

Chapter One

Purpose driven

The wrong kind of purpose

A few years ago, we were working for a Japanese consumer electronics company whose major competitors included Fuji. At a workshop with the leadership team we asked what their purpose was – the reply was ‘F.k Fuji’.

Destroying or displacing your competitor is certainly one kind of purpose. Some managers can find it easier to motivate their people by making an enemy of the competition and giving people the objective to defeat them. It is a mindset that sees business as a war game and uses other military terms and strategies to achieve victory.

Kevin O’Leary, the Canadian businessman behind Shark Tank, said, ‘Business is war. I go out there, I want to kill the competitors. I want to make their lives miserable. I want to steal their market share. I want them to fear me.’ There are numerous books on the theme of business as war, including adaptations of *The Art of War* by the ancient Chinese military strategist, Sun Tzu.

This approach works when it is easy to see who the enemy is: Pepsi versus Coca-Cola in the ‘rock and roller Cola wars’; IBM versus Apple in the 1980s; Sainsbury versus Tesco, or Nike versus Reebok. But in a world where competitors are coming from anywhere, where digital has transformed the ability of brands to nimbly and quickly forge new relationships with customers, where new categories and subcategories are being created and consumers are deciding on a daily basis, it seems that what they perceive as competing alternatives – this ‘battle of the brands’ approach – is less relevant.

Moreover, it can seem absurd. The satirist PJ O’Rourke, in a brilliant article for *Forbes*, mocks the inherent nonsense of comparing war with business: ‘They have as much in common as a sucking chest wound and a lunch expense account.’ He went on to write, ‘Good business produces what the best war can’t, mutual satisfaction – pleased customers, investors, employees or bosses. At the end of a war, they are in a grave. At the end of a business day, usually not.’ The machismo surrounding the ‘business as war’ analogy is also, we suspect, unappealing to at least half of the world’s population.

Of course, the ‘military style’ objective does not need to be couched in such overtly aggressive language. Many organizations motivate their people with a target or goal that is about ‘hitting market share’, ‘reaching a profit level’, and ‘maximizing sales’. People like these targets because they are SMART (specific, measurable, actionable, realistic and time-critical).

But the problem at the heart of the ‘kill your competitor’ or ‘hit your objective’ ‘become number one’ types of purpose is that they are self-serving and ultimately self-limiting. What happens when you *are* number one? Who do

you go and kill then? How inspiring is it for your minimum-wage employees to know that you are the most profitable organization in your industry? And how motivating is it to your customers to know that your purpose is to destroy your competitors – or, worse still, that your objective is to ‘sell them stuff’? Because in this day and age, when customers are peering behind the veil of secrecy that companies have maintained in the past, when the ‘truth is out there’, they will find out. In 2014, the UK retailer Sainsbury ran into a media storm when an internal campaign instructing store staff to sell an extra 50p worth of product to every customer, became public knowledge. Unfortunately, one of Sainsbury’s store staff had accidentally pinned up the poster carrying the instructions at the front of the store where consumers could see it.

As we mentioned in our introduction, Barclays Bank is one of a number of financial service businesses undergoing transformative change around its sense of purpose. Matt Hammerstein, its head of customer experience for retail banking, explains the challenge of changing people’s motivation from a ‘business target’ to a ‘higher purpose’:

‘A lot of people talk about change fatigue, they complain that there’s too much change. But we cannot slow the pace of change. So, I don’t think it’s change fatigue; I think it’s “lack of purpose” fatigue. I think people are struggling to answer the question, “Why the hell am I doing this?” Let me give you an example. I was with someone who leads a very big global business here and I said, “What’s your biggest challenge?” He said, “Communications. To get the troops fired up, five years ago I used to go out and say we’re number three on the league table, we want to be number one, numbers one and two are ____, go beat the pants off them. It used to be so simple.” I said, “Well, it’s not about life being more complex or more simple; the fact was the purpose was absolutely clear. The purpose was to become number one. And you don’t know what your purpose is right now. That’s not a communication problem, that’s a fundamental challenge because you don’t know what to tell people about why they come to work and work hard. You’ve got to figure out in your own mind what the purpose is, and then the communication is pretty simple. Because once you’ve figured it out and you’re clear in your own head, people will jump off a cliff for it, like they used to. You’ve just got to figure out what your purpose is now – and that’s hard.”’

