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GLOBAL REPORT

Just do it, marketers say

Nike, PetSmart and other companies are trying to sell their brands by inviting consumers to take part in activities linked to the product or service.

By Jonathan Birchall
Financial Times

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Twice a week, 30 or more people gather at the Nike store in Portland, Ore., and go for an evening run. Afterward the members of the Niketown running club chat in the store over refreshments. Nike's staff keeps track of their performances and hails members who have logged more than 100 miles.

Meanwhile, at the Whole Foods supermarket in Seattle, shoppers take part in a "singles" night the first Friday of every month. The store's marketing staff organizes a wine tasting or sets out snacks in a room used to stage cooking classes. Customers can opt to wear a red or blue ribbon to indicate whether they are looking for a male or a female partner.

"It's fun," says Michelle deAnda, who runs the store's marketing. "People are meeting people with similar lifestyles."

Both events are classic examples of "experiential" branding — making the companies into more than just sellers of commodities. Instead, they support and communicate with core customers, creating communities that ideally lead to higher sales.

Leading consumer brands are seeking to deepen this experiential element by creating similar communities, with retailers in particular augmenting events at their traditional bricks-and-mortar stores with online efforts aimed at striking up a "conversation" with customers.

Mark G. Parker, chief executive of Nike Inc., told analysts this year that the new power of the consumer was "the most compelling change we've seen over the past four or five years. They are dictating what the dialogue is, how we're conducting it, and it's definitely a two-way conversation."

While intense attention is being paid to online community building, retailers are

continuing what Jeff Smith, head of consulting firm Accenture's global retail practice, says is a tradition of using the store as a focus for delivering "brand experiences."

He cites the example of Fiesta Mart, a Texas supermarket chain that started targeting Latinos in the 1960s with Friday night events in its parking lots, with grilled food and a mariachi band, that became the focus of the local community.

"It's emblematic of so many innovations in the retail industry," he says. "Everyone knew about it, but few tried to copy it."

That has now changed as specialty retailers have led the way, in their physical stores and online.

REI, for instance, a leading outdoor equipment company, offers training in kayaking and mountain biking at its stores; PetSmart and Petco, the two leading pet stores, offer dog training and other classes for pet owners; Cabela's, a hunting store, offers classes on "trout tactics" and gun cleaning in vast "destination" stores that include stuffed game, artificial trout streams and restaurants.

Specialty retailers have moved toward two-way online community building, beyond using their websites to provide basic background information and answer customer queries.

The PetSmart website, for instance, operates a digital photo center and encourages users to send in images to be featured on the site.

The implications for the future of branding are vast. Nike, a global name, is restructuring its entire branding operation because of the enormous response to two online initiatives it launched last year.

The company says that more than 200,000 runners are using the Nike Plus website, which it set up last year after launching a running website that can communicate with Apple iPods.

The site allows runners to upload and compare their performances, and more than half visit the site at least four times a week, rivaling the 14 to 18 visits a month by Starbucks' core customers. Chairman Howard Schultz says that makes the coffee company the "most frequently visited retailer in the world."

Charlie Denson, president of the Nike brand, says the company's goal is to have 15% of the world's estimated 100 million runners using the system.

Separately, Nike's joga.com social-networking site, which was created in partnership with Google to run for eight weeks during the 2006 World Cup, was used by more than 1 million people to establish personalized World Cup pages. A related video of Ronaldinho, the Brazilian star, was downloaded 32 million times.

Denson says the response to both projects helped persuade the company to divide its Nike brand operations into six categories — running, basketball, soccer, men's fitness, women's fitness and sports culture — with teams that would develop relationships with specific customer categories.

Joga.com, Denson says, is "a compelling platform," but it traditionally would not have been incorporated into a sustained effort to develop customer relationships.

"When the World Cup was over, our brand teams who had built that whole platform moved on to the next thing. And I thought, 'Whoa, whoa, whoa, you just dropped the keys to the kingdom in the moat,' " he said.

In a similar vein, Procter & Gamble Co., the household and health products giant, launched the Capessa site with Yahoo in January, an attempt to set up an online community "where women can share inspirational stories as well as practical tips and information relevant to the various aspects of their lives."

But the site will also enable P&G to gain insights into the "interests and product needs" of women — providing the company its own version of Nike's running clubs.