Council Perspectives™
The Conference Board Council on Corporate Brand Management

# Corporate Brands
## Strategies for the New Normal

Adapted from a Council Perspectives by Charles Mitchell

The global recession and a worldwide display of questionable corporate behavior have weakened trust in business and corporate brands. Companies have battened down the spending hatches and reordered priorities to weather the downturn.

What will the operating landscape – *the new normal* – look like post-recession? It will be a tougher place to manage a corporate brand. Companies simply won't be able to do things the way they always have. But that may not be such a bad thing.

**Editors' Note:** The Conference Board Council on Corporate Brand Management met in Minneapolis in September 2009 to discuss the financial, strategic, and social media aspects of brand management in the post-recession future. That meeting resulted in the Council Perspectives *Corporate Brands: Meeting the Challenges of Changing Times*, from which this report and two others–*Cracking the Financial Code: Spending on Branding in the New Normal* and *Social Media and Word-of-Mouth Marketing: The New Normal*–are adapted.

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## Opportunity or Threat?

Brand strategy begins with a view of what the recession means for your brand, now and in the future. Is it an opportunity or threat? In a time of cutbacks and tight resources it's easy to lose focus on the long term, to neglect the value and meaning of a corporate brand in favor of quick wins and new products. But the reality is that the decisions you make today about supporting your brand have a dramatic impact on where you will be when the economic upturn accelerates.

### The Challenges of *the New Normal*

Brand professionals are operating in a different world than just a few years ago when it comes to managing the economic and social landscape. Fundamental challenges in *the new normal*:

- Consumers are less loyal. You need to let them know it's not about the product; it's about them.
- Consumers are more educated about buying. Tailor your message to these higher standards.
- Consumers are less trusting; blind loyalty has become a thing of the past. Show them that your brand stands for something bigger than you are.
- New media, especially social media tools, are replacing conventional communication formats. Use social media to "fish where the fish are."
- Top-level managers do not understand the need for branding budgets. Teach managers to see a brand as intellectual property and a critical component of corporate reputation, revenue, and customer retention.
- Globalization means more brands must translate internationally. Be proactive about understanding and bridging cultural differences. Yes, think globally but act locally.
- Employees must be persuaded to get on board. Count employees as the first-line consumers of your brand.

Adapted from *Connecting Emotions and Personality to Your Corporate Image and Brands*, Executive Action Report 243, August 2007.

Previous recessions and depressions have shown that smart companies can position themselves and their brand to take advantages of the opportunities a distressed situation often presents (sometimes created by the mistakes of competitors) to emerge as stronger, healthier, and more primed for growth than when the whole economic mess began.

The current recession also highlights how losing long-term brand focus can spell disaster. General Motors, a brand which once stood for quality, style, and innovation, strayed so far from the brand promise that made it successful that when recession arrived, the company failed to hold on to its customer base in the face of more innovative and aggressive competitors. AIG is another company that lost its vision of its core product and succumbed to the pressure of Wall Street and the need to produce short-term results at any price. AIG violated the brand promise that had made it a giant in its field—integrity and the guarantee to pay the claims of its policy holders.

### Strategy in Action: DuPont

Emerging from World War I with a tarnished brand image as a war profiteer, the Delaware-based chemical giant outpaced its industry competitors by upping its investment in R&D and targeting that investment toward a few key products (Neoprene, Lucite, and Nylon) during the Great Depression. The company also aggressively marketed its new products, which in turn led to increased consumer demand. Between 1928 and 1941, DuPont reduced its overall R&D spending only once (1932). During that time it set out to remake its corporate brand image from that of a profiteer to a company known for innovation and consumer-oriented products. It introduced a transformational tagline: "Better things for better living through chemistry." Through an aggressive M&A campaign, the company bought distressed competitors and gained additional expertise. When the economic smoked cleared, DuPont's image was transformed and the company's profits soared in a sector that now had fewer competitors.

# Changing Times—Changing Business Models

As in past recessions, one certain outcome of the current recession is that consumer behavior and buying patterns will change, often on a permanent basis. Through previous downturns (and sometimes also in boom times), smart companies have leveraged their brands as a transformation engine for their business model to take advantage of the opportunities offered by *the new normal* that emerges. A bad economy often forces business model transformation at a rapid pace.

