Brand Like a Challenger

Build a growth portfolio for uncertain times

LIPPINCOTT

Sense Perspective

“No.”

This is the likely response when companies are faced with the decision of whether to add a new brand to their portfolio. It’s been the default answer. But the world is changing — drastically. Though disciplined brand management is as important as ever, it’s time to reconsider this approach.

Today's brands are hatching at an accelerated pace, which means portfolio management needs to be more dynamic than ever. In the last year, we've seen Volkswagen's MOIA, Fidelity Go, Google Home, Microsoft Teams and Time Inc.'s Coinage come to market. And that's barely scratching the surface.

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One of the first steps is to shift the behaviors and focus of the internal brand team. People need to stop seeing the brand police and start seeing a strategic partner who can be an innovation catalyst for the business.

The explosion of technology has reached every touchpoint of our lives, and it won't slow down any time soon. This means:

- New competitors are disrupting long-standing industries and creating entirely new ones.
- Brands are created from scratch, with less investment than ever.
- Consumers embrace, and even prefer, brands they don't yet know — a cultural shift that affects both B2C and B2B relationships.

Join the movement. Strong corporate brands that keep up with the speed of change and say "yes" along the way are energizing their portfolios. They're in pursuit of objectives that can mean the difference between slipping into irrelevance and leading the charge. It's not just about endurance; it's about meaning more in the long run. This is how they do it.

Innovate to dissolve boundaries

Leading businesses don't just cover currently defined segments; they create new ones. They don't stay contained within their current business definitions; they blur the boundaries to expand their scope. Innovation demands experimenting with new value propositions and business models. This process can create new avenues of growth in existing parts of your business, or it can take your business into areas that solve problems for customers in entirely new ways.

For customers, these value propositions are tied to specific offerings and not the institution. Microsoft created Azure to accentuate its move beyond the desktop into enterprise-grade cloud computing applications and services. At IBM, Watson personifies a new business model based on cognitive power to bridge gaps between humans, data and machines. And Amazon created Alexa to move beyond e-commerce to artificial intelligence, accelerating the company towards a new horizon that understands the emotions and behavioral quirks of the customer of the future.

Float like a butterfly, sting like a challenger

Across industries, large established corporations often find it difficult to compete against emerging, nimble competitors. Rather than change the direction of the entire business to address these entrants, introducing a new portfolio brand, built from scratch and embodying an innovative value proposition, can both shine a light on what is cutting-edge and unique about your business, and what can create new markets and revenue streams to drive growth.

As we've become conditioned to embrace and absorb what's new at the tap of a screen, brands are moving from nascent to beloved at unprecedented speed. Far from being a lengthy and expensive process, "hatching" challenger brands are proving that building something new can be done quicker and cheaper than ever, in ways that keep you a step ahead instead of racing to catch up.

Saudi Telecom Company (STC), the country's leading telco provider, saw an opportunity to target the underserved Saudi youth audience. Realizing the need to create disruption or get Ubered themselves, the company created Jawwy for its new personalizable digital mobile service. It endorsed the new brand with a discreet "from STC" line to tie Jawwy back to the parent company and provide the necessary regulatory transparency.

In part because it crowdsources customer service and support — users are incentivized to respond to questions and help other customers in real time — Jawwy is helping STC transform how Saudi's mobile-savvy generation, roughly 65 percent of the country's population, experiences mobile service. By choosing to do so via a separate portfolio brand, STC was able to go from idea to launch in 18 months, with the brand itself being created in under six.

Meet customers right where they are

Technology has fundamentally disrupted the paradigm of brand building. Each breakthrough app, platform or service moves customers from having an affinity for what they already know to believing in what is new. This opens up space for separate portfolio brands to extend current customer relationships and capture the interest of new audiences.

When Comcast sought to increase its profile as a technology-driven, innovative brand by creating XFINITY, it gave its long-standing customers and non-Comcast users a reason to reconsider what the company had to offer — not only through its product, but across its communications and broader customer experiences. Over time, as XFINITY, and later XFINITY X1, has come to own the always-connected, content-on-any-device, at-any-time value proposition, Comcast has allowed it to become more prominent, dynamically adjusting to find the optimal hierarchy that defines the relationship between the company and its upstart sub-brand. In fact, Comcast's customer service branding has migrated to XFINITY as it rolled out new service investments such as more transparent billing and a simple payment experience.

Be the brand tomorrow's talent wants to work for

Creating new segments and new value propositions takes the right kind of employee. Today's top talent seeks greater collaboration, bottom-up empowerment, the freedom to stray and a customer problem they are deeply passionate about solving.

A new portfolio brand can signal this type of organizational culture, attracting would-be change agents willing to think beyond what has been and look to create the future.

APPLYING THE NEW RULES

Legacy companies that spawn their own brands to blaze trails in growth markets or segments can create an aura of vitality and innovation around the corporate brand.

