

## CHAPTER 5

# Success Stories of B2B Branding

*Few things are harder to put up with than a good example.*

Mark Twain (1835-1910)

In this chapter, we are going to describe several examples of successful brands of industrial companies that illustrate how brand strategy is put into action.

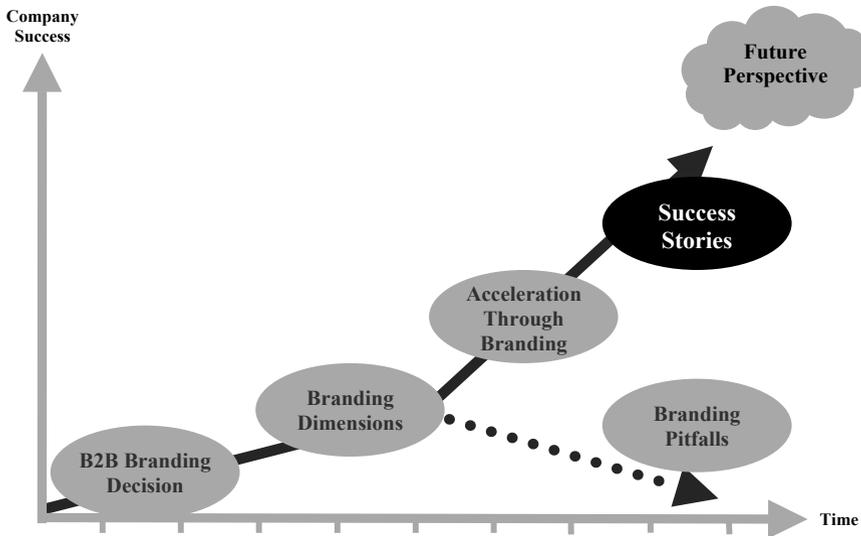


Fig. 53. Guiding principle success stories

The eight cases are:

**Table 5.** Selected Case Studies

Case	Principle
<i>FedEx</i>	<p><b>From a House of Brands to a Branded House</b>            “How <i>FedEx</i> communicates one brand promise in B2C and B2B in several businesses.”</p>
<i>Samsung</i>	<p><b>Leveraging the brand from B2C to B2B</b>            “How to successfully leverage B2C brand strength to B2B business.”</p>
<i>Cemex</i>	<p><b>Dual branding to create brand equity</b>            “<i>Cemex</i> dual branding concept of branding for B2B clients and individual branding for B2C clients with specific country needs.”</p>
<i>IBM</i>	<p><b>Successful turnaround through brand communications</b>            “Strengthening <i>IBM</i> brand by an integrated marketing communication approach.”</p>
<i>Siemens</i>	<p><b>Branding for cross-selling initiatives</b>            “Effective and efficient brand communication of <i>Siemens</i>’ cross-business activities.”</p>
<i>Lanxess</i>	<p><b>Brand communication of a spin-off</b>            “Successful build up of brand positioning and alignment of communication activities to lead the business into independence.”</p>
<i>Lenovo</i>	<p><b>Building a global Brand from China</b>            “Leveraging the excellent reputation on quality and services of <i>IBM</i>’s PCs to <i>Lenovo</i>’s own brand.”</p>
<i>Tata Steel</i>	<p><b>Branding steel based on customer focus</b>            “How <i>Tata Steel</i> successfully branded its products and moved to high value added products (through internal Marketing focused on customers).”</p>

## 5.1 FedEx

### From a House of Brands to a Branded House

*Federal Express* was founded in 1973 by Frederick W. Smith. He literally invented the concept of overnight delivery, thereby creating a whole new market where previously there was none. Starting off with only fourteen small jets at its disposal, *FedEx* today has more than 560 aircrafts – making them the largest all-cargo air fleet in the world.<sup>1</sup> The total daily lift capacity of their fleet exceeds 26.5 million pounds. Within 24 hours it travels approximately 500,000 miles. With the 2.5 million miles the *FedEx Express* couriers log a day; it is equivalent to 100 trips around the earth.<sup>2</sup>

A need that already has been identified rarely provides companies with big business opportunities. The **greatest opportunities** arise when you detect a **completely new need** that your customers didn't even recognize themselves until you offered a solution to them. That is the success story of *FedEx* with its overnight delivery system.

The company was named "Federal Express" because of the intended associations with the word "Federal" since it expressed an interest in nationwide economic activity. Another trace to the name is the proposed contract with the Federal Reserve Bank, which the company hoped to attain at that time. Although the proposal was denied, the name "Federal Express" was chosen since Smith believed it was a **particularly good one** for their purposes. It draws public attention to the business and facilitates name recognition.<sup>3</sup>

While the ability to **identify an unidentified need** provides a great business opportunity, it tends to remain useless if a company fails to come up with a new and innovative way of meeting it. The delivery of a new service can be quite tricky. *FedEx* solved it brilliantly by its hub-and-spoke distribution system. This innovation lies at the heart of the *FedEx* network and is only one example of various other innovative solutions in this area. The effective integration of its ground and air system is another case where the company proved its willingness to do things differently.

Soon after its foundation, the company managed to become the premier carrier of **high-priority goods** in the marketplace, setting the industry standard for their operations. Considering the fact that there was no other company with a comparative market offering at that time, this is not really surprising. Nonetheless, the company did not generate any profit until July 1975. By the end of 1995 the company was well established, with an astonishing growth rate of about 40 percent annually. Gradually new competitors appeared, attracted by this appealing economic potential. In 1983, the company made business history by being the first American company reaching the **financial hallmark of US\$1 billion** in revenues within ten years of start-up **without mergers or acquisitions**.<sup>4</sup>

By building out its **core competencies** in logistics *FedEx* has definitely produced a **competitive advantage**. When *UPS*, its main competitor, successfully invaded the airborne delivery system in 2001, *FedEx* responded with counteroffensive defense. In order to challenge *UPS* in its own home turf it invested heavily in ground delivery service while still building out its special overnight services, such as extended pickup hours and Saturday delivery.<sup>5</sup>

## **FedEx Brand**

The idea of express networks that first emerged 150 to 200 years ago in the United States still constitutes the core of the *FedEx* brand. These networks were established to move something very important under someone's custodial control and have it delivered within a certain time. This basic principle of a general delivery service lies at the heart of the *FedEx* business. Transportation, logistics, and movement of goods – anything that suits this **basic principle** fits the *FedEx* **brand**. The focus of the brand, though, rests on what it identifies: **express networks**. General but yet powerful associations are security and reliability. It provides customers with peace of mind, nurturing their sense of security by using the brand.<sup>6</sup>

Over the years, customers adopted the shortened name *FedEx* to speak of the company and its services. Actually the term has been used as a verb, meaning the equivalent of “sending an overnight shipment”. To “FedEx” something is **common terminology**. Thank-

ful for this cue from its customers, the company officially changed its brand from *Federal Express* to *FedEx* in 1994. This can be regarded as the first **evolution of the company's corporate identity**.<sup>7</sup>

In the early 1990s the company was then expanding into global markets and wanted to modernize its corporate brand. Soon, the company realized that **more than a cosmetic face-lift** was needed for its dated purple logo. In order to do it right *FedEx* started a **complete overhaul of the corporate identity** from the visual design to the corporate name to the names of everything that it offered – from services to drop boxes to shipping containers. Research findings at the time revealed that many customers didn't really understand what *FedEx's* services were because the naming was quite confusing. In some cases *FedEx* used acronyms that didn't give them any clue at all. In order to clarify the naming system and to keep it simple the company implemented a system that relies **solely upon the *FedEx* brand in addition with real words to describe the operating company**, product or service explicitly. The re-branding efforts created a successful brand portfolio of services and products with names that have become timeless.

In 2000, the company implemented the second evolution of the company's corporate identity when it changed the name to *FedEx Express* in order to **better position** the business in the overall *FedEx* Corporation portfolio of services. Just like it was the case for *UPS* changing its logo, the re-branding signified an **expanding breadth** of the company's market offerings. It simply had to move away from being just an overnight delivery service business, which can be compared to *UPS* moving away from being just a ground delivery service business.

The brand promise of *FedEx* that secured its place in customers' minds and hearts is the guaranteed next-day delivery "**absolutely, positively by 10:30 a.m.**" With the intention to create a more diversified business including a portfolio of different but related businesses, the company invested heavily in a number of acquisitions and realignments.

With the acquisition of *Caliber System Inc.*, for instance, the *FedEx Corporation*, originally called *FDX Corp.*, was formed in January 1998.

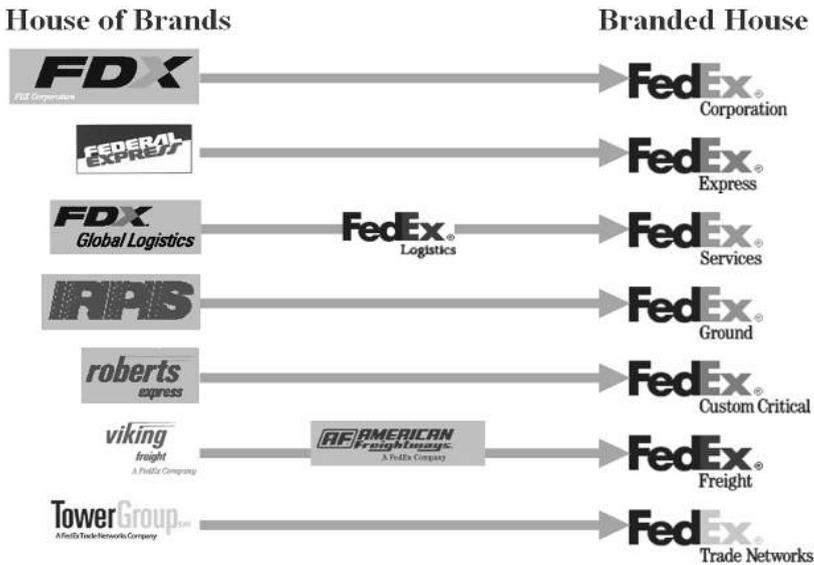


Fig. 54. From a house of brands to a branded house<sup>8</sup>

In a move to integrate the company’s portfolio of services and become a Branded House, all *Caliber System Inc.* subsidiaries were re-branded.<sup>9</sup>

Today’s *FedEx* is directed by *FedEx Corporation*, which leads the various companies that operate according to the business motto “operate independently, compete collectively and manage collaboratively,” under the *FedEx* brand name worldwide. This way it ensures that all companies can benefit from the *FedEx* brand as it is one of the world’s most recognized and trusted brands. In 2004, the *FedEx Corporation* acquired the privately held *Kinko’s Inc.* and later re-branded it *FedEx Kinko’s*. It is therefore the only acquired brand the company chose to keep as an official subbrand with its own equity in the brand portfolio.<sup>10</sup>



Fig. 55. *FedEx Kinko’s* as the only independent subbrand<sup>11</sup>

## Communicating the Brand

*FedEx* regards its own operations as one of the best channels of communications they have. The close integration of their information systems and transportation systems with those of their customers makes it even more difficult to switch to alternative market offerings. One of the first things they see on the screen when they turn on their PC is *FedEx*.<sup>12</sup>

While most brands focus either on businesses or on consumers, *FedEx* keeps them both on its radar screen. The primary target is the B2B world, but in order to ensure that its ubiquitous brands maintain its leadership status they also build its master brand inside the B2C universe.

All communications contribute to developing the *FedEx* brand image and reputation. Advertising, direct mail, sponsorships, corporate identity sales force, couriers and information systems are used. **Maintaining its reputation and its brand image is a top priority concern**, since it is one of the most valuable things the company has. As CEO, Frederick W. Smith regards guarding and championing the brand as an important part of his job.<sup>13</sup> Major branding decisions are usually made by him, the Vice President of Marketing, and the **Director of Global Brand Management**. Market research is used to validate and provide guidance for execution.<sup>14</sup>

Over the years, *FedEx* had several taglines: *America, you've got a new airline, Absolutely, Positively, Don't worry. There's a FedEx for that, Our office is your office* and *Relax, it's FedEx*. The last one was so successful that they launched a new advertising campaign in 2005, still using this previous tagline. Communication elements comprise TV, print, radio and online ads. The campaign is targeted at small businesses and delivers the central message that the portfolio of *FedEx* services will help them to meet their needs.

