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Why it’s hard to reposition a brand

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Looks at how technology players, such as Amazon, have particularly impacted middle-market brands that often have not invested sufficiently to understand their customers.

- To be a successful value brand you have got to excel at operational efficiency, keeping costs down and passing savings onto consumers.
- The attributes of a luxury brand are more difficult to emulate, requiring multiple dimensions of quality, including: rarity, authenticity, provenance, craftsmanship and transparency – values that create a stronger emotional connection.
- Middle-tier brands therefore are most likely to need to reposition, acquire competitors to gain scale, or fail when they get it wrong.
- If you can’t succeed in being a reference point brand, you have a choice of ‘moving down’ and competing mainly on price, or ‘moving up’ and finding new ways to distinguish the brand that commands a premium the consumer is prepared to pay.

How to grow via premiumisation

This article is part of a series of articles on premiumisation. **Read more**.

Need to know

- Technology players, such as Amazon, have affected middle-market brands that often have not invested sufficiently to understand their customers, or have not innovated with new propositions and fluent digital customer experiences.
- Product-line premiumisation is an opportunity for repositioning value brands that earn their customers’ trust and deliver growth through innovation, with new higher value propositions.

- Historically, successful luxury brands have struck a sensible balance between exclusivity and accessibility but many were too slow to adopt digital media and online sales, and have now had to rush to adapt to new consumer shopping habits.
- The most challenging space is in the middle market. Middle-tier brands are most likely to need to reposition, acquire competitors to gain scale, or fail when they get it wrong.
- In order to move up, either know your customers better, or develop a culture that breeds innovation and a business model that can continuously fund it, as consumers' preferences don't stand still.
- Brand owners in the squeezed middle space need to re-assess their brand's positioning strategy to ensure brand differentiation distinguishes them from competitors and identify any disconnects between strategy and business objectives.

Disruption, disintermediation, increasing customer expectations, market overcrowding, limited resources, data overload and data security are some of the challenges facing brands today, so it's no surprise that repositioning is often on the agenda.

Even the largest companies in the world are feeling the heat from disruption by 'BigTech'. Huge and potentially risky mergers and acquisition deals are the incumbents' first line of defence, as evidenced by Amazon entering the prescription drugs market when it acquired Pill Pack for $750m in 2018. CVS Health and Walgreen Boots Alliance stock dropped over $11bn on the news with CVS responding by buying health insurer Aetna for $69bn to mitigate the threat. Boots has now announced it will shed 200 stores in the UK to cut costs. Across many sectors, a CEO's worst nightmare is Amazon, Google or Facebook disrupting their marketplace.

BigTech has also transformed customer expectations. If Amazon Prime can deliver to you in hours, why do you need the high street? Tech players have put consumers in control with 24/7 access to whatever we want, whenever we want it; as well as making us better informed, and more discerning about end-to-end brand experiences.

But that's not the end of the bad news for analogue brands. Technology is also responsible for crowding out the market, with an abundance of social media, blogs, videos, influencers, emails, texts and messaging; in addition to advertising media, sponsorship and retail presence. There has never been so much noise, yet so much easy access to so many brands, with consumers increasingly promiscuous with their purchases. How do brands cut through in this marketplace and keep consumers loyal?

While BigTech leverages its global platforms and 360-degree data to engage consumers all over the world, traditional brands often rely on brick and mortar distribution, and advertising strategies that convert less and less effectively. Limited resources and budgets can't compete with the frictionless reach and data insights of online platforms and this is particularly true of middle-market brands, which often have not invested sufficiently to understand their customers, or innovated with new propositions and fluent digital customer experiences.

First, let's look at the two sides of the brand sandwich:

Value brands

To be a successful value brand you have got to excel at operational efficiency, keeping costs down and passing savings on to consumers. This requires the ability to become the best low-cost operator in your sector, replicate success, develop new channels to market or new markets, while continuously optimising the service offering. Operational excellence is difficult to maintain if you don't have scale, but it does provide protection as long as an innovator doesn't reinvent your market or the customer tires of your product.

The opportunities for repositioning value brands include product line premiumisation for those who earn their customers' trust by delivering their value propositions, such as Kia, which moved from a manufacturer of very basic hatchbacks 20 years ago, to the global auto-maker of today, selling desirable, well-designed mid-market cars. Another example is Lidl, which built a reputation for quality at low prices and is now seeing growth through innovation in its Deluxe range. Similarly, budget supermarket Aldi won 14 innovation awards in 2018.

Luxury brands

On the other side of the sandwich are luxury brands. The attributes of a luxury brand are more difficult to emulate, requiring multiple dimensions of quality, including: rarity, authenticity, provenance, craftsmanship and transparency – values that create a stronger emotional connection with the brand than more mass-produced, freely available premium brands. The mindsets and cultures behind the two are therefore quite different.