The degree of connection to the parent can, and should, vary. But one thing remains constant: Creativity will always be required. New opportunities primarily powered by digital arise quickly, change often and merit flexible approaches. In some cases, like GE's Predix, a lesser connection is warranted. Predix is a platform that works across manufacturers who may compete with GE, and the separation signals a degree of unbiased independence, as well as competency in a very new area of operating systems.

For Marcus by Goldman Sachs®, 147 years of trusted heritage and the need to create a new digital offering credible for borrowers make a case for a closer parent brand connection. But both companies follow a common precept: putting new vitality and energy into the brand portfolio.

CASE EXAMPLE:

Predix *by GE*

A digital brand conquers new realms and attracts top talent

With software, sensors and data delivering an ever-larger share of product value, GE is redefining itself, setting a goal of becoming a top 10 software company with $4 billion in revenue by 2020. Key to its strategy is a cloud-based operating system for industrial applications called Predix.

Predix allows the 125-year-old industrial manufacturing company to extend its business scope, move with the agility of its more nimble competitors and authentically connect with customers as a digital player. Predix is a separate portfolio brand with its own name and identity, but it is connected back to the GE Digital business. This approach gives the brand the freedom it needs to compete with the likes of Amazon, IBM, Google and Cisco while retaining equity in the master.

The benefits cross over into talent, too. Having initially struggled to hire for its digital business, the company has seen an eightfold increase in job applications. Predix is simultaneously a product, an identity, an ecosystem and a proxy for GE's digital ambitions — the centerpiece of the company's future.

$1bn

The total value of Predix orders expected in 2017.

400

The number of Predix partnerships GE secured in 2016, 350 more than expected.

Image source: GE

CASE EXAMPLE:

Marcus *by Goldman Sachs®*

A consumer fintech challenger powered by a formidable master brand

Whereas Goldman Sachs has spent much of its 147 year history focused on institutional clients and ultrahigh-net-worth individuals, it took just 16 months, from conception to rollout, to hatch its consumer fintech brand Marcus in the U.S. It's a crowded space, with online contenders Lending Club, Prosper and Betterment all seeking to leverage technology, data and analytics to pick off customers of more traditional incumbents. With Marcus, Goldman itself becomes a disruptor in consumer finance.

Marcus benefits from retaining the association of a master brand known for technical expertise, stability and wherewithal, while opening up new space for Goldman Sachs to shift beyond its reputation of catering to the elite. Marcus also signals opportunity to a new suite of talent who want to play a role in creating the future of Goldman Sachs. The allure of the new brand has helped the firm attract top talent from competitors, including Discover, Barclays, Citi, Lending Club and OnDeck (J.P. Morgan's small- and medium-sized businesses lending partnership).

> **"What makes us unique is best personified by our name. We are a start-up with 147 years of expertise — delivering the freshness and consumer centricity of a new digital brand with the backing of an established financial institution."**
>
> Dustin Cohn, Head of Brand and Marketing Communications for Marcus by Goldman Sachs

Are you ready to brand like *a challenger?*

Today, portfolio management requires rigor and creativity: analytical rigor to determine where there are opportunities to hatch a new brand, and creativity to connect on an emotional level and appropriately link it to the master brand.

Like any asset portfolio, a brand portfolio needs to be reassessed periodically to ensure the components fit strategically and serve a clear business purpose. Similarly, potential for new portfolio brands should be considered regularly through the lens of innovation opportunity.

The cadence of this process can follow three primary steps:

1

Find the future segments, and follow them.

The lives of children born today will be unrecognizable to our own. This means previous assumptions about the relative stability of customer segments and needs no longer holds true. Similarly, static analytical approaches to dissecting the market and mapping segments are not as relevant in an era when outside disruptors can appear overnight. Today, businesses need to think more deeply about the customer of the future and how best to serve them.

Innovating new value propositions and uncovering the most promising segments of the future require intimate insight into the subtlest emotions and behavioral quirks of the customer, rooted in deep observation. This more emotional, more human approach to segmentation, which requires discerning the root causes of problems that need solving, creates the gateway for innovation.

2

Streamline to focus innovation.

Keeping up with the rapid pace of change requires a dynamic approach to brand management. Ongoing assessment and streamlining of a portfolio are necessary to free up resources to uncover new value propositions and invest in innovation. A clear architecture to brand portfolios, including the company brand and product or sub-brands, identifies and creates room to grow.

