Brand and Sales Strategy

Brand Evolution or Revolution?

Five steps to remain a relevant brand in the hurricane of disruption and transformation

Porsche Consulting

Strategic Vision. Smart Implementation.

INSIGHTS

//01

In todays' turbulent times of change, brands are more important than ever. They provide stability and give orientation for customers and companies.

//02

Brands are eminent companions of transformation.

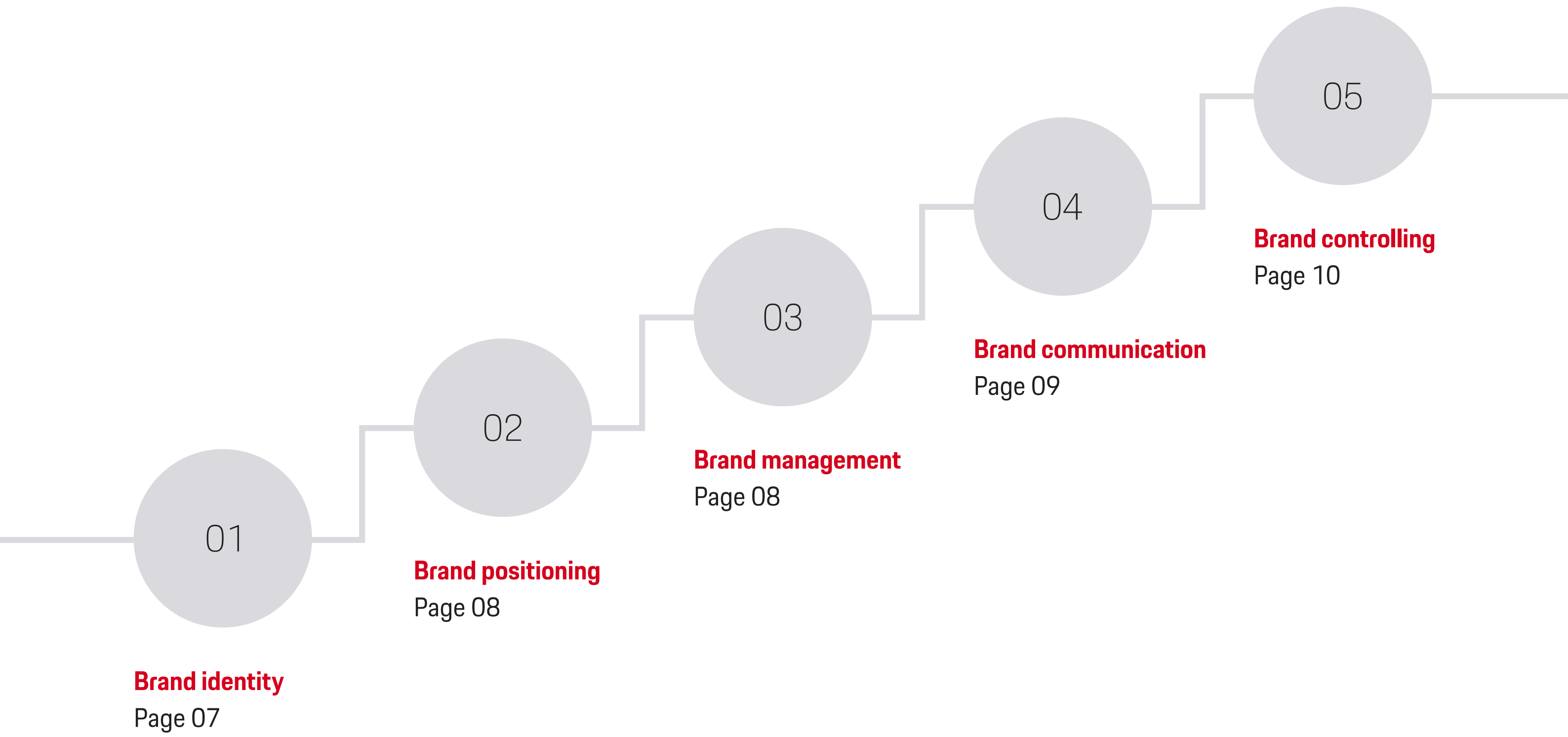
//03

A five-step brand management program helps to master the opportunities and challenges of todays' fast changing environment and to manage the balance between preserving and adjusting the brand within a change process.

