

Brand repositioning and communications



01_Introduction

A brand is a product, group of products or company name with a unique, consistent and well-recognised character. The uniqueness can come either from a factual product or from its image – uniquely created by the manufacturer through advertising and packaging. The consistency comes mainly from the uniformity of its quality and performance, but it is also reflected in the advertising and packaging.

From time to time organisations need to take a hard and focused look at themselves and ask questions such as:

- Does the public's image of our brand reflect what we want to get across?
- Is the image that we have created for our brand the most appropriate one for the markets in which we operate and what our customers want?

Positioning is the process of defining where a company or product sits in the market place, for example at the quality end of the market.

Repositioning involves seeking to alter customers' perceptions of the market position of a product or company (e.g. by moving the product up market). Of course, the new perception of a product or company must match the reality.

Positioning is an important activity because:

1. It gives the customers and consumers of a business a specific reason to choose that business's products or services over competition.
2. It gives the organisation a clear and visible point of reference.

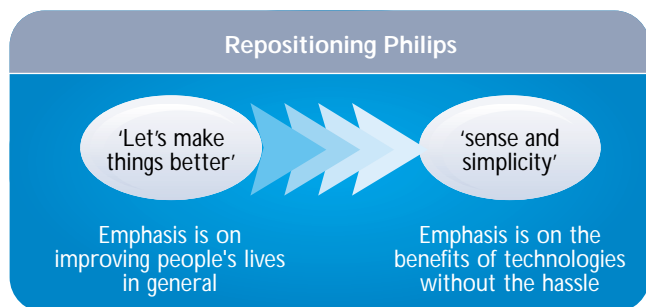
This Case Study examines the way in which Philips has repositioned its brand on the basis of two main characteristics: 'sense and simplicity'

Sense and simplicity characterises everything that Philips does and reflects that it is market oriented – i.e. everything is designed to meet customers' needs and is based on consumer insights.

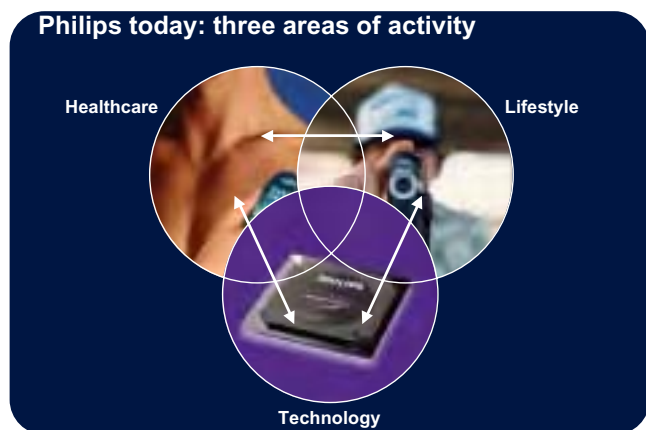
Royal Philips Electronics is one of the world's biggest electronics companies and Europe's largest, with sales of EUR 30.3 billion in

2004. With activities in the three interlocking domains of healthcare, lifestyle and technology and 161,500 employees in more than 60 countries, it has market leadership positions in medical diagnostic imaging and patient monitoring, color television sets, electric shavers, lighting and silicon system solutions. News from Philips is located at www.philips.com/newscenter.

For over a century, the company has been interacting with people in their daily lives. More than a million Philips' products are purchased every day. It is trusted as one of the world's top brands, with an unparalleled understanding of how people interact with **technology**.



Philips has always been known as a technology based company and has more than 100,000 **patents** to its name.



Repositioning the company has involved moving on from its established position which has been successful for many years, characterised by the phrase – 'Let's make things better', to the new position 'sense and simplicity'.

Brand positioning is vital to a company's success. Studies in some sectors have shown that customers who are 'most loyal' to a brand will pay as much as a 20% premium before they will switch to a different company's product.

Today Philips provides products in three main areas:

Healthcare

Philips is the leader in top-of-the-range medical diagnostic equipment, helping surgeons in the battle against heart disease and cancer. Increasingly consumer health and well-being have also become a focus.