There is one other problem with the ‘beat your competitor’ approach to purpose: it requires little ‘insight’. There is little you need to discover or be inspired by, if all you want to do is kill the guy who is standing in your way, or find ways to extract more profit from customers.

Of course, we strongly believe that companies must make profits. Profits are a good thing: you can invest them in improving your customer experience, in funding research and development, in paying your employees better wages, and in making returns to your investors. Businesses don't exist unless they make money (or are heavily subsidized by someone who has lots of it). And no customer is going to thank you for delivering an experience that costs you more than they can afford to pay. They won't be happy if you go out of business in order to give them a great service. But profits should come from providing value.

There are organizations who put their social purpose first and foremost and money is less important. These are not-for-profit organizations. They have a very strong sense of purpose, which is altruistic. They need to 'raise' money rather than make it. Profits are not an outcome for them as they are for businesses. The outcome and the purpose are one and the same for many not-for-profit organizations. In fact there are some organizations whose purpose is to make themselves disappear. Oxfam wants to rid the world of poverty. If it does, it makes itself immediately redundant.

These organizations are purpose driven but they are not businesses and we are exclusively concerned in this book with businesses. Of course, businesses can learn enormously from not-for-profit organizations about purpose and how it drives behaviour – just as not-for-profits can learn about customer experience from great businesses.

There are three types of purpose, therefore, which we have identified: commercial purpose, which is primarily about your financial goal; brand purpose, which is about your customer ambition; and social purpose, which is about your societal vision. These three purposes have to be reconciled (Figure 1.1). Even not-for-profits have a financial goal, otherwise they lack the funds to effect any change, and commercial organizations need to concern themselves with the society within which they exist otherwise they may not be around for very long. The question is: which of these is your primary purpose?

Robert Stephens is the founder of the Geek Squad. He grew a business that went from essentially one man (himself) to a phenomenon that became the number one provider of domestic computer repairs in the United States. Robert built his business with a refreshing approach that turned what most people saw as a boring but necessary activity conducted by geeks into a fun business that has 20,000 'special agents' servicing customers – and millions of fans.

He did so through insight. He saw that when someone's PC stopped working at home that person would become emotionally distressed, bereft of the kind of IT support that he or she would get at their workplace, and often with highly emotional content on their personal computers that they risked

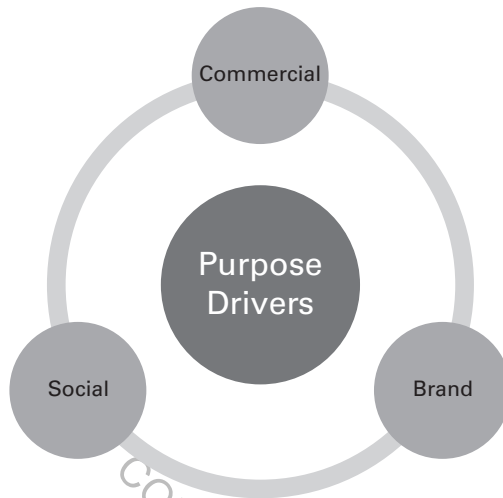


Figure 1.1 The three purpose drivers

losing. He saw there was a business opportunity in taking away the stress, making customers smile and in helping them to get the most out of their computers in a really engaging way.

Robert is probably the leader that has been most often quoted from our previous books. He has a knack of reducing things to their fundamental truths. He explains in his uniquely entertaining and straightforwardly honest way how companies balance the three types of purpose we identify – commercial, brand and social:

'I think purpose is part of a major trend, and that trend is related to global commerce. As we learn about how connected things are, whether it's the environment or the global supply chain or the gigantic debris field of plastic in the ocean that gathers there because of the currents, we're learning that everything has its price. Even Apple with its wonderful vision has to be vigilant on behalf of factory workers. Apple could not do what they do without lower-cost Chinese labour, and Zara and others couldn't produce what they do.