## IBM's Insight and Execution

In the 1930s, IBM took the point of view that the Great Depression presented opportunity, deciding early on that *the new normal* required a new business model.[1] Its strategy and execution remain a blueprint for business leaders facing today's challenges. Leveraging its strong brand in the B to B marketplace, IBM made a leap of faith. Understanding that outlays for new capital equipment were being pinched by recession, IBM went from being a seller of business accounting machines to a renter — an entirely new business model. While in hindsight this move may sound obvious, it required insight and execution possessed by few companies of that era.

IBM invested throughout the downturn, launching three times as many new products as it did in the roaring 1920s, effectively responding to changing conditions while maintaining a long-term strategy. Basically, the company did everything right. It …

- Responded to consumer price sensitivity with a low-price brand and rental business
- Cut costs while retaining and attracting talent though better benefits
- Increased capacity and stockpiled inventory for recovery
- Committed to investing six percent of annual revenues in R&D
- Acquired the Electro-matic Typewriter Company to gain electric typewriter technology

## New Business Models, New Branding Challenges for a New Era

Perhaps no other industries in the United States face a greater challenge in transforming the current business model than the health care and health insurance sectors. Potential increased regulation and government involvement are forcing both industries to look at new business models, migrating from primarily an institutional branding model to a consumer one in which individuals are increasingly making their own choices about basic care.

Because of the existing business model, health care is generally viewed by consumers as a commodity. In the future, branding will play a critical role in encouraging the consumer to distinguish between health-care providers. The change in business models will require a change in attitude, especially in the C-suite, toward what an effective branding strategy means and how it must be executed. Few health-care companies today, especially those in the insurance sector, are involved with the demands of a B to C brand, and few have considered the importance of supporting the brand at every customer touch point. *The new normal* will force that to change.

## Changing the Business Model: Customer Segmentation

For Dow Corning Corporation, a global leader in silicones, silicon-based technology, and innovation, the new century began with serious challenges to its existing business model.[2] The company was becoming inside-out driven, failing to hear the voice of a changing customer. Sales had been flat for years, and the company's sales model, heavy on face-to-face meetings and personalization, was losing ground to new and faster methods of purchasing. Competitors, unable to compete with the high quality of service and customization offered by the company, were picking off low-end buyers who were more concerned about pricing for "off the shelf"products but didn't want to pay for the extras that had made the company's brand one of the most respected in the world. The internet made commodity-type purchases at low cost easy and efficient.

1 The IBM case study was presented by The Boston Consulting Group.

2 The Dow Corning case was presented by Randall Rozin, Global Director, Brand Marketing.

The company needed a game-changing direction—a new business model to protect its flank (the low-end customer segment) while preserving the integrity and value proposition of its flagship brand with higher-end customers.

The solution: one company but with two clear and differentiated brands dealing with two distinct customer segments. Certain customers were termed "market-focused" because of their interest in specialty products and services and their reliance on Dow Corning's relentless pursuit of innovation. The second segment, "product-focused" customers, was interested in security of supply, convenience, and price, and a model with the relentless pursuit of efficiency. For the "product-focused" segment, a separate brand and pricing model was introduced for web-enabled purchases with simple rules—customers had to buy in high volume and the products were basically off the shelf. This brand allowed customers to improve efficiency and cut costs to maintain profitability.

Meanwhile, customers who needed customized solutions and were interested in innovation and a supplier linked to their market needs continued to deal with the established Dow Corning® commercial brand.

At first, before the new venture's viability was proven, the two brands were not strongly linked, but as the online "efficiency" brand became successful, the company slowly and subtly began a more formal integration of the two brands through visual links and the use of logos. Overall, company sales, once flat for years, increased steadily with the transformation of the business model.

In 2009, the company expanded its XIAMETER brand to include over 2100 standard silicone products and made more purchasing options available to customers, including purchasing smaller quantities directly and through newly offered distribution channels. The company's flagship Dow Corning brand, meanwhile, is enjoying a renaissance in innovation and investments to support its customers, markets, and employees for the long term.

