

TOP NINE MYTHS OF REVENUE AND GROWTH

Myth seven: brands
aren't built in a day



AlixPartners' Top Nine Myths of Revenue & Growth series spotlights the changing calculus of top-line revenue strategies and suggests ways companies can overcome commonly held revenue and growth myths as they pursue—and achieve—profitable growth.

FOR COMPANIES SEEKING TOP-LINE REVENUE GROWTH, THE RULES OF THE GAME HAVE CHANGED.

Across industries, market dynamics are evolving at an ever-increasing pace as companies derive data-driven insights and apply digital strategies to move quickly and decisively in order to adapt and grow.

WITH THOSE NEW RULES COME NEW STRATEGIES.

Now more than ever, speed to results and rapid execution in sales, marketing, pricing, and profitability are becoming fundamental to remaining competitive. Many commonly held assumptions have been rendered obsolete, yet many companies still fall prey to the myths as they struggle to respond to the competition.

AVOIDING THE MYTHS AND ACHIEVING TANGIBLE GROWTH.

With the changing rules of the game, how can investors and managers overcome myths and maintain or enhance profitable growth? More important, how can they execute while staying strategically nimble enough to remain responsive to the market and not only survive but also thrive?

BRANDS AREN'T BUILT IN A DAY. EXCEPT WHEN THEY ARE

Brand-building is a long, slow process. It can't be rushed—it takes years of patient cultivation and costly advertising to plant a brand name in shoppers' minds, and even a well-executed marketing campaign can stumble in the face of consumer indifference and countervailing market forces. Brand-building is even more of an uphill climb when consumers assume a product is made by the retailers that sell it rather than its actual manufacturer. Better to spend that marketing budget elsewhere.

Or that's what the leaders of consumer-products companies tend to think. Some products, this line of thinking holds, are simply doomed to anonymity. In such cases, the only realistic way to increase sales is to work closely with friendly retailers—and keep them friendly with generous rebates and discounts.

A CHANGING MARKETPLACE DEMANDS A NEW APPROACH

That was the mindset that prevailed when the owner of a popular maker of bedroom furniture decided to make a name for its goods in the manufacturer's home market in western Europe. The manufacturer's wardrobes, beds, and cabinets were priced to appeal to entry-level and medium-tier shoppers, although the company had the potential to make higher-end products in the four plants it operated in its home market. A major player in that market, the company sold most of its goods through a network of retailers. Its widespread presence in their stores, however, did little to build consumer awareness of the maker's brand—market research revealed that consumers tended to associate the furniture with the name of the retailer, not with the manufacturer. Some of those retailers went a step further, obscuring the manufacturer's marque altogether to camouflage price differences among competing goods.

The company had an opportunity to disrupt that state of affairs, but to do so, it needed to establish a distinctive brand—fast. The European furniture market was in flux at the time as online players moved onto the scene, supported by e-commerce platforms that were aggressively building their logistics capabilities to handle direct-to-consumer deliveries of larger packages. Online furniture sales were posting year-over-year sales increases of 15 to 20% and were well on their way to what analysts estimate will be a stable 30% share of the overall market (see figure 1).

FIGURE 1: DEVELOPMENT OF THE LOCAL FURNITURE MARKET

	SPECIALIZED TRADE BRICK AND MORTAR	ONLINE	SELF-SERVICE BRICK AND MORTAR
Market today	60%	10%	30%
Client today	25%	15%	60%
Market future	40%	30%	30%
Client future	25%	30 to 40%	45%

While e-commerce was encroaching on brick-and-mortar retailers' domain, new competition from Eastern Europe and Asia was moving in, undercutting the furniture maker's share of the entry-level market with lower-priced (and lower-quality) offerings. The furniture maker's prices and margins took a beating, even as sales and margins in higher-price market segments held firm against the new entrants. The emergence of those new entrants strengthened the case for a distinctive brand that signified locally-made furniture built to exacting standards from domestically grown hardwoods.

It was against this turbulent backdrop that the besieged furniture maker engaged AlixPartners to help establish its brand in the marketplace, with the aim of restoring its margins and market share. The timing was right—Amazon, which has claimed a growing share of local consumer-goods sales in recent years, encourages the manufacturers on its platform to highlight their brands through brand pages and other tactics. Seeking a share of the fast-growing e-commerce furniture market and determined to enter higher-end market segments with products differentiated by their domestic origin and higher quality, the company went to work raising awareness of its brand and its attributes.