Introduction

Imagine you want to propose to the love of your life: where would you buy the ring? What if you were preparing for the barbecuing season: which grill would you buy? Let's say you want to buy an electric vehicle: which brand comes to mind? In an era when change has become a permanent condition rather than a momentum, a comparison of product specs causes a racing pulse, and new offerings crop up like mushrooms, brand management can play an important role. In fact a well-managed integrated brand management can be the supporting pillar of transformation, turning outmoded corporations into cool startup lookalikes, automotive manufacturers into mobility service providers, tree-hugger sandals into fashionable must-haves, a family-run meat business into the leading manufacturer of vegan meat alternatives, and fast-food chains into healthy vegan restaurants. There is therefore but one question left to ask: is your brand ready for the transformation?

Porsche Consulting introduces a five-step program to remain relevant in the hurricane of disruption and transformation.



Brands as a safe harbour in times of change

The wave of disruption is rewriting the rules: Industries are crumbling under the pressure of novel technologies and platforms. The startup mentality is gradually breaking down established corporate structures. And government regulations are becoming routine. Hardly anyone is spared.

The results are eminent: saturated markets with exchangeable offers, intense competition due to price wars, and a swarm of new competitors. The challenges to the automotive industry are becoming clearer: autonomous driving, connectivity, e-mobility, and novel sharing offerings. The fashion industry is juggling fashion trends and sustainability (e.g., Prada's newest travel bags made from 100 percent recycled ocean trash[1]). Traditional food manufacturers need to reorganize production to supply the high demand for healthy, organic, vegan, or vegetarian food (e.g., Rügenwalder Mühle). Consequently, brands are struggling with multiple segments, diverse customer groups, and thus a growing multi-brand portfolio with a potential for cannibalization.

In these times of change more and more questions are rising up. Is my brand strong enough for the transformation process? Which transformation fits to my brand and consequently to my company? Too fast and radical change is frequently accompanied by an identity crisis. Therefore an integrated brand management can support and guide through these times of change. The aim is to cut above the fog.

So let's start with three facts about brand management.

// First, branding is more than a colorful logo; it is a strategic cornerstone. Brands offer customers a sense of security and serve as decision criteria.

// Second, branding has an impact on the bottom line. Customers have relationships with brands. Some are brief encounters and others are intensive love stories. Also, strong brands can demand premium prices, simply because customers value them.

// And third, brand management can be a supporting pillar while companies navigate transformation and should therefore have the attention of top management.

Brands provide orientation and stability externally as well as internally in turbulent times. They are able to communicate commitment and change in an emotional way.

Externally, brands act as an anchor of trust for customers and stakeholders. A brand can be regarded as a valuecreation factory whose appealing image fuels offerings, including products, services, and innovations. If an offering, such as a new service, is not positively acknowledged by customers, it will not generate a positive value for the company. The result is inter-changeability and price pressure. A brand has the power to transform an offering into an outstanding achievement, which is translated into added value and a willingness to pay, because "it's worth the price."

Internally, brands remind of their heritage and mastered challenges in the past. They are strengthening employees, while highlighting, what they have achieved together or how they have overcame crisis (e.g., Porsche's ressurection after it's crisis in the 90's). Especially in the current time of changes the staff needs more and more guidance and a clear direction for the future. Strong brands can guide while let employees focussing on their strengths and core competencies. They drive employee motivation and satisfaction. Consequently, a higher motivation results in a higher retention, bigger engagement and growing productivity. Besides that, brand affected employees are the best brand ambassadors and can bring the brand to life (e.g., the mountaineering company Mammut, where employees share their passion with customer). Last but not least, strong brands have a higher attraction for new applicants. Following companies are able to recruit easier and faster new employees, which is getting more and more important in the current "war of talents".

