Business & Brand Leadership: A New Approach to Global Success for Taiwanese Businesses

Taipei
30 July 2013

Martin Roll
The most profitable companies focus on intangibles such as human capital, exploiting network effects, and creating synergies based on brands, rather than investing in tangible assets.

McKinsey & Company
The Asian strategy challenges

- Low cost is becoming a commodity
- Chinese and Indian economy
- Trading mindset
- Less focus on innovation
- Asset challenge
- Dominance of large diversified conglomerates
- Excess capacity
- IP/Trademarks
The financial value chain

Scenario A
- Production cost
- Manufacturer gross margin
- Retail gross margin

Scenario B
- Production cost
- Manufacturer gross margin
- Distributor gross margin
- Retail gross margin

Scenario C
- Production cost
- Manufacturer gross margin
- Manufacturer gross margin
- Retail gross margin

Scenario D
- Production cost
- Manufacturer gross margin
- Manufacturer gross margin
- Manufacturer gross margin

Source: Asian Brand Strategy
## New business paradigm for globalizing Asian brands

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>Branding</td>
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<tr>
<td>Production</td>
<td>Design and innovation</td>
</tr>
<tr>
<td>Low cost/ Low perceived value</td>
<td>Low cost/ High perceived value</td>
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<tr>
<td>Price as sales driver</td>
<td>Value as sales driver</td>
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<tr>
<td>Short-term financial focus</td>
<td>Long-term financial focus</td>
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<tr>
<td>Branding in marketing function</td>
<td>Branding in boardrooms</td>
</tr>
<tr>
<td>A function drives the brand</td>
<td>Organisation drives the brand</td>
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<tr>
<td>Market share</td>
<td>Brand equity</td>
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<tr>
<td>Marketing as cost</td>
<td>Branding as strategic investment</td>
</tr>
<tr>
<td><em>(Profit &amp; Loss statement)</em></td>
<td><em>(Balance sheet)</em></td>
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Characteristics of a strong brand 1

• A brand drives shareholder value
• The brand is led by the boardroom and managed by brand marketers
• The brand is a fully integrated part of the entire organization, aligned around multiple touch points
• The brand can be valued in financial terms and should be treated as an asset in the balance sheet
• The brand can be used as collateral for financial loans and can be bought and sold as assets
Characteristics of a strong brand 2

- Customers are willing to pay a substantial and consistent price premium for the brand
- Customers associate themselves strongly with the brand, its attributes, values and personality
- Customers fully buy into the concept which is often characterized by emotional and intangible relationships
- Customers are loyal to the brand and would actively seek it and buy it despite other cheaper options
- A brand is a trademark and marquee (logo, shape etc) which is fiercely and proactively protected by the company
Strategic importance of branding

1. Enhances shareholder value and deliver competitive returns
2. Catalyst for better leadership
3. Enabling a shared vision throughout the organization
4. Catalyst for balancing short- and long-term perspectives and performance

Implications for management?
The brand-driven company: 3 essentials

- Innovation
- Purpose
- Strategy
- Resources

- Leadership
- New
- Existing
- Cross-overs

- Culture
- Skills
- Values
- Change
- Comfort zone
<table>
<thead>
<tr>
<th>Finance</th>
<th>Sales</th>
<th>Corporate communications</th>
<th>Purchase</th>
<th>Human resources</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Positive impact on cash flow</td>
<td>• Better sales pipeline management</td>
<td>• Better opportunities for becoming a thought-leader</td>
<td>• Enhanced bargaining power with suppliers and partners</td>
<td>• Strengthen corporate culture</td>
<td>• Plan, implement and measure brand equity</td>
</tr>
<tr>
<td>• Better margins</td>
<td>• Enhanced sales due to better customer perceptions and loyalty</td>
<td>• Sustained platform for media and stakeholder relations</td>
<td>• Better collaboration terms</td>
<td>• Ease of staff recruitment</td>
<td>• Facilitate strategic alliances and partnerships</td>
</tr>
<tr>
<td>• Enhanced profitability</td>
<td>• Wider collaboration with distributors</td>
<td></td>
<td>• Platform for long-term partnerships</td>
<td>• Better staff retention and satisfaction</td>
<td>• Strengthen co-branding and licensing opportunities</td>
</tr>
<tr>
<td>• Easier collection of receivables</td>
<td></td>
<td></td>
<td></td>
<td>• Staff as brand ambassadors beyond their jobs</td>
<td>• Platform for internal branding</td>
</tr>
<tr>
<td>• Extended credit terms</td>
<td></td>
<td></td>
<td></td>
<td>• Support training and motivational programs</td>
<td>• Brand evaluation and valuation</td>
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<tr>
<td>• Collateral for debt and other loans</td>
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<td></td>
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<td></td>
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<tr>
<td>• Platform for M&amp;A, joint ventures and alliance activities</td>
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Brands must be run at the boardroom level and be an integrated part of all strategic issues.

Most brands are run by marketing departments and focus on the functional level of marketing.
Branding starts in the boardroom

Mindsets & beliefs

Skills

Resources
Branding starts in the boardroom
The Asian brand challenge no. 1: Lack of imagination and calculated risk taking

Anything is possible

Just do it
“Have the courage to follow the heart and intuition. They somehow already know what you truly want to become”.

Steve Jobs
Building a strong iconic brand

QUALIFY
- Functional attributes

DIFFERENCE
- Functional attributes
- Points of difference

EMOTIONAL TOUCH
- Functional attributes
- Points of difference
- Emotional values

REAL CONNECTION
- Functional attributes
- Points of difference
- Emotional values
- A strong brand

Leadership

Competitive strength
Differentiate! Be aspirational
Don’t escape your roots....