The launch campaign for the *FedEx Kinko's Office and Print Centers* in July 2004, incorporated TV spots, print, radio, direct mail and online elements around the slogan *Our office is your office*. It was tar-

geted especially at small businesses and had to reflect the one-stop resources offered by the centers. *FedEx* has some kind of signature style about its ads that is rooted in its rich heritage of humor in advertising.<sup>15</sup> The TV spots used a series of hilarious slices of small-business life and were wonderfully wry and perfectly cast to deliver a key point. News that is delivered in an entertaining fashion tends to be more memorable for people. The humor in the advertising campaign also has positive effects on *FedEx's* sense of self-confidence. The target audience of small business owners' response to the spots was overwhelmingly positive.<sup>16</sup>

The average core customers of *FedEx* are primarily males between the ages of 25 and 55. One central goal of communications is to place the brand wherever this **target group frequents**. That's the reason why the company extended its sponsorship of the National Football League for three years. It was also driving the decision to join forces with *Joe Gibbs Racing* in 2005.<sup>17</sup> *FedEx* is sponsoring the #11 *FedEx Chevrolet* during the 2005 NASCAR season. The *FedEx Racing* campaign with the headline "Every Day Is Race Day" will be supported by TV, print and online ads.<sup>18</sup>

Sponsorships are used quite intensely at *FedEx*. Qualities like speed, teamwork, and precision in building the largest express delivery company in the world are held up high. These same qualities are prominent in their **sponsorships**, resulting in rather natural and complementary relationships.<sup>19</sup> The company regards this marketing tool a great opportunity to drive business and even **integrates the sponsorships** as an anchor point throughout the marketing mix, not the other way around. Certain events are used as content useable in media, promotions, employee incentives, and online. Examples include NFL-themed promotions, Orange Bowl-flavored retail incentives, and PGA-related TV spots. The company uses sponsorships to invade new markets and penetrate new areas, resulting in high growth rates.<sup>20</sup>

Sometimes companies get very lucky because their company and/or brand are included in movies simply for plot reasons. *FedEx* lucked out in 2003 when they benefited tremendously from product

placement at no cost because the company and brand were featured in the major motion picture *Castaway* starring Tom Hanks. Actually, you could say that this was a **two hour FedEx** commercial that people even paid to see. There were plenty of Fed Ex trucks, Fed Ex posters and Fed Ex planes; you can imagine how much favorable exposure *FedEx* received from this.<sup>21</sup>

## 5.2 Samsung

### Leveraging the Brand from B2C to B2B

*Samsung* is a Korean industrial group with a product portfolio ranging from electronics, finance and construction to other services. It successfully internationalized its business from local to global. *Samsung* is headquartered in Seoul, South Korea. It is ranked as number 20 of the 100 most valuable brands worldwide carried out by *Interbrand* in 2005. This is an increase of **more than 100% since 2000 with brand value rising from US\$5.2 billion up to US\$12.5 billion**. In 2005 the company had 175,000 employees and an annual turnover of US\$43.6 billion. Innovation and premium branding helped *Samsung* to achieve profits of US\$10.5 billion the same year.

Exporting dried fish and vegetables *Samsung* was founded in 1938 and started large scale manufacturing in the late 1950s in various industries. In 1978, *Samsung Semiconductor* became a separate entity producing for the domestic market. With the development of a 64K DRAM (Dynamic Random Access Memory) VLSI chip (Very Large Scale Integration electronics **chips**) it expanded globally. In the financial crisis in 1997, *Samsung* was facing US\$20 billion in debt and had to slim down the company by more than 100 non-essential businesses in a restructuring process. It kept only 47 affiliated companies and strategically re-focused on four technical components: displays, storage media, random access memory (RAM) and processors.

The restructuring process led *Samsung* also to focus on core businesses. It restructured its business into four strategic business areas – Home Network, Mobile Network, Office Network and Core com-

ponents – that support network products. *Samsung* implemented a clear mission and vision across all core businesses:

**Vision:** “Leading the Digital Convergence Revolution”

**Mission:** “Digital e-Company”, i.e. a company that leads the digital Convergence Revolution through innovative Digital Products & e-Processes.

Also, *Samsung* focused on developing pioneering products and technology in semiconductors, telecommunication devices and home appliances field, which on the long-term made *Samsung* a most competitive total solution provider in digital convergence.

The strategy to **develop new markets and new approaches** has led *Samsung* to become a brand-led technology innovator. Its specialty is to focus on its customer needs and to adapt quickly to changes in consumer preferences.

Simultaneously to the reorganization of its business units, *Samsung* established an intensive internal **change management process** – where marketing activities were bundled under one Corporate Center. The aim was to implement a holistic marketing strategy instead of individual marketing plans to strengthen its market power and to increase brand strength with high quality and innovative products. *Samsung* had to face the following challenges:

- Create one **global brand and marketing strategy** establishing a clear brand vision and brand values to leverage brand’s success across B2C and B2B businesses.
- Concentrate communication **from customer to stakeholder perspective** as communication to non-customer stakeholder groups becomes more and more important having a strong direct brand impact.
- Increase communication planning **from cost to investment perspective along the entire brand screen.**
- Expand position on chip/semiconductor market via cutting-edge technology and concentrate communication **to digital consumers.**

### *Clear Brand Positioning*

*Samsung's* aim to build a clear brand positioning followed a structured approach. First, *Samsung* established a brand mission according to the overall mission of the company. The mission reflected the core values of the brand – being close to the customer, consider customer needs and deliver innovative solutions.

Second, *Samsung* developed a distinctive value proposition to foster its single brand strategy. The value proposition gave further detail on the brand mission and explained how *Samsung* aimed to concentrate on a clear focus towards customer orientation and its promise to innovate best-in-class technology. Moreover, the value proposition accentuated some emotional aspects the brand wanted to communicate. The increased emotionality was then brought to life in *Samsung's* image campaign.

Looking back, in the 1990s, ***Samsung was the brand you bought if you couldn't afford Sony or Toshiba.*** But this image should change a lot. The strategy was changed from a low cost and low quality image to a price premium and market leader. *Samsung* aimed at providing leading-edge, stylish products.

*Samsung* established its brand as a **brand known for the most fun and stylish models** ranging from cell phones to flat-panel plasma TVs. Additionally, *Samsung's* ability to produce almost any kind of digital technology products, monitors, MP-3 players, TVs and printers allowed the company to be mostly independent from main component suppliers.

In a third step, *Samsung* deepened its single brand strategy via introducing a new corporate identity program. It aimed to **strengthen competitiveness** by bringing the attitudes and behavior of all employees in line with *Samsung's* desired perception by the public. *Samsung's* corporate logo was redefined to reflect *Samsung's* determination to become a world leader<sup>22</sup>.

The *Samsung* name was then written in English, expanding its global presence throughout the world. The name was superimposed over a



**Fig. 56.** The new Samsung logo

dynamic, new logo design, giving an overall image of dynamic enterprise. The elliptical logo shape symbolized the world moving through space, conveying a distinctive image of innovation and change. The first letter, "S", and the last letter, "G," partially break out of the oval to connect the interior with the exterior, showing *Samsung's* desire to be one with the world and to serve society as a whole.

The new logo was developed in the Corporate Marketing Center. Brand campaigns were handled from the Headquarters, apart from country specific adaptations and the media mix. *Samsung* began making a **strong push to build a reputation on digital convergence** from the late 1990s, **using international competitions** to gain fast recognition. In 2001 *Samsung* won the first spot on the IDEA (Industrial Design Excellence Award) list jointly with *Apple Computer Co.* and was the sole winner in 2002<sup>23</sup>.

The new marketing strategy led to a US\$400 million worldwide ad campaign "digitAll-everyone's invited". The image campaign became more emotional: For the first time *Samsung's* new ad campaign by Berlin Cameron/Red Cell told an emotional story, relating *Samsung's* products to every day situations. This was a change from its rather product oriented communication strategy and a move towards the image creation by its products. *Samsung* established a controlling tool to measure the effectiveness and efficiency of its communication activities and to identify improvement potentials on each step of the customer relationship path. Since *Samsung's* concentration on a single brand strategy, the amount of global marketing spending summed up to €2 billion (2004)<sup>24</sup>.

Additionally, *Samsung* created an **own universe for its campaign** situated in the *Time Warner Center* in New York and supported by an online-world [www.samsungexperience.com](http://www.samsungexperience.com).

**Excursions:** The *Samsung Experience* is a remarkable 10,000-square-foot interactive emporium of virtual reality experiences and technology. The permanent venue is located on the third floor of The Shops at Columbus Circle in the *Time Warner Center*. *Samsung* has created a range of experiences, each of which ties the *Samsung* brand and technology to the experiences of everyday life. The site features hundreds of *Samsung* products in unique technology demonstrations such as a virtual world in a 360 degree interactive simulation, a map of the city that can be manipulated with hand gestures, and a digital fashion collection created by one of New York's hottest designers.

The *Samsung Experience* is not a store and is always free to visitors. Visitors are invited to relax and learn how the latest devices can enrich their lives. Content from *Samsung's* many partners, including MIT Media Lab, Parsons School of Design, *Napster*, *Microsoft*, *Time Warner*, Lincoln Center, and Sprint PCS, helps add to the experience.

"*Samsung Experience* is digital convergence in its purest form – where you can see, hear, touch and create the art of the possible," said Dong Jin Oh, CEO of *Samsung Electronics North America*. "Our hope is that the venue will become a great educational resource, communicating the life-enhancing benefits of digital technology without the pressures of a sales environment."

*Samsung* is also pioneering an innovative loaner program. Visitors to the *Samsung Experience* will be able to take a hard-disk based camcorder with them to shoot video around New York City. Once they return, they can edit the footage at kiosks inside the Experience, burn their movies onto DVDs, and return home with a digital souvenir. Visitors are also able to use *Samsung Napster MP3* players to download songs off *Napster* to CDs, and also download ring tones to their cell phones. Images embedded in the venue's giant interactive map of the city can be transferred to customize post-cards and create personalized artwork.

Additionally, *Samsung* will host technology seminars and tutorials at the *Samsung Experience*, as well as product launches and special events. "Digital technology doesn't need to be confusing and overwhelming. The *Samsung Experience* will help people learn how to take control of digital devices and use them to improve the quality of their lives," said Peter Weedfald, *Samsung Electronics* North America senior vice president-marketing. "As a digital convergence leader, *Samsung* is the perfect company to meet this need."

"This is a major strategic play for *Samsung*," said Stephen Baker, NPD Techworld's Director of Industry Analysis. "By creating a direct consumer presence without relying on resellers, *Samsung* **builds not only brand awareness**, but also greater **appreciation for digital technology** overall. Everyone wins - especially consumers and retailers, who benefit from better understanding of what digital living is all about." Early in the design and planning process, *Samsung* recognized that its ultimate brand expression required many pioneers of the digital convergence revolution to achieve a total immersion experience. *Samsung* enlisted a number of its long-time partners and recruited new converts as well as to collaborate in achieving the "art of the possible."

"Our products, great as they may be, are just the enabler - ultimately, this is not about products, but about the experience," said CEO Oh. "Working closely with content providers and other leading digital brands is the most gratifying part of what we've accomplished, and enables us to create the deepest, most satisfying expression of the new digital lifestyle."<sup>25</sup>

### *Communication to All Stakeholders*

For companies operating in the B2B sector a focus in communication on high impact groups is increasingly important to successfully establish brand transfer. That is why, *Samsung* set up a comprehensive program to ensure consistent communication to all stakeholders considering the different roles of the brand. *Samsung* identified three high impact groups:

- **Staff and customer base:** brand's role to build trust and foster identification
- **Target customers/financial community/broad public:** brand's role to build trust platform, to trigger analyst expectations, to build goodwill platform (corporate citizenship)
- **Talents/gatekeepers/opinion leaders:** brand's role to build "preferred employer" position, build goodwill platform

Within this program, *Samsung* signed a deal in 2000 with *Lucent Technologies* to supply internet phones and, in 2001, *AOL Time Warner* and *Samsung* agreed upon mutually promoting their brands within a strategic marketing agreement.

Since 1998 *Samsung* has been an **official sponsor of the Olympic Games:** Nagano (1998), Sydney (2000), Salt Lake City (2002) and continues its sponsorship until 2008. During the Games *Samsung* provides athletes, organizational staff and journalists with especially developed mobile phones promoting *Samsung's* products and delivering its promise of being an innovative and flexible company.

With the Olympic Games *Samsung* gained quick, cost-effective global exposure. "I convinced the company we had to have a single message," says Kim. Its brand awareness increased after each Olympics about 2% and had a huge impact on the quick rise of the brand. Brand value increased since 2000 until 2004 about 100%.

For its target customers, *Samsung* established both in B2C and B2B the **concept of hero products**. It means that each *Samsung* subsidiary has to define at least one hero product, e.g. mobile phone, TV or digital camera, which has - based on local or regional market research - **potential to become a blockbuster**. *Samsung* very closely involves its target customers in the development/research process via generating feedback on its B2B online platforms.

### *Comprehensive Communication Planning*

To achieve business impact, a common planning/monitoring across disciplines is needed with a **brand management via value creation**

**and innovation** rather than simple cost controlling. *Samsung*, when switching its strategy towards a premium brand, started to move its planning towards communication activities which have impact on each step of the customer relationship path, i.e. from awareness to purchase to loyalty.

Two major directions of impact towards **high-end distribution channels** and an **emotional approach** for its campaign were *Samsung's* strategy. In its latest campaign, *Samsung* cemented the company's new up market image by promoting its products in high-end distribution channels.

### *Expand Position on New Chip/Semiconductor Market*

Despite several challenging moments for the semiconductor industry, such as the recession in early 1990s and early 2000, *Samsung* **aggressively increased its investments** in the business unlike the rest of the industry which laid-off workers to cut cost. **This pre-emptive investment strategy** helped *Samsung* to gain market share and to meet the rapidly growing demand for 4 megabyte chips after 1994 in the global market. *Samsung* became the number one memory chipmaker in 1993.

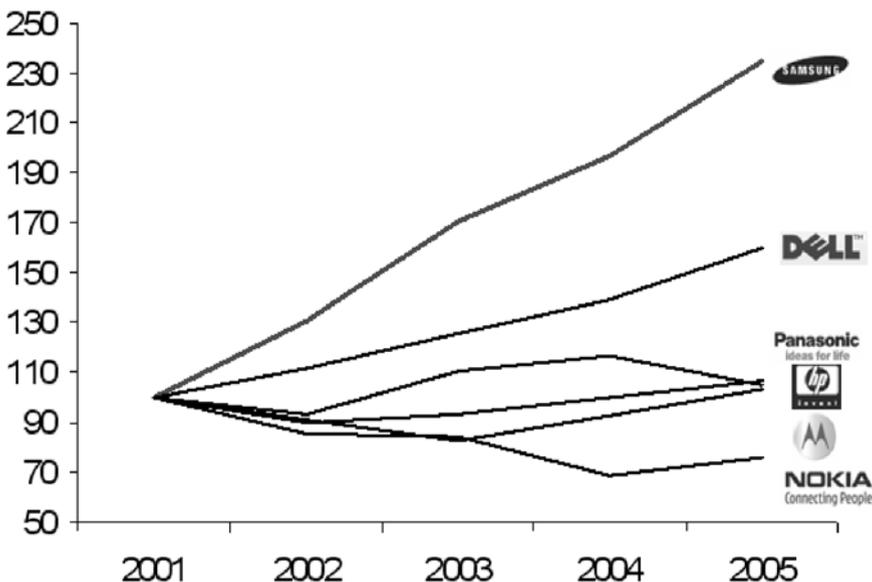
By pursuing twin goals of **leading-edge technology** and producing **one generation-old products** in the niche market of memory chips, *Samsung* successfully avoided risks of failing in the market. They laid out Flash memory where text, photos, sound and screen can be saved in the small-sized chips. *Samsung's* market share of memory chips has been growing continuously from 10.8% in 1993 to 28% in 2004, but it still follows *Intel* in the non-memory sector.

