Developing brands from day zero

I often get asked what a brand is. We all know the typical answer: a set of attributes, design and other associations that identify a company’s goods and services as distinct from others. But a better definition is this: a brand is money. It is a license to charge more, grow market share, forestall competitors, expand into new products and services, and weather downturns better than the competition.

Temps de lecture : minute

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The problem for startup founders is that brands often seem fuzzy, emotional, and intangible to their investors - in other words, a luxury item. That’s why so many startups focus initially on their products, waiting until they have matured to a certain point before they start to think about the brand. Usually, this happens at the second or third round of funding, when it’s almost invariably too late. The company is already set in its ways, and its brand — without a lot of effort — will merely be window dressing.

Instead, founders should start thinking about the brand not on day one but on day zero, long before they launch the company. And by this, I don’t mean they should be designing logos on a napkin. I mean the promise of the brand. They need to have the idea down, a strong founder story, and an understanding of who you are and how you want to make an impact. Let’s see why:

Brands are assets that compound over time

This can’t be stressed enough. Brands may not show up with an easily quantifiable impact on your bottom line. They are balance sheet items that accrue value the more you invest in them. They may be intangible, but that doesn't mean they are imaginary. We know they impact valuations and investor confidence but proving it is near impossible in the short term. Like a house, or holding a stock and share, it's value is most obvious when compounded over time. After all, compounding interest is the 8th wonder of the world as Einstein said. Decades of data modelling by Kantar BrandZ, for example, has found that strong brands grow much faster than average brands, are much more resilient to downturns in the market, outperform the S&P 500, and are better able to expand and enter new product categories.

Just as you would ideally start investing in a Junior ISA the day your first child is born, the earlier you get brand right, the bigger the payback over time. Looking at almost any list of extremely valuable brands, you will find that while they may not have been the first in their category, they were the first to build their brands from the get go. An example is Airbnb, which launched years after rivals HomeAway.com, VRBO.com, Couchsurfing.com, BedandBreakfast.com and even Craiglist. By January 2011 Airbnb had booked a million nights, a figure that doubled four months later before becoming a "unicorn" (though the term hadn't been coined yet). Whether the idea itself was new or not, *there was something different about this company* from the get-go. For one thing, two of Airbnb's cofounders, Brian Chesky and Joe Gebbia were graduates of the Rhose Island School of Design and offered free professional photography to any "host" who wanted it. In 2012, animators from *Pixar helped Airbnb* to emotionally understand its brand experience and by 2014, Airbnb's new visual identity took the world by storm, *based on its original premise of 'belonging'*. Today, having largely abandoned performance media, Airbnb relies on brand marketing, and its name is used as a verb. Airbnb's brand value compounded over time, but this approach is only viable if you start making early investments, little and often. Especially if you're in a new category, you want to get established ahead of everyone else and let your value increase rather than stagnate. *Airbnb's Q4 results* published last week were at an all time high. At the time of writing, enterprise value to EBITDA, Alphabet is trading at multiple of 18x, Meta at 20x, Booking.com at 16x, Expedia at 10x and Airbnb at 30x.

They are extremely difficult to retrofit

As I said above, it's a common strategy in the startup world to refine the product first and then hire a CMO somewhere down the line to create a brand. The problem is that you build a brand whether you're trying to or not. You speak to the market, your customers develop an impression of you, and investors evaluate the experiences you are delivering. If you then helicopter in a CMO (often of quite varying quality), you'll only codify what's existing or force a new concept that the company will struggle to adopt. Google invented the transformers that now power what the AI industry is today. Yet, Google's Bard has under a third of the users of OpenAI, having sat on the technology since 2019. Brands are a reflection of a company's internal narrative. There's no getting around it, "Bard" sounds like it was given to an obscure team of beard-scratching engineers. As Bard accelerates its product offer, *Bard has rebranded as Gemini*, quickly appropriating a star-icon, that's come to represent the perceived magic of AI. But, is it too late?