Branding in the age of transformation

What is a brand? Scholars define a brand as a marked product (e.g., a logo or intellectual property), or more often, a mental picture in the minds of consumers (identity-oriented). This means that brands are comparable to the human personality: they are associated with values and emotions, are shaped by their roots, and adapt to their environment. Most importantly, brands set directions and boundaries for the transformation while retaining a seal of quality and of approval from customers; this creates trust, the basis for loyal customers. It also demonstrates brands' interesting double function: they act as a motivator for change (brand as a vision and driver for change) and preserver of the company's essence (brand as an anchor of trust). The leading headline nowadays in brand management is therefore "evolution or revolution?"

Changes can be incremental, such as refreshing a logo design or adapting corporate values to new market conditions. However, if a major segment of the business is on the cusp of change—for example, entering new markets, targeting a different target audience, selling new products, or approaching a merger—change for the brand can be radical. One of the interesting examples is Rügenwalder Mühle[2], a brand with over 184 years of experience in meat processing, famous for its Rügenwalder Teewurst. Four years ago, when vegetarian or vegan alternatives to meat were rare commodities, Rügenwalder Mühle moved to process vegan/vegetarian meat substitutes—a meat revolution. Today, both product segments, meat and vegan/vegetarian meat alternatives, are sold under the same brand—a brand revolution.

A more recent example is Bosch: this long-established company is casting off an outmoded image and entering a new era with the tagline "Like a Bosch." Automated lawn mowers and autonomous vacuum cleaners should connect Bosch's brand with the IoT (Internet of Things) in order to be perceived as a pioneer of connected solutions.[3]

The fast-food empire McDonald's has learned that changing their brand's image is not achieved with the flip of a switch but is the result of continual efforts. For years, the company has embraced the trend to a healthier, more socially and environmentally aware lifestyle by developing a new image.[4] Their efforts have spawned a colorful bouquet of strategic activities including a green logo (as a commitment to the environment), new products (e.g., Big Vegan[5] and organic burgers with locally sourced ingredients), and a new restaurant environment (e.g., McCafé).

Brands in the automotive industry are also gradually adapting and extending their value structure to meet new conditions and customer demands. The result: brands polish their image, for example, by updating their logo, and offer new product lines (e.g., VW's ID. Familie[6]) or mobility services (e.g., Share Now[7]). In most cases, however, the brand retains its essence, fueling it with a new interpretation of mobility. Think of it as a kind of a spring cleaning: that which is considered valuable is preserved and polished; the superfluous is disposed of; and if necessary, other things are reorganized or even replaced. A spring cleaning could be problematic if it comes too late or goes too far; changing a brand's essence frightens customers. Traditional consumer brands like Persil or Nivea are the masters of such activities.

All of this demonstrates that (1) disruption does not necessarily require a transformation of the brand itself; (2) regular adjustments to a brand's image are necessary and healthy but also extensive; and (3) the brand is an eminent companion of change. Successful brands in particular must approach change carefully to avoid losing their way during transformation. Betrayal of its origins may quickly threaten credibility and authenticity. While Tesla, for example, defines mobility on a greenfield site, other companies have a long history. This heritage is the source for its reputation and an asset. The objective is therefore to strengthen the connection to the past while shaping the future. But how do brands stay relevant in times of change?

Porsche Consulting has defined a five-step program to manage the balance between persistency and transformation in branding.

