

# A Q&A with **Kevin E. Kelley** & **BusinessMirror**

*As a global design expert, Kevin E. Kelley of the firm Shook Kelley shares his insights into the future of branding and the changing landscape of retail experience. Excerpts of this transcript were published in BusinessMirror of the Philippines.*

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## **How important is branding in this fast evolving world of retail?**

Clear, meaningful and relevant brand strategy has never been more important for retailers than today. We live in very fragmented times where attracting the consumer's interest and attention is much more challenging and difficult than it used to be. Consumers today are feeling increasingly distracted, preoccupied and overwhelmed because of all the new technologies that infuse our daily lives. And these interruptions are definitely having an affect on retail that is not all that different from what has happened with traditional newspapers and magazines. While technology has advanced at an exponential rate, we tend to forget that the human body hasn't evolved much beyond what it was a few thousand years ago. Consumers have a limited amount of time and, more importantly, a limited amount of physical and mental energy in their day to focus on all the messages that bombard them. Trying to pay attention to all the messages that brands send to consumers can be mentally tiring, draining and too much like work...and as humans we don't like to work more than we have to, particularly while shopping. For these reasons, consumers tend to tune out and shut down those brand signals that are messy, noisy, confusing or require too much effort to resolve. "Information overload" is a very real physical state of mind problem. And not unlike using junk mail boxes, spam filters or caller ID, consumers have devised effective mental methods for discarding certain types of

marketing messages they deem impertinent to their lives. However, this kind of selective consumer focus does not invalidate the value or need for good, quality branding. Consumers still want and are still attracted to brands that they feel are relevant and meaningful to their lives. The key for retailers today is to figure out how to rise above the noise with brand attention techniques that are more welcomed, desirable and appropriate for the new world we live in.

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A good way to think about this potential new kind of brand relationship is not that different than the way you think about your network of friends and acquaintances: some of your friends talk too loud, never listen to what you have to say, constantly interrupt you, show up to your house uninvited and end up making you feel drained, or worse yet, used. But a good friend really knows how you think, they pick up on your vibes and know how you're feeling. They listen intently to what's going on in your life, they know when to approach you and when to give you some space, and ultimately they help you find and achieve your better self. These kinds of good friends get invited into your inner circle, which is reserved only for best friends. With the right approach, a good brand can establish this kind of relationship and occupy this role, too.

That's why one of the more important shifts that successful retailers are making today is to move further away from the established, aggressive "push strategy" approach—where you assail customers with constant messages, prompts and promotions—to a more enticing "pull strategy" approach where you engage consumers into a stimulating conversation around shared values, common interests and similar views about the world. The best brands realize that focusing too heavily on making a transaction and "closing the deal" is shortsighted, and not nearly as effective as initiating a reciprocal, back and forth dialog with consumers about the issues that affect their lives. Establishing an authentic conversation is particularly important to younger, emerging consumers who are increasingly suspicious about traditional advertising techniques and much more aware of the old marketing tricks used in previous generations. In fact, many of these younger consumers have become quite cynical about the fields of advertising and marketing, and they are looking for a completely different type of relationship with retailers today.

## **"Establishing an authentic conversation is particularly important to younger, emerging consumers..."**

For a variety of reasons, the internet is pushing a lot of retail products and brands down to a commodity level, meaning that more people are making decisions about where and when to buy on price alone. And it is going to be hard, if not disastrous, for more traditional retail store formats to compete head-on with this limited, price-focused strategy. But it is important to keep in mind that the actual products you sell are only one part of the overall purchase and value equation. In addition to the actual product, consumers are also looking for desirable brand experiences, well-edited product selections geared toward solving consumer problems and building authentic relationships with companies that "get them." And for this

reason the most advanced retail companies are focusing more on how to build the right kinds of relationships and experiences that connect with consumers in a deeper way.

## **Do you see any trends that could help start-ups in terms of branding?**

Because of the type of work we do in retail and food, I spend a lot of my time talking to young entrepreneurs and executives about developing new business ideas. And probably the biggest challenge and oversight that I see among these start-ups are ideas that I would call "solutions in search of a problem." While many start-ups seem to do an impressive job of creating a well-developed business plan, securing funding and developing a multifaceted marketing campaign, I oftentimes find they are not as clear about what consumer or client problems their new business is trying to solve for people.