'The consumer could ignore that before, and may not have even been aware but, because of global communications, once you see the relationship you can't unsee it. Companies can ignore it if they want but at some point I believe that lack of authentic purpose will be a tax not just on your growth and revenues, but on your talent acquisition.

'So as long as an organization is honest with itself, it can have a totally capitalist world view. How does this apply to business? We have to

support the AIDS crisis, we have to help starving children in Africa, because they are our future customers; we must save them so they can buy from us one day. I take care of my employees and I provide them with benefits because I don't want them worrying about s..t like that – so they can be super-productive. With this super-cynical but super-honest world view, you can be a capitalist pig, you can love Wall Street and Gordon Gekko, but you can still take care of the environment for capitalist reasons – as long as you're doing the right thing.

'You know, personally, I'm not really interested in the environment; I don't really think the world can be saved and, politically, I don't believe in climate change. So purpose doesn't have to be altruistic in my view. It doesn't have to be all about hugging trees. And that's where you can be authentic. You can be authentically "greedy", because, if I'm truly a true greedy person, I would not steal from somebody because at some point it will come back to hurt me. It ruins the virtuous cycle. Businesses need to behave ethically because in the long run, if they don't it short-changes them anyway. So this is a more refreshing, more honest way that people can think about this notion of purpose.'

The right kind of purpose

So what is the right kind of purpose for businesses? It is one that is *primarily* customer driven. The social purpose is attendant on it because customers live in society, and financial goals are consequent to it because if you delight customers you should make money. That might sound cynical to some but, as Robert Stephens says: *'A cynic is just a romantic with higher standards.'*

Because businesses' primary purpose must be customer driven, it is vital that they gain insight into what customers need or want, now or in the future. Barclays Bank's purpose is *'Helping people achieve their ambition – in the right way'*. Matt Hammerstein explains the insight that led Barclays to that purpose:

'The financial crisis and the subsequent recession revealed there were organizations that had figured out how to make money and that was their principal purpose. That was not unique to banking. It was the 1980s spirit of shareholder returns: the only thing that you needed to do as a company was to make sure that you were producing good shareholder returns. That became problematic because an attitude developed that "anything goes"; as long as it contributes to a shareholder return then we can justify it.'

'We have to reconnect the question "What are we in business for?" with a higher order of magnitude than just to make money. As a bank, we are at the heart of what our customers need in order for them to be as successful as they want to be. And ultimately the things that they are trying to do are about being good citizens, contributing to their own and society's wealth and happiness. So it becomes fundamentally incumbent on us, if we aspire to try and serve those needs, to be clear about what our social purpose is. There are lots of stakeholders who affect our licence to operate, specifically regulators and legislators. If they don't understand that what we are doing for our customers also benefits them as custodians of society, they can take that licence away.'

So the best businesses will have a purpose that is driven by insight, first and foremost, into its customers' needs but also considers the demands of the society in which they will operate. And there is increasing evidence that customers will reward businesses that do this.

Since 2010 Havas Media Group have invested in a regular study into people's attitudes to brands – called 'Meaningful Brands'. Essentially, this looks at how relevant to people any brand is – not merely in delivering a specific functional or aspirational image benefit, but within the context of what they are concerned about in their world as well as their values or beliefs about what is important. Essentially, how does that brand help them to improve their quality of life and wellbeing? The 2015 analysis covered 34 countries, involving 300,000 consumers, revealing that the majority of people could not care whether 74 per cent of brands they bought existed or not. However, it also found that the brands that people found most 'meaningful' to them – and there were not many – were regarded as essential to their lives. Moreover, those brands were also the ones that were growing or performing strongly in terms of traditional business measures, outperforming the others by 133 per cent stock market value. Analysis of the survey also revealed that a brand's 'Share of Wallet' – a metric used to measure the percentage spent with a brand versus the total annual expenditure within its category – is on average 46 per cent higher for meaningful brands and can be up to as much as seven times larger.

Furthermore, the performance of marketing key performance indicators (KPIs) set by top meaningful brands can grow at twice the rate of those set by lower-scoring meaningful brands. For example, for every 10 per cent increase in meaningfulness, a brand can increase its purchase and repurchase intent by 6 per cent and price premiums by 10.4 per cent. The results have led Havas to conclude that brands that contribute significantly to our quality of life are

rewarded with stronger business results – they earn a ‘return on meaning’: ie business benefits gained by a brand when it is seen to improve our wellbeing.