In 2000, *Samsung* asserted that digital consumers, a growing importance of business networks and technical devices would create new demands for semiconductors in the future. *Samsung* recently announced its plans **to beat Intel in computer chip sales** and to make a better partnership with it at the same time. Synergy effects will be drawn when all three core elements of investment, leading-edge

technology and the unique digital products work together within a dynamic business interaction.

*Samsung's* vice president Yun Jong-yong stated that the company will try to **become one of the top 3 electronics firms by 2010** in terms of quality and quantity and will therefore try to raise its brand value and revenues in its semiconductor business over *Intel*. Despite tough competition *Samsung* and *Intel* both plan on building better platforms to improve combined business opportunities.

*Samsung* is already **leading the electronic market** in some product segments, such as in the set-top box as leading product in home networking. In late September, 2005, *Samsung Electronics* announced a **US\$33 billion investment to add new production lines in Hwasung, Gyunggi-do by 2012**. It will be the **largest semiconductor cluster** and create about 12,000 jobs. *Samsung's* expects to achieve total sales of US\$61 billion when the project is completed.



**Fig. 57.** Interbrand brand equity development 2001-2005 (indexed; 2001 = 100)<sup>26</sup>

Besides being successful in this particular project *Samsung* increased its overall brand equity tremendously. Compared with the peers *Dell*, *Panasonic*, *HP*, *Motorola* and *Nokia*, *Samsung* doubled its Inter-brand equity.

The conclusions we can draw are that *Samsung* successfully followed a **one brand strategy by establishing one global value proposition**, one logo and one consistent brand message *Samsung* communicated the same values across all businesses to all stakeholders, and followed a clear focus towards an emotional approach to increase brand image. *Samsung* followed also a preemptive investment strategy to comply with digital consumers demand and applied communication measures in an effective and efficient manner, and they **consistently communicated their promise** to offer innovative products perfectly tailored to customer needs.

### 5.3 Cemex

#### Dual Branding to Create Brand Equity

*Amazon.com* founder, Jeff Bezos, has been quoted as saying he would like to position his company to be able to sell anything - except concrete.<sup>27</sup> Although the cement business is a **commodity industry** characterized by low growth, high asset requirements and unpredictable demand, *Cemex* defies one's expectations regarding cement. *Cemex* (NYSE: CX), a cement company located in northern Mexico, has undertaken a fast growing process in the last decade to become the **most profitable cement company in the world**. A clue for its success has been its accurate corporate brand strategy. In 2003 & 2004, *Cemex* received the first place spot on the Reader's choice brand recognition of the *brandchannel.com* for Latin America.<sup>28</sup> The *Cemex* brand success was only possible through a **strong brand strategy developed** by the marketing team at *Cemex*.

## *Company History*

Founded in 1906, *Cemex* started its dynamic growth in the 1990's, and in less than 10 years moved from No. 28 to No. 2 in the global cement industry. *Cemex* reported that 2005 net income was more than quadruple 2003's net income. *Cemex* sold in 2005 more than US\$15.3 billion (2004 US\$8.2 billion) with a profit of US\$3.6 billion (2004 US\$1.3 billions), the most profitable company in its industry.<sup>29</sup>

*Cemex* operates in more than 50 countries and has commercial relations in over 90 nations. *Cemex* is engaged primarily in the **production, distribution and marketing of cement**, ready-mix products and aggregates. To provide these world-class products and services to its customers, *Cemex* combines a deep knowledge of local markets with its global network and information technology systems. Known as a "digital leader", *Cemex* has applied IT and e-business ideology to this traditional low-tech industry, **thus transforming the rules of the game** on most of the markets where it is present. With the acquisition of *RMC*, *Cemex* is on the way to the global leadership position.<sup>30</sup>

However, being a technology leader is only part of the success of *Cemex*. The *Cemex Way* is strongly focused in **developing the right behaviors and values of all *Cemex* people** to integrate the worldwide knowledge on products, customers and operations. This knowledge is used to develop a robust process that shows the most efficient practices, creating a business system easy to deploy in the integration of new acquisitions around the world.

As described by the company, its business model is made of the following elements: (1) **focus on its core business** of cement, ready-mix concrete and aggregates (2) provide its customers with the **best value proposition** (3) grow profitably through **integrated positions** across its industry's value chain (4) **allocate capital effectively** (5) and continuously **improve their operating** efficiency and productivity.<sup>31</sup>

### *The Importance of Brand management for Cemex*

*Cemex* CEO Lorenzo Zambrano had a distinctive vision of the industry. For him the cement industry was really a **culture industry, not a cyclical commodity industry**. This is the reason why brand positioning plays a significant role in the company's market share. In many of the company's markets, cement is sold as a **brand-name product in bags**. This is particularly true in fast growing developing economies, where cement is the most commonly used building material, and **brand positioning plays a major role in market share**. The *Cemex* brand holds a leading position in countries like Mexico, Spain, United States, Venezuela, Dominican Republic, Costa Rica, Panama and a significant presence in Colombia, Egypt, several Asian nations and West & East European countries. These countries have major infrastructure needs and a relatively low per-capita cement consumption, which translates into important growth potential.

Branded cement is one of the main building blocks of *Cemex's* success. And consumers associate *Cemex* brands with strength, durability and tradition – the very essence of a good cement product. This has enabled *Cemex* to **differentiate its products and build customer loyalty**. In these volatile economies brand loyalty is a critical intangible asset, so that the self-construction sector continues buying the product through tough and prosperous times. Brand loyalty is perceived by *Cemex* as a **sustainable competitive advantage**, and therefore customer satisfaction is a top priority. *Cemex* believes that a diligent brand management is required to serve customers distinct preferences worldwide.

### *The Corporate Brand Strategy at Cemex*

*Cemex* has developed a **transnational brand strategy**, with individual brands for each of the local products, but all of them under the umbrella of the corporate brand. Historically, *Cemex* uses its grass-roots products to create brand equity to its **corporate brand**, and then uses their corporate brand to expand its value to new products. This is achieved by a continuous endorsing of the product brands.

First the promotion is focused on the local well-known product. When the consumer is used to seeing the corporate brand, then marketing is focused on building the **corporate image**.

Figure 58 shows two sponsored jerseys of the local soccer team of Monterrey, Mexico. The first picture shows in the center the logo of the *Cemex* cement brand sold in the area, and in small letters the corporate *Cemex* logo. A jersey worn some seasons later shows the corporate logo of *Cemex* in the center and the local *Cemex* cement brand small.

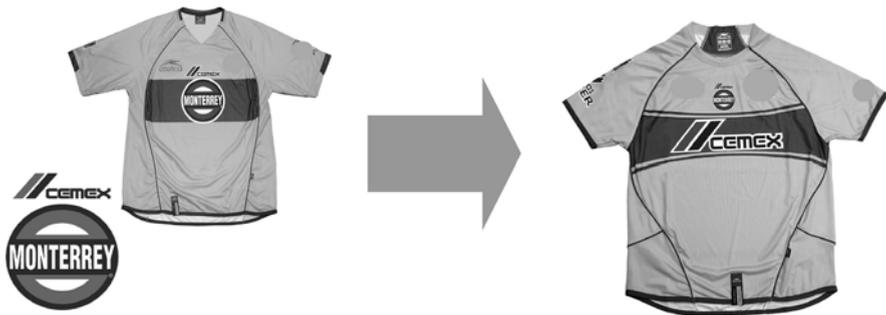


Fig. 58. *Cemex* branding through sport promotion

Creating a strong corporate brand has been the most cost-efficient advantage for *Cemex*.<sup>32</sup> The **brand equity** is easily carried into new products and services. By continuously endorsing brands, **both segments – B2C and B2B** – are maintained with a dual branding concept. The individual brands in each country allow *Cemex* to adapt to the specific functional needs of the consumer and price constraints of the market. And the corporate brand vigor allows *Cemex* to maintain a strong link to their B2B direct clients, the distributors and service users. Keeping a strong brand recognition among its direct customers as well as the end consumer is crucial for the company's continuous growth.

*Cemex* is interested in maintaining a strong corporate brand and few individual brands covered by the corporate brand. Due to its

wide international expansion, each geographic business unit portrays the *Cemex* logo with the country name. Under each country, it uses the *Cemex* logo to describe or endorse its main products or services including all the *Cemex* cement brands and *Cemex Ready Mix* (concretos). The corporate brand is also used to endorse other B2B units such as *Cemex Capital*.

The *Cemex* brand is used to certify the quality of the product or service. However, it is never used as a brand by itself on a product or service. For example: Cement *Cemex*, or the usage of the logo elements on the product logo only. In that way the corporate brand is protected from possible correlations or limitations to a specific area of business.

In the 2004 annual report *Cemex* declared: “the *Cemex* trademark is more than just a logo, slogan or mission statement; it is **a promise we make to our customers** to deliver outstanding service and top quality products”<sup>33</sup>. And today the *Cemex* brand is synonymous with strength, prestige and stability in all the markets where present. A company is not just evaluated by its financial results, but also by its human resources competences, environmental sound policies, and social responsible behaviors. And that has been achieved by *Cemex*, creating a corporate brand not only appealing to the customer but to all the stakeholders. Through a strong brand they had been able to create a more appealing look to investors, attract better human talent, **increase the market value of the company**, be a magnet for better associates, and obviously increase sales on their products.

Their best way to create the strong brand image is **through everyday actions undertaken** by the company. So that is why we can say that each employee of *Cemex* has been responsible for the creation of the current image. To do so, *Cemex* continuously communicates through its internal IT channels any change in corporate direction; and *Cemex* keeps a tight and limited usage of the logo, name and business colors. This is particularly important, to keep the pace with the aggressive business mergers and acquisitions, but still creating a homogeneous internal and external business image.

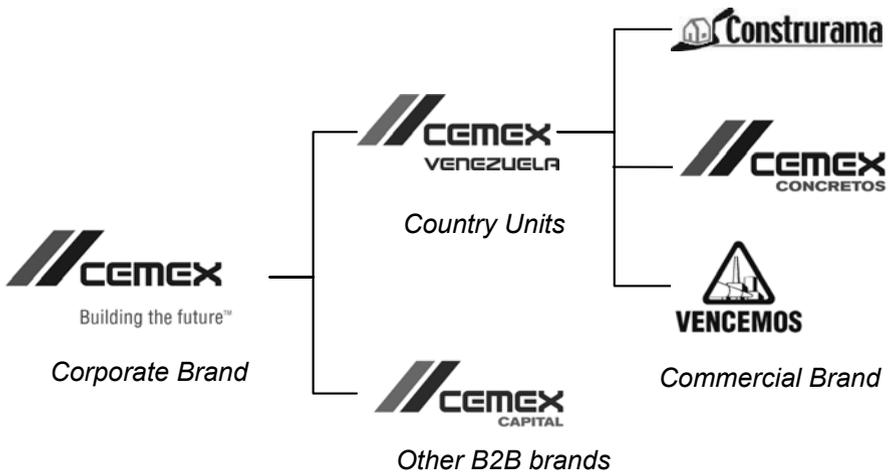


Fig. 59. Cemex brand portfolio<sup>34</sup>

As stated by *Cemex*, the values nurtured into its image are collaboration, integrity and leadership. And some of the identified attributes in the corporate brand include: global company, customer focus, investor focus, and technology innovation. The values and attributes of the *Cemex* brand are easily recognizable throughout the company activities and decisions.

**Collaboration:** Most of the business carried by *Cemex* is B2B through selling to its distributors and not to the end customer. *Cemex* showed its strong collaboration commitment by building and licensing a brand to its major distributors. *Construrama* is now the largest construction materials chain in Latin America. It is a win-win proposition for *Cemex's* customers and distributors. On one hand, it offers distributors a number of advantages that they couldn't realize on their own such as brand recognition, access to products and services at competitive prices, training programs, best industry practices and marketing support from *Cemex*. And to the end consumers, it offers guaranteed quality and uniformed service. *Cemex* gains customer loyalty at both levels, and builds up an image of collaborative enterprise.

**Integrity:** *Cemex's* commitment to integrity and social responsibility is manifested through social programs such as “*Patrimonio Hoy*”.<sup>35</sup> This program is designed for low income families who do not have the discipline to see a building project through. A family can construct at approximately three times the traditional rate and at four-fifths of the traditional cost. By 2003, *Cemex* had 26,000 families as members, and over 100,000 had passed through *Patrimonio Hoy*. Initiatives like this strengthen the company image; but just as importantly, the payment rate was 99.6%.

**Leadership:** By applying technology to the issues that matter most to customers, *Cemex* has strengthened their leadership brand image. Named the *Cemex Way*, they have offered their clients improved service, more efficient distribution, simplified business transaction, and 24/7 access to real-time account information. The live electronic storefronts around the world enable clients to place orders and purchase products online, as well as to track their account states.