Lifestyle

Philips innovates with their Ambilight TV and DVD recorders. The company has established a leadership position in lighting and has introduced exciting new products such as the Senseo coffee concept.

Technology

Philips' semiconductor and lighting products are embedded in the cars we drive, in the offices where people work and in sports stadiums. Philips illuminates monuments such as the Pyramids, the Eiffel Tower and events like the 2004 Olympics in Athens.

02_Research

Market and product research lie at the heart of any successful business. **Market research** involves talking to customers to find out what they want and then supporting these findings with product research which involves supplying products with the benefits that customers want. Philips is a global company so the research that it carried out took place on a global scale. Philips involved more than 1650 **consumers** and 180 **customer companies** around the world to make sure that it repositioned its brand in an appropriate way. Philips also undertook BEAT (Brand Equity Assessment Tool) research involving 26,000 respondents.

Qualitative research involves working with relatively small focus groups which in this case consisted of Philips' consumers and professionals (trade and opinion leaders, e.g. hospital surgeons who use its scanning equipment). Using qualitative research makes it possible to find out a lot of detailed information e.g. current

perceptions of the company and its products, the types of new products and the image that consumers would like to see Philips develop. **Quantitative research** typically involves questionnaires and surveys to bigger samples of consumers enabling statistical analysis of the results.

The research was designed to:

- enable Philips to have a better understanding of its existing position in the market
- identify and test new routes for moving the brand forward
- check the effectiveness of the chosen route.

Philips' market research was designed to help the organisation to define appropriate **brand positioning**. A combination of qualitative and quantitative research was carried out in:

- UK
- Germany
- France
- Netherlands
- Brazil
- Hong Kong
- China
- USA.



The research examined Philips' performance versus average performance in the market. The results showed that, for example:

- consumers believe that they can 'rely on Philips products'
- that Philips' products 'make my life better'.

The characteristics that professionals most valued about Philips was the company's 'development of new and exciting products', that 'Philips products are reliable' and that Philips produces 'high quality products/services'.

Currently, 80% of the company's total sales are made to a core target group aged 35-55, which consists of affluent, well educated decision makers.



03_Findings

The results of Philips' market research was to show that the core target group typically disliked the unnecessary hassle created by technology. The research showed that simplicity is what people expect of technology. This is applicable to a doctor working under pressure in a hospital with advanced medical equipment as well as to a consumer operating a DVD recorder. Simplicity is equally

relevant to Philips' customers, be it in Healthcare, Lifestyle or enabling Technologies.

The findings indicated that the company had substantial strengths based on the reliability of its products and the belief that the company develops new and exciting products. Research also indicated a clear gap in the market. The only company with a positioning close to 'sense and simplicity' is Apple, who only have a limited product range.

However, the research findings also indicated some weaknesses, in particular:

- consumers felt that Philips does not lead on innovation
- professionals felt that Philips did not have as clear a sense of direction as some of its rivals.

The findings therefore presented Philips with the challenge of developing a clear and focused position for its brand.

04_Brand positioning

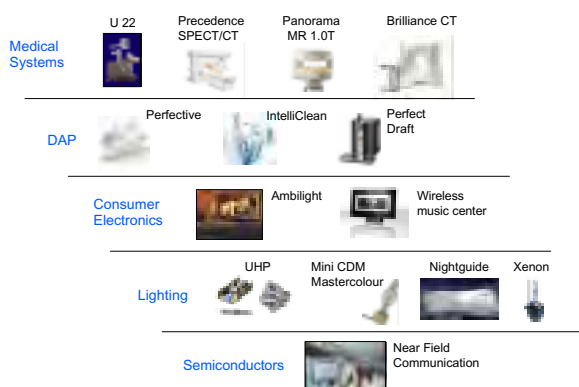
A vision is a clear picture of what you want to achieve. Philips' vision is to produce products that always put the customer first. The challenge facing Philips, therefore, is to better understand what people really need.

Philips' new brand positioning is all about promising customers a more comfortable and more straightforward relationship with technology and with Philips.

It believes that somewhere along the way the promise of the Technology Revolution to make our lives easier, simpler and better is not being delivered. In many respects the technology industry has made things more complex. Philips is, therefore, offering a solution.

