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WHITE PAPER

The death of a brand

A look at the potential impact of new age demographics on the sports marketing industry

Every year 24/7 Wall St, a financial news company, predicts the top brands that will disappear within the next 12-18 months. This year's list contains well-known names such as Avon, American Airlines and Research in Motion. The question is not whether these brands will actually die or not, but how these once successful brands have come so close to extinction. There may be many reasons for such drastic eradication of brand value: mismanagement, lack of strategic focus, lack of vision.

In this paper, we look at how subtle changes in demographic structure can both destroy the positioning of a brand as well as open new opportunities for growth.

We focus on the sports marketing industry and take a hard look at two questions:

- How can sports marketing companies stay relevant across generations of consumers?
- Are there new blue ocean markets that sports marketing companies can target for growth?

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Marlboro Friday

Not many people in the sports marketing industry remember the date 2, April 1993. They wouldn't, since they were largely unaffected by the large marketing shift that took place that year. Others in the marketing business remember it well. It was the day that the value of major American brands fell. The event has since come to be known as "Marlboro Friday".

On 2, April 1993 Philip Morris announced a 20% price cut on their Marlboro cigarettes to fight back against generic competitors which were increasingly eating into their market share. The result of this single action caused the stocks of all brand marketing companies to fall and the index took nearly a 2% beating.

The Marlboro man was considered one of the biggest marketing icons since 1954. Investors reasoned that if Marlboro gave in to a price war, the process of branding itself must be ineffective. As a result of the plummeting stock value of major American brands, 1993 marked a slight decrease in U.S. ad expenditures. Though it may have seemed small, it was the largest dip in ad spending in over four decades.

The Marlboro Friday fiasco was largely thought to be the result of price conscious consumers during the recession but that didn't explain the whole problem.

When overall advertising expenditures in '1993 were nosediving, Nike increased the company's total marketing spend to a staggering USD 250 million annually. Nike had gone from a USD 750 million company to a USD 4 billion one and Phil Knight's company emerged from the recession with profits 900 percent higher than when it began. Companies like Nike, GAP and Tommy Hilfiger were flourishing during the period.

Why was it that stalwart companies like Marlboro and Levi's were stumbling while new players were thriving in the same market conditions? The answer lay in the demographic segment they were focusing on. The new companies focused on the new generation of spenders whose purse strings were much looser than their seniors. While the older generation cut down on their expenses, the younger ones spent more. Hence companies that focused on the older generation started to lose money while the young brigade took up the baton.

Fast forward 20 years to 2013. Over the last few decades brands have become stronger than ever and investments in marketing and branding are sky high. Most companies have remodeled themselves as experience sellers instead of mere production houses. Subtle changes in the dynamics of consumer spending are emerging everywhere. We are slowly coming out of a long haul recession and there are signs of new demographic islands being formed.

Sports marketing companies like Nike and adidas have been growing consistently but will the ghosts of Marlboro Friday come to haunt us in the near future? Are sports marketing enterprises now immune to these shifts or will they be completely blindsided by them? How can they be seamlessly relevant to multiple demographic?

Fighting the shift: the art of staying relevant across generations

In the apparel world, there has been a consistent shuffle of market leaders. The crown of the brand king has seen several heads in the last few decades. Brands like Levi's and Dockers were the superstars of the baby boomer generation, but as they shifted focus to the next generation, they started faltering. The problem was not so much with the marketing they did, but with the perception. Young consumers didn't want to be caught dead wearing brands that their dad went to work in. So, brands like Tommy Hilfiger took up the baton for the new generation.

Sports marketing companies were immune from this trend for a long time because they were not in the business of fashion apparel. Now the growth of these companies is being fuelled by the sale of apparel (both sports and fashion). One third of Nike's revenue is generated from apparel. This expansion, while great for numbers, could negatively impact the perception of a generation of soon-to-be-consumers of mega brands.

Parallel positioning

One possible solution to this challenge is to develop a parallel brand with its own distinctive style and brand communication: one which taps into underground trends and newer personas, while the universal brand caters to global markets.

The Neo Label and Originals from adidas is a good example of tapping into the next generation of consumers. However, Neo is still attached to the adidas brand personality. The logo of Neo is a derivation of adidas and can be clearly attributed to the parent. While this may be a good strategy to initially garner interest in the Neo Label, in the long run any perceptible change in the adidas brand will flow down to Neo as well. The brands Signature and Denizen from Levi's were never fully realized into distinct identities and so when Levi's fell, so did their dependent identities.

Nike stays away from co-branding Converse, so the brand keeps its own identity. This could be the right way forward. Puma has been a resurgent force in recent times, with their retro designs making waves. They rely on a single brand strategy, but how long they can sustain that?