**Global company:** The challenge of managing a brand on all fronts and across acquisitions is overwhelming, but *Cemex* has managed it wisely. All its acquired subsidiaries have been renamed successfully. To protect the brand from a bad reputation, *Cemex* buys a company, works to turn it around, and when it has a stable situation, renames it under the *Cemex* umbrella. Such is the case of *Cemex Thailand*, bought in 2001 and renamed in 2002 after deep management structure reorganization and a considerable improvement of its processes, systems and product quality. In a similar way, *Cemex Spain* was renamed in 2002 after a 3 year long process of image refurbish. The 3 Spanish business units: concrete, aggregates and ready-mix concrete products were renamed also to *Cemex Hormigon*, *Cemex Morteros* and *Cemex Aridos*.

**Customer Focus:** *Cemex* combines a deep knowledge on local markets with its global operational network. In this way, *Cemex* can offer solutions tailored made to satisfy the particular needs of its clients. Whenever possible, these solutions are marketed and sold under a brand that endorses the *Cemex* logo, thus adding equity to the corpo-

rate brand. For example, in 2003 *Cemex* Costa Rica discontinued its 30-year-old “Cempa” brand, and introduced the “Sanson” brand offering two different types of cement, for structural construction and for minor construction. This re-branding enhanced customer brand recognition. Other examples include the *Titan* brand in Dominican Republic for concrete block producers (2002), *Vencemos* in Venezuela for do-it-yourself constructors (2003), and *Al-Fanar Type II* cement in Egypt for coastal construction (2004), all under the *Cemex* umbrella. *Cemex’s* brands are now positioned as the leading cement brand in Upper and Lower Egypt, with 50% share of mind in their selected markets. An additional example of customer focus and brand development is the “Island” brand of *Cemex* Philippines who won in 2004 the *Philippines National Shoppers Choice Award* as the preferred brand among more than 100,000 consumers surveyed countrywide.<sup>36</sup>

*Cemex Capital* is a credit branch who gives financial support to the business customers of *Cemex* subsidiaries. The support is not limited to the procurement of *Cemex* products, but also to finance working capital, overall business growth of distributors, and loans for construction companies. Created in 1997 under the *Cemex* corporate brand umbrella, *Cemex* capital offers credit at a lower cost than the commercial banking.

*Cemex’s* CEO, Lorenzo Zambrano, believes that many other companies could use technology in a more effective way. So he launched

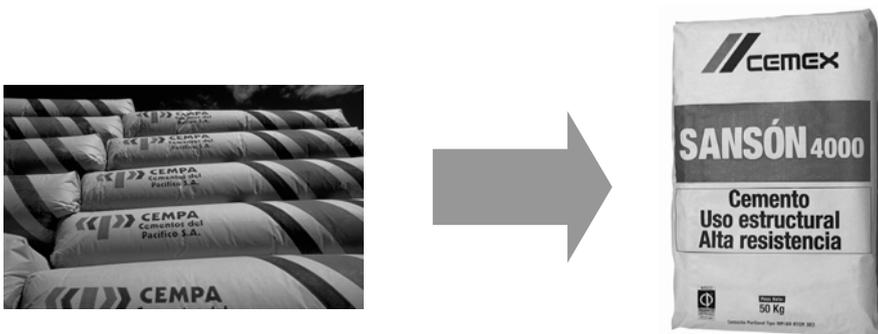


Fig. 60. *Cemex*: from stags to bags

Neoris, a business consulting company that is based on *Cemex's* **successful management capabilities**. This subsidiary is part of the B2B portfolio of *Cemex*, and although its brand has been set aside of the influence of the central *Cemex* brand, it is solidly supported by the corporate image. Neoris has sales above US\$150 Million, with one quarter of customers outside *Cemex*. Its main consulting services include: IT consulting, outsourcing and management services, and investment in emerging technologies.

*Cemex* has opened the eyes of many industries in Latin America and throughout the emerging economies on the importance of an accurate brand strategy and management as contributing to a corporation's success. The *Cemex* corporate brand serves as an umbrella that encapsulates the vision, values, personality, positioning and image of the company. It has created a strong relationship with its key stakeholders. And finally, it has been decisive for the proper development of its B2B initiatives as a strong contributor to B2B success.

## 5.4 IBM

### Successful Turnaround Through Brand Communications

When talking about the **most valuable brands** in the world *IBM* is always included. According to the well-known Interbrand ranking, the *IBM* brand is one of the **top five of the world's** most valuable brands, only surpassed by *Coca Cola* and *Microsoft*. Considering the hard times the company had to go through only a few years ago, literally walking on their last leg, this is an amazing success story. The company has not only managed to prevent the demise of a once great corporation and come back to business but it came back even better and stronger, reviving the glow of the old times.

*IBM* is one of the companies with a very long and rich history. It incorporated already in 1911 as the Computing-Tabulating-Recording (C-T-R) Company and was formally renamed **International Business Machines** Corporation in 1924. Starting out as a manufacturer of machinery ranging from commercial scales and

industrial time recorders to meat and cheese slicers along with tabulators and punched cards, it has undergone massive transformations over the years.<sup>37</sup> We regard the refocusing of the global *IBM* brand as an excellent example of how to **manage B2B brands** and furthermore as one of the cornerstones of the successful turnaround of the then struggling company. So let's have a look at those changes and how *IBM* managed to rebuild and strengthen the *IBM* brand as we all know it today.

### **Crisis Time for the IBM Brand**

*IBM* was performing very well in the 70s and early 1980s. They were renowned for their own strong corporate culture and employee selection procedures. High value had been placed on consensus-based decision making, which, however, turned out to be a tremendous weakness in the fast-moving mini computer industry of the late 1980s and 1990s. Slow and bureaucratic processes are not particularly conducive to corporate risk taking which was necessary at that time, and still is today. Back then the world made first steps towards a commercial environment where rapid decision making and entrepreneurial risk taking are indispensable. If the culture of a company discourages and complicates such behavior, it easily and quickly can drop out of the running. This happened to *IBM* when it found itself outflanked by then-small companies like *Atari*, *Apple*, *Commodore*, *HP*, *Compaq Computers*, *Osborne*, *Tandy*, or even *Microsoft*.<sup>38</sup>

The following numbers clearly circumstantiate this: In 1981, *IBM* introduced its first PC and managed to increase its market share to 41 percent by 1985 – only three years later the market share had dropped to 28 percent. The blame for this loss was partly seen in *IBM's* **unfocused marketing strategy** that left their brand vulnerable to cheap competitors' clone products.<sup>39</sup> In 1993 finally, the struggling company hit its negative peak by producing an US\$8 billion loss, which many marketer even regarded as the final nail in the slow-moving mainframe behemoth's coffin. The *IBM* brand and global brand image was in deep trouble as well. The brand had not only lost its strength from previous years, but almost became irrelevant. Critics began to see *IBM* as an elephant, and some as a dinosaur.

Today, *IBM* is leading the pack again. It practically owns e-business and solutions and **dominates technology services**, which now account for almost half of its revenues and more than half of its profits. Most incredible is the fact that many customers, employees, stakeholders, and Wall Street now describe *IBM* as nimble.<sup>40</sup> It is not by chance that the very **successful turnaround** of the struggling *IBM* has been attributed in part to the rigorous refocusing of their well known global *IBM* brand and branding strategy.

## Redefining IBM

In 1993, the former RJR Nabisco CEO and former president of American Express, Louis V. Gerstner, Jr., took over *IBM*. Lou Gerstner set out to transform *IBM* from a lumbering hardware manufacturing company to a customer-focused service business. This redefinition from a product oriented to a customer and market oriented “builder of networks” also implied a renewed attention to brand management and advertising.<sup>41</sup>

One of Gerstner’s first decisions was to **shift huge amounts of resources to rebuild the *IBM* brand**. The company chose to dial up its **master brand**. This required serious adjustments for the product-marketing teams. The umbrella quality reputation that the *IBM* name provides for all of its products and services is far more valuable than specifications of individual products. An organization like *IBM* can **provide customers with numerous synergies and benefits**.<sup>42</sup> During the 1990s, *IBM* extended its brand portfolio relevance to take advantage of a market opportunity in information technology services and the Internet. Great market opportunities aligned to *IBM*’s core competencies were further drivers of the subsequent brand repositioning.<sup>43</sup>

As part of the **strategy to reinvigorate the *IBM* brand** the company fired its 70 global agency partners and consolidated all its global advertising business with *Ogilvy & Mather (O&M)* in 1994. This **consolidation resulted in integrated and more effective marketing communications** and **uniform branding** at a much lower total

communications cost. Since then the company strongly invested in marketing and brand building which enabled them to make over the *IBM* brand image.<sup>44</sup> The new *IBM* was positioned as a company that understands the needs of its business customers and that can provide a total portfolio of products, services and consulting advice. The **360-degree marketing communications** strategy developed by *O&M* included TV, print, outdoor, events, sports sponsorships, online and non-traditional media to communicate its brand positioning.<sup>45</sup>

The company understood that in order to achieve real change they had to reach not only their customers but also and maybe even more importantly, their employees. Therefore the company developed advertising aimed at changing the perceptions of both sets of constituents. To educate and empower their employees was one of the major steps towards the new *IBM*.<sup>46</sup>

Part of *IBM's* massive **reorganization strategy** has been to put 235,000 employees into 14 customer-focused groups such as oil and gas, entertainment, and financial services. This way a big customer will be able to cut one deal with a central sales office to have *IBM* computers installed worldwide. Under the old system, a corporate customer with operations in 20 countries had to contract with 20 little Big Blues, each with its own pricing structure and service standards.<sup>47</sup> At *IBM*, new reps receive extensive initial training and may spend 15 percent of their time each year in additional training. *IBM* has now switched 25 percent of the training from classroom to e-learning, saving a great deal of money in the process.<sup>48</sup> Frontline employees can spend up to US\$5,000 **to solve a customer problem on the spot**.<sup>49</sup>

The **global brand manager** (GBM) was an individual charged with creating a global brand strategy that leads to strong brands and global synergy. At *IBM*, the slot was called **Brand Steward**<sup>50</sup>, reflecting the role and position of building and protecting brand equity.

*“One of IBM’s key media strategies is to **deploy traditional media in radically new ways**. For example, IBM is using video online to communicate its brand message to an audience of IT and business decision-makers. It has partnerships with ESPN.com, CNN.com and other Web sites to deploy interactive video interviews with key IBM executives and other content to **connect with its target audience**. When we are trying to reach loyalists for a given server platform, it wouldn’t be economical to deliver the message using traditional TV. IBM also uses sports sponsorships and huge events to build its brand. As the technology provider for the U.S. Open tennis tournament this year, IBM delivered real-time scoring on a **large interactive billboard** in Times Square, as well as on traveling vans in New York. It is a real live demonstration of our business consulting and technology expertise”.*<sup>51</sup>

During the middle to late 1990’s, when many firms were **attempting to be relevant to the Internet** and the emerging network world of business, IBM was a trend driver with its e-business position. The company ultimately spent over US\$5 billion building the **eBusiness “label”** after its introduction in 1996, and related all its business units to that context.<sup>52</sup>

Sam Palmisano, who became the new CEO of IBM in 2003, had a difficult act to follow. IBM had achieved a dramatic turnaround under Lou Gerstner during the 1990s, in part by making the synergy and technology of the organization work for the customer. Palmisano’s strategy was based on a **new value proposition: On Demand**. The core idea was that IT systems and resources would be available on-demand, when needed. All **IBM business units were charged with delivering the value proposition**.<sup>53</sup> In 2003, IBM created in addition another subcategory, eBusiness on Demand, which means that firms would develop an IT system that would encompass suppliers, customers, and partners and deliver information and computer resources on demand, when needed. The creation of responsive products and services throughout the firm to **meet this set of customer needs was unreachable by competitors**.<sup>54</sup>

This other big shift was the enlargement of the service offerings. Currently, almost half of *IBM's* annual revenues come from global services. To fulfill its service promise, *IBM* has had to develop new skills and become more customer focused. The US\$3.5 billion acquisition of PriceWaterhouseCoopers Consulting in October 2002 has further provided valuable strategic and operational expertise.<sup>55</sup>

Today *IBM* has left the field of personal computer production. The last part of the huge industrial project of the last decade has been sold to one of their joint venture partner in China. *Lenovo* paid US\$1.25 billion for the other part of the JV and the distribution system and the distribution rights of the *IBM* brand for the next 5 years. The exit of the foremost leading PC manufacture shows that *IBM* has learned from its mistakes.

### *IBM Campaigns*

The *IBM* brand essence, “magic you can trust” **captures the inspirational aspect of their products and services**, combined with the trust generated by the company’s heritage, size, and competence. Because of its varied markets however, *IBM* uses several taglines: “Solutions for a small planet” is relevant for a customer seeking solutions and inspiring to those with a **global vision**, while “e-business” positions *IBM* as the dominant choice for those seeking help with e-commerce. *IBM* used the e-business subbrand to make an association it owned, technological leadership, more dynamic, relevant and contemporary.<sup>56</sup>

In 2001 *IBM* and *Ogilvy & Mather* were awarded a gold trophy in the Computer Software category for the *Software Evangelist* campaign. The campaign, designed to promote *IBM's* e-business software, included television and print ads. It also marked the first time *IBM* touted itself as a software provider. The campaign tag line was “It’s a different kind of world. You need a different kind of software.” The campaign helped *IBM* become the number one provider of “middleware” – a “fundamental building block for e-business” – and contributed to the company’s US\$13 billion in software revenue during 2000.<sup>57</sup>

## IBM Enters the Small Business Marketplace

For years the perception many business people had of *IBM* was that of a big business, white shirts and doing things the corporate way. Realizing that small businesses thought of *IBM* as irrelevant to them, the company decided to **break down that perception by providing services that appealed directly to small businesses**. *IBM* managed to successfully re-brand itself for the small business marketplace

*IBM* counts small to midsize businesses as 20 percent of its business and has launched Express, a line of hardware, software services, and financing, for this market. *IBM* sells through regional reps as well as independent software vendors and resellers, and it supports its small-midsize push with millions of dollars in advertising annually. Ads include TV spots and print ads in publications such as *American Banker* and *Inc. magazine*.<sup>58</sup>

Many companies are systematically measuring customer satisfaction and the factors shaping it. *IBM*, for instance, **tracks how satisfied customers are with each *IBM* salesperson** they encounter, and makes this a factor in each salesperson's compensation.<sup>59</sup> *IBM's Business Partner* program provides a great example of how to get comparable **third-party leverage in a B2B complex purchase model**. *IBM's PartnerWorld* program provides extensive support to the channel in key value-added areas such as marketing and sales, education and certification, technical support, and customer financing. Partners can access this support on-line, over the telephone, or through their channel sales manager. All of these investments are designed to help the channel understand the *IBM* brand and better promote *IBM's* products and services, even though many *IBM Business Partners* also partner with *Sun*, *Dell*, and *EMC*.<sup>60</sup>

**Visionary companies** hold a **distinctive set of values** from which they do not deviate. *IBM* has held to the principles of respect for the individual, customer satisfaction, and continuous quality improvement throughout its history.

