

The concept of 'brand' in business value creation



Caroline A A Meads
Global Brand Design Manager
Holcim Group Support Ltd
Hagenholzstrasse 85, CH 8050 Zurich
SWITZERLAND
Telephone +41 58 858 8311
Email caroline.meads@holcim.com



Pradeep Sharma
Head of Department, Art & Design
University of Glamorgan
Adam Street , Cardiff CF
UNITED KINGDOM
Telephone +44 1443 480 480
Email psharma@glam.ac.uk

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Businesses exist to create value

Businesses exist to create value. The common understanding of business value creation is derived from the 'Industrial Era', 1830 -1970 [Daum (2003)].

Production of material goods was the primary source of wealth creation to take place [Normann & Ramirez (1998)]. The capitalist owned everything: the tools to produce goods with, the production process, the final product and the finance to make it all happen. Business value creation was based on cost-led pricing [Daum (2003)] where price starts with costs, then a desired industry margin is placed on top to arrive at an average price (Refer Figure 1).

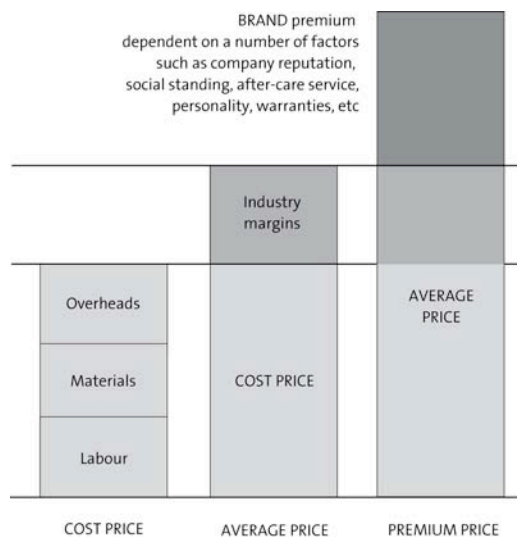


Figure 1. Pricing (from Finskud (2003)).

Today's greater focus on knowledge, intellectual property and globalization - including outsourcing of production and service elements - is changing the nature of business value creation. Production lines are no longer the primary mode by which business value creation takes place, even if in many businesses they are still a core component. Basing today's business

value creation primarily on the production process is mistaken for sustainable long-term value creation [Porter (1996), (1998)]. Porter links value creation into a 'value system' comprised of four linked value chains: supplier value chain; firm value chain (i.e. business); channel value chain; and buyer value chain. This examines value creation systemically by looking at upstream value, business value and downstream value.

53p the amount a Chinese company typically makes from exporting a cheap DVD player.

£10.50 the amount the foreign patent holder makes from the export of that same DVD player.

Source: www.designcouncil.org, August 2007

Value is also seen as embedded not only in the tangible processes, but also in businesses intangible processes and networks. Intellectual capital is an asset itself and a form of value - a way of describing intangible but real assets in a system and how to manage the whole business, not just its visible parts [Roos, Roos, Edvinsson & Dragonetti (1998)].

Choice

Consumers have more choice over where they spend their money. Producers have more choice over which suppliers to use. Potential shareholders have more choice over where to put their money.

'The future of the company: A matter of choice.' The Economist, 22nd December 2001 was an article about the environment in which companies operate today. The article proposed that the environment is dominated by one thing: choice.

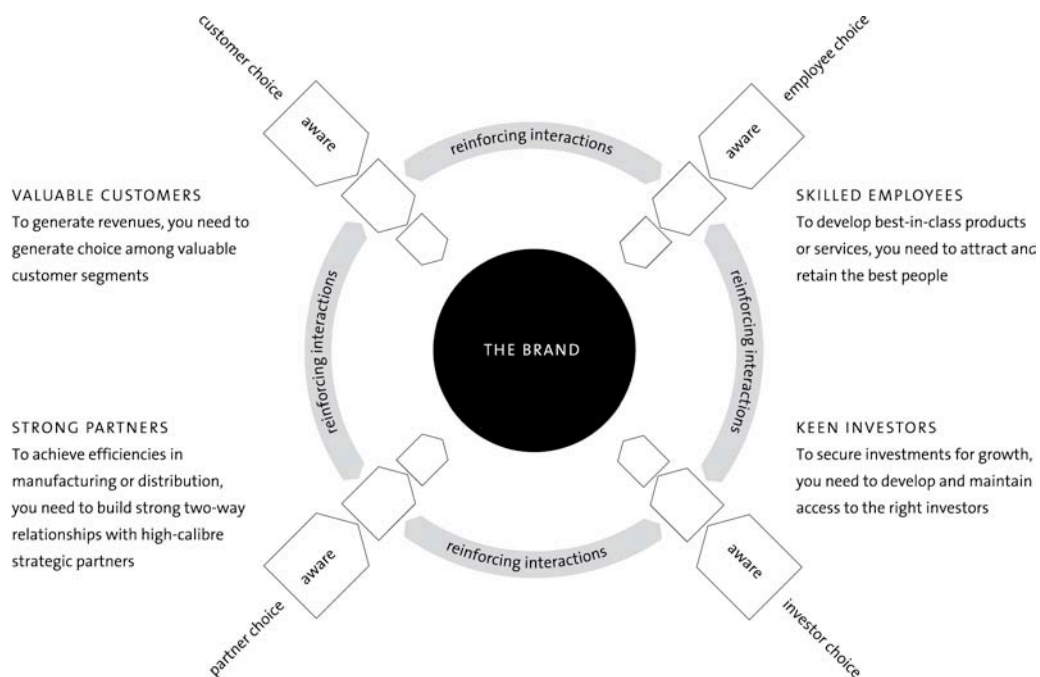


Figure 2. Symmetry of brand choice (from Finskud 2003)).

Competing for choice is about business deliberately being different and choosing a different set of activities to deliver a unique mix of value [Porter (1998)]. A central idea of Finskud (2003) is recognition that the concept of ‘brand’ as the interface between business and its stakeholders (Refer Figure 2). Brand must ‘earn’ choice by delivering value: what represents value to any individual stakeholder (customer, strong partner, employee, investor) is a subjective combination of both real and perceived tangible and intangible benefits. For a brand to be sustainable it must earn symmetrical stakeholder choice from the various constituents both upstream and downstream.

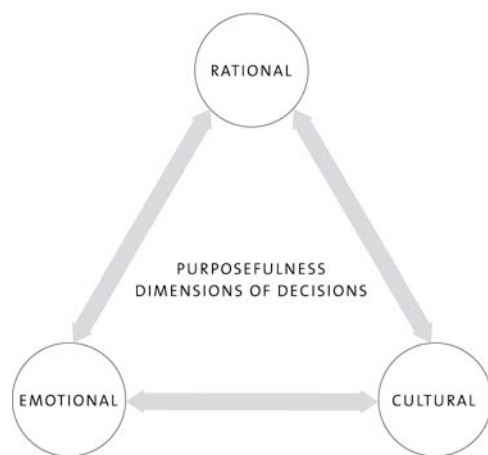


Figure 3. Dimensions of decisions (from Gharajedaghi (1999)).

The business must therefore be geared up to an understanding of how the various stakeholders make decisions. The most evolved form of business is a ‘social purposeful system’ [Gharajedaghi (1999)] in which the dimensions of decisions are made upon the grounds of rational, emotional and cultural aspects [Gharajedaghi (1999)].