Research showed that people are asking for greater simplicity in their lives and in their dealings with technology. They want technology that gets the job done without drawing attention to itself. Most users are put off by the need to read and understand a complicated manual before they can try out their new purchase.

Significant new product introductions in 2004 /2005



With this in mind, Philips is continually bringing new and exciting products into its portfolio, which at the same time are simple to use. Philips' new position 'sense and simplicity' is based on three essential pillars.

These are that:

1. 'Products are designed around you'.
2. 'Products are easy to experience'.
3. 'Products are advanced'.

All its activities must now be driven by insights into how consumers/customers seek to experience the benefits of technology. Philips is becoming more market led, driven by the needs of the customer.

Philips is undergoing a change process to make sure that products and services are convenient and easy to experience, in order to remove the hassles often associated with technology. At the same time, however, products must continue to deliver the benefits associated with innovation.

These principles can be illustrated by considering the widely used Sonicare electric toothbrush. This product is:

Designed around you:	brings the benefits of going to the dental hygienist into the home on a daily basis
Easy to experience:	automatically shut off after two minutes, the ideal amount of time for effective brushing
Advanced:	cleans better and more safely because it uses the power of sound waves.

05_Communicating the brand positioning

Clear communication is essential in business if appropriate messages are to reach the relevant target audience. Philips needs to communicate its new position to relevant customers/consumers and to the market as a whole.

Advertising campaigns designed to communicate its repositioning exercise focused on a core target group, consisting of the 20% of people doing 80% of the buying. The affluent decision makers in the 35-55 age group identified earlier.

The campaign was designed to be true to the concept of Simplicity. To get the message across, Philips sought to use a different language than the ones we have come to expect from a technology company - fresher, cleaner, more human.

Every advertisement and insert that is used in the campaign tells part of a story. One advertisement reinforces another, so for example multiple insertions are used in consecutive TV commercial breaks.

The advertising campaign is a global one and features existing Philips products that fit the new brand positioning. The campaign cost around EUR80m and was run via broadcast, print and online in the Netherlands, Germany, France, Italy the United Kingdom, the USA and China.

Communication has been to a range of audiences in addition to consumers, including Philips' employees, the media and the marketing community, through integrated PR activities and an

advertising campaign. As well as the television advertising campaign, Philips has used a variety of media including the Internet, face-to-face launches and poster campaigns.



6_Conclusion

Philips has always been associated with value for money high-tech products. However, in the past it would have benefited from having a stronger brand image. The repositioning exercise based on 'sense and simplicity' helps the wider public to better understand Philips as a consumer focused organisation that is continually providing appropriate simple-to-use solutions for everyday needs through the application of the latest technology.

Glossary

Brand positioning: The 'act of designing the company's offerings and image so that it occupies a distinct and valued place in the target customer's minds'.

Consumers: The end users of Philips products (people like you and me).

Customer companies: The shops, dealers and distributors that buy Philips products to resell.

Market research: Research work to identify what customers and consumers want and expect from a particular business, or their perceptions of its products.

Patents: The right to exploit a new innovation or invention over a period of time.

Qualitative research: Researching relatively small number of people to find out their views and feelings often using open ended questions, allowing them to air their views.

Quantitative research: Interviewing a relatively large structured sample to get an overview of customer/consumer perceptions about products/services and brands.

Technology: The application of science and ideas to the development of new products and services.

For more information about Philips
please browse:

www.philips.co.uk



10 millionth Senseo presentation



Launch of "sense and simplicity"

How a brand promise drives change in a multinational organisation

01 Introduction

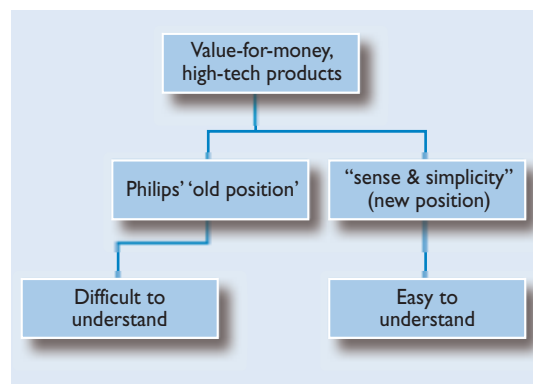
Philips was established in 1891 and made lightbulbs – a simple product. Throughout the years the company increased its portfolio into technology products that became too complex for most users. When Philips realised this, it decided to make life easier and so launched a brand repositioning all about simplicity. The term **positioning** refers to where products and brands are placed in a market. What is more vital is where customers see such products/brands being placed in the market.

