High tech companies brand and thrive

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How Lockheed Martin, IBM, SUN, SAP, TATA and Xilinx have used brands to build market dominance

An article in a recent Harvard Business Review (August 2007) discusses effective long term brand management. But the piece talks only of FMCGs and supermarkets. Not a mention of high tech or B2B brands.

A quick trawl of business literature databases shows that brands still overwhelmingly mean supermarket products. Corporate branding largely applies to car and white good manufacturers. And technology brands mean iPods, TVs and music centres.

In other words, brands are low tech, consumer goods. At least that's how most brand experts seem to see it.

Yet some high tech companies have built highly successful brands. And current technology trends - such as SaaS - are making brand building even more relevant. As Sun Microsystems Chief Executive Jonathan Schwartz wrote recently (April 2007) on his blog: "For those that deliver service via the network, brand is all you've got. It's not an asset, it becomes ***the*** asset."

In some cases, these companies' use of branding has helped them survive and emerge stronger from market crises that seriously damaged their non-branding competitors.

What is a brand?

But just what is a brand? It's a set of intangibles linked with a product, a technology or a company that increases the value associated with it.

Branding brings benefits that apply particularly to high technology and B2B. It can transmit values and associations across product generations and different technology sets.

Products have limited life cycles. Technologies get replaced, incrementally or disruptively. But brands - if managed properly - last forever.

Today's PCs are similar in use and underlying technology to equivalent Linux or Unix workstations. Yet PCs benefit hugely from the perception that they are much easier to use: the result of the branding values they have inherited from earlier generations of PC products.

These branding values can last decades, and be worth billions of dollars to their owners. When IBM invented the microcoded execution level for the System 360 mainframe family in the 1960s, it simultaneously created a corporate computing brand that unified hardware with very different underlying architectures: a branding that continues today, over forty years later, in IBM's z9 top range family of server products.

A reason why branding has less prominence in B2B high technology is the professionalisation of corporate and technology buying. Procurement management is designed to eliminate subjective factors: reducing organisational buying to cost, performance and functionality.

Faced with a professional

Branding is not just for Coca Cola

buyer, many B2B firms believe that branding is money wasted.

They replace it with an emphasis on continuous product innovation and endless price performance improvements.

But this ignores the role that branding plays even within professionalised buying processes. Organisational procurement typically involves

In a crisis, branding is the difference between survival and failure

different technical, application and financial specialists. While some will look only at the figures, others will be influenced by wider factors: such as product reliability, customer-responsiveness, service, and technology roadmaps. In short, to B2B technology branding.

In any case, building a market position on continuous product innovation is risky. Depending on product innovation can expose a company to a rollercoaster ride of market ups, as new products are introduced, and downs, as rivals get their products to market. It's a strategy that is highly vulnerable to disruptive technologies, general economic downturns, or changing customer priorities.

Tying a company's sales to price performance ratios is even worse. It means abandoning control of not just the top line but the bottom line as well to its competitors.

Effective technology brand management can buy vendors time when things go wrong. In the ordinary flow of things, it will keep customers on-side when products are late to market. Good branding can reduce the room for competitor expansion, even when they possess temporary advantages. In a crisis, excellent brand management can even mean the difference between business survival and failure, providing a degree of cover while vendors restructure and recoup.

Branding is also crucial when a company wants to diversify its offerings, especially when these involve a sudden shift in market added value. Suppliers moving into a new market segment such as corporate services or the mid-market require brand equity to establish mind-share.

Branding pyramids and the internal Brand

High tech companies have a number of branding approaches open to them. These include: corporate branding; technology branding and concept branding, as well as product branding. Successful high tech marketing companies such as SAP, Lockheed Martin, IBM and Apple deploy all approaches within a branding pyramid, with a unifying structure of message sets.

Internal branding is a further branding approach that has proved especially important within the high tech industries. If a company's most valuable resource is the expertise and ingenuity of its employees, then they are the prime audience for its main branding messages. Long term survival within a rapidly innovating industry demands internal branding. Highly successful technology vendors place a high emphasis on their internal branding: an internal brand is often more volatile than external branding and requires more frequent renewal or reinforcement. Two companies that have used internal branding successfully during severe market downturns are Xilinx and Lockheed Martin.

Deep Thought – a key weapon in IBM's branding

IBM - from hardware to services

The last ten years has seen a dramatic revival in the fortunes of IBM. But fifteen years ago, the company stood on the brink of failure. Its stock market price had collapsed. It faced a price war in the mainframe and storage market, while major customers were turning to HP and Sun's client-server offerings. The company reported net losses in 1991 and 1992, culminating in a net loss of $8.1 billion in 1993. The company was fast running out of cash.

The solution, imposed by new boss Lou Gerstner, involved a massive corporate rebranding exercise. IBM's branding was fractured between different hardware product lines. Following this logic, former boss John Akers had begun breaking the company up into its operating units.