The rational choice dimension reflects on the extrinsic (‘instrumental’) tangible values, while the emotional dimension and cultural dimension deals with intrinsic intangible values (Refer Figure 3).

Business and brand performance can be benchmarked on their success in moving customers along the customer choice chain (i.e. brand loyalty) to the value generating stages (i.e. customer retention stages). The ‘customer choice chain’ by Finskud (2003) groups’ potential and actual customers into a series of resource stages that are defined by the relationship customers have with the brand.

The customers residing at the different resource stages represent different levels of real (i.e., today's) value or potential (i.e., tomorrow's) value for the brand (Refer Figure 4).

The customer choice chain helps businesses to understand that it takes different kinds of effort and investment to influence the various flow rates to move customers along from one stage to the next.

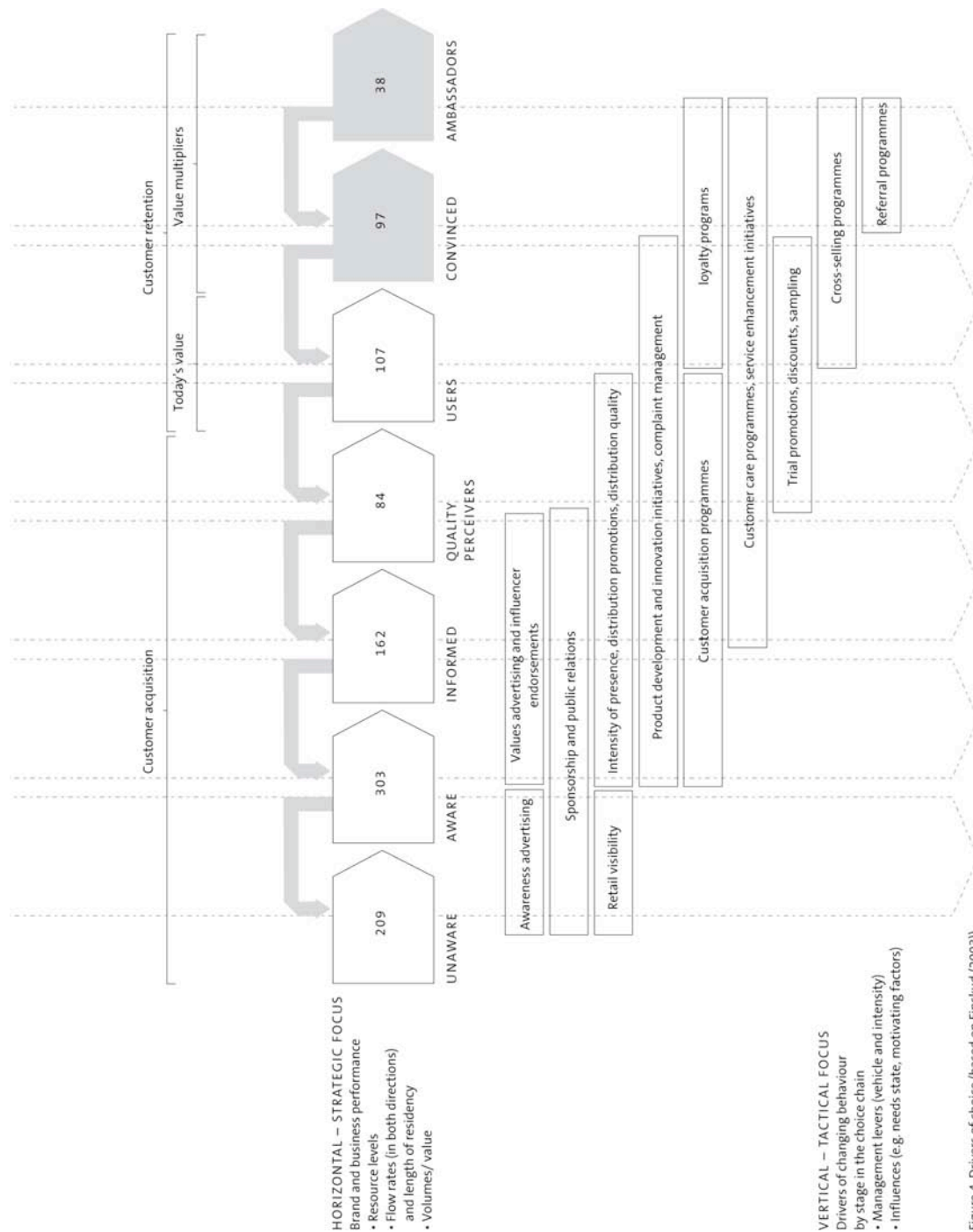


Figure 4. Drivers of choice (based on Finskud (2003)).

The concept of 'brand'

Thus the term 'brand' has been used to cover a multitude of activities from a variety of professional perspectives. Brand can be broadly used from a tactical, operational, management perspective to a strategic perspective, and is often confused throughout (Refer Figure 5).

	ELATIONSHIPS AND CONNECTIONS	TEMPORAL BEHAVIOR OVER TIME	CONTEXT AND CONSEQUENCES
Strategic concept of 'brand'	<ul style="list-style-type: none"> • Embedded • Holistic • Far sighted on longer term value creation • Applied on the periphery 	<ul style="list-style-type: none"> • Active • Implicit brand values • External and internal focus • Passive 	<ul style="list-style-type: none"> • Value of use • Intangible and tangible value • Long-term sustainable value • Value add
Tactical concept of 'brand'	<ul style="list-style-type: none"> • Isolated • Near sighted on wealth creation 	<ul style="list-style-type: none"> • Explicit brand values • Internal focus 	<ul style="list-style-type: none"> • Tangible value • Short-term value

Figure 5. Strategic versus tactical brand characteristics.

There are various references to the origin of brand, the most popular being from the Old Norse '*brandr*' meaning to burn. It was the act of burning that ownership was stamped on livestock and used as a means of identification. Thus the principle of 'brand' was established as a guide to choice, which is a role that has remained unchanged today [Blackett (2003)]. However, the role of 'brand' has evolved to have a more commercial application – as can be seen by comparing the dictionary definition now and that from 50 years ago:

brand *n.* 1. a particular product or a characteristic brand that identifies a particular producer.
2. A particular kind of variety. 3. an identifying mark made, usually by burning, on the skin of animals (formerly) slaves or criminals, esp. as a proof of ownership. 4. an iron heated and used for branding animals, etc. 5. A mark of disgrace or infamy: stigma. 6. A burning or burnt piece of wood, as in a fire.
7. *Arch. Or poetic.* A. a flaming torch, B. a sword. 8. a fungal disease of garden plants, characterised by brown spots on the leaves. ~vb. (tr) 9. to label, burn or mark with or as with a brand. 10. to place indelibly in the memory: *the scene was branded in their minds.* 11. to denounce; stigmatise: *they branded him a traitor.* Branding *n.*

Collins English Dictionary and Thesaurus, Major ed. 1993

brand 1. *n.* piece of burning or smouldering wood, torch, (*literary*); sword (*poetic*); iron stamp used red-hot to leave an indelible mark, mark left by it, stigma, trademark, particular kinds of goods (all the best bb.). 2. vt stamp (mark, object, skin), with b., A impress indelibly (*is branded in my memory*).