01 Brand identity
Soul-searching, values, and perception

"If a man knows not to which port he sails, no wind is favorable." This philosophical quote from Lucius Annaeus Seneca not only applies to humans but to brand management as well. To create a meaningful and successful brand, it should first be understood. Thus, let's start with soul sourcing: Who are we and where do we come from (brand personality)? What do we stand for (brand competencies)? What relevant promise do we make to customers (value proposition)? This internal analysis should not be underestimated in terms of duration, intensity, and discussion. If successfully completed, it leads to a brand's promise. The brand identity is the self-perception of a brand, or respectively, the perception of its employees. It consists of a set of associations, values, and emotions that is controlled by brand management. Brand identity is conveyed in the marketplace via brand positioning, brand experience and brand communication. More importantly, brand identity provides guidance for 360-degree brand orchestration (e.g., product design, communication, website, and retail) and aims for a consistent brand experience at all touchpoints. Brand image is the identity's counterpart and mirrors the consumer's perception of the brand. A successful brand aligns the perception of brand identity and brand image to create a coherent picture that customers ultimately recognize and connect with. Therefore, brands need to become masters in establishing, communicating, and fostering their identity internally and externally.

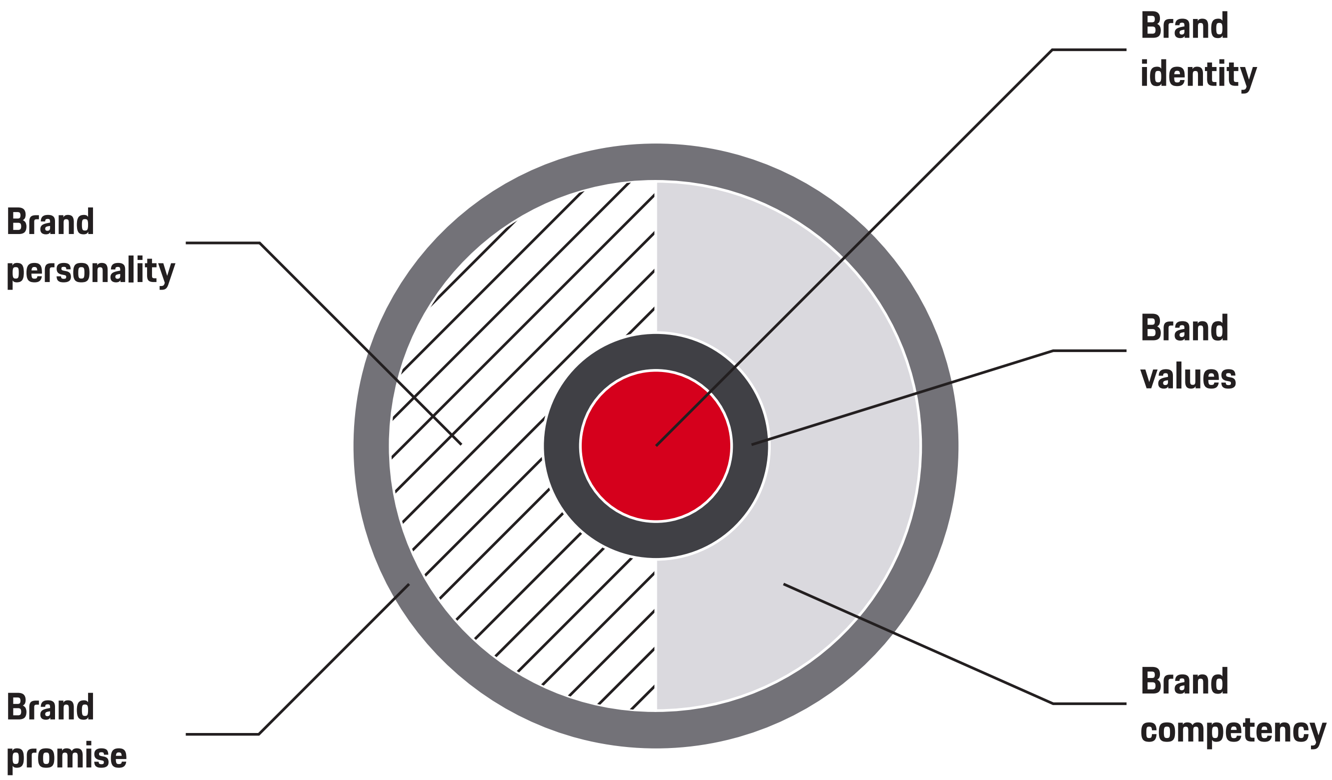


Figure 1. The layers of a brand

02 Brand positioning
New sub-brands and partnerships demand optimization of brand portfolio strategy

In the second step, the competitive market needs to be analyzed thoroughly to derive a meaningful and unique brand positioning. Brand positioning and value proposition (brand promise) are particularly successful if the company identifies a positioning that is relevant from a customer perspective. In the automotive industry, positioning is becoming a difficult task because companies must strike a balance between car manufacturer and mobility provider. To meet this challenge, traditional brands are creating new sub-brands (e.g.,VW's Moia[8]) or forming strategic partnerships (e.g., BMW/Daimler joint ventures[9]). These alliances make it easier to communicate a new message to customers. For example, customers of electric vehicles may need to be addressed in a different manner than consumers of shared mobility services. In fact, sub-brands may be regarded as the rebel in the brand family, providing space and flexibility for novel business ideas while sharpening the identity of the mother brand. A sub-brand is associated with less risk as well as cost efficiencies and synergies in the sales organization. Complexity arises, however, with an increased number of brands and insufficient management. More importantly, customers may become confused because they cannot clearly classify or assign individual brands.

There are several key factors for managing these brand systems. First, each brand needs a strategic function that makes its existence clear and understandable. This assumes that offerings and customer segments do not overlap. Second, the brand structure and relationship, or brand architecture, must be meaningful and authentic to customers and other stakeholders. This works to the brand's benefit in terms of visibility, common associations, and efficiency. Third, each brand should have a certain degree of independence in order to be clearly identified by customers and competitors; it should thus have its own budget and sales responsibility.

