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# BRAND DEVELOPMENT – A WAY TO OVERCOME THE CRISIS

Case studies

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## Abstract

*The purpose of the present paper is to highlight that within contemporary economy, the market is built on brands rather than products. The market became an univers full of colors, names, logos and taglines. The brand resides within the hearts and minds of customers as being the sum of their perceptions and experiences upon the company's promise. Consequently, looking at brands like Apple, Microsoft, IBM who understood that technological innovation must be sustained by strong communication and developed emblematic brands, also Romanian IT companies must pursue similar goals in developing own brands. Current research, backed-up by the case study, substantiates that IT companies who proved to be creative and aligned their communication strategy onto their activity profile not even successfully survived the economic crisis but even managed to outgrow the competition.*

## 1. Introduction

As a result of business processes, products are becoming more numerous and increasingly resemble each other, the innovative ones started to be imitated shortly after its emergence. As a result, it has become difficult for consumers to distinguish one provider from another and to choose one product instead of another. Therefore, managers have raised the question of finding a physical and emotional connection between a notorious product and current/prospective customers, the public. This was called the brand.

Kotler (2011) pointed out that whether a product can be relatively easy imitated, not the same can be done with a brand that allows differentiation of goods and services. In a globalized economy the brand breaks the barriers of space allowing the company to have a great vision, far beyond its action area.

Academic specialists and professionals (Keller, 2005; Kotler, 2011; Wood, 2000; Doyle, 1998) believe that the brand has become an intangible capital of a company, a strategic asset, which ensures its long-term profitability. As a result, Western IT companies have understood that technological innovation must be sustained through all means of communication and built their iconic brands, managing not only to defeat the economic crisis but also to overcome their competitors. Therefore Romanian IT companies should take decisive steps in development of its own brand.

Contemporary economic market is not anymore built up of products but of brands. Market has become a world full of colors, names, logos and slogans. The brand is found in the heart and mind of the customers as the amount of their experiences and perceptions of what is supposed to be the promise of a company.

## 2. Analysis of brand development in Romania

Characteristics of post-communist Romanian business markets differ significantly from those of Western countries. And this, because it is hard to talk about branding, positioning, business performance in a country which for decades had a flattened economy and differentiation was not accepted. As a result, we do not yet have specialists, business culture, and an appropriate legislative economic and social framework to create brands. What came from that period is a consumer's attachment to what was once the only solution to satisfy certain needs: e.g. Dacia – movement needs, CEC - savings and banking services needs.

Nowadays we cannot speak of Romanian brands managed by fully successful Romanian companies, in the way that brand value is not recorded on any of the companies balance sheets.

There is a number of obstacles that face the desired goal (negotiation thesis):

- A strong brands influx of companies from developed countries, based on clear positioning, effective communication programs, know-how, etc;
- Lack of economic and business culture;
- Lack of an appropriate economic, social and political framework.

Against these heavy conditions there are also Romanian brands that have gained the immediate combat with brands derived from the inventors of the brand concept and have won, becoming competitive both locally and globally. Thus (Negoiță, 2012):

- **Bitdefender** is a 100% Romanian product with users around the world (51% of sales are in the U.S.) and subsidiaries in Spain, France and Germany;

- **Musette** – a Romanian shoes brand producer present today in dozens of stores in Greece, Spain, Bulgaria and also in stores in the middle of Manhattan;
- **ID Sarieri** - Romanian underclothes brand highly appreciated on the Italian market.

Unlock Market Research and Biz Magazine publishes a study of several years that identifies and ranks the 50 most important Romanian brands. The purpose of the study is to measure the strength of Romanian brands, not from a financial perspective, but from a trustful and effective investment perspective assessed by consumers.

Unlock Market Research analysis has been conducted in two phases (Negoiță, 2012):

**Phase 1:** Qualitative research based on 20 in-depth interviews, respondents being individuals between 18-45 years with average education and incomes;

**Phase 2:** Quantitative research based on 1314 telephone interviews.

If the first phase of the research revealed a number of generic characteristics of a strong Romanian brand: pride, popularity, success, determination, confidence, affiliation, the second measured Romanian brand performance. Outcomes were obtained, taking into account two dimensions:

1. Brand performance triggered by the intensity of consumer preferences for that brand.
2. Emotional involvement, triggered by measuring the degree of association with a series of attributes derived from the qualitative phase.

These outcomes were differentiated according to brand awareness.

The analysis of this research is emphasized in the current work because it reveals a pattern for Romanian companies in order to defeat economic crisis by strengthening the value of the brands. Researching top Romanian brands during four years

(2010-2013) reveals some degree of stability starting with 2012, analysis concluding in:

- People are more accustomed with the crisis year by year;
- They began to accept the crisis as a normal state of affairs;
- Purchasing behavior was adapted to new conditions;
- They discovered effective strategies to cope in the newly formed context.

For companies, the research was relevant in terms of identifying the brand power, its ability of maintaining it on top, being known that brands are activating in an unstable economic environment. Thus, companies like Borsec, Dacia, Dorna, Timisoreana, Cotnari etc. have managed to maintain their pole position on the market during the crisis due to successful brand strategies.

### 3. IT industry in Romania during the crisis

Regarded as a unit of the three sectors - Software & Services, Telecommunications, Hardware & Electronics - IT&C industry passed through the recession easier than any other areas of the economy.