Developing the brand universe

One of the strengths that sports marketing companies rarely use rarely are their brand ambassadors. Legends in the sporting world, they are mini brands in their own right. The Jordan sub-brand developed by Nike is a prime example of how mini genres of products could be created to cater to a specific demography. Jordan has a different logo, with aesthetics and design that have nothing to do with Nike. Similarly, adidas has Messi, Sachin Tendulkar, Novak Djokovic; Puma has the charismatic Bolt. Sports companies can spin off mini brands with these icons and tap into the subcultures of new age demographics.

Disney is a de facto expert in spinning off their brand ambassadors (characters they develop) as brands themselves. Mickey Mouse, Iron Man and Jack Sparrow are like mini solar systems with their planets of unique identities, persona and products that make up the Disney universe. Disney relegates itself to the background and its brand ambassadors take center stage in their product strategy. Sports companies can leverage the model developed by Disney to start their own universe. But, unlike Disney, where the brand ambassadors are controlled creations with the perfect message to deliver, the legends of the sporting industry are humans who can falter and fall. Examples of Tiger Woods, Lance Armstrong and 'Blade Runner' Oscar Pistorius show us that legends can burn out and their brand can quickly disappear air. Sports companies would be wise to maintain a nimble business model where designs are re-used and brands can be created and killed

ADIDAS PORTFOLIO

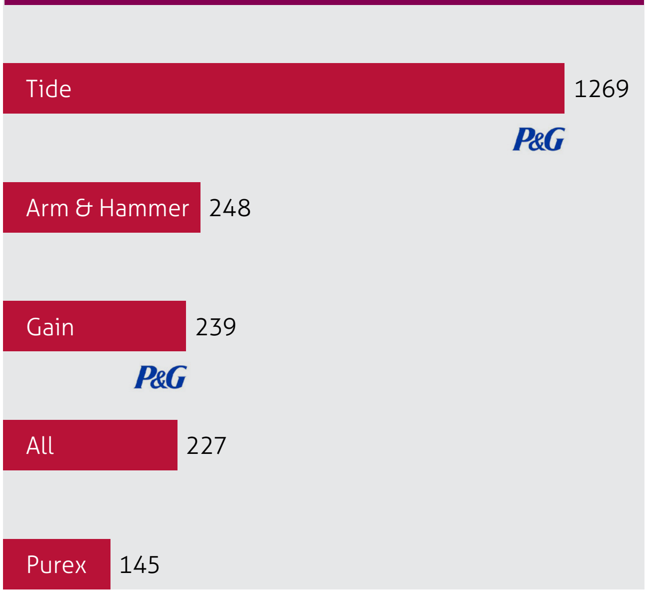
NIKE PORTFOLIO

quickly. The model, like an assembly line in a fast food restaurant, should be quickly reconfigurable and easily dismantled.

Multipronged approach

Another trend that can be borrowed from the CPG industry is the way they manage brands. Unilever has both Dove and Lux competing in the personal hygiene space and P&G has Tide, Ariel and Gain in the same arena. What the world sees are two competing brands, but in reality they are two ways to enhance the corporate bottom line. Both Tide and Gain feature in the top five detergents by revenue.

TOP 5 DETERGENT IN THE US BY SALES



Let's face it: everybody loves an underdog. It would be interesting if the sports marketing companies were to introduce individual brands operating in the same category as the parent and position it as a David in the war with Goliaths. It could end up as an independent brand cannibalizing the parent, but it would also be encroaching on the market share of others. This two-pronged strategy would force the competition to fight the battle at two levels.

Undiscovered blue oceans: the rise of the gray

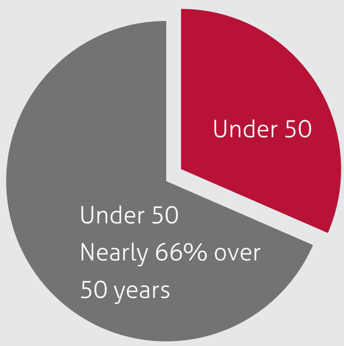
Certain demographic shifts can also bring forth untapped segments. In the past 20 years, a demographic segment that has seen a revolutionary change in consumer behavior and the consumption pattern, is that of people over fifty. With better healthcare and lower child birth rates in many countries, the trend of population skewed towards people over fifty is fast rising.

The growth of the 'gray' market

The sales of adult diapers in Japan exceeded those for babies for the first time last year. Shopping centers in Japan can literally see their customers graying and are taking steps like making shopping carts lighter. Companies are rushing to grab a bigger chunk of the estimated 109 trillion yen (USD 1.4 trillion) that consumers over sixty spend in Japan. The number of Japanese over sixty five hit a record 23.3 percent of the population in October 2012.