In summary, a clear brand positioning and an adequate brand portfolio strategy form the backbone to stand up to these challenges. Brand positioning should be evaluated on a regular basis to ensure that the offering is still competitive. The brand portfolio strategy should further steer the brand ecosystem in a way that creates a harmonious interplay. If successfully managed, this leads to strategic goal achievement, positive radiation of values (halo effect), and strengthening of brand authenticity.

03 Brand management
Anchor branding in the hearts and minds of the organization

There is a common perception that branding is just a matter of colorful logos, unique fonts, and catchy slogans. While these are respectable and important elements, we are arguing for an alternative hypothesis. Brand managers are in fact influencers that shape the hearts and minds of the organization. They are mediators and should therefore be integrated into the organization in a way that allows them to quickly communicate market trends to relevant corporate functions. In addition, brand and corporate strategies have a symbiotic relationship in the transformation process. One question that often arises is whether the brand strategy follows the corporate strategy, or as propagated in marketing textbooks, vice versa. We believe that both perspectives are adequate in transformation. Who the brand is and what the brand stands for create the scope and context for the company's future development. The corporate strategy in turn shapes the brand's future development.

The chicken-egg conundrum cannot be solved here, but it does demonstrate the close relationship between brand and corporate strategy, on the one hand, and the importance of a brand strategy, on the other. More importantly, it also shows that the brand is powerful and impacts all business units—from product design to production and marketing. In addition, a brand is a megaphone of the (organizational) culture. In times of change, a brand can encourage a cultural shift by cultivating an openness to innovation, a healthy error culture, and inspiration for process change. The company's employees play an important role here, as they give the brand its voice. It is important to leverage this positive energy to evolve the brand itself.

04 Brand experience and communication Digital, agile, customer-centric, and experience-oriented

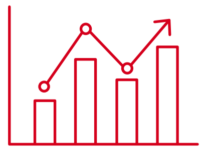
Once brand identity and brand promise are manifested in the organization, consistent brand communication should be initiated. And with regard to communication in general: forget the traditional marketing mix! Digitalization and an era marked by supersaturated communication are changing customer requirements; are now demanding personalized, digital, authentic, and experience-oriented brands. The result is a makeover for brand touchpoints and budget planning for agile marketing! A brand will only achieve sustainable growth if it keeps its promise and its value proposition consistently resonates at each customer touchpoint (i.e., brand promise is equal to brand experience).