While I will admit that there is always a market to sell joy and pleasure, science tells us that humans have a natural instinct to survive. And this survival instinct makes us tend to focus on some of the negative aspects of life, such as physical dangers, threats to our homes or families and anxieties about the imperfections of our body or the wrinkles on our face, to name just a few of our many concerns. For better or worse, most consumers tend to think of their lives more as a series of problems to solve. Each of us wakes up in the morning with big and small problems to solve: what to eat for breakfast, how to lose weight, where to go on summer vacation, what kind of shampoo to use, how to save our hair, how to plan for retirement, how to take care of our aging parents and countless other problems. Some of these problems are big and seemingly impossible to wrap our heads around, and some of them are small and perhaps only annoyances. But they all offer an insight into how to create value and how to create a new market opportunity.

Consumers are always on the hunt for brands that can solve problems, and therefore make life easier, better or enhanced. And when we find a brand that can solve an important problem that we have on our “to-do list,” that brand earns a “top of mind” place in our mental rolodex of resources to call or seek out when a certain type of problem arises. So, assuming a start-up has actually tapped into a recognized problem—which is the first issue—chances are that other established brands are already out there trying to provide a solution—and that takes us to the second issue for start-ups. Getting to this top of mind position is an enviable place for a start-up brand to secure and maintain, but more often than not, it means you have to dislodge other companies or industries that have already claimed this piece of the consumer’s mental real estate. This is where the ingenuity of brand thinking and the insightfulness of understanding consumer problems come into play. The more insightful and profound you are about uncovering certain consumer problems, the more valuable, relevant and in-demand your brand will be to consumers. Brands like the ride-share app, Uber, ingeniously uncovered a series of problems that consumers encountered and dreaded when trying to hail, ride in and pay for the existing solution source: the taxicab industry. These taxi problems have been a standard part of the taxi experience for a very long time and most of us, including the taxi industry, just accepted them as an ordinary part of the experience. But Uber, without any prior knowledge, experience or resources in running a taxi company, recognized these taxi problems as annoying and frustrating. So they set about solving them. And with this solutions-focused approach, a great new business and brand empire—now valued at over \$50 billion dollars and rivaling the market caps of established blue chips like FedEx and UPS—was created in less than 5 years. This kind of problem-solving approach is how an upstart can create a successful business and brand.

### **What are three things that big and small companies must remember in keeping their brand enticing?**

The first thing that all companies, whether big or small, have to remember is that a successful brand should not be viewed as if it were a lake, dam or reservoir of pent-up goodwill ready to be unleashed whenever needed. Instead, we should think about brands much more like a flowing river or wellspring of meaning that is continuously evolving. The history of business is littered with formerly successful brands that just couldn’t seem to hold on to their customers over the long haul. More often than not, their problems were not about management of existing resources as much as it was an inability to keep their brands fresh and relevant to changing times—think

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Kodak, Polaroid or Sears. A successful brand has to be able to move, bend and flow with the currents of the times and, most importantly, course correct and adjust its value proposition as needed. Once your brand becomes statically fixed on one certain era or on one rigid idea, you are at risk of becoming stagnant, stale and outdated. As challenging as it can be, historically famous brands like Harley-Davidson, Coca-Cola and Nike have to keep evolving their brand meaning to flow and bend with the social currents of the time. The key therefore is to regularly make sure your brand is related to the daily lives of consumers and connected in some interesting way to the times. Maintaining this connection is actually harder than it sounds and requires unearthing some big insights about consumers.

The second thing that companies have to remember is that a successful brand should have a strong point-of-view (POV) on what a better world looks like and how their consumers can get a piece of the “good life” by partaking in what you offer. Very few people are ever fully satisfied with the world as is. In fact, most of us believe the world is out of balance in some way, and we are looking for something that can put it right. Despite the efforts of our governments, politicians and other institutions, retailers are actually very quick at painting a picture for what a better life or better world could look like. The key then is for your brand to have a distinct, compelling and relevant POV for how to make the world a better place, even if it is in a small or modest way.

