the marketing function, it is clear that both human resources and the executive team need to be intimately involved with internal branding initiatives.

Notwithstanding the fact that the leadership for internal branding might be anchored in one functional unit, it is vital to note the importance of the role of all management to "walk the talk" and the apparent lack of them actually doing so. Only 22% of respondents in the CMA survey strongly agree with the statement "management walks the talk with respect to brand values." Clearly there is a need for senior executives to demonstrate that it is "they who are in charge," i.e. Leadership. In fact, this desired senior management behaviour is included with the list of internal communications best practices in Section 6: Implementation. The Implementation Table demonstrates that this critical component of senior management should be formalized and rewarded in best practice organizations.

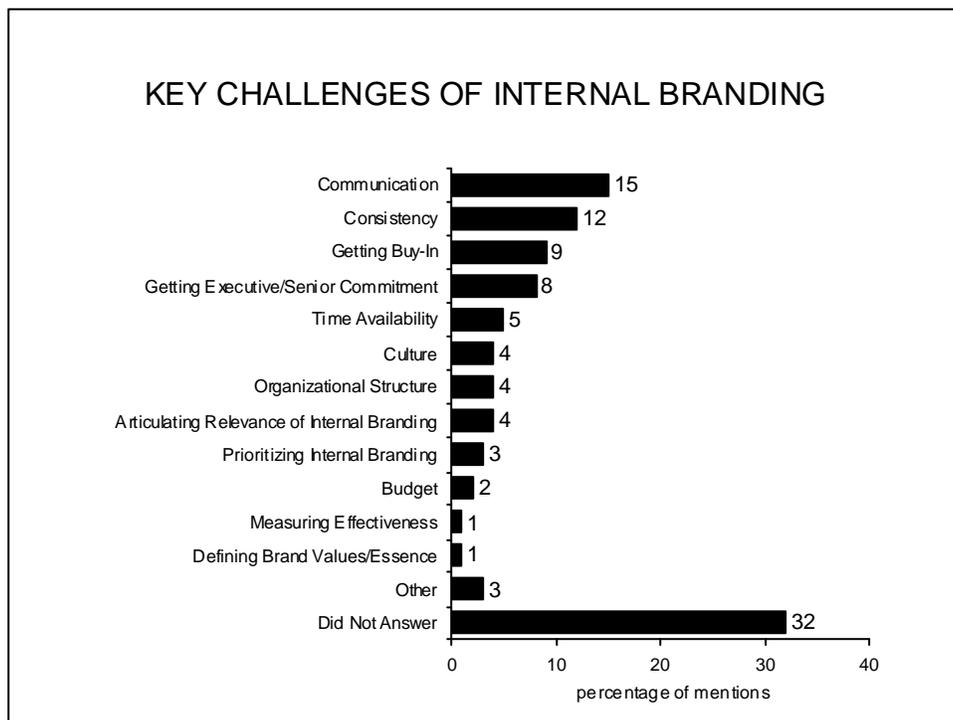
Overall, as a best practice, responsibility for strategic development and implementation for internal branding should be vested clearly with one senior level individual or group of individuals who have wide reach and access across functions. They also should be measured and rewarded for their success in this key area of brand management.

5. Key Challenges

What are the challenges for internal branding?

There was a consensus amongst several of the companies participating in the research that the overarching challenge for internal branding is how to translate the company's brand values into physical employee behaviours. In order to achieve this objective, companies employ a plethora of implementation techniques, which will be explored in the next section.

The breakdown of the key challenges from the CMA survey is as follows:



One of the major challenges inhibiting the success of this translation is that internal branding touches marketing, human resources, brand management, operations, front line management and strategy. Several of the best practice companies have come close to overcoming these functional silos in their internal branding efforts. Nevertheless, for most companies, the inability to cross the boundaries between divisions fluidly in internal branding efforts presents a major challenge.

The lack of alignment between employees' values and company values emerged as a challenge from the CMA survey: "The low proportion (7%) of respondents who think their brand values provide guidance as to how to treat other employees suggests that brand values do not address human interrelationships in a meaningful way."

Interestingly, several companies that have found "keeping the momentum going" to be a real challenge were identified in the qualitative research. Since involving themselves in a variety of communication and employee involvement initiatives, their challenge is "what next?"

Finally, and not surprisingly, measurement is a challenge. This subject is covered more in-depth with Section 7.