Think about the last time you visited a Starbucks, which is known for being "the third place"—a welcoming concept translated into cozy lounge chairs and relaxing jazz music. Today, the company is reimaging their promise and have announced a new "third-place" policy, which permits people who have not made a purchase to spend time in the store, even if it is simply to use the restrooms.[10] This is a good example of a brand's promise resonating in a coherent and meaningful brand experience.

From a customer perspective, a brand experience is positive if the brand (1) convinces and excites the customer and (2) conveys an authentic experience at relevant touchpoints. Customers then generate interest, become loyal, or even fans. Customer insights may further polish the picture, if translated in real time.

In a nutshell: brand communication is able to flourish a positive image when it consistently conveys the value proposition. It can satisfy the customer's need for personalized and interconnected communication. The coordinated management of on- and offline touchpoints can harmonize customer experience. Sustainable positioning of the brand in the minds of consumers can increase customer loyalty. Guidelines for communication and brand tonality as well as the definition of brand drivers are tools that can keep communication aligned with the brand strategy; this is especially helpful when working with external agencies. Communication should focus on such topics as technology, innovation, design, and creativity.

05 Brand controlling
Top performance needs to be measured and monitored



Every year, brand and marketing budgets are under rigorous evaluation, and managers are asked to justify their output—ideally with a direct impact on sales. This creates a demand for numbers to explain the return on investment. Indeed, data can provide answers to some of the following questions: How strong is my brand? What are the brand's success factors? How is the brand perceived? Today, however, brand controlling has either not been established or its measurement is insufficient. Some companies rely on a set of key performance indicators (KPI) such as market share, customer profitability, or customer satisfaction. While these KPIs are highly valuable, they only provide indirect feedback on brand performance. More importantly, relevant KPIs depend on the company and cannot be transferred—something that is often done. Another common mistake is a missing objective. Clear objectives help to explain the reason and provide implications for brand image, brand loyalty, and brand awareness. For example, many B2B companies still allocate a large portion of the marketing budget to fair trades. In this context, "sales" cannot be defined as a measurement objective, because cycles are longer and sales are rarely completed directly. In contrast, relevant indicators include visits by relevant people, visit duration, and message mediation. But in fact, a brand usually needs only a few meaningful KPIs. Managers tend to conceptualize a set of measurements consisting of quantitative (e.g., survey on brand association) and qualitative research (e.g., mystery shopping). In addition, companies are increasingly taking advantage of automated research tools, such as social listening. Through data crawling and AI, the real-time feedback of online comments can be analyzed in terms of brand perception and effectiveness of brand campaigns. These methods are also particularly valuable when data is needed for short-term market decisions. Results should then always fuel optimization. In the long run, brand-specific KPIs have to be developed and continuously measured to ensure brand growth and verify a positive return. If brands are neglected, companies will have no current knowledge of a brand's value and will therefore use financial resources inefficiently.