The third thing that companies have to remember is that your brand should offer some kind of transformation potential. Consumers need to believe that if they walk through the entrance of your stores one way, they will eventually come out different, or changed in some positive way, at the end of the shopping experience. That difference may be small—such as feeling more beautiful or getting things organized—or it may be bigger, such as changing the way you buy and eat food. When a consumer starts shopping at a Whole Foods supermarket they are changing not only the types of products they will bring home to their kitchens, but they are also made to feel that they are playing a role in changing the entire process for how food is grown, processed, sourced and edited. Loyal Whole Foods consumers believe they are not only changing themselves for the better, but the world as well. This same kind of transformation often happens at a Harley-Davidson dealership. When a customer comes to a Harley-Davidson store for the first time, they might walk in wearing a business suit and tie, or khaki pants and a polo shirt, but they often ride out of the store with a

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new leather jacket, boots, bandana and possibly even a tattoo. It’s a physical transformation, but an emotional one, too. The transformational potential these brands offer keeps consumers engaged, intrigued and excited, but it is not something a retailer can just say once and assume the customer will remember. You instead have to find creative ways to keep the story of transformation potential fresh, alive and relevant in the consumer’s mind. And the best place to do that is within the store experience and within each merchandising scene.

### **In this highly-competitive Asian market, how would branding affect the overall profitability of a company?**

Every country I visit or work in seems to be at a different life stage in terms of where their retail economy is at: Some retail markets are on fire and growing by leaps and bounds, while some are slowing down or having to artificially stoke consumer activity. You can track and place most countries somewhere along this spectrum of winding up or down, but bear in mind that most retail markets never stay in one mode for too long. They are usually either expanding or contracting, but rarely do they stay in perfect equilibrium. And it is in this imbalance where the profits or losses will happen.

In order to be on the profit side, it is important to recognize where your local retail economy is at in regards to its level of brand sophistication and overall retail supply and consumer demand dynamic. Many emerging economies, such as those found in certain parts of Southeast Asia, have a unique, but temporary, situation with a fast-growing middle class population with increasing levels of disposable income, but a limited amount of retail supply/outlets to satisfy this demand. In these types of high-demand/low-supply situations, branding appears less important because retailers have an easy built-in audience and spend most of their

time just trying to keep up with the growing demand. But it is important to remember that no good market lasts for long! Retail success tends to breed more retail competition and further market segmentation. And this increased competition starts to level out the supply and demand dynamic, eventually flipping it around where you have more supply than demand. Once this happens retailers are forced to focus less on supply systems/capacity

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and work more on creating demand systems, including marketing, consumer research, differentiation and innovation initiatives. These demand techniques usually end up offering consumers more choices for how to shop, buy, live and express themselves. This eventual shift from a supply economy to a demand economy is common in most retail markets and it is critical to not only recognize when this shift is happening in your country or local market, but to anticipate it and make sure you stay slightly ahead of this curve. But here’s the key point: despite what some executives may think, brand-building is not a light switch that can just be turned on when needed. It takes time and effort to build a solid and effective brand presence. If you are in a high-demand/low-supply retail brand economy, now is the time to start building your brand foundation.

Based on what we see, there seems to be a big shift happening in the Asian retail market. Retail is going through an evolution and transformation—from a more commodity-focused/utilitarian-based retail approach, to a much more lifestyle retail brand approach that provides consumers more choices for how to live, express and individually differentiate themselves. In some markets, like Thailand, Indonesia and the Philippines, it is quite

obvious to see that there are more mega-malls and retail outlets available to consumers than ever before, and even more are coming their way. These local markets have never had so much choice, and consumers now have the option to decide which brands to choose from. Retail profits are going to be increasingly frustrated and this is where more unique branding strategies will play a pivotal role in distinguishing your offering from that of your competitors. Brand sophistication is definitely going to start playing a much more important role in Asia, particularly in how it will disrupt the utilitarian/commodity view of retail offerings. Right now, this brand disruption is mainly happening at the top of the market, among high-end brands that focus on social