6. Implementation

6.1 Internal Branding Techniques and Tools

There is a range of internal branding techniques and tools in alignment with the range of requirements of leading organizations. The newness of this field of brand management has engendered a wide variety of practices. The following presents an inventory of current practices, serving as a summary of implementation methods captured through the most recent CMA qualitative study of Internal Branding Practices.³

Internal Branding Techniques and Tools	Trends	Commentary	
<i>Current Practices</i>	<i>Development</i>	<i>Best Practices</i>	<i>Challenges</i>
1. Internal Communications			
Employee newsletters; Regular employee town hall meetings; Push messages from president; Walk-the-talk (communication through behaviour, esp. at senior level); Videos with messaging demonstrating brand; Employee story telling; Involvement in customer promise through a range of communication tactics; Senior management site visits.	Hiring internal communications specialists; iPod casts for additional training support to regions.	Senior management on-brand behaviour; Relevant personal communication; Vehicles that enable sustained consistency of message.	The trade-off between reach efficiency and personalization; Constant communication is necessary for consistent execution.
2. Training Support			
New hire orientation including explanation of brand attributes and roles; Brand workshops; Customer sensitization; e-learning; Brand values imbedded in training; Brand tool kits; Customer videos recording 'what works'.	Increased support to employee engagement.	Brand workshops (train-the-trainer); Clarify effect of each division on customer experience; Customer enthusiasm programs.	Refresh brand training programs; Consistency; e-learning impersonal; Continued employee connection and motivation to live the brand.

³ Source: CMA Internal Branding Qualitative Study, 2006. The commentary includes qualitative observations developed by the authors of this study.

Internal Branding Techniques and Tools	Trends	Commentary	
Current Practices	Development	Best Practices	Challenges
3. Leadership Practices			
Management development programs; Senior team personal site visits; Employee rating of leaders through regular performance reviews.	Push senior management communications utilizing video and phone.	Leadership practicing on-brand behaviours; Explicit senior management endorsement of brand behaviours.	Consistent application of brand requirements with annual planning process.
4. Reward & Recognition			
Special events commemorating success milestones; Peer recognition programs; Performance reviews encompassing brand behaviours; 360 degree feedback including peer, boss and customer feedback; In some cases, directly linked to compensation.	Increased connection to brand.	Peer recognition programs; Reinforcement of story telling of on-brand behaviour; Special events celebrating living the brand values.	Connection of desired behaviours to brand values; Potential confusion with company values.
5. Recruitment Practices			
Longer term strategy to continually build the skill within an organization to deliver the brand promise.	Build separate recruitment practice within HR.	Internal partnership with HR and Marketing; Research recruitment practices within the industry; Measure success of recruitments, number of responses, retention, why or why not retained.	Cross-functional nature of task within HR and within the enterprise.
6. Sustainability Factors			
Internal communications; Internal focus groups with front-line staff to identify what they could be doing differently and deepen engagement; Continuous customer contact groups - fresh input to service experience.	Recognition of connection to brand.	Consistent, customer and employee relevant messaging.	How to keep it real and relevant.
Other			
<ul style="list-style-type: none"> • Measurement (project specific) • Planning to include broader employee input. 	Beyond marketing function.	Identify how projects are impacted by brand.	Consistent application.

6.2 Additional observations

Several organizations did not identify specific internal branding practices as such, stating that it is part of human resources or that branding is part of everything they do. In particular, not-for-profits stated that the “passion of their cause” fuelled employee connection to organization and brand values. Internal branding appears to be subject to the requirement of continual evolution; the key challenge is *keeping it fresh and relevant* to both the employee and customer.

