Is a £ spent on the brand equivalent to a £ spent elsewhere?

Would you - personally - be as happy to invest your own hard-earned money in brand marketing and promotion as in, say, production or distribution?

Do you perhaps struggle to answer this question? A recent novel campaign may help clarify the issue.

Investment, and the status quo.

There are a number of 'traditional' ways in which companies raise money ... to expand, or - as has been more common in recent months - to save themselves.

Sometimes, an organisation tries something outside the norm. There has been a notable example of this recently.

Less frequently, a business also seeks money for a 'non-traditional' purpose, which results in raised eyebrows. It seems that raising money to build the brand might be one of them.

So, where do you stand?

If you are reading this, you are (I hope) employed in, or associated with, marketing.

So, just for a moment, imagine someone asks you to invest in a growing business. And say you have £1000 sitting in a low-interest-paying bank account, so it is an offer you just might contemplate.

Would you be more, or less, inclined to invest in the growing business if the money raised from investors like yourself was to be spent on...

1. expanding distribution?
2. increasing production or services?
3. brand marketing and promotion?

Would you be as happy to invest in brand marketing and promotion as production or distribution?

A peashooter vs. the leviathan?

One company has made just this kind of novel offer recently. They have been unusual in that they sought money a) to build their brand, and b) direct from so-called 'retail' investors (i.e. you and I).

Perhaps predictably, 'the City' has been dismissive. But, as we now know, they are not always right.

The offer certainly made me examine some of my knee-jerk reactions when I came across it.

All of which is why the recent activities of Will King may be interesting and thought-provoking. (The offer is closed now, by the way - this is an 'academic' review, not an attempt to get you to invest!)

Mr King, 43, runs the eponymous King Of Shaves. During July he has been soliciting investment in his company.

And he has gone about it in a very unusual way. He has launched a three year bond direct to potential investors, bypassing the more established fund-raising routes.

In the Investors Chronicle, Alistair Blair wrote *"Will King is a man on a mission. Also known as King of Shaves, Mr King's mission is to take the crown of another monarch, King Gillette - which really was the name of the founder of the Gillette razor company. Well, maybe not.*

"It would probably not be a very smart move to take on Gillette and plan to win. Nonetheless, Gillette's margins are astronomic and you can see the appeal of winning even a sliver of the global shaving market.

"Mr King is keenly aware that, for over 100 years, Gillette has fought off (or occasionally bought off) virtually every rival razor manufacturer. Indeed, but for anti-monopoly legislation, it would have no rivals. And he is equally aware that his pockets aren't deep enough to snip a bit of Gillette's market share. Hence the launch ... of the "Shaving Bond" ... marketed in the national press with all the panache hitherto applied to shaving oils and razors."

Alistair Blair goes on *"...the proposition plainly states that the funds raised will be applied "solely for marketing the King of Shaves brand". The money raised will be used to build awareness as the brand expands internationally."*

And this, as well as the unorthodox fund-raising route, is what seems to spook a number of commentators.

Paying for ads and promotion? Is that a legitimate use for money raised to invest in a business?

Conventional it is not; part 1.
Where's the beef? (It's the brand, stupid.)

The shaving entrepreneur says: "The funds will help the company to compete with the faceless duopoly of Gillette and Wilkinson who use their vast, multimillion pound marketing spends to promote exorbitantly priced razor handles and cartridges which cost pennies to make but are sold at a mark-up of more than 4,750%."

Now that we are aware of the margins that apply in this sector, does it perhaps change our perspective on the need for brand marketing - awareness and image ads, and promotions?

Will King, CEO of King of Shaves

The global razor industry is worth more than $10bn - and £300m a year in the UK alone. That is a big market to 'snip' at. It's not just in the UK either. The King of Shaves brand is also being promoted in Australia, the US and Japan.

(Meanwhile King of Shaves toiletries are already sold in the likes of Boots, Sainsbury's, Superdrug, Tesco and

Waitrose.)