The Pocket Oxford Dictionary of Current English 1934

The brand is no longer just representative as an identifier of product but now is representative of the business itself. It is no longer confined mainly to consumer goods and services but features in industrial business-to-business sectors, the public and voluntary sectors, utilities and non-governmental organizations.

King (1973) was one of the first to state the important distinction that 'a product is something that is made, in a factory; a brand is something that is bought, by the consumer.' Now, brand is shifting from being a 'product-plus' to a brand being a 'brand-concept' [Riezebos (2003)].

Businesses are developing ideas that are specifically targeted at certain groups of consumers where the essence of brand is not so much rooted in communicating product advantages and attributes. Instead, it is more about creating a perception in the mind of the consumer about the lifestyle associated with the brand. Businesses in their unending quest of competing for choice are using the concept of 'brand' more and more as a vehicle to create holistic experiences emotionally binding a relationship with the customer [Gobe (2001)]. These brands are more meaningful and more difficult to imitate (Refer Figure 6). They are building long-term relationships with customers as 'brand experiences' that make them 'sense', 'feel', 'think', 'act', and even 'relate' to [Schmitt (1999)].

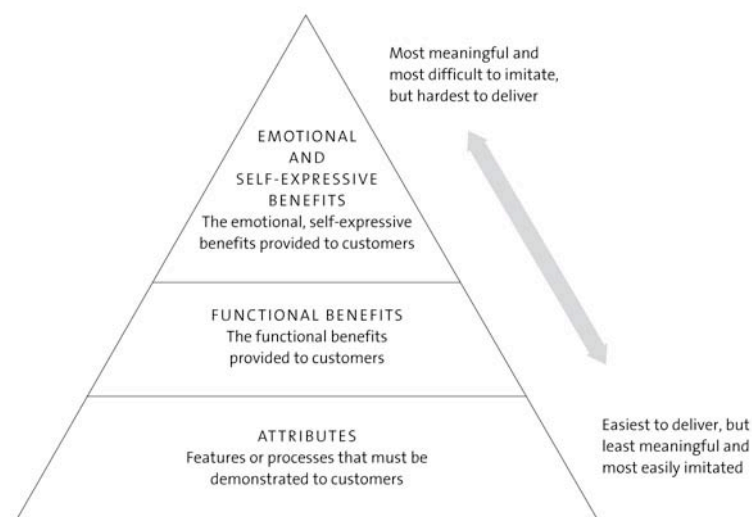


Figure 6. Brand value pyramid (from Davis & Dunn (2002)).

Between the old concept of brand as identifier and the newer concept of emotional branding is the dimension of a more personalized relationship; where personal and emotional dimensions are tailoring aspects toward serving the whole person.

Value is intimately linked to the ability to generate customer choice (Finskud (2003)). While businesses do not control this process, they can influence it by communicating the qualities they want associated in their 'brand narrative' or story [Denning (2005)]. Everything that

consumers relate to the brand should align with values projected [Kahle (1983), Kahle, Beatty & Homer (1986)]. Brand values are used to inform important business decisions, particularly where the business and brand name are eponymous [Riezebos (2003)].

The brand values aim to support and create a 'values fit' between the offering and its consumer (Refer Figure 7). In a social purposeful system, decisions entail choice influenced by rational, emotional and cultural decisions. The degree of values fit determines how much the consumer is willing to pay. The three dimensions of choice can be directly correlated in brand values: need-driven (rational); inner-directed (emotional); and the outer-directed (cultural) [Riezebos (2003)].

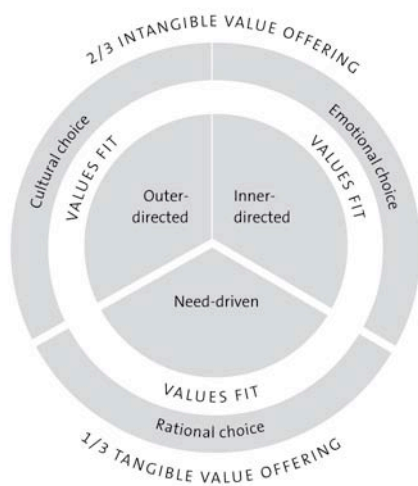


Figure 7. Brand values to customer values fit.

While the original purpose of brand was to mark ownership, this soon developed into a mark of differentiation, a badge of honor, one in which the business made a statement of value or quality – a trust mark. The brand mark was an indication of 'value add'. As a business starts to integrate the concept of brand into the way that it relates to all its stakeholders, there comes a stage where the brand moves

beyond 'value add' to 'values fit'. This has more resonance with the stakeholders and is an alignment of values. The next stage is one in which the concept of brand imbues the organization, informing everything that is done. The business becomes a social purposeful system with the brand aspiring towards 'social value'.

Brand As Social Purposeful System

Business is a complex whole. Businesses do not exist in a vacuum but interact with larger society [Morecroft, Sanchez & Heene (2002)]. This ‘whole system view of value’ integrates business and economic models with ‘the fabric of society and the web of life’ [Allee (2003)]. In other terms, purely meeting the needs of the market is no longer sufficient in itself – business must be good corporate citizens and participate in adding value to greater society [Hilton (2003)]. Purposeful systems are value-guided systems, where the values are what the purposeful behaviors strive to achieve. These values are implicit in the culture, which facilitates agreement to achieve common objectives, align values and engender group motivation. Common values are often the basis on which people are able to understand each other and work together towards a common objective. Culture is the structural ‘know-how’ or self-organising, self-replicating biological DNA [Gharajedaghi (1999)] – the set of beliefs, norms and values, which form the basis of collaborative behavior in a commonly accepted state [Schein (1984)].

Vision and the emergent concept of ‘brand’ are united through culture in a social purposeful system. The vision creates essential purpose and is sustained and balanced by culture. The values guiding culture can be determined from the extent of internalization of the values. Thus the concept of ‘brand’ comprised of vision, culture and story may be visualized as a social-purposeful system that is reinforcing and balancing (Refer Figure 8). A living brand is a collaborative performance and every person in the business is an actor. Aligning the vision and the culture through the values brings the ‘brand’ to life [Interbrand (2005)]. When enough individuals arrive at the same ‘gut feeling’, a business may be said to have a ‘brand’ [Neumeier (2003)]. Reinforced over time, people instinctively begin to live the brand [Davis & Dunn (2002)].

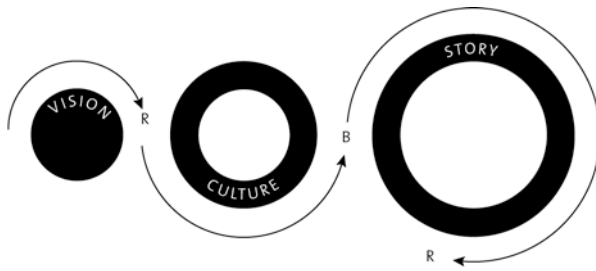


Figure 8. Social purposeful system.

Taxonomy of Brands –Three Business Case Studies

The following New Zealand primarily business-to-business case studies were chosen to reflect three levels of brand usage within innovative global businesses. The cases aim to highlight where and how brand is used to drive business performance.