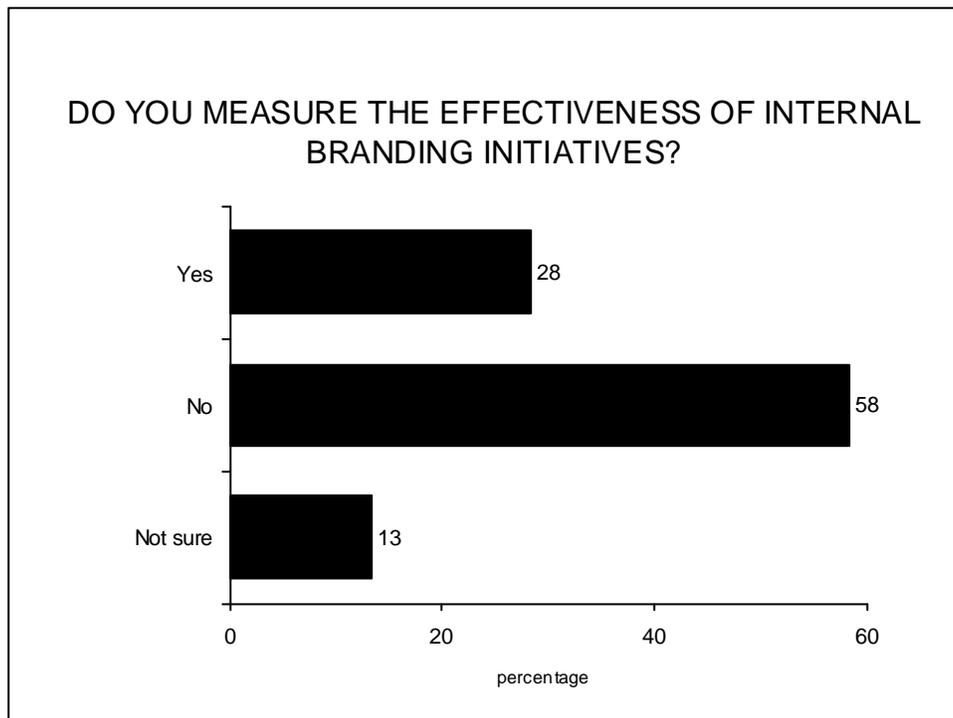
6.3 Further research

Given the challenge of imparting brand values to front line staff and the increasing number of implementation techniques requiring the support of human resources, it would be valuable to the CMA membership to provide additional research focusing on the role of human resources in internal branding initiatives. This may be supported with additional employee perspective research.

7. Measurement

7.1 What is measured?

Measurement emerged as one of the challenges for internal branding efforts as is clearly demonstrated by the CMA survey: “Only 28% of those involved in internal branding actually measure the effectiveness of their efforts.” Without spending information and some sort of effectiveness measure, it is difficult to even approximate a ROI, something that is often needed to justify ongoing internal branding programs.



Measurement of the effects of internal branding is still in its infancy. In the research, there was a consensus that an external measurement of a brand's impact on consumers was the *easiest* method of having some form of measurement. This starts from the pure business metrics of retention, un-aided awareness and such, up to client satisfaction. Identified in CMA's 2004 study on brand measurement, the best practice method is to have comprehensive metrics around "customer experience." None of the research participants had reached this plateau with confidence.

There was also consensus that appropriate internal measures were *more difficult* and at the same time more desirable than external measures. How do you measure the effectiveness of front line and internal staff living the brand? At present, employee surveys are the main tool used. A corollary question is how do you recognize and reward such behaviours? Again, surveys and 360° feedback programmes are the main tools used.

None of the research participants were satisfied that they had the measurement of internal branding initiatives at a satisfactory level. Tools like "balanced scorecard" and peer ratings/reward programmes are steps in the right direction.

7.2 Internal Branding Measurements

From the findings, the following table summarises present practices in measuring the effectiveness of internal branding initiatives:⁴

Customer Metrics

Measurement	Description	Comments
Customer Feedback/ Complaints	Customers are invited to fill in a form to express their satisfaction or dissatisfaction with recent service.	<ul style="list-style-type: none"> Local and immediate feedback for recognition or corrective action. Usually manual and therefore no tracking or trend analysis possible.
Customer Satisfaction Surveys	Customers are invited to participate in a professionally monitored survey asking about their experience with a brand.	<ul style="list-style-type: none"> Larger scale and therefore data rich. Time consuming and typically an annual process. Usually cannot pinpoint specific associate behaviour.
Customer Loyalty Surveys (newer trend)	Similar to customer satisfaction but asks about future intent; "Would you purchase again, would you recommend to a friend?"	<ul style="list-style-type: none"> Indication of future. Connect data with actual results over time.

⁴ The data provided with this Table was sourced from secondary information and the authors' industry experience.