## 5.5 Siemens

### Branding for Cross-Selling Initiatives

*Siemens* is one of the world's **largest electrical engineering and electronics companies**, and one of the **oldest industrial brands** (see chapter 2). It was founded more than 157 years ago. In fiscal year 2005, *Siemens* had approx. 461,000 employees, sales of €75.554 billion and a net income of €3.058 billion. Company businesses are focused on six key areas: Information and Communications, Automation and Control, Power, Transportation, Medical and Lightning and Business Services. *Siemens* activities are influenced by a variety of regional and sector-specific factors, e.g. some businesses are subject to procedures with long lead times (up to 10 years) like Power Generation or Medical Solutions. Other factors are regional adaptation requirements such as electrical standards (UL-listing for the USA, CE in Europe, etc.) and some are subject to short-term business requirements such as the durable consumer goods or mobile phones. The company's traditional strengths are **its power of innovation, its strong customer focus, its global presence and its financial solidity**<sup>61</sup>.

The new, the US-trained CEO Klaus Kleinfeld has started a new campaign: *One Siemens*, a program designed to get company units to cooperate better to win business. At age 40 Kleinfeld got the chance to put the theory into practice. *Siemens* sent him in January, 2001 to the USA, first as chief operating officer then, a year later, as CEO of New York-based *Siemens Corp.* Under Kleinfeld, units including Medical Solutions and Power Transmission & Distribution joined together to supply diagnostic equipment, software, telecommunications, and power to a new hospital being built in Temple, Tex., for *Scott & White Healthcare System*.

In 2004, *Siemens* decided to set up several company programs and initiatives to increase the effectiveness and efficiency of its business. Within these programs, *One Siemens* is part of the *Siemens Management System (SMS)* initiative focusing on innovation, customer focus and global competitiveness<sup>62</sup>. Within *SMS*, *One Siemens* is a global,

company-wide strategy to improve market penetration and drive growth in new fields by enhancing cooperation across the entire organization. Focused primarily on large-scale infrastructure projects, *One Siemens* bundles the comprehensive expertise in order to create complete, customized solutions for selected industries. It is an integral part of the global cross-selling initiative and builds a framework for regional activities to act as one *Siemens* by applying:

- a systematic approach
- to generate incremental business
- across business groups.

*One Siemens* is a globally rolled-out initiative. Local entities had to implement the program in their market. At this point, we want to show how *Siemens USA* **understood the challenge and how they managed to improve communication effectiveness and efficiency**<sup>63</sup>.

For the U.S. market an own legal entity under the label *Siemens One* was founded in 2001 to provide customers with customized, comprehensive solutions. *Siemens One* is involved whenever a potential project could involve multiple *Siemens* operating companies. *Siemens One* provides customers with **one interface to multiple Siemens operating companies**, facilitating an efficient and cost effective manner for dealing with *Siemens*.

Its purpose is to stimulate incremental sales by a) coordinating efforts to develop and sell integrated solutions under the *Siemens* brand that involve technologies from multiple *Siemens* operating companies to current and potential customers (= leveraging technologies and the competence of a solutions provider) and b) **systematically realizing cross-selling** opportunities within existing accounts across *Siemens* operating companies (= leveraging the customer base). The customer decides on the level of “single source” he wants from the spectrum of a **single point of contact/single contract/single billing/single point of accountability** to individual components from separate *Siemens’* operating companies and business partners.

### Main Purpose and Challenges

A joint project with *Siemens Corporate Communications* and *Siemens USA* was established with the aim to improve communication effectiveness and efficiency of *Siemens USA*. The main achievement is to create a stronger impact of communication on *Siemens One's* business performance. *Siemens USA* faced three communication challenges:

1. Increase benefit-orientation of communication vis-à-vis customers and other stakeholders
2. Reduce complexity of existing messaging, sharpen stakeholder adequate message content and leverage global communication concepts (e.g. global value proposition)
3. Develop concepts for effective external and internal communication of cross-group activities (*One Siemens*)

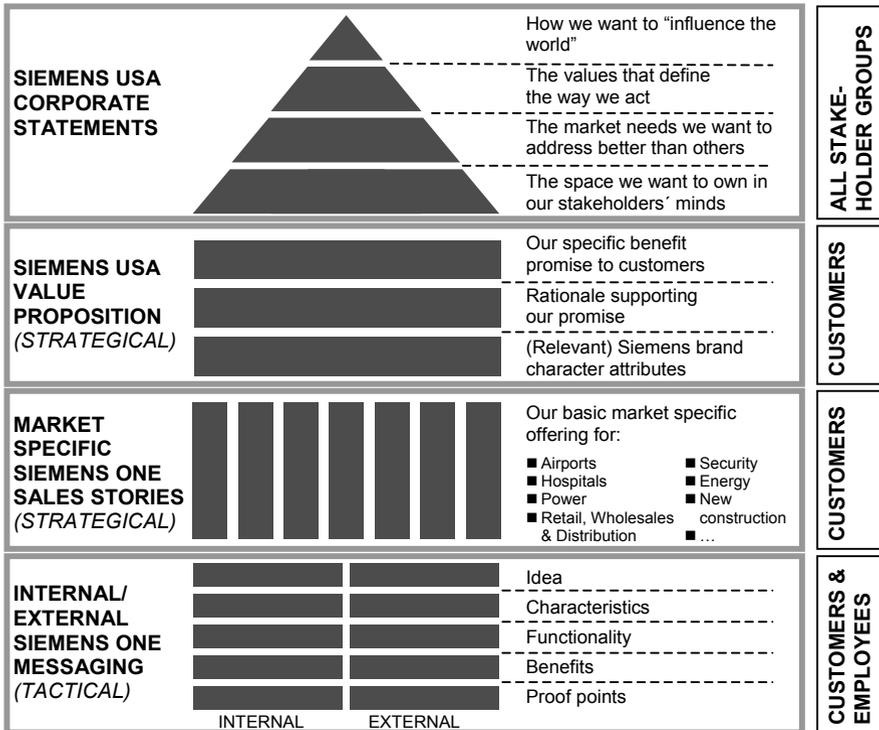


Fig. 61. Siemens: framework for a consistent message hierarchy<sup>64</sup>

The process to increase **communication effectiveness** and **efficiency** has been set up in three phases:

**One: Establishment of message hierarchy to base communication on a consistent communication framework.**

A framework with four levels was developed to establish a consistent message hierarchy based on three key requirements, which were clarity, consistency and continuity.

- 1<sup>st</sup> level: Corporate statements communicated to all stakeholders describing *Siemens USA's* "reasons for being" with its levers vision, mission, business drivers and positioning.
- 2<sup>nd</sup> level: *Siemens USA* Value Proposition communicated to the customers.
- 3<sup>rd</sup> level: Market specific *Siemens One* sales stories communicated to all customers.
- 4<sup>th</sup> level: Specified internal and external *Siemens One* messaging.

**Two: Development of value proposition to reflect *Siemens USA* ability to bundle individual *Siemens'* operating companies' products, systems and services.**

The value proposition concept helped to increase benefit-orientation and consistency of communication and sales activities. The value proposition first had to be communicated internally as a basis for future communication and sales activities. It had to ensure that the benefit promise was consistent with other communication concepts, i.e. SMS activities and the Global Value Proposition. To increase customer relevance, the value proposition had been translated into market specific sales stories, for vertical and horizontal markets.

**Three: Development of internal and external messaging and sales stories to ensure consistent communication to all stakeholders.**

The messaging was clearly structured in key elements: idea, characteristics, functionality, benefits and proof points. The market specific sales stories had to be aligned and refined with Market Sector Teams and were to be used as basis for customer-specific activities. For internal messaging the main relevant facts on *Siemens One* were aggregated as a **basis for specific internal communication messages**. Moreover, to maximize the impact of the internal messaging, a concept was developed how to best communicate these messages, as e-mail and intranet may not be the best vehicles to convey these messages.

### *Example of "Airport" Sales Story*

#### *Market Specific Challenges*

The airport business today is facing an increased number of challenges: On the one hand airports have to differentiate themselves in the marketplace with compelling offers to attract valuable passengers, concessions and airline tenants and thereby secure and increase their revenues; on the other operating procedures have to be optimized to handle the increased number of flights, people, baggage and cargo, to avoid staff overload and to improve cost-efficiency. Moreover, all kinds of safety concerns related to airplanes and the public spaces in the airports have to be addressed successfully.

#### *Relevant Technologies*

Technological solutions that meet the increasing end-customer demands and help to realize synergy potentials, require the integration of different technologies:

- Transportation Systems – to bring people to the airport
- Parking Garage Guidance Systems – to guide people to free parking lots
- Electronic Visual Information Display Systems – to provide people with relevant gate, flight & baggage information
- In-line Baggage Security Screening – to screen all baggage for explosives
- High-Speed Baggage Transport & Sortation – to move baggage between check-in, planes & baggage claims

- Baggage Handling Systems – to handle baggage at make-up and baggage claim
- Graphical Baggage System Monitoring – to control the process of baggage handling
- Cargo Handling Systems – to move cargo between cargo facilities and airplanes
- etc.

### *General Business Drivers*

To succeed in this highly complex environment solution providers are needed that can reduce this complexity, integrate different technologies, and ensure that the solutions are compatible with existing systems and pay off in terms of an improved performance. In addition, solutions should not only best fit the business' current needs, but also facilitate exploitation of future opportunities. Accordingly the solution provider's commitment has to last for the solution's whole lifecycle in order to support the utilization of the technology over time and to protect the investment.

### *Customer Specific Needs*

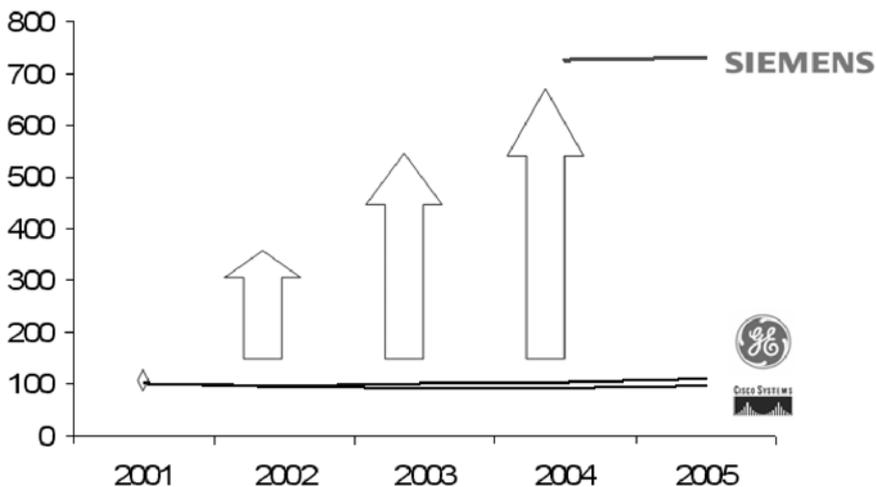
Besides these general needs, challenges and resources largely vary between different players in the airport business, e.g. airport management, airlines and service companies. Each customer requires a tailor-made, best total solution for his specific situation.

The example of *Siemens One* in the U.S. served as pilot in order to guarantee a successful global roll-out of the *One Siemens* concept in the long-term. In the US two major learning blocks were derived: First, a clear and strong process management is needed and second the content of the global value proposition has to highlight the benefits of cross-group business activities.

**1. The process:** Strategy development should start with strongly aligning communication, sales and marketing departments with the **target group customers and the** regional and market specific requirements. The value proposition development should be led by a global implementation team with Corporate Communications, business group and regional communication and sales people. The business drivers are then to be validated in each region.

**2. The content: The value proposition** for *Siemens USA* aims to strongly reflect the benefits of cross-business leverage. The customer familiarity with relevant product portfolio is the basis for cross-group business. **Cross-business communication** requires supplying strong examples. *Siemens USA* could already state a success story: *Scott & White Healthcare System*. The U.S. healthcare provider's new 381-bed hospital – slated to open in Temple, Texas in the fall of 2006 – illustrates *Siemens'* ability to **bundle systems and solutions** from Medical, Communications, Building Technologies, Automation & Control and Power/Transportation into one innovative, customized package. These systems and solutions include advanced medical imaging and diagnostic equipment, comprehensive IT systems like *Soarian™*, fully integrated voice, data, video and nurse call systems, building control technologies and energy supply systems to integrate the Scott & White network.

Only a few years later the overall success of the activity could be tracked. Using the Interbrand brand equity analysis we could prove that *Siemens* compared with its peer *GE* had an increase from 2001 to more than 600 index points.



