

# Irrational excess: why it's sensible to do the illogical in brand building

In 2021, with the pandemic raging, the troubled delivery app market received a huge shot in the arm. Volume soared, and while profits didn't, a wave of acquisitions hit the industry. Google acquired Postmates for \$2.65B, while Just Eat Takeaway snapped up Grubhub for \$7.3B. Today, again, most delivery apps are in trouble, and many are on the verge of going bankrupt. But for that brief moment, these companies rode a wave to a fantastic valuation.

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The lesson in this is not that you should launch a business in a crowded market and hope for the best, but that riding a wave of consumer sentiment is an excellent way for a startup to gain evaluation well beyond the confines of logic, product, and market.

The reason is that human beings, both consumers and investors, are irrational. Forget a pandemic-induced panic, we always have more practical and cheaper alternatives to big brands, but choose our favourites, nonetheless. Likewise, investors are perfectly capable of making rational projections, but they still

make plenty of (in retrospect) irrational decisions.

Harnessing this tenancy is, of course, a \$1 trillion question, and especially for startups. If you are a venture stage company looking to be acquired by a major multinational corporation, you're probably looking for the quickest way to ride a wave. You know that beyond providing your customers with a good product, you need to build something that builds evaluation well beyond rationality.

Doing so is not as accidental as it may seem. While some companies simply get lucky, as the delivery apps did, others plan for it and achieve it more often than most. How do they do so? While there is no ironclad roadmap for success, there are several ways to increase your chances:

Maximise the tangible aspects. You have to start by controlling every aspect of your customer experience that you can. A brand may be intangible, but it always has tangible aspects that must be solid: product, delivery, customer service, and even how it reveals itself to you. Whatever their faults, delivery apps tended to deliver on their core promises: they got the right products to the customers. Likewise, Apple Stores are not part of any product, but they are part of how products are experienced. Paying attention to every tangible aspect of what your product is and do is, somewhat paradoxically, the most important part of building intangible appeal.

Develop a differentiated vision. That said, no one buys a great product or even a great experience alone. To maximise your chances of riding a wave, you need to identify yourself with one. You can create a vision that associates your product to something bigger, and aspiration that is beyond your balance sheet. For a long time, Tesla worth more than the next five car companies combined, and indeed more than any rational financial appraisal of the auto industry itself. This happened not because it made rational sense, but because the company sold itself on a mission to change the world. And that mission seemed limitless.

Not getting philosophical, but people today are often lacking in the things that traditionally connected them to larger themes. Brands can never stand in for anything as important as religion and spirituality, but they can align themselves with the sometimes more mundane movements that are nonetheless bringing meaning to people's lives today. Whether that is the environment, self-fulfilment, social justice, or simply being posh, ambitious small brands need to stake out a vision that separates them from the rest of their category.

Connect people with people. Whether you like the brand or not, the wellness brand Goop has formed a massive community connected with a set of products. Brands that are seeking a differentiated vision should also take a more practical step of connecting with broader communities dedicated to a

similar vision. It's not necessary to be the centre of attention, as Goop is, but rather to be part of a larger experience in which people are connecting with one another over a shared passion. The success of influencer marketing today is often not merely based on fun, but also on taking part in a community of which in influencer is either the leader or an important player. Such an alignment can prove critical in growing value.

Flexibility. In saying all this, I don't mean to imply that brands need to buttonhole themselves in any particular niche movement. Rather, finding a wave requires retaining a level of abstraction and flexibility. A good way of thinking about it is that there are many varieties of healthy living; but successful brands in the field always managed to support the overall aspiration rather than endorsing any particular approach. A vision should never place overly strict limits on creativity. After all, it may be necessary to pivot a product to serve a different audience or even another category.

We tend to think of irrationality in a negative light, but if honest, we are all irrational and it's a big part of what makes our lives worse living. So, if you are a brand builder today, of course you need to look to check off on traditional markers of success. You need to make a great product. You need to provide a good, holistic experience. You need to have great advertising that signals who you are to the market and makes your brand memorable in consumers' minds.

But if you're a startup looking to attract investment, it's also important to remember that your customers are irrational — and your investors may be irrational too. In order to catch that perfect wave of consumer sentiment, you need to position yourself accordingly. That requires art, tact, and a little strategic know-how, but also requires listening to your own feelings and finding where your and your customers' hearts lie.

Jonathan Trimble is an investor and cofounder and CEO of And Rising.