status, conspicuous consumption and class. But this brand disruption will inevitably infiltrate and diversify into much more stratified layers of lifestyle brand offerings. As these economies grow, all consumers will want in on this game of the “good life,” personal differentiation and self-expression. When this eventually happens, you are going to see a lot of formerly stable companies internally debate and decide (implicitly or explicitly) on one of two strategies: 1) trying to lower their prices and cut costs to sell the cheapest, bare bone commodities, or 2) trying to raise their prices and charge a slight premium for added “brand” attributes. Both strategies work to varying degrees, but the different approaches require different types of organizations and different kinds of retail strategies.

Based on our experience working with retail companies, it is a lot more meaningful and actually pragmatic to be on the side of being able to charge a slight premium for your products versus the commodity approach, which eventually turns into an all out slugfest on price—and ultimately a race to the bottom for profits, with very few winners. To be clear though, there will always be both kinds of players in the market, which keeps companies competitive and focused on their game. The lower prices/lower cost companies will be telling the consumer

they shouldn't have to pay more for basic commodities and the other slightly higher price brands will be telling consumers that there is a difference. This basic retail debate has been around for over 100 years and there will be winners and losers on both sides, but the key is to decide clearly which side and which approach your company is on. Trying to ride the fence on this issue of price vs. brand difference is a dangerous place to be.

All the forecasts we see tell us that the Asian retail market will, for the foreseeable future, become increasingly more competitive, sophisticated, nuanced and segmented. And we believe the companies that will reap the highest profit margins on this battlefield will be the ones who can build a sophisticated brand fortress that is able to transcend the commodity issues and connect with consumers on a personal and emotional level.

### **How does branding affect retail?**

I am inside the war rooms of retail companies everyday and there is often a lot of misunderstanding about what companies know or believe about themselves (The Internal Brand), versus what an average consumer knows or believes about a brand from the outside (The External Brand). Most consumers never get a chance to talk to the CEO, or meet with the marketing team, or read through the employee manual of the company, or, for that matter, even visit the corporate headquarters. Other than some peripheral advertising awareness, the most influential relationship most consumers have with a retail store brand is through the direct store experience. And what this means is that most consumers are interpreting, digesting and defining the brand based mostly on how they encounter and experience the brand in the stores. There are a multitude of complex physical, social and emotional dimensions of a retailer's brand experience that consumers go through when shopping in a store. But sad to say, while many retailers have elaborate advertising campaigns and marketing strategies, the level of

sophistication for shaping consumer perceptions through the store experience is often very low in traditional retail organizations. Instead, most companies tend to use labels like facilities, buildings, decor and fixture plans, rather than brand experience. But these terms are outdated and based more on a logistics/warehouse/stocking model—a legacy of when consumer demand was greater than retail supply,

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and the value of branding was less recognized. But today, the retail experience needs to be considered through the lens of psychology, culture, social groupings and physical movement, in order to more deeply understand how a consumer actually interacts, interprets and engages with the store.

In short, we recommend to our clients that they rethink how they approach retail store development. Because so much of the consumer relationship and consumer perception of a retail brand is established in the store experience, it is paramount that retailers develop a rich, robust and sophisticated design strategy for how to manifest the brand in physical form and experience in the store. It is not enough to simply recycle your advertising messages as posters, banners and cardboard cutouts in the store. The retail brand must be made tangible and experiential. In fact, we believe that the more that consumers can actually taste, touch, see, hear and smell the brand, the more deeply you will connect with them.

### **What are the no-no's in branding?**

There is a very long list of no-no's in branding—enough to fill a book perhaps—but if I had to list the three biggest branding sins we regularly see retail organizations commit, they would be the following:

**1 Letting your brand float in your organization as an oral history story that subjectively gets told differently depending on the situation, timing, context, mood or orator.** Successful companies codify their brand in succinct and concrete terms, including their promise, values, beliefs, rules, attitude and brand felonies. This brand codification has a different purpose than a mission statement, which is much more internally focused. Instead, the codification focuses on the bond, pact and covenant your brand makes with your customers. Our recommendation: Create a codified “brand bible” and “brand constitution.” Make sure everyone (including key outside consultants) who are in any way responsible for communicating the brand have an authorized copy. And lastly, carve out space in your organization to have regular brand stewardship meetings to monitor the health, vitality and livelihood of the brand. These meetings help to make sure all the various programs and departments inside the organization are in alignment with the brand.