Pacific Aerospace Corporation

The story of Pacific Aerospace Corporation (PAC) is an almost heroic one of one man battling the odds to develop New Zealand's first internationally certified aeroplane. In 1976, entrepreneur Brian Hare established Aeromotive Ltd with to overhaul aircraft piston engines. As the business grew, it expanded to include accessory and propeller overhauls. Meanwhile, a local consortium of aviation businesses called NZ Aerospace Industries Ltd, based in Hamilton, New Zealand, was manufacturing two types of plane: a US-designed Fletcher for the agricultural/utility market; and an Australian CT4E Airtrainer for military pilot training. In 1982, PAC was formed from the assets of liquidated NZ Aerospace Ltd and in 1995; Brian Hare purchased the controlling interest. This gave him the opportunity to develop two complementary streams of revenue - aircraft component overhaul and whole plane manufacture.

Traditionally, the Waikato region of New Zealand is the heartland of dairy farming, dependent on grass growth and therefore dependent upon top-dressing fertilizer. Waikato is rich in engineering workshops; it is no accident that the world's largest electric fencing company, Gallagher Group was founded and is still based in the Waikato. New Zealand pioneered the use of aerial top-dressing in 1948. Tiger Moths were initially used but eventually replaced by the robust Fletcher utility aircraft from the 1950s. The Fletcher was quick to be adopted because of its rough strip take-off ability and high lift capacity. Brian Hare saw the setting up of PAC as an opportunity to redesign the utility aircraft. The CRESCO was designed by PAC as an evolution to replace the Fletcher with better load capacity and also to become the world's first turbo-prop powered agricultural utility plane.

The plane significantly out performed other utility planes and soon became the benchmark for that type of aircraft. Meanwhile, in America, a new market opportunity was identified by Utility Aircraft Corporation after realizing that many similar utility aircraft in the USA had been modified to accommodate the demand for recreational jumping at aero clubs. PAC modified the CRESCO to cater for this niche market and the *PAC 750XL* was born.

The development of the *PAC 750XL* took approximately five years and resulted in an entirely new aircraft with a wide body and a roll-up door to allow seventeen skydivers to jump at the same time. Although catering to this niche market, the utility plane had the ability to be adapted for other uses including air ambulance and general utility load carrying.

Each country has its own certification procedures for aircraft with one of the most important and being USA Federal Aviation Authority Certification. PAC was granted this in 2004, an amazingly fast and efficient development procedure for what was essentially a new aircraft. The first production plane was already pre-sold to the Great Lake Sky Dive Centre and additional orders were coming in from aero clubs around the world. In 2004 PAC and UAC

formalized a distribution agreement for North America and Europe. Orders pending already accounted for the first year of production (Refer Figure 9).

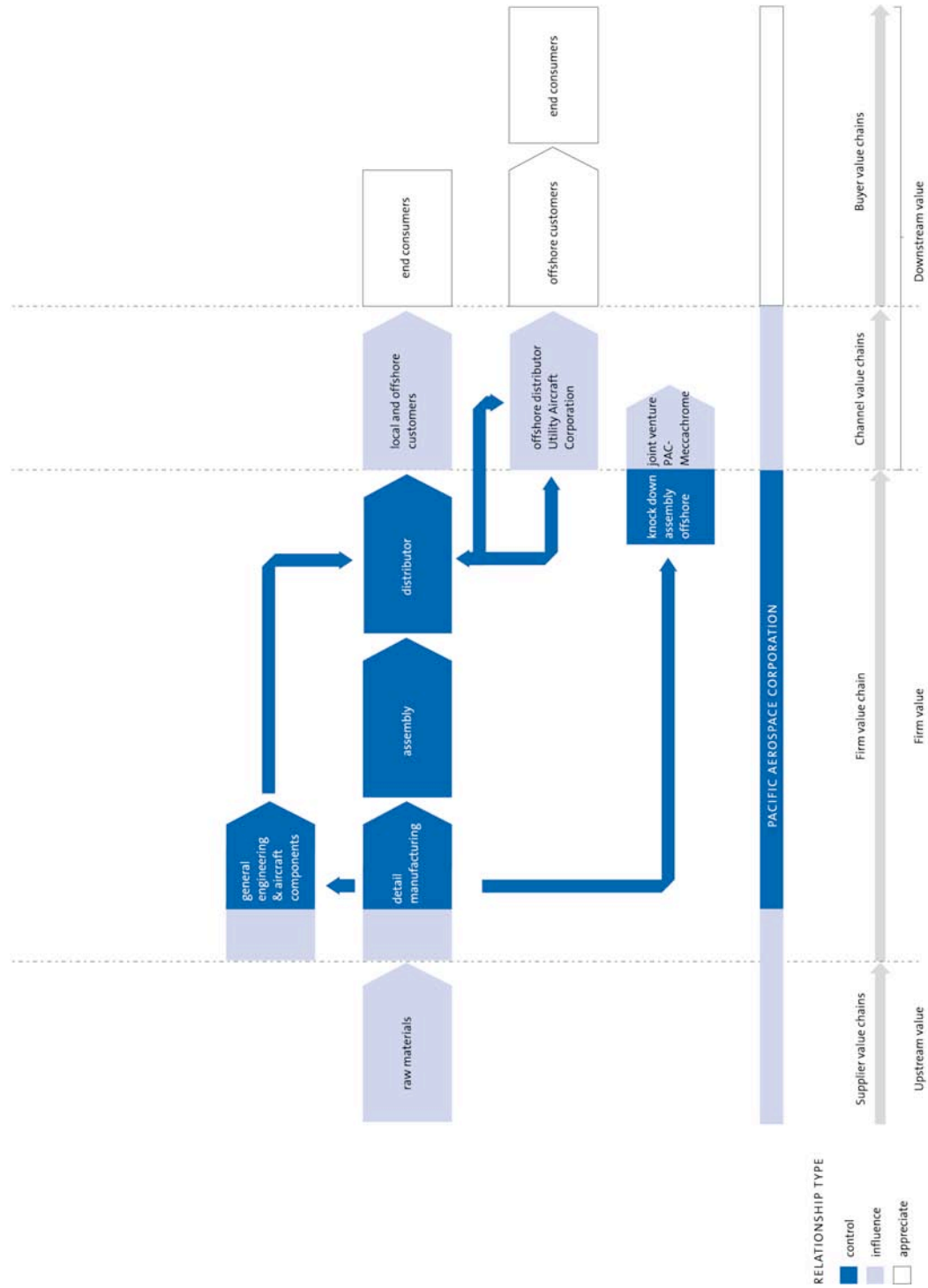


Figure 9. Pacific Aerospace Corporation value system (based on Charajediaghi (1999) and Porter (1998)).

To meet forecast production and market requirements new structural, human and financial capital were required. This proved initially difficult to achieve and finally venture capital business Endeavour Capital invested fresh equity. New education and training courses were set up with the local tertiary institutes and a new corporate structure for the business was established.

The next five years for PAC will be crucial in setting up the business to not only meet market demands but also to develop a relationship and brand with the consumer market. Rivals Cessna Aircraft Company have significant brand loyalty and it will be essential for PAC to develop a loyal group of followers if they are to realize the potential of what they have achieved.

Currently PAC has one core value product, the *PAC 750XL* with approximately 75% of the core business reliant on its manufacture. The *PAC 750XL* as a market-led value proposition has resulted in features and benefits aligned to the target market. The design is simple, robust and cost-effective. Essentially, with one core business offering the brand, it is mostly perceived as a jump plane for the adventure tourism market. Currently the *PAC 750XL* aircraft is not positioned to deliver a premium but is seen in the market as a fighting brand, even though its features and benefits are considered superior to that of the competition.