Dominique Delport, the global managing director of Havas Media Group, summarized the impact of ‘meaning’ on marketing: ‘Great marketing has a cumulative effect as it’s shared. We will only share ideas if brands do stuff that matters to us. We now look to brands for meaningful connections – big or small.’

There is plenty of other evidence that customer-centric businesses with strong brands (ie ones to which customers feel a high level of affinity) out-perform their markets. For example, in 2003, a joint study by the University of Carolina and Harvard Business School reviewed the business performance of the Top 100 brands in the Interbrand Global Brand Value survey. They concluded that the businesses that owned these brands not only delivered higher returns to shareholders than other stocks, they also did so at a lower risk rate. In February 2015, Apple’s market capitalization was \$765 billion, which is twice as much as the second most valuable company on the planet, Exxon Mobile.¹ Paradoxically, Steve Jobs was famously known to be disinterested in making money. Rather, his purpose was, ‘We’re here to put a dent in the universe.’

Insight helps to keep purpose relevant

The digital world and the ‘internet of things’ have transformed how we experience the promises that brands make. They have also transformed our ability to shape and co-create those experiences and to tell millions of other people about our experiences, good or bad. But brand owners have had to face transformative challenges before. In the early 20th century, transformations occurred in the mass production, storage and transportation of goods and, later, in mass media, especially radio and television.

Such transforming factors have, though, never changed the fundamentals of brand building: gain continuous insight into what your customers want, know how the purpose of your brand helps them, be clear about your promises and deliver them brilliantly. Brand owners as diverse as Coca-Cola, Kellogg’s, Guinness, Procter & Gamble (P&G), Disney, Ritz-Carlton and IBM have prospered over centuries because they have understood those simple fundamentals. They have also understood that the trust that the brand earns endures, while what the brand actually sells can change dramatically. IBM does not sell computers any more but its purpose is still driven by the same insight that Thomas R Watson had in 1915 – that ‘information technologies

would benefit mankind'. Today, IBM speaks publicly through its advertising of a purpose to create a 'smarter planet'. The best brands have adapted to the changing needs of society, not just to the individual needs of consumers in that society. In fact, they have anticipated those needs and develop their advanced planning and research and development process to provide the goods and services that will be needed in the future.

Returning to Barclays Bank, if Matt Hammerstein is right and it is incumbent on banks to serve a social purpose, then it becomes essential to them to understand what is happening in society and provide services that help people to cope with its changes, not just to put their money somewhere safe.

Hammerstein explains how Barclays Bank has been looking at those changes:

'Right now, we're somewhere in the midst of what I call the third industrial revolution. In the first, there was mechanization in the 18th and 19th centuries, so in the United States, the cotton gin came and it completely disrupted labour economics. In the second, you had motorization in the early part of the 20th century, with the same impact; it completely transformed the way in which the economy worked. Now you've got digitization and it's having exactly the same impact on society.

'As a bank, we could just sit back, observe that and say "Well, that's fine, we're aware of that, we can sympathize with it, it's going to have a big impact on our business because we're going to digitize certain things, and there'll be certain people who won't be able to do what they do today." Or we can recognize that actually all of our customers, clients and our colleagues are going through that one way or another and we can orient what we are doing in our business around helping them.

'In the midst of industrial revolutions, lots of people prosper and lots of people get left behind. So we said that our mission must be to leave no one behind. Now, we're not literally going to be able to help all 65 million people in the UK, but if we have the ambition of doing whatever we possibly can, it's going to stretch our imaginations to do things we probably wouldn't have otherwise done.'

This has led Barclays to launch a programme called 'Digital Eagles' (named after the famous logo of the bank). The Digital Eagles are specially trained members of staff on hand in all Barclays branches to provide technology advice to both customers and non-customers. It is a free service, an opportunity for people to build confidence in digital skills. Steven Roberts, director of strategic transformation at Barclays, explains:

'We firmly believe that Barclays has a commercial and social responsibility to ensure that no one is left behind on the digital journey, so we are on a mission to help and enable people to understand and embrace coding and the new Digital Revolution – whether they are seven or 107.