Will King's stated aim is that King of Shaves will be worth £1bn one day – compared to its competitor Gillette which is worth circa £57bn. King says that sales this year have doubled and that there has been repeated interest in his company from the private equity sector.

When P&G bought Gillette some years ago, it was very obvious that what they were really paying for was the brands - the price of $60bn (£36bn) was not merely a reflection of the tangible assets of the firm.

Meanwhile, the brand marketer's thinking behind the Shaving Bond is apparent throughout.

Firstly, it was advertised in 'consumer' media - hence raising the profile of the King of Shaves products as well as the bond offer.

It is reasonable to hypothesise that some reactive comment from journalists was encouraged and welcome, even where a bit negative. (You get the impression that Will King believes pretty much all publicity is good publicity.)

Naturally, the ads pointed interested people to the website, which can then be expected to encourage potential investors to look at the complete product range, and check where products can be purchased.

And brand marketer's thinking is further in evidence. A nice idea is that those who sign up for the bond will be kept in shaving freebies for the 3-year duration; including a limited edition mirror finish Shaving Bond certificate and exclusive King of Shaves products.

There's a strap line too of course - "It's not just a better way to shave, it's a better way to save".

(It's difficult not to imagine that Mr King is modelling his approach - PR and brand-centric as it is - on another publicity-seeking businessman, Richard Branson.)

Conventional it is not; part 2.
Going direct to the investor (It's the brand, stupid.)

King describes his fundraising venture as reintroducing 'enthusiast bond schemes' (first made popular in post-war Britain) as an alternative to raising funds from banks, venture capitalists or private equity firms.

In itself, this 'financier avoidance' is a populist message likely to strike a chord with potential investors and consumers alike at present. It positions King of Shaves as the 'little feisty guy' taking on the big bad corporation and the status quo (much like Virgin Atlantic versus British Airways 25 years ago for example).

The populist theme continues. Mr King claims: "You have my word as a non-politician that the proceeds of the Shaving Bond will be used solely for marketing and promoting the King of Shaves brand to those yet to experience 'The World's Best Shave®'.

"It will not be used to buy my fellow directors or I any form of luxury transportation, nor will it fund any helipad maintenance or lavish pension schemes. Instead, we will use it on clever TV adverts, innovative online promotion, that kind of thing."

So, the money raised will be used to build awareness as the brand expands internationally. In a sector where margins can reach 4,750%, isn't this a potentially powerful reason to invest?

Mr King said that he could not predict demand for the bonds, "My gut instinct tells me it will be heavily oversubscribed. I don't want to raise £50 million, though, I wouldn't know what to do with it. This is as much as we need right now."

The Result?

Will King, as you might expect, blogs. He wrote on August 3rd "I'm delighted that not only did we achieve the minimum amount (£500,000), but were substantially over the minimum. In due course, I will be blogging about this innovative fund raising project, which garnered c£1m worth of world-wide publicity and had many journalists, investor web-sites, bloggers & the twitterati commenting on it - whether it was 'genius' or 'would fail'."

The Azor system razor is a Which? best buy.

Meanwhile the bond just could be a precursor to an initial public offering in four or five years' time. Once again, there is evidence of joined-up thinking here - what price a "Tell Sid" style approach, with shares offered direct to investors, if and when King of Shaves goes public?

Some key conclusions:

1. Brand building decisions and expenditure must be evidence-based, just like production or distribution initiatives: a competitor with margins of 4,750% makes it much easier.

2. Many investment gurus recognise the huge value of strong brands: Warren Buffett's long term belief in Coca-Cola being a prime example. To adapt Bill Clinton's phrase "It's the brand, stupid".

3. As Wild Duck are fond of saying, 'You cannot *not* have a reputation': therefore everything the organisation does - even raising money to grow the business - contributes to the brand ... positively, or negatively.

4. Integrating thinking and activity right across your organisation is enlightened common sense: why do so many organisations fail to do it?

5. Doing things differently is safer than being 'me-too': it gets your message noticed and talked about.

Distinctive brand positioning and enhanced visibility - a perfect result?