“...Likewise, if L’Oreal is to author a myth about beauty, it mush do so from a particular French viewpoint. Global companies would therefore have to manage their national identities as well as their globalness”.

How global brands compete
Harvard Business School
The role of country branding

<table>
<thead>
<tr>
<th>Country branding activity</th>
<th>Benefits</th>
</tr>
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<tbody>
<tr>
<td>Export branding</td>
<td>• Positive halo effect on products</td>
</tr>
<tr>
<td></td>
<td>• Increased ability to export</td>
</tr>
<tr>
<td>Generic country branding</td>
<td>• Ability to attract tourists and skilled workers</td>
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<tr>
<td></td>
<td>• Increased ability to attract investments</td>
</tr>
<tr>
<td></td>
<td>• Ability to reduce incentives for investors</td>
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<td></td>
<td>• Increased cost pressure on competition</td>
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<tr>
<td></td>
<td>• Resilience to financial crisis</td>
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<td></td>
<td>• Ability to sustain higher prices</td>
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<tr>
<td>Internal country branding</td>
<td>• Ability to retain skilled workers</td>
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<tr>
<td></td>
<td>• Increased productivity from better morale</td>
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</tbody>
</table>
“Arrogance and complacency are the most lethal enemies of strong brands....”

Martin Roll
Singapore Girl launched in 1973
**Branding Excellence™**

**Strong brands have 2 basic components**

<table>
<thead>
<tr>
<th>A. Brand Promise</th>
<th>B. Brand Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Brand Essence</td>
<td>• Attributes, benefits and values</td>
</tr>
<tr>
<td>• Brand Identity</td>
<td>• Organisation and distribution</td>
</tr>
<tr>
<td>• Brand Position</td>
<td>• Brand Image</td>
</tr>
</tbody>
</table>

**Characteristics:**
1. Brand Promise and Brand Delivery are equally balanced and leveraged
2. Uniqueness and differentiation are key drivers
3. Consistency across products, markets, organisations and cultures
4. Strong brand management systems and processes in place
5. Board and top-management are deeply engaged and committed

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A FEW HOURS GRACE BEFORE THE MADNESS STARTS ALL OVER AGAIN.

In today's business world you must put time aside to slow yourself down. And one place you can do that is in the privacy of our Business Class cabin. Relaxing in an exclusively designed seat some airlines would be pleased to call First Class.

Here, as you stretch out in an area roomier than you imagined, decisions are deliberated at your leisure. It's your prerogative to change your mind over the choice of drink, or whether to have Lobster Newburg, Rib Eye Steak or Szechuan Fried Fish. It doesn't matter that those extra documents made your luggage heavy. Our Business Class allowance is thirty kilos.

And it was good to find that we reserved your favourite seat when your secretary booked the ticket. And that our Premium Accommodation Plan service has your hotel confirmed well ahead. But from this height, as you leisurely consider another brandy offered by our gentle hostesses in Smoking Lounge, any problems on the ground are starting to look a little insignificant, aren't they?
Post-sales phase

Sales phase

Retention phase

Pre-sales phase

Marketing campaigns
Word-of-mouth
Travel agents
Company policy
Past experiences
Sales office
Website

Call center
Ticket office
Check-in
Lounge
Boarding
In-flight

Requests
Milage program
Customer service
Special offers
Relationship program
Customer satisfaction surveys

Re-booking
Luggage handling
Complaints
Transportation
Accommodation

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Managing the brand intellect

Know-what = Basic mastery of a discipline (Cognitive knowledge)

Know-how = Translate learning into execution (advanced skills)

Know-why = Systems understanding (experience and intuition)

CARE-WHY = Self-motivated creativity (success + out-performance)

Source: HBR
Brands as financial assets

“Fully engaged customers deliver 23% premium over the average customer in terms of share of wallet, profitability, revenue and relationship growth”.

*Harvard Business Review*
“To succeed in the global bazaar requires a global mindset”.

Narayana Murthy
Infosys founder and mentor
Asia: Balance priorities

Balance of time

Getting better
- Creating
- Learning
- Executing

Getting different
- Creating
- Learning
- Executing
10 Leadership Principles

1. Elevate the marketing function (CMO)
2. Think like a leader – act like a challenger
3. Be bold! Differentiate! Be aspirational.
4. Involve all stakeholders
5. Balance brand promise with brand delivery = touchpoints
6. Innovation – The strategic theme towards 2020
7. Glocalize: Be culturally knowledgeable and sensitive
8. Unique organizational culture – live the brand
9. Measure and benchmark brand performance
10. Avoid arrogance and complacency – raise the bar and be your own change agent
“Asian CEOs and executive teams have the potential leadership, capacity and aspirational fuel to turn their organizations into some of the most admired and profitable global brands....”

Martin Roll
New website in Q4/2013!...

3 new books in pipeline

www.martinroll.com
Martin Roll

- Martin Roll delivers the combined value of an experienced international strategist and a senior advisor to corporate boards and top-management teams of Fortune 500 companies.
- Martin Roll facilitates business leaders and organizations to think bold for future strategies. By focusing on building iconic businesses and brands, Martin Roll advises boardrooms on how to create sustainable competitive advantage and enhance shareholder value.
- Martin Roll brings more than 20 years of management experience from the international advertising and branding industry.
- Columnist and commentator with several global media.
Martin Roll

- Martin Roll is a frequent guest lecturer at Nanyang Business School, INSEAD, CEIBS and many other leading global business schools
- MBA from INSEAD
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