'As we transform Barclays into a truly digital business we now have more than 25,000 Digital Eagles worldwide, with over 12,000 in the UK. We've even created our own accreditation, called the Digital Driving Licence. Accredited by City & Guilds, it started out for colleagues and is now available and accessible to everyone, free to download as an app. We've already got registered users from more than 20 countries around the world and we're aiming for a million downloads. We've already seen the benefit that the Barclays Digital Driving Licence can bring as an accessible and non-intimidating introduction to the digital world.'

Barclays Bank has a long way to go – as do most of the other traditional banks – to persuade people, including its own customers, that it is putting its customer-driven purpose at the heart of all its activities. In 2014, its chairman Sir Anthony Jenkins stated that he thought it would take 10 years for the banks to gain people's trust. But as the Chinese proverb puts it, the journey of 1,000 miles starts with a single step. It seems that the other Board members were not prepared to make that journey with him, because he was asked to step down in 2015.

Banks, as we have said, are not the only targets of customer and social criticism. Another industry sector at the heart of the 'digital storm', which has also attracted much scrutiny from society, is media. Media brands such as newspapers, TV channels and film studios have had their entire operational



Image 1.1 Barclays digital eagles

and regulatory business models disrupted. Print media have particularly suffered. Print media once effectively controlled the news agenda, even in flourishing democracies. Newspapers told us what to think, or at least what to think about. They were the main way in which the institutions that sought to control people's behaviour (political parties, businesses, religious organizations) influenced us. With only limited competition, newspapers often appeared to act in a form of cartel – setting rules for themselves under the privilege of freedom of speech not granted to other forms of media, such as television. Their relationship with their consumers was what, in psychology, a transactional analyst would have called 'parent-child'. They claimed to be the 'voice of the people' and, in order to prove their point, could use the selective editing of letters from readers and 'campaigns' supported by their readers.

They operated behind 'closed doors' where they could engage in practices that their readers, had they known about them, would probably have deserted in droves, which is in fact what happened as soon as the digital revolution hit them. Suddenly, readers could consume their news, gossip or entertainment any time they liked in any way they liked at any pace they liked. Consumers showed an enthusiasm to 'get behind the story', to lift the veil of secrecy to understand 'what was really going on' and to which newspapers could not respond. Such a world exposed what was the primary purpose of these print brands, and when readers did not share that purpose, they would quickly turn against it.

Let's compare two print brands, both established in the same year, 1843. The first is the *News of the World* in the UK, established in October 1843 by John Browne Bell and heralded as 'The Novelty of Nations and the Wonder of the World'. Its founder said: 'Our motto is the truth, our practice is fearless advocacy of the truth.' Bell's insight was that as the political franchise was extended to more and more people, and as standards of education and levels of prosperity increased, more people would want to read more about and be entertained by what was going on in the world. The purpose of the *News of the World* was 'to give the poorer classes of society a paper that would suit their means, and to the middle as well as the richer a journal which, by its immense circulation, should command their attention'.

For many years, the newspaper certainly fulfilled part of its purpose: it did command attention. However, by the early 2000s it was embroiled in what appeared to be a war not to bring the truth to its readers but to win more market share and thus greater advertising revenue. The pressure to get more and more exclusives of more salacious detail resulted in journalistic practices that were illegal, offensive and even betrayed their own readers. It culminated in the phone-hacking scandals, which led to its parent company, News

International, concluding that the brand was so contaminated that the newspaper had to be closed down and the brand withdrawn from the market.

Compare that brand with an entirely different publication: *The Economist*. Established in September 1843 by businessman James Wilson with the following purpose: 'to take part in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress'. Wilson had a similar insight to Bell about the need for engaging more people with knowledge, but its difference was that he saw the need to *drive* the world's progress, not simply report it.