Employee Measurement

Measurement	Description	Comments
Staff Conferences	Senior Manager hosts staff conference to communicate company information and solicit feedback from associates.	<ul style="list-style-type: none"> • Opportunity for associates to express their ability to deliver the appropriate customer experience.
Mystery Shop	Professional organizations visit service provider and audit brand experience.	<ul style="list-style-type: none"> • Good indication of actual associate behaviour.
Supervisor Shadow Program	Supervisor watches associate interact with customers.	<ul style="list-style-type: none"> • Immediate coaching to reinforce appropriate behaviour.
Associate Satisfaction Survey	Associates are invited to participate in a confidential survey to express their attitude about their job and about the company.	<ul style="list-style-type: none"> • Assumes satisfied associate will deliver appropriate brand experience. • Can link back to specific manager and be part of compensation package. • Usually annual.
Associate Engagement Survey (newer trend)	Similar to Satisfaction Survey but asks questions like “given how you feel about your work, are you willing to go the extra mile?” etc.	<ul style="list-style-type: none"> • Delivers closer linkage to associate behaviour. • Data rich; used to build future associate engagement plans.

Appendix

About CMA

With more than 800 corporate members, the Canadian Marketing Association (CMA) is the largest marketing association embracing Canada's major business sectors and all marketing disciplines, channels and technologies. CMA is the marketing community's leading advocate on the key public policy issues affecting both consumer and business-to-business marketers. As well, the Association is the principal provider of knowledge, marketing intelligence and professional development opportunities for marketers; and catalyst for networking and business opportunities within the marketing community.

Author Biographies

Nina MacLaverty

Nina spent over 35 years in the retail industry at Sears in a variety of functions; Sales Management, Inventory Control, Training, Buying and Marketing. Her extensive merchandising background, which includes women's & men's fashions, jewellery, hardware, and Vice President of the Home and Hardlines group has given her a deep understanding of consumers and the retail and catalogue business.

With over 20 years in the marketing and advertising function at Sears, Nina's marketing experience includes category marketing management, corporate promotional program management and brand advertising strategy. She was responsible for corporate brand advertising, retail and catalogue advertising and in-store marketing. As Group Vice President Consumer Marketing, Nina was also responsible for leading the cross functional Group Vice President team with respect to marketing strategy development.

Currently, Nina works as a part of the St. Joseph Communications Advisory Board, providing retail expertise and strategy leadership for New Business Development.

In addition to her St. Joseph Communication responsibilities, Nina serves on the Executive Committee of CMA's Branding and Strategic Planning Council.

Patricia McQuillan

Patricia McQuillan founded Brand Matters® in 2000 following 12 successful years in brand management including RBC, TD Waterhouse and Kraft General Foods.

Brand Matters is a leading brand consulting firm based in Toronto with a specialization in market research, strategic marketing planning and internal branding (employee alignment). Brand Matters' consultants offer a range of brand strategy development, competitive intelligence and market research techniques, emphasized by strong analytical skills. Brand Matters was recently recognized by the City of Toronto as a Business Leader.

Patricia simplifies the Brand Matters Difference as an unbiased multi-stakeholder process dedicated to actively connecting business to brand™. The resultant Brand Differentiation Model™ distinguishes the client's expertise from that of direct competition, thus building the platform for successful implementation every time.

Patricia's experience includes an MBA in Marketing and Finance from Queen's University, the Canadian Securities Course and Partner, Director Officer qualifications.

Patricia currently serves as a Director on two boards: the American Marketing Association (AMA) and the MS Society. She also serves on the Executive Committee of CMA's Branding and Strategic Planning Council.

Hugh Oddie

Hugh Oddie applies his strong conceptual ability and unique perspective to develop actionable insights and solutions to complex issues. An experienced marketing professional, he directs customer relationship management strategies, data mining and analysis, cultural archetype research and brand strategies.

Creating breakthrough and proprietary data analytic methodologies are a natural part of his work. These methodologies are currently being used by several leading financial institutions worldwide. He creates new ways of looking at customer information to drive revenue generation; through business redesign, marketing strategies and analysis. He has also been integral to the successful launch of several start-up businesses.

Mr. Oddie champions and manages unique forms of behavioural research, participating in primary research and developing the findings into effective strategies and tactics used by functional and business units. He has developed psychoanalytic models which are now in use at Canada's largest bank and a leading investment house in the United States. Clients include multinational institutions in Canada, the United States, Israel, Colombia, Chile, etc.

Hugh Oddie was born and raised in Cambridge, England. Schooled at Eton College and Exeter University he earned an honours degree in Economic Theory and a postgraduate Certificate in Education. He taught Economics and English literature in England, Spain and Mexico prior to his banking and marketing career.

Mr. Oddie is a Past Master of the Honourable Company of Freemen of the City of London of North America and presently serves on the Executive Committee of CMA's Branding and Strategic Planning Council.