The process wasn't easy and there was no guarantee of success. But from the journey of developing a revised brand strategy and business model these lessons were learned:

- With your customers as your guide … attack yourself first.
- Business models continue to evolve. You must remain flexible.
- Set aggressive timelines and stick to them.
- Have the right decision makers available. Agree up front who decides what.
- Validate actual buying behaviors to test business models.
- Solicit the right mix of people and cross-function skills internally.
- Don't be afraid to ask your customers to change when it benefits them.
- Once a decision is made, resist the "anti-bodies" and keep moving forward.
- Integrate your communications to drive clarity.

## The Link between Brand and Reputation: The View from the Top

Many brand professionals view reputation as one of several factors contributing to a company's overall brand identity. While brand and reputation are inextricably linked, they are not one and the same. Think of the corporate brand as encompassing products, visual identity, customer experience, and reputation which includes, among other things, the perception of the ethical behavior of the company and its employees.

### Brand vs. Reputation: Definitions

A brand, whether it represents an organization, a product, or a service, is the entity's promise of certain attributes and values, quality, performance, and service. A brand embodies what the organization or product stands for and distinguishes it from competitors. Brand identity is made up of the specific combination of visual and verbal components that comprise the brand identity system. These include brand names, logotypes, symbols and other graphic devices, colors, overall corporate voice and visual style, and core positioning messages, such as slogans or theme lines. The corporate brand image, on the other hand, extends to the totality of perceptions resulting from all experience with the brand, includling its reputation (reputation is comprised of perceptions of employment, supplier relationship, social and environmental policies, ethical conduct, and community involvement) as well as communications, quality, and service.[a]

### Reputation Risk: Does the Boardroom Get It?

Where a company's value once derived mostly from facilities, equipment, and other tangible assets, market value now increasingly resides in intangible assets–brand, reputation, knowledge, intellectual capital, patents, proprietary processes, and technology. Some studies have estimated that between one-half and two-thirds of the market value of publicly held companies may now be due to intangible assets.[b] Such assets are inherently more difficult to value, which means investor perceptions play a greater role in determining a company's fiscal health.

Based on a survey of 148 executives from companies around the world, The Conference Board report *Managing Reputation Risk and Reward*, released in March 2009, finds that senior management is realizing that the direct financial impact of traditional risk events–as serious as these can be–can be dwarfed by the damage that can result if a company's reputation with its customers, investors, employees, and other stakeholders should deteriorate. And they are beginning to take action.[c]

Most major companies are now investing substantial resources to manage their reputations. Over three-quarters of the respondents to the survey conducted for this report said their companies are making a substantial effort to manage reputation risk (82 percent) and they had increased focus in this area during the last three years (81 percent).

Among the report's key findings:

- Reputation risk should be managed throughout the organization. Although communication is of critical importance in responding to a risk event, a company's reputation should be considered during the preparation and execution of strategy and new projects, which hasn't been the case in most companies.
- Reputation risk is often not incorporated into risk management. Only 49 percent of executives surveyed said that the management of reputation risk was highly integrated with their enterprise risk management (ERM) function or another risk oversight program.
- Assessing reputation risks is a top challenge. Fifty-nine percent indicated that assessing the perceptions and concerns of stakeholders was an extremely or very significant issue, making it the highest-ranked challenge.
- Social media are gaining influence, but most companies are ignoring them. Although consumers and investors are increasingly gathering information from blogs, online forums, and social networking sites, only 34 percent of the survey respondents said they extensively monitor such sites, and only 10 percent said they actively participate in them.

While the report is focused on managing reputation risk–a subset of the overall corporate brand– brand professionals should be able to link the growing awareness and concern about reputation risk to the case for greater support for the protection and preservation of the corporate brand.

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a Adapted from *Managing the Corporate Brand*, The Conference Board, Research Report 1214, 1998.

b Valuing the Intangibles," *Monthly Labor Review,* October 1, 2003.

c *Managing Reputation Risk and Reward*, The Conference Board, Research Report 1442, 2009.

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## About the Council

The Council on Corporate Brand Management was founded in 1999 as a forum for off-the-record discussion focused on key branding issues and state of the art management practice. Through the exchange of ideas and knowledge, the group seeks to enhance the professional development of its members and improve the corporate brand management function. Members also advise The Conference Board on its communications research and meeting program.

Members must be the senior branding, advertising, marketing or external communications executives from their companies. Members must also be employed by companies that are members of The Conference Board and that are qualified for Council representation under the board's policy governing such eligibility.

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