The brand has flourished by consistently staying true to that purpose and finding new and relevant ways to deliver on it. Its owner, Pearson International, with its core product, *The Economist* weekly magazine as its engine, has found new ways to engage new audiences intelligently through *The Economist* brand. The Economist Intelligence Unit publishes books, organizes conferences and has a thriving online offer, which attracts an upscale, educated and usually affluent audience, which in turn attracts advertisers with good money to spend. So institutionalized is *The Economist* culture – its style guide is one of the best books we have read on how to write – that it is impossible to think of it betraying its purpose and editorial principles. Rest assured, should it be tempted to do so, its readers would soon let it know.

How purpose informs building your brand and your business

Robert Stephens explains how building business is driven by the relationship between 'purpose' (what you stand for) and 'brand' (what customers experience of you):

'I think purpose is part of brand and brand really is the wrapper that represents the complete package in the customer's head. Everybody has a need for labels. The human mind has a need for organization, so when we are comparing more than just price, purpose and brand are the thing that people really look at. Can I trust you? Especially if it's a complex service; it's not just about the price.

'Customers look for subtle signs. When you get a bid from somebody, is there handwriting somewhere on it or are they simply using a computer to generate it; do they use a barcode, how fast do they get the bid to you? All of those things tell you a lot about how the supplier is going to behave if you choose to do business with them.

'The more commoditized something gets, the less we value it, just like the less we have to work for something, the less meaning it has for us. I think you can run a fine company with no higher purpose but, when you have one, it can serve as the glue that holds people together during tough times. It can lower the cost of operating. Purpose acts like an invisible manager to make the organization operate more efficiently and to help people do the right things.

'Go back a few years and if you had some great people and you had an interesting brand, you could probably deliver an experience that was distinctive and different and appealing to customers, but I think it's just so much more difficult now, because yes, you can have a brand, and yes, you can have maybe a little bit of a distinctive experience, but unless you're able to convey that, to communicate it, to deliver it intentionally across all of these different channels, be that the web or social media or retail or whatever, then, you know, it's suboptimal.'

Purpose drives and informs all aspects of brand building. If you can't answer the simple question, 'If our brand didn't exist, would we need to create it?' with a resounding 'Yes, because...!' and articulate your purpose, then don't even bother with the other elements of branding. Purpose helps you to define who your target customer is and what they need. Lots of people may buy you but there will be one type of person, or rather one mindset, which will be most receptive to your sense of purpose – it drives what you want to be special and different for in their minds (the 'positioning' of the brand). It drives the personality of your brand.

Much of branding is emotional, the establishment of a 'relationship' with a customer psychologically, based on a perception of their own self-image. You create that image through the way you look, talk and act. So personality (tone of voice, visual style, sales environment, packaging etc) is critical. Specifically, it informs your choice of a protectable, relevant and appealing brand identity. That is the only way that customers can actually find your brand, buy it and recommend it. It is the most important legal asset you will own. We constantly talk about the 'branded customer experience'. It means making sure that the valuable experience you give to customers is so distinctive and unique to you that your customers associate it with you and no one else!

Apple's insight was that computers would become media devices for personal pleasure and enrichment. Steve Jobs famously declared in 1977 that in the future everyone would have an Apple computer. And in 1983, he gave a speech in a small room in California in which he described that insight in terms of a vision of what the future would be. The tape of that speech was

found in 2012 and uploaded to the internet. It is remarkable in the accuracy of its predictions.

That insight into people's desire for empowerment and creativity through knowledge drove the purpose of the brand. And that purpose informed the choice of name as well as a trademark look and feel for graphic, product and retail design, communications and marketing. An apple is fresh and zesty, as well as being associated with breakthroughs in human knowledge and empowerment.

Purpose defines how far your brand can stretch and whether you will want or need to create sub-brands or other brands. Disney knows that the purpose of its brand is to make people happy; it does so by promising magical family entertainment targeted at the child in all of us. It has the production capacity also to make films that are not 'happy' movies, but it makes them under a different brand, Touchstone Pictures. This protects the integrity of the Disney brand for both the customer and the business.

Purpose drives the culture and processes you develop internally and thus the choices you make to 'deliver and live' your brand externally. Steve Jobs and his team were zealous about communicating internally. They even changed the design of their head office to allow people to 'bump' into each other, so facilitating more natural, intuitive and creative conversations. Johnny Ives, the UK designer given much credit for Apple's success, insists that though Steve Jobs was demanding, it was because he believed passionately in Apple's purpose and so he was very clear to everyone what was expected from Apple.