**2 Allowing your organization to take on too many brand initiatives without enough resources to do any one of them on a stellar level.** Too often, we see clients trying to do too much with too little, and end up with a lot of brand initiatives accomplished at an average or mediocre level. Our recommendation: Pick just six to eight things that you can reasonably own and that nobody else in your market or industry can beat you at. Then focus all your resources on becoming well known and famous for these top positions. After you have successfully completed and perfected this initial round of initiatives, you can then consider moving or adding to the next round of six to eight brand initiatives.

**3 Trying to stretch your brand across too many categories, sectors, price points and/or consumer segments.** Most companies do this either for growth

reasons or to prevent competition from nibbling at their top or bottom. But in an effort to solve these problems, many companies end up losing sight of their brand’s center of gravity, uniqueness, conviction, compass and leadership position. Admittedly, these efforts to stretch the brand can usually provide a short term bump in

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sales, but over the long run they can erode, deteriorate or undermine the essence of a brand. Our recommendation: Stick to your convictions and don’t be afraid to let some of your customers and market opportunities go. In fact, you should celebrate the fact that you know your brand customer well—and you know who isn’t your brand customer. Great brands like Apple and Harley-Davidson make it clear that their brands are not for everyone, and this kind of conviction only builds the strength and belief of their tribe/cult of users.

### **Do you think branding ASEAN would be effective?**

I definitely believe that branding ASEAN would be an effective and wise strategy to pursue. I have traveled to many other parts of the world and have had the privilege to see all kinds of interesting places, people and cultures, but I have always recognized Southeast Asia as one of the most unique, special and amazing parts of the world. The litmus test for me is that I could actually see myself living there someday, and I don’t say that about too many other places. But unfortunately, Southeast Asia is one of the more misunderstood and misperceived regions in the world. Going back to this idea about the difference between how an external brand is communicated to outsiders, versus how the internal brand is understood

by insiders, most people who live, work or visit Southeast Asia can see the genius of the place, but far too many people on the outside have a dated or misperceived impression of the region.

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To be clear, though, ASEAN is not alone in this problem of misperception. For example, I live in Los Angeles, California and I spend a lot of time having to explain, defend or revise what outsiders think about Californians or people from L.A. One small cottage industry of Southern California—Hollywood—has created a dominant image of the city that is not entirely accurate, fair or representative of the place. Nonetheless, it is the dominant image most people have about California. To some degree, all places suffer from certain stereotypes, but if you want to attract the right kinds of people and

businesses to your region, it is important to put a steering wheel on this image and to shape how you want your place to be perceived in the world.

With this in mind, I believe ASEAN could help steer the Southeast Asia brand perception by building a robust brand strategy and campaign that not only defines where your region is heading, but also course corrects some of the misperceptions out there. Many other cities, regions and countries have embraced place-

branding techniques to improve their economies, image, pride and spirit. While some might say it is too late to do anything, we beg to differ. The world is full of opportunities for massive change right now and there are ample opportunities to write a new narrative for where your region is heading. Great places are always about change, and the world needs to know how your region is changing in big ways.



#### **About the Author**

Kevin Ervin Kelley, AIA is an Architect and Retail Strategist. In 1992 he co-founded Shook Kelley with his business partner, Terry Shook, FAIA. Shook Kelley has offices in Charlotte, NC and Los Angeles, CA. The firm's list of clients includes well-known brands such as Harley-Davidson, Kroger, Whole Foods, SuperValu, United Supermarkets, Harris Teeter, Save Mart, Weis, Kraft, The J.M. Smucker Company, Mondelez, SeaWorld, USAA and many other notable names. Kevin E. Kelley can be reached in Los Angeles.

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