Sun has brilliant concept branding, but suffers from poor corporate branding

Believing that the value of IBM lay instead in its entirety, Gerstner reversed this policy. In its place, he promoted the vision of "the unified enterprise".

Instead of a multitude of product brands, Gerstner wanted a single corporate brand, complemented by a subset of service brands. To drive these changes, IBM appointed a single worldwide advertising agency: Ogilvy. It also began to pour money into advertising.

Gerstner imposed a single branding template - the eServer - on the company's different hardware platforms. He shifted branding focus from products to services and unifying technologies. Today, IBM's branding is foremost corporate, underpinned by a subset of brand messages about services, software delivery, Open Source, and architecture platforms that cut across the old hardware divisions. The company is seen as a leader in corporate Open Source development. It jostles for top place in the SOA, Web Services, large-scale database, and SaaS segments. And it has established itself as a pioneer in autonomic and utility computing.

SUN: concept brand leader

One company that has been brilliant at concept and technology branding, but less effective at corporate branding, is Sun Microsystems. The result is that the company has enjoyed periods of soaring growth. But Sun has often failed to capitalise effectively on innovations it has pioneered, and long term the company has suffered from a seesaw of growth mixed with steep falls in revenues.

Sun started out as a vendor of high speed workstations and small servers, selling mainly to universities and technical companies. Branding was based on comparative performance of its hardware and SUNOS operating system, a factor that left it highly vulnerable to competitive inroads from rivals Apollo, SGI and HP.

In the mid-1990s, as the Internet began to take off, the company changed branding tack.

Java – a key Sun brand

Adopting a phrase first uttered by Sun founder John Gage more than a decade earlier, the company launched a major concept branding exercise based on "the network is the computer" strapline. Having deployed one Sun founder, it next turned to another: Gage's Berkeley Unix colleague, Bill Joy. Thin client computing, n-tier architectures, decentralised integration, and universal interoperability were the brand concepts now pushed, underpinned by Joy's Java and Jini technologies. Sun has also heavily branded itself as an Open Source pioneer and an advocate of autonomic computing. Its latest offering is on-demand super-computing.

Today, Sun is seen as effortlessly cool: a leader in reconceptualising the future of technology. Many customers also see it as struggling with poor execution and problems in its supply chain, VAR network, and company admin. The company has been brilliant at technology and concept branding. Now it needs major corporate rebranding, aimed as much at internal and partner audiences as at customers.

Tata: breaking into the global league

One technology vendor that has put corporate branding and a reputation for execution at the heart of its strategy to establish itself in the global top three worldwide is Tata Consulting, the Indian services and consultancy specialist.

In March this year Tata launched a worldwide advertising campaign with the simple strapline: "experience certainty". It is Tata's first major effort to brand itself.

Despite being the largest by far of India's trio of major IT vendors, and doing $2.3 billion of business a year in the US, and $870 million in the UK, its brand recall has been well below that of much smaller rivals.

TATA's branding strategy aims to drive up profitability

But Tata's strategy goes well beyond addressing brand recall issues. The company's branding is aimed at breaking "linearity of revenues and headcount". Tata's headcount is increasing in direct proportion to revenues. Its profit margins are stuck. The company wants to increase its perceived added value, and move itself into more profitable strategic consultancy services. Corporate branding is seen as the company's key to both objectives.

SAP - entering the mid-market

SAP is a company with outstanding corporate branding. In the BusinessWeek/Interbrand annual listing of the world's most valuable brands, the SAP brand tops even household names such as Apple, Panasonic and Volkswagen.

For SAP, the challenge is creating a fresh brand that addresses the mid-market. This segment is vital for SAP's continued growth. But the mid-market is highly price-sensitive, and cautious about embracing new technologies.

This caution especially affects ERP. This has gained a reputation for being expensive and complex to implement. To support ERP, users also have to install corporate

SAP's branding blocks rivals in growth markets

SQL databases, such as Oracle, DB2 or Adabas. Companies frequently lack the in-house expertise to administer these databases. ERP also has a reputation for hardware-hunger: as an installation settles in, it demands more processing and storage.

Then there is competition from suppliers targetting the mid-market with an established small firm focus, such as Microsoft and Sage. While these firms may not be synonymous with ERP, their name recognition amongst smaller firms is very high - and their branding carries the promise of simplicity, ease of use and low cost.

SAP has addressed this through a multi-channel approach that has propegated a uniform set of messages across advertising, press, internet, briefing documents and white papers. The core the messages is contained in the company's "Midmarket Manifesto". The mid-market branding is strap-lined with "We know business fundamentals. And we know what makes each business fundamentally different". The campaign was kicked off by a high profile advertising campaign together with press briefings about the new mid-market direction of the company and its offerings aimed at SMEs.

The company's goal has achieved two goals. The first is that it has prevented leadership in the emerging ERP mid-market falling to another company, which would provide a platform for an assault on SAP's hold of the enterprise market. Secondly, it has allowed SAP to gain a dominant share of the mid-market with an enterprise product, overcoming SME caution over larger-scale systems.