**Fig. 62.** *Siemens, GE and Cisco* Interbrand brand equity development 2001-200 (indexed; 2001 = 100)<sup>65</sup>

With no thought *Siemens* had to catch-up, *GE's* extraordinary performance in the last 30 years changed the whole situation in the industry, but now *Siemens* saw its chance and focused on its core competences and the increase of the customer equity. The immediate result could be seen in the brand equity increase.

## 5.6 Lanxess

### Brand Communication of a Spin-off

*Our credo is impact in place of image. At Lanxess, we understand communication and brand strategy as an investment, which has to contribute substantially to the company's success.*

Mr. Sieder, Senior Vice President, Head of Corporate Communications

*Bayer* is known to be a **traditional and global company**, which experienced a lot of strategic changes recently due to a different and changing market environment. *Bayer* focused for a long time on its traditional lines of business of chemistry, agricultural products and pharmaceuticals. After taking the cholesterol lowering medicine Lipobay off the market in August 2001, its business plummeted dramatically. Under these circumstances *Bayer* had to **undertake major structural and strategic changes**. In the end, the company decided on a new strategic orientation of its product portfolio, which led to a spin-off of the chemical sector.

*Bayer* founded a new chemical company **in record time**. In the beginning its business activities were carried out under the name of *NewCo*. On 18<sup>th</sup> of March in 2004, on the occasion of the annual press conference, *Lanxess* was introduced as the new name resulting from an intensive development process by the board of directors, Corporate Communications and employees. The aim was to build within one year – with a lot of energy and motivation – an authentic brand for a new worldwide operative chemical company. On 1<sup>st</sup> of July in 2005, former *Bayer Chemicals* was officially renamed as *Lanxess*.

The second step to **independence and autonomy was completed with the initial public offering**. But the new strategic direction wasn't without any risks, because some parts of the business were considered as rather poor in performance. *Lanxess* proved able to advance and push ahead sales and so far its ambitious plans have been realized, e.g., re-organisation of the company's structure to improve overall efficiency and the IPO at the beginning of 2005. *Lanxess* proactive attitude is expressed throughout its corporate values within the Corporate identity "courageous, capable, and lively" and throughout the company's brand promise "energizing chemistry".

In order to guarantee *Lanxess*' business success, cost efficient business processes had to be designed and implemented. The new company's main goals were **independence, competitiveness and profitability**. Future corporate communications and thus future alignments of branding strategy had to follow these main goals in a value and market oriented manner. The company put a high emphasis on setting up a profit oriented corporate communication program. The different globally linked business units were more or less connected with coordinated communications – and marketing activities surpassing national and local boundaries. Thus the global situation and the economic situation of *Lanxess* made a central concentration of communication activities inevitable. This alignment assumed the **coordination of all communication activities** of the different countries under one central lead, the use of cross country synergy effects and the consideration of regional conditions, following the well-known principal "Think global, act local".

As a structural solution *Lanxess* established **communication hubs** in Europe, USA, Asia, South America and India, where various national markets with similar influencing factors were combined under one region. This top down approach facilitated a dialogue on local levels to identify communication needs of individual entities and to communicate these to the headquarters. Vice versa the headquarters could inform local entities on communication content,

processes and structures. Local entities could still align communication activities with other countries.

The *Lanxess'* organizational approach allowed for a **concentrated communication structure** which guarantees a market and customer specific communication strategy. The company is now able to communicate easier to the different markets and to customer specific needs. After creating a high level of awareness, the branding strategy since 2005 focuses on essential market needs. *Lanxess* decided to conduct customer interviews in order to identify strengths, weaknesses and main challenges to compare to its main competitors. The identification of relevant strategic issues and a strategic image build up should help to strengthen *Lanxess* position in the future.

*Lanxess* **brand positioning** and its communication goals are carried out in three steps:

**Analytical phase:** Serves mainly to develop a first hypothesis for future brand positioning and to develop a communication focus.

**Strategy phase:** Carries out an approximation of target positioning regarding core branding and brand attributes. Carried out are core messages for each target group. These have implications for planning and budget allocation.

**Roll-out phase:** Develops a plan to implement measures and is followed by planning the detailed communication mix and the budget allocation.

Today, *Lanxess* has carried out for most parts the roll-out phase. A quick build up of its brand awareness to relevant stakeholders such as investors, customers and the public already play an important and sustainable part.

The brand still has to optimize its potential across various image dimensions and a highly diversified value proposition. Until now, customers' brand perception is still affected by the company's history.

To become a leading brand *Lanxess* had to overcome a **multitude of challenges**:

- Worldwide aligned communications and marketing activities
- Branding strategy in alignment with company's goals
- Creation of a worldwide consistent and integrated brand image
- Performance-oriented brand strategy focusing on customer needs
- Attainment of brand leadership

**Corporate communications**, which have been built up since the foundation of the company **with great accuracy**, has already helped *Lanxess* to attain brand leadership. Due to targeted PR-measures, such as international coverage of the spin-off, a first branding success was achieved within less than a year: brand awareness almost doubled. Public introduction and positioning of the new CEO helped stakeholders to affiliate an individual face to the company. Prompt creation of corporate design, conception of advertising campaigns and a webpage were further steps leading to brand uniformity and uniqueness.

*Lanxess* is going to gain further expertise while systematically carrying out analyses processes on a regular basis. This guarantees a continuous feedback from target customers as well as a frequently optimized budget allocation. *Lanxess Corporate Communication* has already established an excellent mix between company's strategy and market orientation and between globalization and local strategies.

## 5.7 Lenovo

### Bridging East and West to Build a Global Brand

*Lenovo* is an innovative, international technology company formed as a result of the acquisition by the *Lenovo Group* of the IBM Personal Computing Division. As a global leader in the PC market, *Lenovo* develops, manufactures, and markets cutting-edge, reliable, high-quality PC products and value-added professional services.

Founded in 1984 as *Legend Group Ltd.*, a spin-off of the Chinese Academy of Science, with a seed capital of US\$25,000 and a group of eleven scientists led by Mr. Liu Chuanzhi, *Legend* was the first company to introduce the PC concept in the People's Republic of China. *Legend* was also established to distribute computers such as *HP*, *IBM*, *AST*, and *Compaq* in 1984. Since 1997 the company has been the leading PC brand in and around China with annual revenues (as of May 2005) of approximately US\$3 billion.<sup>66</sup>

*Lenovo* brand PCs have been the best seller in China for seven consecutive years. In 2003, the former *Legend Group Limited* launched its new brand *Lenovo* to cater to the group's future business development and laid the groundwork for its **expansion into overseas market**.

Subsequent to the acquisition of the *IBM* PC division, they now have 7.8% of the world PC market. *Lenovo* PCs also ranked number one in the Asia Pacific (excluding Japan) market with a 55% market share at the end of 2005<sup>67</sup>. With the integration of the *IBM* PC division, more than 10,000 employees from *IBM* joined *Lenovo* with a resulting climb in sales to US\$12 billion (2005). *Lenovo* paid US\$650 million cash and US\$600 million in shares in the *IBM* transaction. Much of this value clearly stems from the *IBM* brand, both removing it as a competitor and acquiring it, rather than its tangible assets such as the equipment and existing operations. *Lenovo* group management team currently owns 42% of the company's stock, *IBM* 13.4% and *TPG*, *General Atlantic* and *Newbridge Capital* 10.2%. *Lenovo* was listed on the Hong Kong Stock Exchange in 1994 and is a constituent stock of the Hang Seng Index. It's American Depositary Receipts (Stock code: LNVGY) are also being traded in the United States.

The new company formed the third **largest PC enterprise** in the world. Stephen Ward, a former *IBM* Senior Vice President (SVP), and first Chief Executive Officer (CEO) of *Lenovo* post-acquisition announced<sup>68</sup> "that new products will be launched under the *Lenovo* brand worldwide. The new *Lenovo*, boasting the world-famous laptop brand *ThinkPad* and the well-known brand *Lenovo*, will have more than one third of China's PC market and hold a leading

position in the world PC market".<sup>69</sup> The former CEO Yang Yuanping stepped down and became the Chairman of the Board. At the end of 2005, William Amelio from *Dell* Asia was nominated to become the new CEO with the task to improve the already excellent operational performance. In becoming such a stronghold in the Chinese market, specific competitive advantages contributed to *Lenovo's* success:

- **Strong brand recognition** in China. The corporate brand name *Lenovo* acts as an umbrella for several sub-brands of corresponding product lines.
- **Good relationship with government and educational institutes.** The Chinese Academy of Sciences was the biggest founding shareholder of *Lenovo*, undoubtedly a big benefit to the firm.
- **Highly efficient operations.** In terms of supply chain management, *Lenovo* achieves a lead time of 3 to 5 days on the average for order fulfillment, 2 days shorter than the 7 days promised by *Dell*.
- **Diversified distribution channels.** With an in-house sales team, *Lenovo* can cover large enterprise clients itself. By coordinating with the Value-Added Resellers (VARs), small and medium size customers can be reached. Through business partners-owned chain stores and franchised shops, *Lenovo* can penetrate into both the urban communities and rural sectors. Additionally, they operate multiple internet shops.
- **Market leadership** in China with more than 30% market share and broad product portfolio for both consumer and commercial segments.

*Lenovo's* business performance has proved that the group has **deep insight into the China** (PRC) IT market and clear grasp of user needs. A significant part of *Lenovo's* success has been its **ability to retain leadership in supply chain systems**. The close relationship with the upstream suppliers, most of them Taiwan electronic companies, and own manufacturing facilities in the mainland of China, lead to a rapid inventory turnover. *Lenovo* has already penetrated

the local market deeply with the help of over 6,000 retailers and distributors. They cover business and individual clients. With a specific approach which *Lenovo* calls **relationship-model and transaction-model they treat these client groups separately and thoroughly**. *Lenovo* has also built up strategic alliances with international technology giants such as *Intel* and *Microsoft* to improve their position in the application markets.

### **The Lenovo's Brand Development Before the IBM PCD Acquisition**

*Lenovo's* brand story really started in 1992 when it started to **promote its corporate name Legend (Lianxiang)** and created the concepts of *Legend 1+1*, *Household Computer* and *Economic Computer*. In the early 1990s, the company launched an advertising campaign with the slogan "What is the world going to be if we stop dreaming?" It had a good impact on the Chinese public who viewed the slogan as romantic. An internal survey conducted in 1991 indicated that 12.9% of the customers learned about *Legend* from this slogan, and 7.6% of them bought the *Lenovo* PC because of it. Through a series of **marketing campaigns** such as *Legend Computer Express* and *Grand Training Program* in the summer of 1991, *Legend* broadened awareness and recognition of its brand name, thus building a loyal customer base. By being the first major company for personal computers in China, the company set up leading industry examples and became the dominant PC brand nationwide.

In the early 2000s, *Lenovo* was facing pressure from slow growth on demand, intensive competition, diversified customer requirements, and commoditized products and markets. In order to respond to this challenge, the company divided individual clients into **three segments**: starters, mainstreamers, and senior players. To better target these new market segments it introduced **new subbrands** such as *Tianjiao*, *Fengxing*, and *Jiayue*. With these subbrands, *Legend* delivered different associations of easy life, passion, and harmony. These associations allowed these subbrands to provide not only

functional benefits but also additional self-expressive benefits to different customers.

In 2003, the company changed its brand name from *Legend* to *Lenovo* for the **purpose of internationalization**. They took the “Le” from *Legend* to honor their roots and added “novo,” the Latin word for “new,” to represent the innovation at the core of the company. The new name represents the innovative and legendary company more accurately.

During this period, *Lenovo* focused on **incorporating emotional values** into the brand, portraying this through the metaphor of brand personality traits such as honest, innovative, passionate, and easy-going. *Lenovo* selected **brand personalities** consistent with the emotional values of the brand and the target consumers’ lifestyle so that consumer and brand personalities were brought into alignment.

The same year, some key issues guided the decision to develop the new branding theme “Only if you dream ...” First, a successor to the romantic “world and dreaming” theme was long overdue. Second, the cost of creating a new branding theme and transitioning customers to it, although huge, was within the capacity and will of *Lenovo*. Third, the 联想 (*Lenovo*) equity and program, rather than being wasted, could be leveraged by link with the new theme. With this new branding theme, *Lenovo* positions its brand as: **integrity, innovation, professional service and easiness**.<sup>70</sup>

### **The Lenovo Brand’s Role Pre-acquisition: Corporate Brand vs. Subbrands**

The research about the power of subbrands<sup>71</sup> in the area of computers and related products indicates that the equity of subbrands in the high-tech area is remarkably weak in comparison to corporate brands.<sup>72</sup> In fact, less than 12% of respondents even knew that *Vaio* was made by *Sony*, even though by attitude measures, *Vaio* is one of the strongest notebook brands. This finding is consistent with a much earlier not published *Compaq* study that found its *Presario* brand having less equity than expected.

Why do subbrands in the high-tech area have such low equity?<sup>73</sup> First, corporate brands, such as *Dell*, *HP*, and *IBM* are very intensely and extensively promoted, especially during the early days of the category. Second, subbrands have generally failed to develop a point of sustainable differentiation and as a result, lack a brand personality and a substantial reason to exist. To tackle this problem, the central brand group at *Lenovo* took control of the proliferation of new brands. A business unit had to demonstrate to the brand group that a **new subbrand had reason to exist**. If they could demonstrate its sustainability, they could use a subbrand. The *Lenovo* brand worked for both industrial customers and consumers. The *Lenovo* persona was approachable but also serious, competent, and successful – very compatible with the corporate world as well as appealing to individuals.