PAC may be considered as a hierarchical structure of a 'genius with a thousand helpers' [Collins (2001)]. The business is the platform for the talents of an extraordinary individual. However, the quick business growth from a craft engineering business to semi-mass production is transforming the business. In the selling and purchase of large capital items such as aircraft methods of financing are typically very important. Few utility customers have the \$1 million purchase price available in cash and both PAC and customers look to third party financiers to conclude a sale. At the time of writing this case study, PAC was

establishing a leasing business to provide an alternative means of ownership. The company is gradually becoming aware of the concept of 'offering' as opposed to that of 'product'.

The brand name of PAC is now strongly associated with the jump market and not the utility aircraft market. But the PAC brand does not itself have any psychosocial meaning or generate differentiation. This industry is characterized by large capital outlays for manufacturing and product with a long working lifetime of at least 25 years. Thus values of longevity, heritage and stability are favored by the established competition such as Cessna Aircraft Company.

The product strategy for PAC is to diversify the product with further product adaptations rather than improving and strengthening the distribution channels to market.

The brand strategy is characteristically opportunistic and tactical as they try to tactically manoeuvre their current market position with no uniformly agreed strategic direction or target in place. The product price strategy was originally based on 'lowest cost' entry and margin was eroded by individual deals and discounts. Cessna Aircraft Company is the major global player in small aircraft, with a strategy in which the price is a base configuration (which apparently cannot actually be flown) and then to have additional features added as extras. The nearest Cessna aircraft equivalent to the *PAC 750XL* is stated to be about 15% more expensive. PAC would like to charge more and has been increasing its prices where it can, but pricing remains wedded to a production process relationship and not in relation to consumer benefits.

PAC's use of brand is very much at the identity and 'value add' end. The strategy does not seem to tie in the various brand identities to a strategic goal that is coherent and self-supporting (Refer Figure 10). The brand is very much a symbol rather than a statement of value.

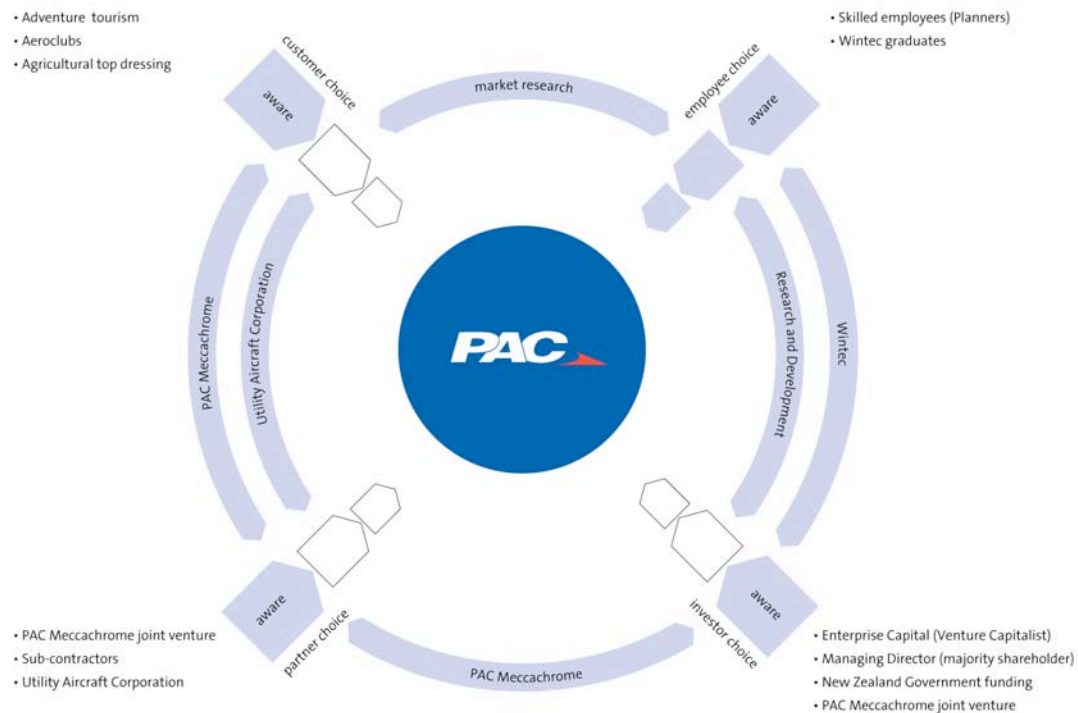


Figure 10. Pacific Aerospace brand symmetry (based on Finskud (2003)).

Navman New Zealand

Navman was founded in 1987 by Peter Maire in a basement in Auckland, New Zealand. The business was originally known as Talon Technology and made marine electronic devices for original equipment manufacturers. In 1990 the 'Navman' brand name was bought for US\$1.00 from an American distributor as a registered brand in Europe and USA. In 1993 the business name was changed to Navman New Zealand and then shortened to Navman.

Originally the business was focused on marine electronics such as chart plotters, fuel and speed gauges, depth, wind and fish detection. Today, marine electronics is still important but the fastest growing area is in consumer electronics and in-car navigation.

The breakthrough for Navman was in 1997 when an order came from a manufacturer based in the USA for a mass consumer global positioning system (GPS) product. This stimulated the business in a new direction towards mass consumer electronics and GPS technology. That year sales reached NZ\$3 million.

In 2001 Navman made a strategic decision to enter the mass consumer electronics market and decided to develop a low-cost but effective in-car navigation system. During that same year, the business made a foreign acquisition and bought out its minority US shareholder. In 2002 Navman was awarded the 'TRADENZ' Supreme Exporter of the Year award and the following year revenues reached NZ\$100 million.

In 2005 Brunswick Corporation (one of the world's largest boat builders and a Fortune 500 company) acquired a majority interest in Navman. Partly as a result of this association, Navman successfully entered the Latin American market. Less than two years later Brunswick Corporation acquired the balance of Navman. That same year sales reached NZ\$240 million and mass manufacturing was moved offshore to Asia.

Navman's business is grounded on core global positioning system technology and fundamental functions of software design and hardware design. These technology platforms are applied across four divisions to meet different market applications: marine; OEM solutions; in-car navigation; and wireless data. Much of the core GPS technology is a patent minefield and the development process is carefully managed to avoid infringements. An important aspect of Navman's 'value add' is its total design effectiveness enabling attractive easy-to-use products to be within the price range of most. Navman gets feedback from multiple sources through the technical customer support team from the major chain buyers who pre-test the products for usability as well as consumer feedback research on their products compared to the competition. Navman believes its advantage is in knowing the customers and consumers better than its competition. The company has embraced design

research and makes extensive use of anthropologists and sociologists to work through the design of both the physical and graphical user interfaces. Lifestyle analysis is prevalent at each major stage of the process and the business has diversified into markets such as skiing to provide GPS systems for adventurers. These new product lines are still embedded with the core values of functionality, design and cost-effectiveness (Refer Figure 11).