SAP is now leveraging its position in the mid-market to introduce lower cost, maintenance-free online ERP. This should deepen its hold of the mid-market, pushing ERP penetration further into the small company market.

Xilinx - internal branding to power innovation

Maintaining innovation leadership can be a major challenge: the company that creates a market is not guaranteed to continue to lead it.

Electronics developer Xilinx has used internal and external branding to weather a savage market downturn, rebuilding market leadership through new product innovation in new markets.

Right from the start, the company was a brand leader in the programmable logic device market. It pioneered the development of field programmable gate arrays (FPGAs), invented by Xilinx co-founder Ross Freeman. It created the concept of the fabless semiconductor business, the brainchild of another Xilinx co-founder, Bernie Vonderschmitt. The latter development had the effect of increasing the importance of external branding as it placed intellectual property and innovation as the key factors to market share in PLDs.

Roelandts internally branded Xilinx as the technology leader in new markets

In 2001, the main market for PLDs was telecoms infrastructure equipment. That year, the telecoms market crashed. The knock-on effect on suppliers such as Xilinx was savage. But while rivals set about slashing job numbers, Xilinx adopted an expansionary strategy. Xilinx boss Wim Roelandts reckoned that there was a new market for PLDs in consumer electronics. To get there, he would have to cut costs. But he intended to hang on to every employee, and rally them to the new objective of designing smaller, lightweight PLDs with low power consumption.

To achieve this goal, Roelandts heavily promoted an internal brand message that Xilinx would win leadership in new product markets. Outside it, he asserted Xilinx's ownership of the FPGA "brand".

Within three years, Fortune Magazine had ranked Xilinx as the fourth best company in America to work in. By that time, the company had succeeded in winning Sony, Nokia and Samsung as customers for its new lightweight consumer chips. As a result of this rebound, Xilinx gained 49% of the PLD market.

Lockheed Martin - surviving crisis

Defence contractor Lockheed early established an outstanding brand for innovation. The company's Skunk Works in California are renowned for delivering outstanding technical breakthroughs: its products include the U2, YF-12, SR-71 Blackbird, F-117 stealth fighter, the F-22 Raptor and the F-35. The company designs and builds America's spy satellites, the Trident missile, most of NASA's space programme, and runs the Sandia National Labs which design and test America's nuclear weapons.

But in the mid-1990s, the company was facing melt-down. Over the course of the 1990s, total US defence spending fell by 35%, while the market for defence equipment - Lockheed Martin's core market - fell by over 60 percent. By 1997, 75 percent of US defence suppliers had disappeared from the market.

Lockheed Martin decided that to survive, it had to increase market share while rationalising operations. That meant winning new business, developing new products, while closing plants and laying off people.

To achieve this, Lockheed Martin had to complement its existing strong external branding

Strong internal branding helped Lockheed Martin win the F-35 contract

with equally strong internal branding. The company believed it needed to promote a message of absolute honesty and commitment to continuing technical excellence to its workforce. At the same time, the company also needed to create common culture as it struggled to

Lockheed's F-22

weld the seventeen separate companies that made up the group into a single organisation.

Creating a strong internal brand - with its emphasis on continuing innovation, integrity and customer focus - the company has achieved a number of technical and sales breakthroughs. These include winning the F-35 contract and successful trials of the THAAD missile defence system. These successes have helped cement Lockheed Martin's position as the world's leading defence contractor. The company's strong internal branding focused on innovation and employee conditions is underlined by research firm Universum's finding that Lockheed is the top choice as employer for US engineering graduates.

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These examples show that branding is just as appropriate for companies in high tech sectors as for FMCG vendors. Professional procurement processes are not a barrier to branding. Nor is the nature of technology. High tech companies do brand, and when they use it effectively, they achieve major advantages over their non-branding competitors.

Successful B2B high tech vendors use branding in very different ways to consumer goods manufacturers. They have developed a range of B2B branding techniques, including product branding, technology branding, concept branding and corporate branding. The most effective high tech branders employ all these within a pyramid held together by an overall branding strategy.

For most high tech companies, the internal audience is often as important as the external. High tech companies depend on the innovation and skills of key individuals, often spread out in different parts of the company. For these companies, internal branding is crucial, especially when market conditions are rough.

B2B branding brings definable benefits for high tech vendors. It helps them bridge technology and product generations. It can maintain customer loyalty and market share when products are late to market. It can help off-set the impact of disruptive technologies. B2B branding can also ease the transition to new markets. Above all, it can energise a firm's own workforce to work for a common purpose: turning them into ambassadors for the company's technologies, products and services.

The high tech industries are littered with the corpses of firms with brilliant technology who did not make it to the second or third product generations. The more technical the company, the greater the risk of market failure. The companies who have survived are those who have grasped branding, and used it imaginatively. No high tech company could survive on branding alone. But neither can they survive and thrive for long without it.

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