Robert Stephens explains how 'purpose' drove culture and customer experience at Geek Squad:

'For me, purpose acts like a lighthouse, but the light shines at a certain wavelength that only attracts a certain kind of person. The kind of people you want; it helps keep the others out. The purpose of the Geek Squad is to help ordinary people do extraordinary things with technology; a squad of people who combine their individual talents within a team to provide a service for the public. What they fix, whether it's PCs or tablets or phones, will change as technology changes, but how they serve customers will never change.'

'That's what the Geek Mobiles did for us. You know, people think the uniforms and the cars and our branding were some kind of marketing gimmick. Not at all, in fact they weren't even really for the public. They were for our people. I needed those people to believe that they are the nearest living things to James Bond, five times a day. Take the uniforms: there are a lot of tech people who look at that uniform and say, "I'm not

wearing a clip-on tie.” That actually becomes a litmus test for humility and they self-select out. So purpose acts as the lighthouse that draws and also repels.’

Finally, *purpose* must be what you measure business performance against. You need to know whether you are doing what you said you would do and whether that is converting into the customer and financial performance you want. Most measures are generic and every company looks at them. There are the lag measures (which tell you how you’ve done) such as sales, market share, profitability; and the lead measures (which tell you how you might do) such as brand opinion, brand image and net promoter score (NPS). What is more important, however, is to identify the specific measures that determine whether your customers are getting the experience that your brand is promising. For example, telco O2’s purpose is to connect customers with the people and things they want, so a key measure is how many ‘dropouts’ (ie losing a signal during a call) customers experience. If you are a priority customer trying to book your tickets to a big gig at the O2 arena, for example, you are going to be fairly angry with O2, the network operator, if half-way through booking you lose the connection and have to start all over again.

Being purpose-led is vital for businesses who want to succeed, who want to win and retain customers and talent, and who want to progress with a ‘licence to operate’ by all stakeholders in society. And to be truly purpose-led, you need to have insight into the world they live in, and *will* live in, and what needs and wants they have and will have. And that insight can often come from being aware of yourself and the things that are affecting your own life.

One example of a brand that was conceived around a purpose and that has been led that way ever since is giffgaff, a subsidiary of O2 but about as different as you can get from most telecom brands and, indeed, the parent company.

giffgaff™ – a purpose-driven company

The mobile network run by you.

Tim Sefton, director of strategy and new business development at O2

I was appointed to the UK Board of O2 with a remit to champion the strategy that had driven our growth in previous years – to be customer-led. The nuance was that by this time the UK market had reached maturity and total revenues were declining year on year. This meant that there was a clear need to create new revenue streams away from the core business.

We spent a fair amount of time analysing alternative strategies because we knew how many other corporates had tried and failed to create new business from within. We also learned from our previous experiences as a business and from others about what it takes to give new businesses a chance to succeed within a corporate environment.

One key insight that emerged was that it was essential to give them an arm's-length relationship with the core business so they could be incubated and nurtured. Another was that if you decide to go down the path of creating new revenue streams, you have to commit resource to making it happen.

With the UK board fully aligned behind the strategy I built a new business development team, drawing talented people together from across functions – strategy, marketing, commercial finance, IT, HR – with a remit to create a pipeline of new business opportunities and to win board approval for financing them.

One member of this team was Gav Thompson who had the role of Head of Brand Strategy – his brief from me was simple... to apply the types of thinking that had created great brands in the past and come up with one amazing idea that would get funded and had the potential to 'move the needle' every year...

Gav Thompson

My real insight came because I was going through a midlife crisis.

I had just started riding a motorcycle and didn't know anything about how to fix the bike or tweak it. So at night I'd go onto web forums asking questions about how to change the suspension settings. I would get really good quality answers from strangers around the globe, for free, in minutes – in fact, better quality answers than I was getting from the BMW dealer.