For example, customers might see products as giving 'good value' or 'poor value' for money.

They may link a brand with 'high quality' or 'low quality'. It is key to carry out market research to spot appropriate positions to take in the market. An appropriate position is one that suits customers' requirements. The term 'repositioning' refers to a conscious **strategy** to alter the site of products/brands in the market. The new 'best' place should be based on market research.

"sense and simplicity" is the brand promise that Philips has identified through its research as the best one to take. The map below shows how the company has repositioned itself. It illustrates two key dimensions:

1. simplicity
2. value-for-money technology products.

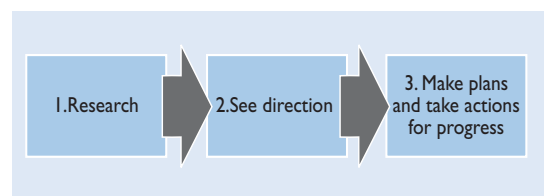


You can see that Philips' new position in its markets is based on continuing to provide value-for-money, **high-tech** products. In addition the new position is based on easy-to-understand goods and clear exchanges with its market. Since the launch Philips has made great progress. This has been recorded by achieving milestones along the route. Good examples are the creation of a Simplicity Advisory Board (SAB) and the launch of a range of thriving products such as Senseo®, a coffee machine that is stylish and simple to use. The triumph of these milestones is outlined in this case study.

02 Creating a repositioning strategy

The stages involved in moving a product are:

1. carrying out research to find out the weaknesses of the starting position
2. researching a right direction to take
3. making plans and taking actions to improve the position.



A problem that faced Philips in 2003 was that its media investment was rather unfocused and was spread thinly between too many different product segments.

The following chart shows four examples of how complex this process has become

Male Shaving	Beauty	Home Entertainment	Personal Expression
Ethnic Male 18-24 Male 18-25 Male 18-39 Male 18-54 Male 19-50 Male 20+ PI>\$2000 Male 25-49 Men 25-50 ABCI Male 30-54 All 25-39 25-45 families	Female 15-34 Female 18-25 Female 18-44 Female 20-34 Female 25-34 Female 25-44 Women 18-35 Women under 30 All females	Male 18-34 Male 25+ Male 25-49 Male 25-50 ABC Male / Female 25-45 Adults 25-54 HHI 100K+ Adults AB 25+ Adults 30-50 ABCI Plugged Ins 30-39 Plugged Ins 15-24 Plugged Ins 25-35 All 25-50	Youth 14-25 Adults 15-24 Adults 15-35 Male 18-34 Male 19-25 Male 25+ Male 25-54, tech savvy



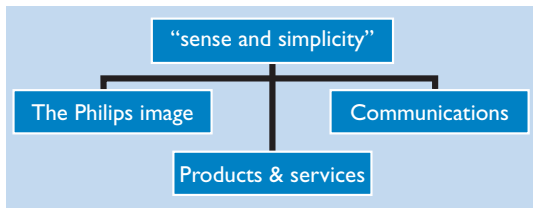
Philips SmartTouch

The table above shows just four product areas and the target audiences for each, which were being addressed. In addition Philips' products were marketed under lots of names, using a range of different advertising approaches. It was no wonder that there was great confusion in customers' minds.

The challenge facing Philips, therefore, was to create a clear vision that would help the company to reposition itself and all of its related brands. A **brand promise** was then set out that is clear and easy to follow. The brand promise is "sense and simplicity".

In the current high-tech age, consumers are faced with many hard product choices. What most of us want are clear-cut communications about the benefits that these products will provide for us. This is as true of medical professionals ordering brain-scanning equipment for a hospital as it is when you or I want to buy a light bulb, electric toothbrush or cordless kettle.