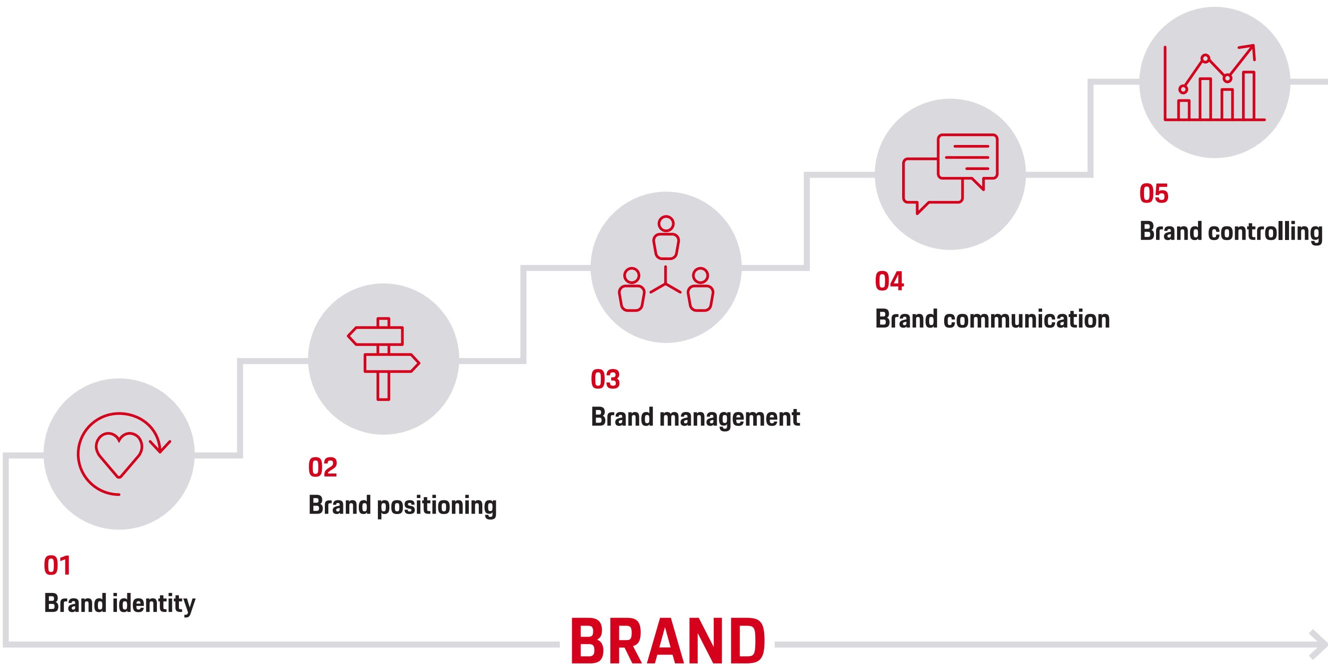


Figure 2. Porsche Consulting five-step program

Summary

- In an era when change has become a permanent condition rather than a momentum, brands can provide orientation, identification, and an anchor of trust to customers and employees.
- A brand is a mental picture in the minds of consumers, who imbue it with values and emotions; it is shaped by its roots and adapts to environmental changes.
- Successful brands are able to cope with new challenges and seize opportunities for transformation, while simultaneously maintaining core values and creditability.
- Disruption calls for regular, healthy, and well-managed adjustments to the brand image that are meaningful to the customer.

Five steps are critical to remaining relevant in turbulent times: First, brands must understand and analyze their own identity to successfully align corporate and consumer perception. Second, a transparent and harmonious brand portfolio strategy is essential to operationalize the brand promise and communicate a clear brand positioning to consumers. Third, anchoring the brand strategy in the organization is an inspirational and key factor for successful cultural change. Fourth, brand communication can only satisfy customer demands if the customer journey is personalized, authentic, and exciting. Fifth, brand-specific KPIs that measure brand growth and value using relevant indicators and intelligent research tools ensure the right measures to achieve a positive ROI.

Key questions managers need to ask their brand

01 | Who is the brand? Where does the brand come from? What does the brand stand for? What is the formulized brand promise? How do consumers see the brand?

02 | Is the brand positioning relevant from the customer's perspective? Do I need to create a new sub-brand? How do the brands interact within the brand portfolio?

03 | Does brand management have management attention within the company? Does the brand strategy still fit the corporate strategy and vice versa?

04 | Does the brand identity resonate consistently across all touchpoints? Does the customer experience align with the brand strategy?

05 | How is the brand perceived by consumers? What are the success factors of the brand strategy? Is the brand still strong, and what is the value of the brand?

IN BRIEF

01 Brands are an important companion for change.

02 Within the organization, a strong brand creates identification and fosters employee motivation.

03 Outside the organization, brands act as an anchor of trust for customers and stakeholders.

04 Effective brand management is highly relevant for any transformation.

05 Porsche Consulting recommends a five-step program to manage the balance between preservation and change in branding.

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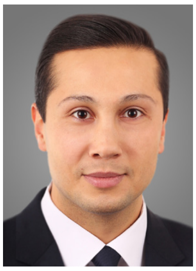

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Appendix

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