Historically, successful luxury brands have struck a sensible balance between exclusivity and accessibility. However, they were slow to adopt digital media to grow sales, fearing they might become too accessible. As luxury consumers began spending more online, brands were left with no choice but to adapt to their customers' new purchasing patterns, resulting in mass reach and often lower prices. Johann Rupert, Chairman of Richemont, once said to his board, "We will never stoop so low to sell our products online", only to acquire NET-A-PORTER ten years later.

To fuel growth, luxury brands often expand their core offering into larger volume "diffusion" lines, but sometimes they overdo it. Recently, both Burberry and Gucci have successfully repositioned to reclaim their luxury brand essence, following a period of too much diffusion.

The middle is getting squeezed

While no sector is easy, the most challenging space is in the middle market. It's no surprise then that middle-tier brands are most likely to need to reposition or acquire competitors to gain scale – or fail when they get it wrong.

The 'squeezed middle' is a growing reality. It's hard to maintain success in the mass middle market, when value brands expose your margins and new entrants tempt loyal customers away. One way is to innovate. Nestlé used its strong mid-market Nescafé Gold positioning to launch Nespresso and create a whole new sector.

Some try to find safety in scale. The proposed merger between Sainsbury's and Asda would have created huge buying power and cost-saving synergies as a defence against Amazon and the value supermarkets, but that didn't come off and now each has to find an alternative strategy.

With so much choice in the middle, your initial value proposition might lose relevance. Jamie's Italian failed because its early advocates – who were drawn to fresh ingredients simply cooked – decided they could emulate the dishes at home and not pay a cook to do it for them. Philip Green's Topshop brought in McKinsey in 2017 to review its strategy and fight back at the fast fashion online retailers he had inspired. Unfortunately, that hasn't worked and the mix of brick and mortar and underinvestment in digital hasn't seen off the digital retailers and their slick logistics. Last month, Topshop announced the closure of all its US stores and 23 of Arcadia's stores in the UK.

Brand positioning

Brand positioning, and therefore re-positioning, is about reconciling contradictions. The most successful mass market brands simultaneously occupy a central space in their category, while maintaining distinctiveness. This makes them a reference point, hard to copy, and able to command higher prices than less distinctive brands.

If you can't succeed in being a reference point brand, you have a choice of 'moving down' and competing mainly on price, or 'moving up' and finding new ways to distinguish the brand that commands a premium the consumer is prepared to pay. Of the two, it's certainly easier to move down (for a while), but to maintain this and fight the value brands you need an organisation that is operationally excellent. To move up, you need to either know your customers better, or develop a culture that breeds innovation and a business model that can continuously fund it, as consumers' preferences don't stand still.

It's not surprising, therefore, that it's rare for a mass market brand to reposition as a premium brand, let alone a luxury brand, but fairly common for luxury brands to create diffusion sub-brands. Porsche has always done this. When the iconic 911 was launched in 1963, a humbler 4-cylinder 912 debuted a couple of years later, with a long line of siblings from the 924 to the Cayman to follow. High fashion brands do the same, with cruise wear, street wear, accessories and perfumes. Think Armani: you have Giorgio Armani and Emporio Armani, with a cornucopia of ranges below each.

Why it's hard to move on up

Absolut Vodka was originally launched in 1873 as a value brand to fight the city of Stockholm's monopoly on liquor. In the 1980s it repositioned as a premium brand with distinctive packaging and an iconic advertising campaign by TBWA. In 2017 the brand launched its latest custom designed line with individually numbered bottles. Absolut's limited editions add a dimension of exclusivity to the brand story, yet in truth, despite these being cues generally reserved for a luxury brand, this really reinforces its premium mass market position. Absolut is a brand continually innovating to maintain preference with its mass market audience.

Is premiumisation the answer for middle-market brands in an ultra-competitive market? Well it's definitely a trend and has a place as consumers become more selective and trade down for substitutes, at the same time as trading up for brands that make them feel special. In this context, being stuck in the middle is often the worst place to be.

But affordable luxury cannot be skin deep. Any repositioning must be built on clear objectives and a coherent strategy that answers these questions:

1. Purpose – why does this brand deserve to exist? What problem does it solve?
2. Meaning – does the aspirational proposition ring true with the brand's values and purpose?
3. Audience – will the new strategy engage existing audiences or target new ones?
4. Differentiation – can you defend what makes the brand distinctive? Can you afford to continue innovating to maintain points of difference?
5. Price – does 'premiumisation' mean lower sales but higher profit? If so, will it improve business performance?

Certainly, brand owners in this squeezed middle space need to re-assess their brand's positioning strategy to ensure brand differentiation distinguishes them from competitors and identify any disconnects between strategy and business objectives.

If repositioning is required, it needs to be considered carefully and any premiumisation strategy, built on strong foundations that will stand the test of time.

The squeezed middle may be an uncomfortable place to inhabit, but it does offer brands with energy and vision a platform from which to launch fresh brand propositions before someone eats their lunch.

About the author

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Peter Matthews is founder and CEO of Nucleus, an independent London-based brand, digital and IP consultancy.

A designer by training, Peter continues to personally lead strategic brand creation, innovation and transformation projects for international clients, specialising in financial services, travel and luxury.

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