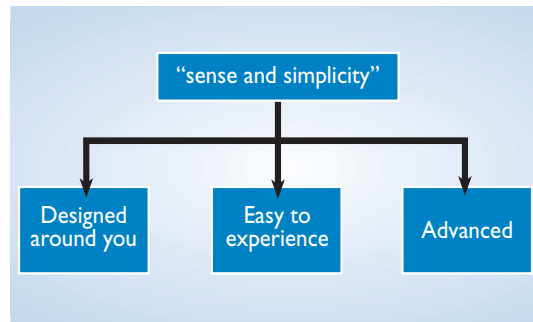
This is why the brand promise "sense and simplicity" is so important to Philips. This entails three main elements:



03_Creating consistency and direction

In order to move forward it was vital to identify the key issues. The problem facing the company was lack of constancy and direction. Resources were being spread too thinly across too many products, with developments in too many countries. Decision-making within the wider Philips organisation had become patchy. This was plain to see – there were too many products, too many markets and a lack of consistency in advertising. For the consumer it was hard to tell what was and what was not a Philips product.

The first challenge was to change the Philips image. This was built around "sense and simplicity". The message that Philips is getting across now is that everything it does is focused on meeting customer needs. This is shown in the following diagram:



All that Philips does today is based on this concept. The message is spread through the organisation, making sure that all business processes are founded on "sense and simplicity".

Everyone who comes into contact with Philips, whether they be employees, customers, shareholders, suppliers or other stakeholders, should see this brand promise. For example, it is shown in the company logo, and all the company operations from top to bottom.



Philips Senseo

"sense and simplicity" is shown in all the new products that Philips develops as well as in existing ones. When the company designs a new electric kettle, its concern is to provide a state-of-the-art, easy-to-use product. The same principle applies to medical equipment, flat screen TVs, food mixers, male and female razors and so on.

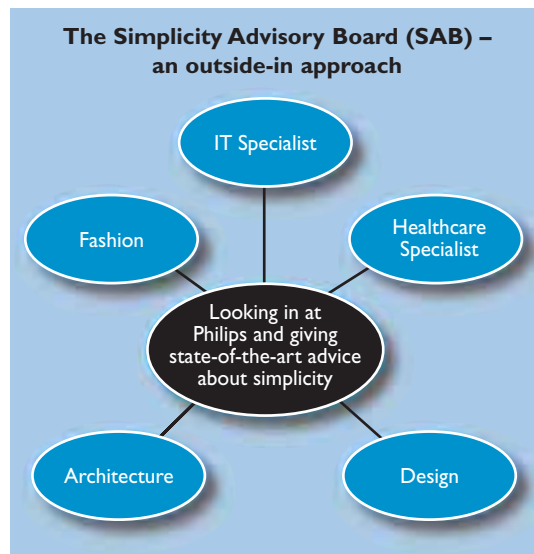
New Philips' products are:

- advanced – based on market leading technologies
- designed around you – based on the findings of careful customer research
- easy to experience – easy to use.

Philips is also looking at all of its existing products to make sure they fit the needs of “sense and simplicity”.

The third key element of “sense and simplicity” is communications. All Philips’ exchanges should be easy to understand. The message given is directed at the **target audience** and is simple to follow.

One of the key simplicity milestones has been the launch of the Simplicity Advisory Board (SAB). This is a think tank of independent experts from the fields of information technology, healthcare, fashion, design and architecture. It has been able to give an **outside-in** view of what simplicity means and how this can be valid across the organisation. The members of the board were chosen for their wide-ranging knowledge and expertise.



04_Illustrating the strategy – products

We can show the new repositioning strategy by taking the example of some of the high-tech products that Philips has just worked on. A good example of this is Senseo®. Senseo® Coffee System has been developed through a partnership between Philips and Sara Lee, a Fast Moving Consumer Goods (FMCG) supplier.

The key aspects of Senseo® are:

1. cool design
2. easy-to-use technology
3. amazing coffee.