This is probably the lesson of all pioneering approaches. The innovative bond issue is congruent with the brand positioning of King of Shaves - creating a new personality in its sector. The bond issue enhances visibility, and perhaps helps product sales too.

Crusty gentlemen in the City are

certainly not impressed. But then, they are not the market that these products are aimed at... and the more adventurous shaver is probably the immediate future of the King of Shaves business.

The opportunity for kudos and progressive brand positioning makes disruptive thinking and radical solutions both relevant and potentially profitable.

The million dollar question is: if it can work in shavers, what other markets could benefit from some equally imaginative ideas? Particularly given today's ability to put your case to your customers directly via the web, and serve a distinct target audience effectively and at modest cost.

It does seem that the shaving market, with the enormous margins on razors and cartridges, puts a higher priority on brand awareness and image than almost any other sector. A £ spent on the brand could prove to be money cannily spent.

Maybe raising a fighting fund for ads and promotions is the right way to go in this sector. The idea is likely to be more controversial in other markets.

Nigel Fordham
W I L D D U C K
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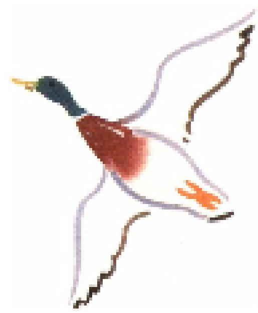

PS: **'Not-many-people-know-that' 1**: According to Xtrakter, a financial data provider, as a result of the current lack of enthusiasm among banks to lend money, European firms, such as Unilever and Volkswagen, have been seeking to raise cash by targeting not just the traditional institutional investors but also by tapping directly into the 'retail market' with a number of bond issues.

Xtrakter say that in May, European firms issued 382 bonds designed specifically for consumers - a 20% increase on April and 20 per cent more than in the previous month. In June the French electricity group, EDF, pitched a €1bn bond at retail investors, the first of its kind for EDF in nearly 20 years.

'Not-many-people-know-that' 2:
Latest sales data for the 4 weeks ending July 11th showed that the King of Shaves Azor was only outsold in this period by the Gillette Fusion Manual. Given that compared to competitors Gillette & Wilkinson Sword, KoS spent a fraction on marketing they did, and have not - it is claimed - resorted to an almost permanent half price on handle sales, KoS claim success.

Headline figures according to industry sources were (based on volume sales of handles):

1. Gillette: Fusion Manual 'standard', 114,000 handles (1 up)*.
2. Gillette: Fusion Manual 'Phenom', 83,300 handles (1 up).
3. King of Shaves Azor: 49,467 handles (3 up).**
4. Gillette: Fusion Power 'Stealth': 46,630 handles (1 up).
5. Gillette: Mach3 Manual 'standard', 45,775 handles (1 up).
6. Wilkinson Sword Quattro Titanium Manual: 41,239 handles (1 up).
7. Gillette: Fusion Power 'Phenom': 37,220 handles (1 up).
8. Wilkinson Sword Quattro 'Precision Trimmer': 36,414 handles (1 up).
9. Gillette: Mach3 Turbo Manual: 32,893 (1 up).
10. Gillette Fusion Power 'standard': 28,235 handles (1 up) .

*1up means sold with 1 replacement cartridge.
**Note, Azor is sold with 3 replacement cartridges, a 3 up.

Whilst this is a great result, (after just 1 year in the market and c500,000 handles sold), KoS clearly have a challenge ahead, with all Gillette variants together totalling over 400,000 units sold in just 1 month (normally it's about 250,000 handles, but this was a heavy month for Gillette & Wilkinson Sword promotions) and all Wilkinson Sword variants selling 110,000 (normally it's about 75,000).

'Not-many-people-know-that' 3:
Will King's book "How To Build A Great Business In Tough Times: The King of Shaves Story." is out on September 3rd. It is Business Book of the Month at WH Smith in September, and can be pre-ordered at Amazon.