And I thought, 'Well, this is amazing. There's so much goodwill around the internet and people sitting in their bedrooms willing to share it. Why don't we capture the knowledge of a bunch of people who, without trying to disparage them, are probably geeks who knew about phones and technology and how, for example, to get your photos from an iPhone onto an Android or to get your music from an Apple laptop to a PC? Why don't we harness that knowledge and goodwill and launch a business that would share that knowledge and empower those people? In doing so, we could actually create a brand that was more appealing to this segment of people who were a bit underwhelmed by O2 and all big telcos.

And so, whilst daydreaming about motorbikes during a Web 2.0 conference in San Francisco in 2008, giffgaff was born – a brand where marketing and customer service is provided by the customers. Customers are more engaged

because they are helping you run it, it's cheaper to run and you are hitting the segment that normally wouldn't have been that interested in O2.

Stand up – purpose driven

giffgaff, which is an ancient Scottish word meaning a mutual gift, was built around a one-word essence, 'mutuality'. That word popped into my head when I first came up with the idea. I wrote it down as an original scribble in my notebook and to this day that simple essence of mutuality has informed everything the business has done and how the business should behave, through to pretty much every decision the business now makes.

The idea was in the back of my mind, when I was working for O2, having worked for 18 months as head of brand strategy. O2 was undoubtedly the best telco in our market, but there were a bunch of people who, because they were digital natives, probably thought that O2 and all the other big telcos were just a bit too corporate, a bit too glossy, a bit too complicated. They just wanted a good quality, cheaper telco that they could engage with online on their terms. They wanted more of an equitable relationship, not the kind of classic big brand telling you what to do. 'You've got to come to our shop and you've got to buy this phone'; so, a far more open, transparent relationship.

Our manifesto, which is on the website to this day, says we're about mutuality. We have a charter of eight points: it starts with mutuality; second, it's got to be a great deal; third, members need to be involved in running the company; fourth, the business wants to do stuff for the collective good of the



Image 1.2 giffgaff's purpose – mutuality

community; fifth, it's got to be simple and less complicated than most telcos; sixth, it's got to be an online only business – no shops and no sales people; seventh, it's got to be independent from the parent business; and eighth, we've got to do our bit for the environment.

When you have that kind of manifesto from day one, you can't just change it further down the line. And when your purpose is mutuality then you always have to think about what's best for the community, because the customers are the community, and the community is your business.

This means that when giffgaff's managing director Mike Fairman and the management team needed to put up our prices, because the cost of running the network had increased, that decision was put to the members to debate, to discuss and, ultimately, to take a vote on it. It was debated for a couple of weeks on the members' forum. Then, through the members, we got to a series of choices and then put it to a vote with the caveat that the guys running the business would get the casting vote. But it's never been the case that we've had to go against the will of the members.

At the end of the debating process, the goodwill of the community was higher than before. So the prices went up and everyone was happy as a result, which was a bizarre state of affairs.

With mutuality comes a notion of a sort of socialism and total transparency, which, when you're in a very competitive business like mobile telephony, creates a dilemma. You can't just put all your information up for anyone to read because it means that our competitors will either try to copy us or mirror us or steal our customers. So, although mutuality comes with this notion of socialism and openness and transparency, that's not at the expense of doing what's right by all stakeholders in the business.

A sense of purpose allows you to make some tough decisions as long as you can join up the dots.

If we put prices up, or, choose not to stock handsets, the logic flows back to the purpose. It's like having a kind of conscience operating all the time. If any member of the management team were to be stopped by a member in the street, or if we had to explain a decision on the forum, how do we make the link between mutuality and what we've chosen to do?

Here's a great example; giffgaff is one of the few networks still to have unlimited data usage but it was getting to the point where a certain number of members were using so much data that the rest of the members were getting reduced service. So Mike and the management team had a debate with the members about members who were taking the piss, by using so much data. The debate was: 'Shall we let them carry on doing this or shall we restrict them or shall we kick them out?' The view from the people was to

kick them out because their selfish behaviour was getting in the way of what was good for the membership.

Sure, sometimes we make mistakes, but our clarity of purpose allows us to take tough decisions and recover from those mistakes relatively easily. As long as giffgaff remains about 'mutuality', I can't see it going too far off course.

Note

- 1 <http://blogs.wsj.com/moneybeat/2015/02/23/apple-is-now-more-than-double-the-size-of-exxon-and-everyone-else/>.

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