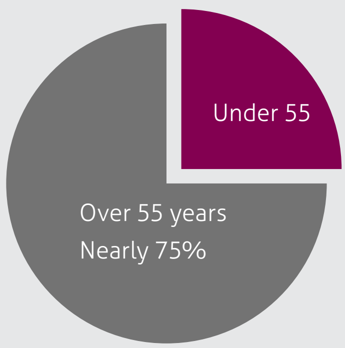
The senior age group is now, for the first time, the largest in terms of size and percentage of population in the U.S. This age group grew at a faster rate than the total population between 2000 and 2010, according to a 2010 census brief. But unlike 20 years ago, where this demographic group was financially dependent and technologically ignorant, the new age group over fifty is affluent and tech savvy. Nielson reports that Facebook use among over fifty plus people in the UK has risen faster than any other group. Overall, membership of the social network grew 41% between 2009 and 2011. Among older users the figure was 84%.

UK HOUSEHOLD WEALTH



Research by Abbey

US HOUSEHOLD WEALTH



Research by ICSC

According to the US government gonsumer expenditure survey, 55-64 year olds outspend the average consumer in nearly every category including food away from home, household furnishings, entertainment, personal care and gifts.

The 'gray' market is here, but marketing companies seem to have missed the bus. Most industries are now playing catch up to this neglected class of people.

Hollywood was blown away when The King's Speech grossed £247 million, second only to the final Harry Potter installment at the UK box office.

It easily outstripped big budget teenage fare such as Transformers 3 and the latest Twilight film. The success of Tinker Tailor Soldier Spy also made the case that audiences are crying out for intelligent drama. The number of people over 45 visiting the cinema rose last year, accounting for 28 % of all admissions. Slowly, the movie industry is trying to get baby boomers back in their seats. Last year, there were two movies, RED and The Expendables, that featured older actors in action roles. Almost every studio has a movie aimed at an older audience on its current schedule or in development, in what is slowly becoming one of their key markets.

It might seem paradoxical to mention sport and old age in the same sentence, but can the sports marketing industry afford to ignore the fastest growing demographic category in the world?

Products for the gray market

The current category of products marketed by sports companies are clearly not targeted at the gray generation. In 2010, the 45 and older groups outspent younger adults by USD 1 trillion annually. So clearly this market has purchasing power. Significant investments must be done in research and development to develop products that cater to this unique segment.

Baby boomers outspend other generations by an estimated USD 400 billion each year on consumer goods and services.
(US government consumer expenditure survey)

One of the key items on the wish list of the gray generation is to continue doing activities they were able to do 20 years ago. This is a Key Performance Indicator (KPI) that the sports industry could focus on. Developing relevant products for walking, running or other activities could be the key to unlocking this lucrative market. Shoes with cushions that support easier walking, joint supports that could help them catch up with their grandchildren and so on. There are a number of good ideas that are waiting to be explored in this segment. It is not just products that need to be tailor-made for this segment; even branding and marketing efforts need to cater to more mature audiences. Most people in this segment believe that marketing targeted at them is usually patronizing and annoying. They don't want to be reminded that they are old and about to die. Clear strategies need to be developed for this sector that has been hitherto ignored.

Create a new sport

The choice of sport for a person greatly lessons once he crosses 50. The same sport could be played, but with a new set of rules. This is where sports marketing companies could cash in.

If a company could develop and sustain a sport, or take a popular sport and tweak it to fit this age segment, they could own an entire category.

Fitness and sports are no longer a distant memory for the older generation. Leagues are being formed in most developed countries for the over 50 category. There is an over 50 league for basketball at the Newton Jewish Community Center in Boston and the United States Tennis Association has a Senior Ladies 50 plus players' tournament.

Reebok could focus on a line of fitness boutiques or regimens, specially tailored for the gray generation; adidas could tweak softball or football rules to make them less demanding, but nonetheless compelling and fun.

Conclusion

The one important lesson we've learnt is that history often repeats itself. Events like Marlboro Friday are the earthquakes of the branded world where tectonic shifts of demographics are inevitable.

Everyone from technology giants to fashion brands are aligning themselves to expand into sport and fitness. Global brands in the sports marketing industry will have to arm themselves with newer strategies and stay nimble to adapt to emerging trends in demographics to fight off threats in this ever evolving market.

About the author:

Jithin Tom Chacko is a senior business consultant at mindtree with over 7 years of experience in building high value IT solutions. His core focus is on building solutions that help transform and streamline products and processes in the retail and manufacturing industry. He has worked with several leading organizations like Unilever, Burger King, Publication International Limited, Realogy Inc. and adidas. He holds a post graduate degree in Business Management from Xavier Institute of Management and Entrepreneurship and has majored in the fields of Finance and Marketing.

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