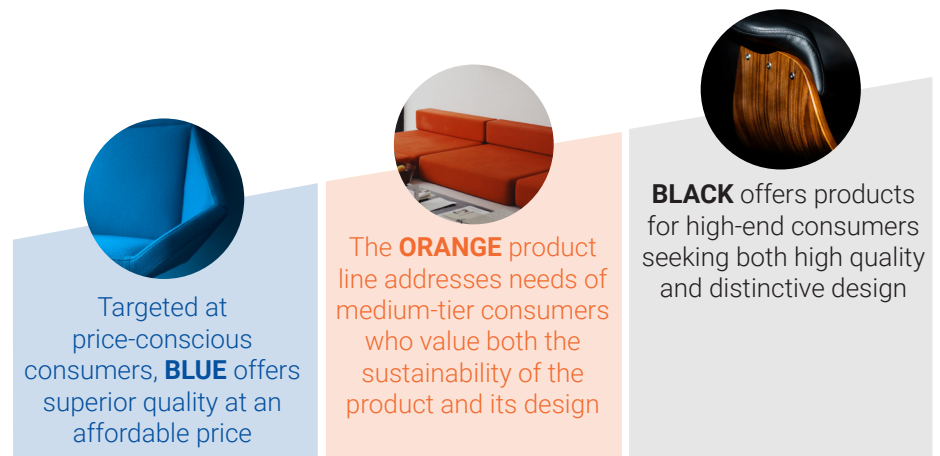
The company's strategic decision differed sharply from the course taken by most other European furniture makers, which responded to rising price-based competition from Eastern Europe and Asia with undistinguished commodity products of their own, in a bid to win the favor of influential buying organizations. Recognizing that consumers were confused by the complexity of available choices, our client set out to satisfy consumer demands by completely revamping its product development process. It centered all product development not around the buying organizations but around consumer needs. Product lines were reorganized under a new brand architecture that emphasized the manufacturer's consumer-first stance.

TARGETING ONLINE SHOPPERS

The brand-building campaign was conducted on several fronts at once. The company refocused its product-development activities on the online market, specifically creating products that met online platforms' requirements for weight, dimensions and materials. It also launched a line of bedroom furniture that targeted the upper end of the market, which was growing strongly and commanded higher profit margins than lower-end segments. Marketing material for the new product line emphasized that it was built locally to stringent quality standards using domestically sourced, high-grade materials and environmentally friendly manufacturing techniques—drawing a sharp contrast to foreign-made furniture characterized by substandard materials and shoddy workmanship. And, as noted, it overhauled its entire product-development process, with product lines differentiated by consumer incomes, desires, and preferences, a rarity among consumer-goods makers in that market.

At the same time, the maker developed a brand-positioning concept for three sub-brands (the Black, Orange, and Blue collections) at three different price points (see figure 2). It also undertook extensive quantitative and qualitative market research, interviewing consumers, store managers, and buyers to learn the preferences, price elasticity and shopping habits of different tiers of consumers. Following an iterative process of reworking the concept with the manufacturer's leading shareholder, it was time to take the new brand strategy public.

FIGURE 2: TARGETED PRODUCT LINES ADDRESS DIFFERENT CONSUMER SEGMENTS



A BREAK WITH TRADITION

A pilot project to introduce the high-end Black sub-brand in a few select stores elicited valuable customer feedback and helped the company fine-tune its point-of-sale strategy, while a parallel online campaign began to build brand awareness. Confirmation that the company was on the right track came when shoppers looking at display models of Black furniture products approached company representatives on hand to ask if they could buy the samples.

The brand had its official launch at the company's annual product fair, attended by a cross-section of furniture retailers, merchandisers, influencers, and other strategic partners. Positive feedback from attendees encouraged the company to proceed with a two-phase brand rollout, beginning with a product launch at the stores of a few strategic retail partners and followed by a rollout across Europe. Retail partners featured the brand in their brick-and-mortar stores, where customer uptake was brisk, while a parallel campaign placed the brand in several popular print and online furniture catalogs and listed it on heavily trafficked online platforms including Amazon, Home24, and Wayfair.

At the same time, the company overhauled its back-end processes, revamping its logistics and order-management systems in conjunction with a seeding campaign with online retailers. And in a bold break from conservative retailing practices, the company launched a social media campaign that highlighted products for the online channel and solicited consumer votes to choose colors and names for new product lines.

The brand has secured a foothold in the market. The Black line of premium products has been especially well-received, allowing the company to boost its margins by double digits. For its next move, the company plans to roll out its brand across a broader range of brick-and-mortar retailers while further developing its online presence. The aim in both instances is to make direct contact with consumers, offer a convenient shopping experience from inspiration to after-purchase, and satisfy consumers' demand for a homegrown, approachable yet fashionable brand of home goods.

In the face of widespread skepticism, the furniture maker has created a distinct market identity for its once-obscure brand. Which suggests that sometimes the best way to deal with conventional wisdom is to ignore it.

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ABOUT US

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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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