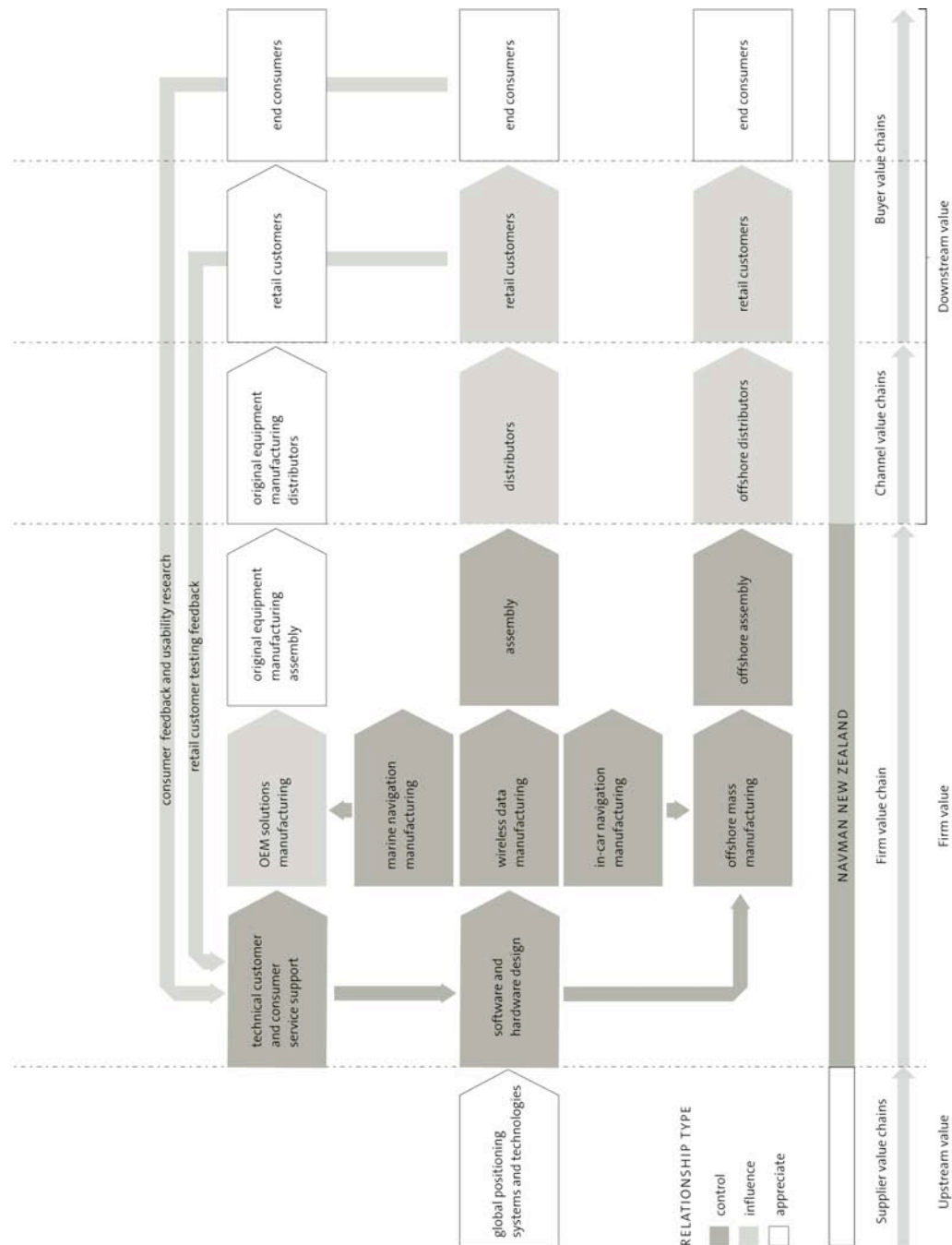


Figure 11. Navman New Zealand value system (based on Charajedaghi (1999) and Porter (1998)).

To cover the top end of the market Brunswick Corporation bought another already well-established business and brand 'Northstar', which is positioned as a prestige brand above the Navman brand. It is internally believed that the Navman brand does not have enough brand stretch or vertical integration to reach that market position although it is striving in that direction.

Navman has approximately 600 staff with about two-thirds residing in New Zealand and sales and manufacturing employees spread over 12 countries. Navman has a strongly democratic and team-oriented culture: within each business unit people are fluidly grouped together for specific projects rather than in traditional hierarchies. The business acknowledges that people are critical in the business and that to retain them requires offering opportunity for personal career growth and development. Navman has had strong corporate values of innovation, continuous improvement, integrity and longevity. All of these values engender a sense of growth and development for employees, which has led to the company gaining an industry reputation as an employer of choice. Navman engages the wider-community through donations to local Rotary clubs and charities and employee sports teams. The employee sports teams in particular are a priority because they promote employees' wellness and fitness. Navman raises its profile by having executives give talks on science and engineering as a career to senior high school students, provides scholarships for selected university students and sponsors Auckland University's 'Bright Sparks'. Navman participates actively in national innovation and technology awards and debates. Internally they foster innovation and ideas through regular 'trade shows' where teams demonstrate their latest innovations to their peers.

A fundamental issue for Navman is how to make the brand shift from its niche business-to-business base to a mass consumer one. At the end of 2005 Navman launched its new brand strategy including revising the look and feel of the Navman brand and its meaning.

This is a sign of the rising importance of the brand in their business; with it, a new brand ethic and essence has been developed externally with focus groups from continental Europe, USA and the United Kingdom.

Navman management believes the brand strategy to be more customer-centered and see it inextricably linked to business value creation. The brand has embraced ‘value add’ and has strategically moved to provide more of a ‘values fit’ for its customers. Overall, the Navman brand has been embedded both upstream and downstream and has reinforced relationships between all the stakeholders giving the brand symmetry and a degree of sustainable stability (Refer Figure 12).