### **Taking Advantage of Corporate Brand Name**

The *Lenovo* brand became a **corporate brand** and a **master product brand**. The role of the *Lenovo* corporate brand, like many corporate brands, is first to provide trust and credibility to the *Lenovo* offerings based on the size, capability, heritage, and success of the organization over time. Second, because *Lenovo* represents the organization that stands behind its products in spirit and substance, it can be a credible endorser that works at both a functional and emotional level. On the other hand, the use of *Lenovo* corporate brand as a master brand maximizes such brand portfolio goals as **generating leverage, synergy and clarity**. It also evokes the power and uniqueness of the corporation as an organization, thereby creating differentiation for the product brand.

The *Lenovo* brand played the major driving role in nearly all of the firm's offerings in that it drove the purchase decisions and defined the user experience. The major *Lenovo* subbrands (*Tian* series desktop computers, *Soleil* and *Xuri* notebook computers, *Wanquan* series servers) largely played a descriptive role, serving to define the scope of the *Dell* product footprint. The *Lenovo* product brands *Fengxing*, *Jiayue*, *Tianjiao* and *Yangtian* desktop computers, *Tianyi*, *Xuri* and

*Soleil* notebook computers, *Wangquan* servers also played a descriptive role, but, targeted different market segments and initiating an upward technology shift.

Overall, the *Lenovo* brand plays **the major driver role in nearly all of the firm's offerings** in that it drives the purchase decisions and defines the customer's experience.

### **Brand Management After Acquiring IBM PCD**

After *Lenovo* and *IBM* completed the acquisition of the PC unit of *IBM*, they marketed the birth of the third largest PC enterprise in the world. *Lenovo* got access to *IBM's* powerful global brand through a five-year brand licensing agreement with strictly defined limitations. To retain the customer base and to **develop new markets**, *Lenovo's* upcoming challenge is to leverage the excellent reputation for quality and service of *IBM's* brand. Despite the fact that *Lenovo* is allowed to use *IBM* in the coming 5 years, but only on products, *Lenovo* has taken over *IBM's* *Think* family brands including *ThinkPad* and *ThinkCentre*, which are the symbols of technical innovation, reliable quality and professional service. "The halo effect of the *IBM* brand allows *Lenovo* a broader range of options while its existing operations in China allow it to keep costs down. Thanks to *IBM*, *Lenovo* can have its cake and eat it too. The *IBM* **brand brings kudos to** *Lenovo*. It removes a barrier to *Lenovo's* products - particularly outside of China. *Lenovo* now seems more reliable, more trustworthy. Even to customers who are fully aware that the product is no longer "made" by *IBM*, a stamp of approval from such a highly respected company means a lot in any market."<sup>74</sup>

*Lenovo*, which as a brand name is popular in the domestic market, can be developed to dominate in some emerging markets like India and Russia and fill in the SMB and consumer market *IBM* left. Logically, **brand transfers** mean *Lenovo* would take a two-pole action: retaining *ThinkPad* and *ThinkCentre* brands, and developing other *Lenovo* branded products for different market segments geographically and demographically.

However, the firm will not light-heartedly adopt a co-branding strategy or stick a co-brand logo like *Lenovo-IBM* to its products. It is sufficient for both companies to show that they are working together. They have announced a “commitment to ongoing operational cooperation, not merely in terms of *IBM* distributing *Lenovo* products, but each company acting as preferred partner to the other. Both companies have committed to supporting each other: *Lenovo* with PC products to complement *IBM*’s high-end servers and mainframes; *IBM* with customer relationships, service and support. An ongoing association between the two companies will bring fresh markets and new customer relationships to be leveraged.”<sup>75</sup> In addition, using the *IBM* and *ThinkPad* brand means for *Lenovo* a significant licensing fee. With only the co-brand logo, *Lenovo*’s image would always be in the shadow of *IBM*, and the brand recognition on its own is hard to be built once the brand licensing agreement expires. Logically, brand transfers mean *Lenovo* would take a **two-pole action**:

1. Emphasize the heritage of **technology innovation, sound quality and service** from *IBM* to *Lenovo* by launching advertising campaigns with the combination of corporate names of *Lenovo* and *IBM* (noticeable only on products pictures), and retain *ThinkPad* and *ThinkCentre* brands. *Lenovo* can build the corporate image of technology leadership, high quality products and excellent customer service.
2. **Differentiate the product attributes in terms of performance, price, and targeted market segments** by adopting the *Think* family brands and *Lenovo*’s new 3000 product lines to different product classes and to different market segments from small business to consumers and geographically. The enterprise clients, who are willing to pay the premium price, should be served with *Think* series of laptops and desktops. Small and medium enterprises and small office/home offices (SOHO) can accept *Lenovo*’s 3000 products for a high ratio of performance to price. The mass consumer market would be covered with *Lenovo*’s consumer products.

Fortunately, *Lenovo's* management in the new global headquarter takes such factors into account, and they carefully consider in their strategy how to build *Lenovo* into a strong master brand known for innovation, customer service and high quality. As the company builds up the *Lenovo* **brand globally**, they are carefully watching consumer's awareness, preference and other metrics to determine when the right time is to switch over from the *IBM* brand to *Lenovo*. Also scheduled for change is the *Access IBM* button on the top row of the *ThinkPad*, which allows a user to connect directly to *IBM's* service desk. In the future, it will be labeled *ThinkVantage*.

In May 2005 *Lenovo* selected *Ogilvy & Mather*, one of the largest global marketing communications networks, to handle worldwide brand advertising for *Lenovo*. The campaign would include a range of media channels, including online ads, event sponsorships and perhaps television, in addition to print. The initial newspaper advertisement that *Lenovo* ran showed a man sitting in the shovel of a backhoe, working on a laptop computer. "How do you build new technology?" it says. "Start by building a new technology company." The text-heavy spot goes on to explain the fusion of *IBM's* PC division into *Lenovo*.

### ***Building Brand as Icon and Company***

In the stage of brand as personality, the *Lenovo* brand has become more than the PC. It represents values which go beyond the functions of a PC, and acts as an efficient communicator of the personality of the owner. The challenge for *Lenovo* now is to **develop the brand further to make it accepted widely** so that the *Lenovo* brand can be used to stand for something beyond itself, in short, to **make it an icon**. This would enable the customers to own the brand because they would understand and use its symbolic properties. At this point, the symbolic value of *Lenovo* brand expands to include categorical meanings as well as self-expressive ones. Categorical meanings symbolize customers' group membership, social position, status and locate the individual in social-material terms.<sup>76</sup>

To reinforce the symbolism, *Lenovo* frequently uses some physical symbol to denote the brand. Its *Lenovo*, *ThinkPad* and *ThinkCenter*



Fig. 63. Corporate and product logos

logos can work for this purpose. These become shorthand means of identifying symbolic brands no matter what the local culture is. They're aiming for one tagline worldwide; "New World. New Thinking."

At the same time, some changes are happening to customers and markets. First, it can be assumed that customers are interested in more than the brand. They hold **corporations accountable** for individual brand actions and may boycott any transgressor's brand portfolio. Furthermore, they will use the new communication channels to broadcast any wrong doings to other consumers. Increasing consumer cynicism may demand that *Lenovo's* senior management formulate clear views about the values the firm adheres to and ensure that everything the firm does ties into these values.

Second, **growing penetration of the Internet** will allow more customers to find out what they want **to know about the *Lenovo* brand**. Some consumers will become less receptive to mass market communication and will demand more open and specific communication. More efficient and flexible electronic data capture also enables *Lenovo* marketers to **gain a deeper appreciation** of small groups of consumers' buying behavior, offering the opportunity for a new set of relationships to be forged between customers and *Lenovo* brand.

Third, markets are likely to become **more splintered, as needs-based segmentation** becomes more common. *Lenovo's* possible response could be a greater number of subbrands or descriptors designed to meet the needs of smaller and smaller segments as the firm did before.

Fourth, no longer do managers think of only the **physical product; rather, they think of products plus services**. The era of the service industry has arrived and it has a major impact on how firms create

value for their customers. The *Lenovo* brand can deliver not just a computer brand, but a computer brand with regular maintenance and integrated solution service through a series of communications directed from *Lenovo* to individual consumers. It is the service component that enhances *Lenovo's* ability to create value, differentiate itself, and energize the *Lenovo* brand.

*Lenovo* has started a process of building a brand as an icon and they have been re-thinking *Lenovo's* brand to include the service element. This means a re-structuring of communications at all the diverse points of contact that occur between stakeholders and the firm and careful selection and training of staff about the brand. Through the *Lenovo* brand, management must explicitly consider what values they are communicating, how they can include customers in the creation of added value, and how they can maintain consistency of message.

### *The Olympics Sponsorship*

The right sponsorship, handled well, can transform a brand. Respondents to a Sponsorship Research International (SRI) survey on the effectiveness of Olympic sponsorship said such things as: “**The Olympic emblem on products means they are famous and world-class**” and “I feel more favorably toward a product because it is from an Olympic sponsor.” This survey confirmed that such sponsorship has a positive effect on product image and by extension, corporate image.<sup>77</sup>

In March 2004, *Lenovo* joined *The Olympic Partner (TOP) Program* of the *International Olympic Committee (IOC)* as the first Chinese company to become the computer technology equipment partner of the *IOC* for the period from 2005 to 2008. The sponsorship of the Olympics has the potential to influence the *Lenovo* brand in several ways.

*Lenovo* has managed to win out in stiff competition with high-profile multinational corporations for the right to be an Olympic partner. **This bolsters a positive image of *Lenovo* as a global corporation,**

which helps to strengthen the foundation for overseas operations and exports. *Lenovo's* ongoing Olympic sponsorship is also elevating the image of China and Chinese companies, and instilling pride in all Chinese people for being involved in the Olympic Games.

At the most basic level, the TOP program provides credibility and **associations of being a leader in computer technology**. Considering the required computing capability and system stability, the Olympics would not use *Lenovo* if it were not superior. Thus, the TOP program can provide the ultimate in relevance and communicate more about the brand than product advertising could ever say. Meanwhile, there are more subtle possibilities. By choosing *Lenovo*, a customer can receive self-expressive benefits, as it is a way to associate oneself with the world's top athletes and teams.

However, the potential of an Olympic sponsorship is not being taken for granted by *Lenovo*. The company has been successful in creating links around the sponsorship with a host of brand-driven activities including promotions, publicity events, website content, newsletters, and advertising over an extended time period. *Lenovo* is well aware of how important the Olympics are as a marketing tool, and is maximize the communication effect that will be created during the Games. Furthermore, famous athletes have been selected as *Lenovo* brand ambassadors in specific activities, conveying a brand image that stresses friendship and humanity. In addition, *Lenovo* is supporting various foreign national teams to elevate their corporate image in important markets outside the host country.

It is clear that a number of **critical brand portfolio decisions** have been made at *Lenovo*. The new *Lenovo* brand enables the firm not only to retain the existing customer base in China's market and worldwide served with *IBM's Think* products, but also to address competitive threats and enter new markets. The relationships between brands are particularly important in defining new and transitioning business arenas. While the master *Lenovo* brand will provide an essential synergetic force in the portfolio, the subbrands like *ThinkPad* and *ThinkCentre* will inherit the reputation and recognition of *IBM* brand.

After **successful integration** by overcoming cultural barriers and streamlining operational processes, the re-born *Lenovo* filled its brand image with new values. Moreover, it influenced the market environment and actually defined product categories. In doing so, *Lenovo* positioned itself as a **differentiated brand leader, building a bridge from East to West. They have in fact created the first global brand, "Made in China"**. PCs and laptops are just the beginning. *Lenovo* also manufactures and distributes mobile phones in China. We can be sure to see more brand developments and marketing success through brand building in these other product areas in the near future.

## 5.8 Tata Steel

### Branding Steel Based on Customer Focus

As one of India's most successful companies, *Tata Steel* also represents a great example of a strongly branded B2B company. In 2001 and 2005, *Tata Steel* was ranked the **world's best steel company** in studies carried out by World Steel Dynamics Inc., USA (*WSD*), a leading steel information service provider. The rankings were based on a set of different criteria, ranging from cash operating costs to stock market performance of the respective past three years. In 2005, *Tata Steel* outpaced 23 other companies that have been identified as world-class steel makers. Among them, businesses like the French *Usinor*, the American *Nucor*, the South Korean giant *Posco*, *Nippon Steel*, as well as the Russian giant *Severstal*.<sup>78</sup>

### *Company Background*

Established in 1907 by J.N. Tata in Jamshedpur, Bihar, in the eastern part of India, the company began production in 1911 with a capacity of 0.1 million tons of mild steel and continued to grow steadily over the years. By 1958, half a century later, its capacity had increased to 2 million tons. The company followed organic as well as inorganic ways of growth, acquiring companies in the process. In 1973, the company acquired some flux mines and collieries. Ten years later *Tata* bought the *Indian Tube Co. Ltd.*, a manufacturer of

seamless and welded tubes and in 1991, it acquired the ferrochrome units of OMC alloys Ltd. Today, it produces a wide range of products. *Tata Steel* is part of the *Tata Group*, one of India's largest and most respected business conglomerates.<sup>79</sup>

In the early 80s, the company started a **five stage modernization** program for its steel plants which ultimately made the company Asia's first and India's biggest Integrated Steel Producer (ISP) in the private sector, a decade later. By 2000, eight divisions of *Tata Steel* were ISO 14001 certified and the company had already completed four phases of the modernization program by investing over 60 billion INR. By April 2001, *Tata steel* was the world's lowest cost producer of steel with operating costs of hot metal (liquid stage) being US\$75 per ton.