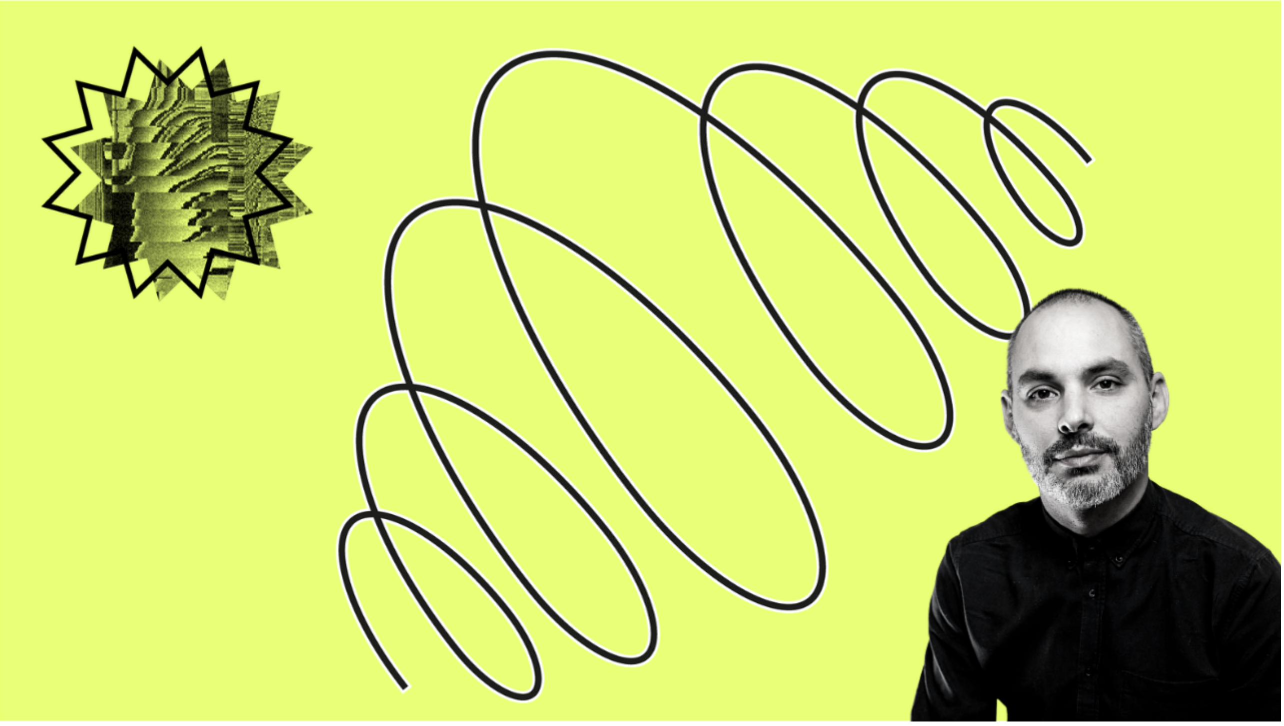
They streamline fundraising rounds

We tend to think of investors as rational actors who crunch numbers to come to a decision. Nothing could be further from the truth. Think of any of the "cool" unicorns from the past ten years that crashed (WeWork, Evernote, and even Theranos), and you'll see that VCs are also open to brands whose promise is shiny and exciting, even if their fundamentals are shaky. Brand matters, because a brand is the future story you believe in, even when if it's hiding a shaky business model today.

While I’m not suggesting that you build a company like that, the principle remains that a company with a compelling, well-told story and vision has a much better chance of raising funds than one without. Higher levels of funding means you can invest in telling the brand story to more people, furthering the compounding effects on valuation

They enable pivots

Pivoting is a natural part of the startup process as a company learns where its market is, how it will reach its customers, and the maximum value its products and services can bring. You might think a brand could be a drag on momentum, but it actually helps power through these times. The main reason is trust. If a company states its brand values and consistently lives up to them, people trust it when it launches new products or tries new things. Unlike the general received wisdom of how brands grow - by reaching more people buying infrequently - the most valuable brand in the world, Apple, has grown by selling new products to the same audiences. If Apple could be bothered to launch a toaster it would glean billions overnight, as was proven in its brief flirtation with a savings account powered by Goldman Sachs last year. Laugh at Vision Pro all you want - the product is promising enough and history suggests you can trust this brand to get there with this product or the next.



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So, while building a great brand from day zero may seem a distraction, it's simply taking control of a natural process that occurs whether you like it or not. People (including customers and investors) naturally gravitate towards brands with compelling stories—and if the product meets their functional needs too, affinity grows and the compounding effects of brand equity kick in. It's never too early to start building a brand—but it can very quickly become too late.

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