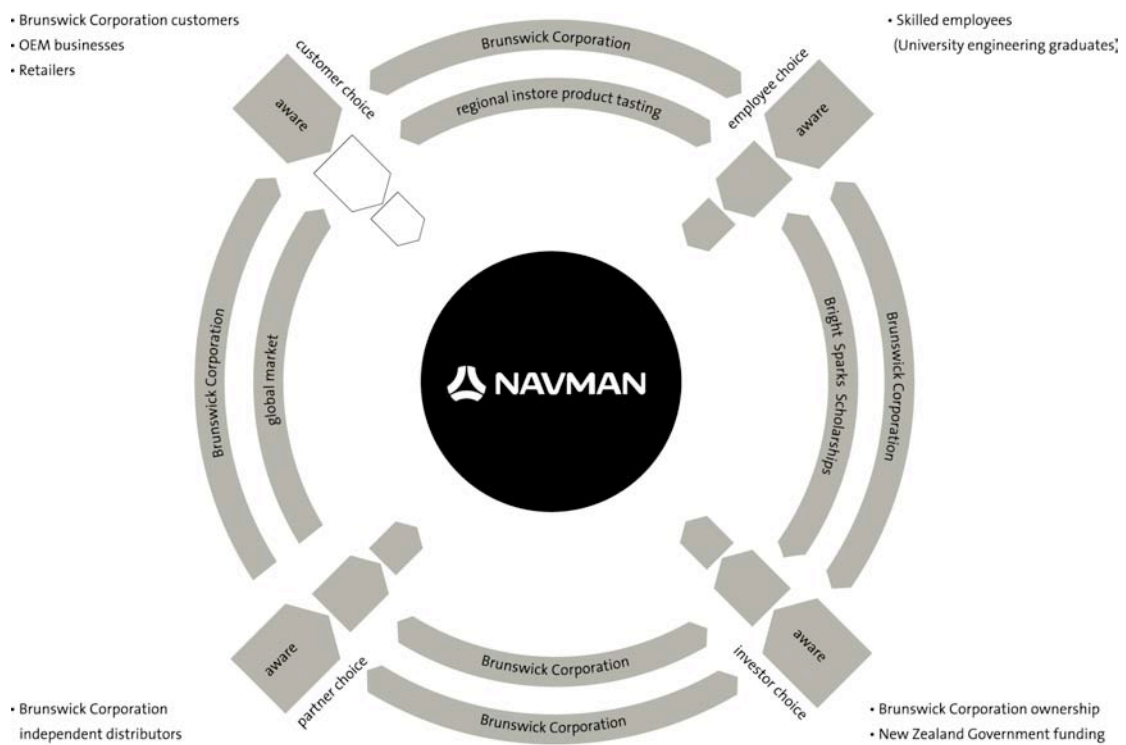


Figure 12. Navman New Zealand brand symmetry (based on Finskud (2003)).

ZESPRI International

Over 100 years ago, Isabel Fraser, a schoolteacher who had been visiting mission schools in China, brought the first kiwifruit seeds of the plant genus *Actinidia* home to New Zealand. A Wanganui nurseryman, Alexander Allison, then took possession of the seeds. From his experimental planting a new industry was born in 1910.

Hayward Wright, a small-time horticulturalist, developed an easily grown variety, green-fleshed cultivar that became the basis of almost all commercial planting today. The botanical name became *Actinidia deliciosa* and the variety was named Hayward in his honor. By 1920 kiwifruit plants were sold by several nurserymen and the first commercial plantings began in the 1930s near Te Puke. By 1948 the estimated total commercial production in New Zealand was 32 tonnes.

The 1950s saw the kiwifruit industry come of age. The first 'Chinese gooseberries' were exported to Covent Garden, London in 1952. In 1959 the fruit was re-named and packaged as 'kiwifruit' as industry marketers moved to enliven the fruit's image by associating it with New Zealand and severing its links with China. In the 1950s and 1960s New Zealand was the only commercial supplier of kiwifruit to the world. However, in the 1960s demand exceeded supply for the first time and plants were freely exported to other countries such as Italy, Chile, Israel and even China. Technology helped develop the fledgling industry. In 1965 the orbit grader was the first specialized piece of machinery developed to improve the production process. Other developments followed, including the development of a machine to label the hairy fruit with a brand.

1977 saw the formation of the New Zealand Kiwifruit Authority as the sole exporter of kiwifruit. The 1984 New Zealand Labor Government started a process of reform across many areas of the economy. The reform of the producer boards was the beginning of public recognition that New Zealand was part of a global market place.

More emphasis needed to be put on marketing and the consumer, and less on production and the producer. As a result of restructuring a new ‘single-seller-status’ business model was born.

The New Zealand Kiwifruit Authority was replaced in 1988 by the New Zealand Kiwifruit Marketing Board, which was formed as a single-desk seller. That same year kiwifruit production in the rest of the world overtook New Zealand’s production for the first time, rocking the industry. By the early 1990s the industry faced a crisis with falling volumes and prices in an over-supplied European market. Falling returns prompted the New Zealand government to initiate a vine removal incentive payment scheme, however the crisis instilled the importance of innovation, the need for research and development and the need for marketing. New varieties and new ways to operate were sought.

The New Zealand Kiwifruit Marketing Board adopted new practices early in response to market pressures and a market trend requiring environmental integrity. These practices included the ‘kiwi green’ low spray residue program, which was progressively introduced from 1992. Other benefits from kiwi green include protocols to ensure food safety and quality assurance, environment conservation, worker safety and welfare issues.

In 1997, ZESPRI Group Holding Ltd was formed after a review of the New Zealand Kiwifruit Marketing Board that resulted in marketing being split from industry regulatory issues. This gave rise to ZESPRI International as the operating company, ZESPRI brand, ZESPRI System and the launch of ZESPRI GREEN. ZESPRI International is a grower-owned business dedicated to the global marketing of kiwifruit. Under the ZESPRI System fruit is grown and distributed globally. In 1998 ZESPRI GOLD, *Actinidia chinensis* was launched – a new sweeter and yellow fleshed cultivar developed in collaboration with Hort Research.

ZESPRI International was fortunate to build on a strong heritage and in 2004, the centenary year for the New Zealand kiwifruit industry, it recorded gross profits of over NZ\$900 million, amounting to 60% of the value of all New Zealand fruit exports. ZESPRI International is currently New Zealand's largest horticultural exporter, and while Italy, Chile and now China have edged out New Zealand in production levels, ZESPRI International holds 25% of the total year round global market share in terms of value.

ZESPRI International describes itself as a marketing business, a virtual network where much of its success is achieved through the management and degree of influence it has over the interfaces between stakeholders in the process under the ZESPRI System. The ZESPRI System drives key values through the wholesaler and retailer in the form of reliable delivery schedules, appropriate packaging and guaranteed supply to the consumer for a consistent experience that justifies a price premium above the global norms. The ZESPRI System coordinates the 2,600 growers, 13 suppliers and 65 million trays of kiwifruit to consumers in 70 countries around the world (Refer Figure 13).

A key reason for the success of the ZESPRI System has been the strong willingness of participants in the value chain to respond to consumer values and fulfill quality requirements. There is a sense of personal pride and professionalism by the growers who believe they are producing a quality product and who are prepared to invest in quality assurance systems and total quality management systems.

ZESPRI International acknowledges different countries with different cultures require different product attributes and consequently engages in product tailoring. It monitors consumer taste preferences and tests them by using independent panels of taste experts in the different markets. Although fresh fruit is their core market, ZESPRI International now endeavors to leverage more value by entering into other value creating chains by supplying

ingredients to strategic partners. Purified extracts of kiwifruit are now being used in extremely high value applications such as nutraceuticals, cosmetics and specialized food processing.