At this time, the company also started the fifth stage of the modernization program, in which focus was laid upon attracting, developing and retaining its human resources, under its Performance Ethic Program (PEP). It consisted of two basic elements, creating a new organizational structure which aimed to **create growth, flexible decision making processes and accountability**, and the introduction of **performance management systems** which would focus on reward systems linked to performance and self development opportunities of all the employees equally. The company also initiated a Total Productive Maintenance (TPM) program to reduce breakdown time, readjustments, accidents, errors and product rejections, starting from its bearings division and later implemented to all the plants across the company.<sup>80</sup>

In August 2001, B. Muthuraman took over as managing director of the company and he devised a new program known as Vision 2007, which aimed at making the Economic Value Added (EVA)<sup>81</sup> of *Tata Steel* positive by the year 2007, which the company achieved in the first year of the inception of the program itself!

At first this number was negative, and the return from their business was less than the cost of capital. Than in May 2005, *Tata Steel* declared its annual financial results ended on March 31<sup>st</sup>, 2005. *Tata Steel* de-

clared a profit after tax (PAT) of 34.741 billion INR (€659,7 million) over a turnover of 158.77 billion INR (€2,995 billion). This was an increase of 99 percent and 33 percent in last years PAT and turnover respectively. The company also reported a rise of 37 percent in the export revenues over previous financial year. It already owns a subsidiary in Sri Lanka and has taken the first significant step to **build a global business** by investing in Singapore based *Nat Steel* to acquire 100 percent of its steel business in Singapore and its regional steel subsidiaries and associated companies in China, Malaysia, Vietnam, Thailand, Philippines and Australia at an enterprise value of US\$486.4 million.<sup>82</sup>

### *Branding Steel*

The profitability of the steel industry in India is generally linked to business cycles, reaping profits when economy is going well and eroding them when it is in depression. In the late 1990s, the Indian steel industry was experiencing a glut in the market which strongly affected the profit margin of all related companies. To reduce its dependence on the external environment and business cycles, *Tata Steel* adopted a strategy which stressed the following two points: **branding its products and moving to high value added products.**<sup>83</sup>

The company soon realized that a strong customer focus is essential if any branding approach was to be successful. It soon began to introduce internal campaigns in order to bring the customer-centric message to its employees. In the late 1990s, the company launched several internal marketing programs to emphasize customer focus and service. The programs had taglines such as, “**customer first - her haal mein**” (Customer comes first in any case), “**customer first - her haal mein, her saal**” (customer comes first in every case, every year), “**customer ki kasam - hain taiyaar hum**” (We pledge to the customer that we are ready for him). These are the mantras behind *Tata Steel*'s success. This transfer from producer logic to customer logic was seen as the path to influence customer behavior for mutual gain.<sup>84</sup>

Before jumping on to the brand wagon, *Tata Steel* set up a **branding task force** in January 2000 to explore the possibilities of branding

*Tata Steel* products. Only three months later, the task force evolved into a brand management department. Within this department they created the distinct sub functions “market development”, “order generation” and “order fulfillment” which were computerized, enabling *Tata Steel* to reduce its customer response time significantly. The company also initiated the concept of “**customer account managers**” who were authorized and empowered to solve specific customer grievances immediately. The company furthermore sought to increase customer interaction in order to better understand customer needs and to explore new and improved ways to meet these needs and expectations.<sup>85</sup>

*Tata's* second area of key focus was to shift into the domain of high value added products. In April 2000, *Tata Steel* launched its first branded product, along with the commissioning of its CRM plant. *Tata Shaktee* is their brand for galvanized corrugated sheets. Eight months later the company introduced its second brand, *Tata Tiscon* (re-bars) for rods used in the construction industry.

In February 2003, *Tata Steel* launched another product brand *Tata Steelium*. By September 2003, *Tata Steel* had three products as well as three generic brands in its brand portfolio, as *Tata Pipes*, *Tata Bearings*, and *Tata Agrico* (hand tools and implements) and *Tata Wiron* (galvanized wire products).

“To beat the industry trend in a situation of over supply we need to move away **from selling commodities into marketing brands**. Even as we will continue to leverage and take to greater heights the value of the *Tata* brand there will be efforts to create new images and associations for our services our product in current as well as new businesses”<sup>86</sup>

The leader of the company had decided that branding the commodity steel would provide them a unique selling proposition in a great way. Branding Steel would help *Tata Steel* in two big ways:

**It would help stabilize the flow of revenues even during business downturns, and it would make premium pricing possible.**

Table 6. Tata Steel logos<sup>87</sup>

Similar development could be noticed in other steel companies around the world. *Usinor Steel*, today part of *Arcelor Steel* conglomerate established in 2000 a clear set of product brands which propelled their sales to new heights.<sup>88</sup> *Tata* went on a similar road. Because the corporate brand *Tata* was already associated with various products and attributes the company decided not to put the main focus on it but to create subbrands with separate identities, supported by the **corporate brand as co-driver**. At that time the *Tata* group was involved in a wide range of product and service categories ranging from automobiles to software and was one of the biggest industrial houses of the country.<sup>89</sup> They had learned from the European competition that specialty product offerings and strong brand associations had guarded the market against the low cost importers from the Far East.

*Tata Steel* wasn't the first company to **brand its steel in India**. Other steel companies are hoping to keep their bottom-line healthy by producing branded steel in their furnaces that customers will ask for by name. But *Tata* was pushing ahead with its ambitious plans to ensure that larger quantities of its steel are branded in the coming years.

At the beginning, one of the major obstacles *Tata Steel* had to overcome was its inexperienced marketing personnel. Their knowledge of branding techniques was quite limited and moreover, many of them had doubts about the feasibility of branding steel. As a solution they started several training programs for them and organized seminars and workshops where experienced people from other sectors came and spoke to employees regarding various issues related to branding. It also formed separate marketing teams for its “long” and “flat” products, keeping in view, the different approaches required for both. The positioning reinforces especially the brand’s leadership position, both in the market place and in the minds of the Indian consumer.

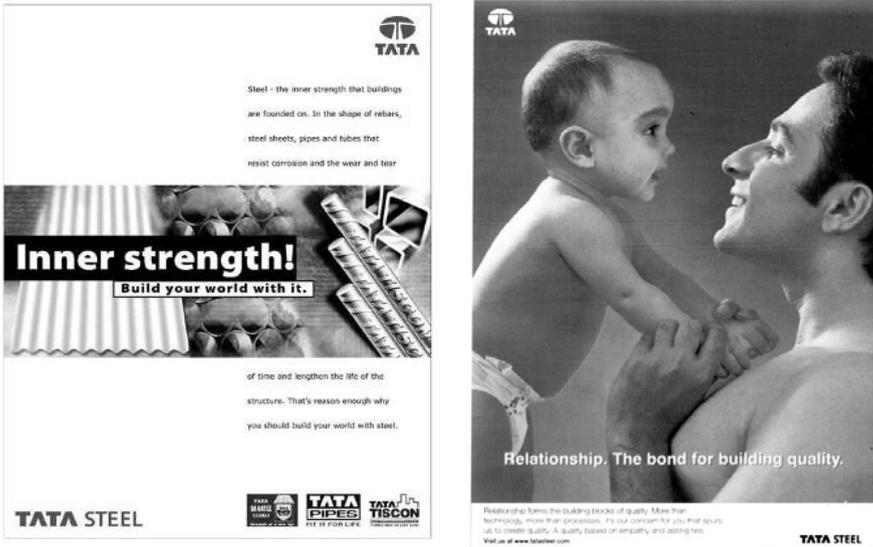


Fig. 64. *Tata Steel* print advertising, source: [www.tatasteel.com](http://www.tatasteel.com)

The communication tools used for the brand launches were primarily **print ads and outdoor advertising**. Yet, they also created TV commercials that portrayed signs of happy customers and employees reveling in the concern the company had for them. “We also make Steel” was the punch line that signaled the triumphant finale of that TV ad. They also began to **engage in community welfare programs**.

They were instrumental in controlling AIDS in the state of Jharkhand, by their AIDS awareness initiatives.<sup>90</sup> Many such programs for community and employee welfare put *Tata Steel* well ahead in terms of Corporate Social Responsibility practices in the industry.

Around 60 per cent of *Tata Steel's* products are sold through contracts – quarterly, half-yearly or annually – and so these products are naturally protected from price fluctuations. It is, therefore, the remaining 40 per cent that are subject to price fluctuations. This is where branding becomes important. *Tata Steel* is spending between 1 per cent and 1.3 per cent of brand-related turnover to establish the brands, and it pays off. The company claims that as a product example, *Tata Agrico* currently commands a premium of 15 per cent over competing brands. Company sources say there are plans to increase *Agrico's* market share even further than 25 per cent. Keeping customers is only one side of the picture. At another level steel companies have come to believe that branding can create a greater level of awareness and interest at the shop floor level. The theory is that if workers know where their products are headed and what they will be used for, it creates a higher level of commitment.

### *Value Management*

Tata recognized early on that their employees were essential assets in the course of becoming more customer-focused. Therefore it adopted a program of **Retail Value Management**, under which the company provided training to sales people recruited by the retailers to help increase sales. In a region in northern India, for instance, sales teams trained by the company approached local architects and convinced them of the advantages of using more steel, resulting in a doubling of the market share of *Tata Tiscon* in that region.<sup>91</sup>

One of the most important things in branding is to know who you are actually messaging to. One of the major implications that Tata undertook in the course of their branding efforts was a concise target group check and distribution revamp. The company was actively involved in both B2B and B2C areas. The B2B customers were mainly automakers *Maruti*, *Telco* and *Ford*, who with their knowl-

edge of steel helped the company to focus on product quality on a holistic way, negotiating for specifications and discussing the advantages of using different grades of steel.

When *Tata Steel* scrutinized its customer base, it revealed the quite common Pareto effect in the allocation of total sales related to customers. Only 200 large industrial customers were providing the big chunk of its total sales – 80 percent – while the remaining 20 percent were contributed to by around 5,000-6,000 smaller customers. The **logical consequence was to adopt different sales strategies for B2B and B2C**. For the 200 key accounts that made up for 80 percent of the sales, the company started an extensive **Customer Value Management** program. Under this program they allocated a whole team consisting of people from various departments of the company to one customer.<sup>92</sup>

### *Future Prospects*

From the beginning, the branding initiative of *Tata Steel* showed impressive results. *Tata Steel's* corporate sustainability report for 2003-04 states that the sale of branded products increased by 84 per cent. This resulted in a share of branded products as a percentage of total turnover of 22 percent in that fiscal year. The future expectations and prospects of the company are also very positive. Today, *Tata Steel* is already one of the best branded names in steel industry and has already started initiatives in the co-branding arena with high end customers like *Ashok Leyland* and *Telco*.<sup>93</sup> Looking to the future, *Tata Steel* has announced that the company would be focusing on **co-branding initiatives** with its high-end customers such as *Telco*, *Ashok Leyland*. Company sources say that initially *Tata Steel* would be focusing on the automobile sector; later the co-branding initiative will be expanded to the consumer durables sector also.

Just recently, in November 2005, *Tata Steel* and *BlueScope Steel* announced that they have agreed to enter into a partnership and form a new Joint Venture company in India. The 50/50 Joint Venture Company will build a new business across India and South Asia

that will manufacture zinc/aluminum metallic coated steel, painted steel and rolls formed steel products, and deliver pre-engineered buildings (PEBs) and other building solutions. The new company will offer a comprehensive range of branded steel products for building and construction applications.<sup>94</sup>

The steel industry has been racing along at a surprisingly high speed during recent years, largely due to the huge buying from China. *Tata Steel* has also done extraordinarily well as the industry moved upwards, but the next big challenges are already seen on the horizon: **global reach with global branding**. The world number two *Mittal Steel* has successfully reached out to orchestrate a hostile takeover of *Arcelor*. The newly created European giant is the largest and most global steel producer and brand.

## Summary

- The selected B2B brand cases demonstrate that brand building in its various forms supports corporate success in a dramatic, measurable way.
- After establishing a **seamless, reliable express delivery worldwide**, *FedEx* focused on **developing its corporate image and reputation**. Maintaining its superior brand image was the top priority only next to establishing a brand house for sustaining their competitive advantage.
- *Samsung* successfully followed a one brand strategy by establishing one **global value proposition with an emotional approach** to increasing brand image for their B2C products and transferring that image back to their B2B business areas. *Samsung* also followed a pre-emptive investment strategy to comply with innovative consumer demand and applied communication measures in an effective and efficient manner.
- *Cemex* introduced **branding management** to successfully place itself in Mexico, its home market, and is now expanding around the globe. The *Cemex* corporate brand serves as an umbrella that encapsulates the vision, value, personality, position-

ing and image of the company. Having been decisive in the proper development of their B2B initiatives, *Cemex* serves as **branding role model** for many companies in Latin America and throughout emerging economies

- After Lou Gerstner reinvented *IBM*, achieving a dramatic turnaround during the 1990s, Sam Palmisano's task was to strengthen the synergy and technology of the organization so that it would work for their customers. Palmisano's strategy was based on a new value proposition: *On Demand*. The core idea was that IT systems would include customers and suppliers, information and computer resources and would be available on-demand when needed. All *IBM* business units were charged with delivering this value proposition. In addition, the business model was transformed into that of a service company where hardware is only the starting point of a business relation.
- *Siemens'* new value proposition and business organization *Siemens One*, with focus on cross-business leverage, proved that cross-business communication works. This new brand-minded leadership transformed the world's largest electrical engineering and electronics companies, and one of the oldest industrial brands to a corporate power house through cross-selling initiatives.
- *Lenovo's* attempt at building a global brand from China was successful after the **integration of the IBM PC division**. By overcoming cultural barriers and streamlining operational processes, *Lenovo* filled its brand image with new values. The possibility is strong that *Lenovo* will define new product categories and expand its brand leadership into new regions in the near future
- *Tata Steel* has fulfilled its set corporate goals and has been very successful in branding commodity steel in India. By segmenting, focusing, and streamlining operations, *Tata* has become the preferred supplier in the region. The next big challenges are already on the horizon; global reach with global branding.

## Notes

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