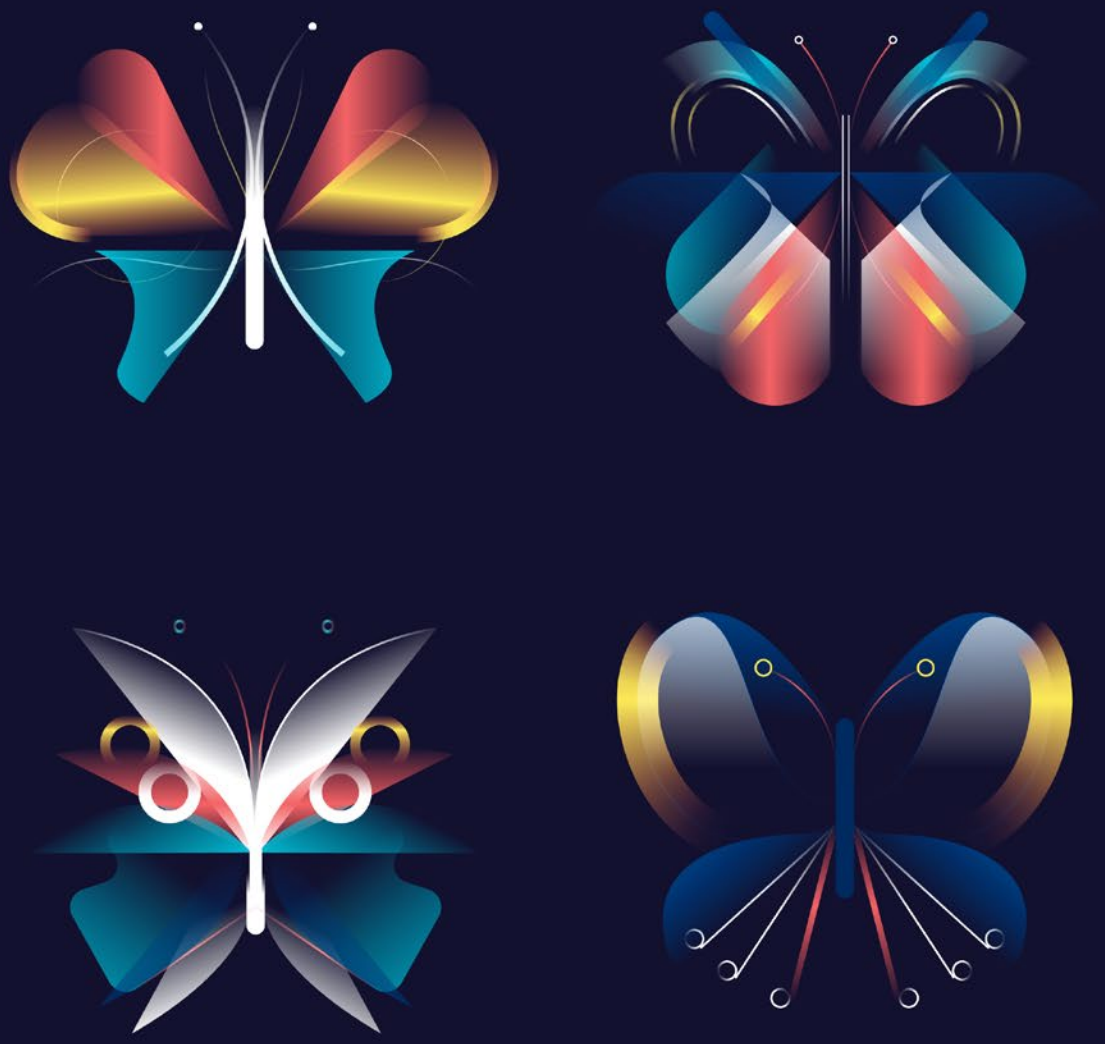
Systems and protocols need to be in place to evaluate and rationalize portfolios on an ongoing basis and in the event of a merger. When the American clothing manufacturer HanesBrands Inc. acquired Maidenform, it inherited six new sub-brands in addition to the eight legacy intimate apparel brands already in the portfolio. Committing to a streamlining process that evaluated each brand’s economic viability yielded a portfolio of four big brands. The HanesBrands energized portfolio now spans the full set of emotional needs (from looking good to feeling sexy) and functional needs (from comfort to enhancement) required to maintain market leadership and, most importantly, focus future innovation.

3

Feed, don’t starve, your corporate brand.

Arguing for a new brand is not the same as arguing for full independence. The trick is to get all the benefits of the new, while making sure that the corporate brand gains from the association. Otherwise, putting all your new news in a separate vehicle can make the corporate brand look tired, reinforcing the drive for separation in a vicious circle that can be hard to unwind. Fortunately, brand architecture is one place you can have your cake and eat it. Watson could only be from IBM (carrying the name of the founder, and presented in an IBM context); the Watson sub-brand helps IBM be seen as more current, not less.

To get the balance right, map out what linkages you want people to understand between your different activities, as well as the separations you want to make. There are design solutions to convey pretty much any combination of linkages and separations, once your goals are clear on what you want to do.



Ask yourself and your team

- [ ] Are we thinking broadly enough?
- [ ] Does our portfolio cover the whole market?
- [ ] Are we tapped into future segments and prepared to meet new needs?
- [ ] Where is our business growth going to come from?
- [ ] What is our portfolio's next invention?
- [ ] Does our current portfolio manage resources effectively and allow for innovation?
- [ ] How can we broadcast our unique value propositions to the world, establish emotional bonds with customers and attract the best talent?
- [ ] How do we make any new brand work both for the new initiative and for the overall enterprise?

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