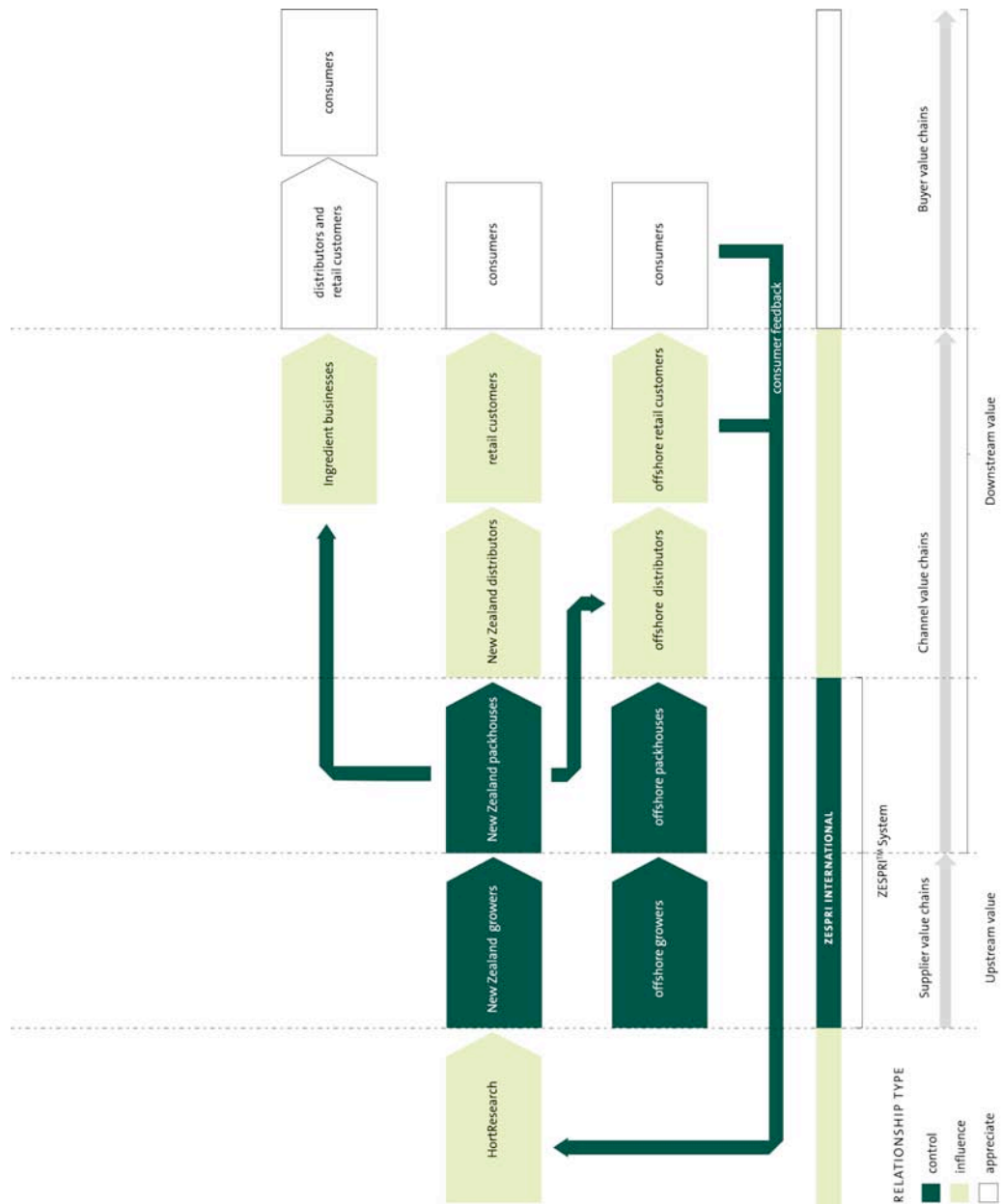


Figure 1.3. ZESPRI International value system (based on Charajedaghi (1999) and Porter (1998)).

A key challenge for the company has been to create a sense of unity among its many different business units worldwide. ZESPRI International sees the organizational culture applicable to the whole network of stakeholders and how it acts as a whole business. They believe that organizational success depends upon management's ability to empower members to think and

behave like owners. Hence, in addition to monitoring traditional financial and production performance indicators, ZESPRI International is directing greater attention to the internal factors and conditions that have an impact on their performance.

The brand ‘ZESPRI’ is the result of intensive research and careful development. First, a Gallup ‘usage and attitude’ survey was commissioned in five different markets. Second, Interbrand was commissioned to find a strong distinctive name that reflected the positive qualities of the kiwifruit. The research identified vigor, health, effervescence, nutrition, zest, fun, life and energy, resulting in the core values of ‘good food, good life’. Research shows that while the consumer is not yet spontaneously naming the ZESPRI brand, on an aided call the brand is recognized in general. The brand strategy for ZESPRI International is to be known as the category leader based on excellence and the number one brand of choice. ZESPRI International has managed to do this by coordinating and generating both upstream and downstream value in a conscious, coherent manner (Refer Figure 14).

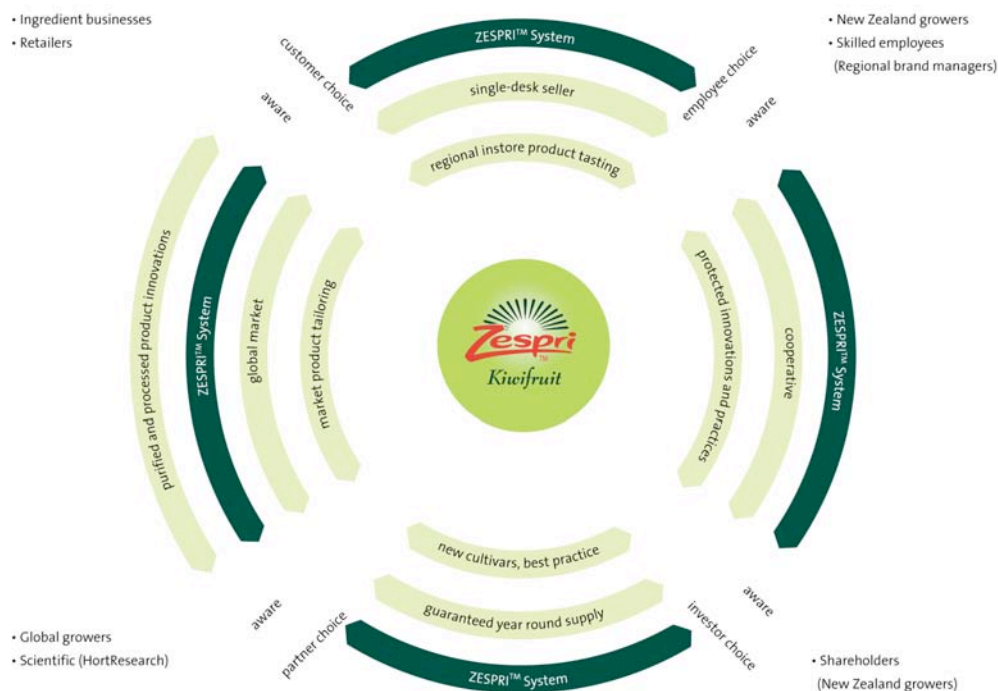


Figure 14. ZESPRI International brand symmetry (based on Finskud (2003)).

Conclusion

We have demonstrated a holistic approach to business value creation. The strategic concept of brand is the path towards more sustainable long-term business value creation.

The three case studies highlight three common uses of brand: as an indicator of value add; as an indicator of values fit; and of social value. This provides businesses with a taxonomy for the management of brand structures. In this increasingly global and complex world businesses need to be aware that the competition for choice grows everyday. Consumers change brands more frequently: maintaining brand loyalty mean more dynamic strategies and business models are required. The ‘pursuit of meaning’ for consumers requires increasingly more intangible attributes. Businesses, which integrate downstream and upstream strategies with a coherent vision to values and culture, will stand a better chance to compete.

The future brand is not only in telling a good holistic story of value, but in an understanding that businesses are entities that exist in a broader societal context. The concept of ‘brand’ as a social purposeful system is in constant flux in response to both internal and external stimulus. There is a sense in which brands promote social cohesion enabling shared participation both internally and externally as aspirational and democratic narratives. The greatest brands seek to be social unifiers [Hilton (2003)]. The challenge ahead for the concept of ‘brand’ is to champion new ideas, new stories, choice and more inclusive ways to contribute to social progress.

‘The origin of action is choice, and that of choice is desire and reasoning.’

Aristotle

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