Between 2001 and 2005 more than 10 million of these coffee machines were sold in eight countries – an impressive total. The product embodies what Philips is trying to achieve in everything it does. This is to join an exciting state-of-the-art product with simplicity. The coffee makers are combined with Douwe Egberts Senseo® coffee pods to give customers the taste they want.

Last year, Philips launched its own Simplicity Event. This provided Philips with an opportunity to share, with stakeholders, how far it has come in its commitment to “sense and simplicity”. Products that already deliver this promise were exhibited, together with living prototype demonstrations of how Philips envisions simplicity in the future. Senseo® is one example of “sense and simplicity” in action, other living prototypes include:

- ‘Chameleon’ – a lamp shade that changes to match any colour you show it.
- ‘In Touch’ – a mirror that transforms into a touch screen message centre, providing an alternative to leaving messages on answer phones or stuck on a fridge.
- ‘Momento’ – a glass ball, small enough to fit into the palm of your hand, offering a completely new way to share video memories. Once shaken its built in sensors will prompt the existing clip to dissolve and another to appear.



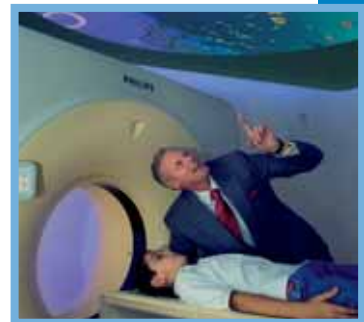
Chameleon



In Touch



Momento



Ambient Experience

As well as supplying consumer products that are simple and easy to use, Philips also applies “sense and simplicity” to all

areas of its work. For example, in the world of medical products it has created the Ambient Experience so that medical scans are less frightening for the patient. In the Ambient Experience suite, a patient can choose a relaxing visual that can be projected onto the ceiling and doctors say that this ambience helps relax the patient and makes the scanning process easier and quicker. Philips is embedding “sense and simplicity” into a wide range of high-tech medical products.

“sense and simplicity” is not just about making new products, however. Easy-to-understand processes are also vital. For example, Philips has invested in a ‘Welcome’ project. Philips believes that customers should have a pleasing experience from the start. Welcome therefore seeks to make sure that all Philips packaging is simple to unwrap.

05 Communicating “sense and simplicity”

At the heart of business success is good communication. This means sending messages from individuals or organisations to others (receivers). Good contact involves:

- communicating a brand promise, in this case “sense and simplicity”
- in a clear and easy to understand way
- to the right target audience
- using the right media.

There are a number of ways that Philips does this:

1. As it is a global company, it is important to direct contact from the centre. This ensures that the ‘Philips message’ is conveyed consistently.
2. Philips believes that there should be a single insight for each product (not mixed messages).
3. All creative work carried out by advertising agencies must be based on the “sense and simplicity” promise.
4. Television and print (for example, magazine) adverts are presented in a standard way – at least three Philips adverts in a single magazine – in a campaign that might last for eight publications of the magazine.

06 Conclusion

“sense and simplicity” is the brand promise for the Philips organisation. The need for change was seen as a result of customer research. Products and processes need to be made with the customer in mind. Modern consumers want to be able to use and benefit from high-tech products. They also want to find that these products are simple and easy to use.

Philips has therefore transformed all aspects of its planning. It has also looked closely at operations to make sure that “sense and simplicity” drives everything that the company does. “sense and simplicity” is a promise that involves Philips working closely with its customers through market research. It also operates with outside experts, such as the Simplicity Advisory Board, to create an outside-in way of working.



Mirror Display

GLOSSARY OF TERMS

Brand promise: what a brand promises to deliver to customers. This may be through advertising, sales literature or some other means.

High-tech: products or businesses that employ a higher than average number of new technologies in their products and systems.

Outside-in: a way of working that encourages feedback from those outside the organisation. This might include customers or a panel of leading specialists to give Philips a picture of how the organisation is seen by outsiders and how outsiders see Philips’ products and processes.

Positioning: the place that a brand or products has in the market. The best way of identifying the real position of a product is through market research – to find out what consumers think.

®: registered trade mark.

Strategy: the means by which an organisation achieves its aims.

Target audience: customers that a product is designed to reach. This can be determined through market research.

For more information about Philips please browse:
www.philips.com