According to ITC (Institutul pentru Tehnica de Calcul), the total turnover dropped in 2009 by 9%, but increased in 2010 by 6% up to a value of 8.82 billion Euro, with just 3.3% lower than in 2008 the reference year. Sold products / services had a similar path and after the 2009 deduction, returned in 2010 to a level nearby to the one before the crisis (7.8 billion Euro). IT&C total exports amount moved upward during the entire period, gathering an input of about 45% higher than other sectors of the economy compared only with the auto industry.

Overall, the balance appears as positive for a recession so severe, but if we follow the sector evolution, we should note significant differences. Increase was almost entirely due to hardware and

electronics manufacturing (68%), obtained by exports and dominated by Nokia platform that gained two thirds of the total. Instead, the service sectors have negatively evolved, being strongly influenced by the constriction of the internal market.

IT staff has been reduced during the two years to more than 8,000 employees (7%), the loss in percentage terms being lower than the one at the level of economy. Significant decrease was recorded in telecommunications (-6.660) and hardware (-3.850), while average number of employees increased in software and services by over 1,000 for each of the two years (2009, 2010) due to HP, Oracle, IBM Corporations service centers.

The analysis of IT sector during the crisis might conclude:

- Since 2010 until now the IT&C sector has is on an increasing trend;
- Positive dynamic is primarily due to exports;
- Valuable Brands like Nokia, HP, IBM present on the Romanian market helped the IT & C sector to surpass the crisis easier than many other areas of the economy.

The fact that the IT industry is currently one of the main triggers of the evolution is no longer a novelty. The fast-growing pace, huge resources allocated and increasingly surprising outcome have made the IT industry to be a benchmark for everything related to development at both micro and macro level. Even that most important companies – the best known brands in the world – have contributed during the crisis to the sector and have had a positive dynamic, for local producers the crisis years translated into decline.

Why were local producers most affected? One cause is that nobody took into account the clients needs, the fact that customers desire attractive brands not only for technological innovation, but also for the method through which these innovations were communicated.

A closer analysis of the Unlock Market Research survey upon the

aforementioned most important Romanian 50 brands reveals that not even one is from the IT industry.

And from here emerges the big problem in the IT industry highlighted in this paper: there is a big difference between what companies are doing in the industry and the way that they communicate what they do. Most brands do not line up its deeply innovative IT activity profile onto communication style. Thus, while it is seen as a dynamic industry that generates change, communication is merely traditionalist and devoid of ingenuity and creativity used in solution development. There are few cases with IT brands remaining frozen in language and specific terminology.

Solutions for local companies to maintain the market and overcome periods of crisis are (as will be shown in the case study in the next chapter):

- Taking initiative;
- Courage to apply the same communication principles in the technology developments;
- Understanding the expectations of the target and not only on a technological innovation level;
- Having as benchmark brands Apple, Microsoft, IBM who understood that technological innovation must be sustained by all means of communication and built their iconic brands, to follow the next step in developing their own brand.

#### **4. The success of the IT Romanian industry through branding - case study**

The case study in this paper focuses on Star Storage SRL, a Romanian company, leader in the protection and management information in Romania, which can be classified as a winner of the economic crisis in IT industry due to strong brand that been outlined so far.

With over 12 years of experience on the Romanian market, Star Storage has developed its portfolio of solutions and services based on the principle of full integration along the entire life cycle of information generated by a company - from the moment of their production until storage or destruction.

Although Star Storage SRL was also affected by the crisis in 2009, when it experienced serious reductions (-11%) knew how to focus on the customer and his needs, returning to growth in 2010 (+59%). Since then it has followed an upward trend, the positive evolution of the company being illustrated by its the presence in the "Deloitte Technology Fast 500 EMEA" charts that selects the most dynamic companies based on revenue growth over the past five years.

The company has managed to be a winner during the economic crisis through:

##### **Star Storage brand positioning**

Conform analizei profilurilor in cazul concentrarii economice, Star Storage face parte din categoria Local Specialist.

According to the analysis profiles in the economic focus case, Star Storage is a part of the Local Specialist category.

Star Storage specialized divisions give specific aspects of the life cycle of information and documents, process outsourcing, electronic archiving and physical archiving, cloud services etc. Within these divisions the company's customers can find all types of solutions and services needed to manage data and documents for physical and electronic archiving, and most recently, new generation cloud computing services.

It is essential for the success of Star Storage the fact that it managed to gather under one vision and strategy all these elements so that they could fully operational and their customers can have a single point of partnership in the field.

As Local Specialist, Star Storage successful key lies in maintaining performance of placing it in the Top Performer category with a focus on increasing sales and diversification of service portfolio through an economic focus on company brands in order to boost their market share.

##### **Brand awareness**

A good strategy has been the one that improves the online occurrence of the brand, focusing on three areas: rethinking the information architecture of the website so that users can quickly access any information regarding services, solutions, products; redesign user's experience to emphasize the way customers obtain more information about the company and the offered services ; restoration design for Star Storage integration identity in a dynamic structure, with wide space between elements, focusing on content.

##### **Sub-brands development to attract new customers**

Until 2008 the client portfolio integrated large players in financial banking area, in utilities, Retail but included also customers from the public sector.

Since 2008, the opening of the Production Center of Documents has increased the outsourcing services portfolio. These services might also be accessed by medium and average companies. Therefore, this business will be known under the brand StarDoc™.

In 2009 Star Data Center Storage is launched, a company entering on the cloud computing services market under the brand StarVault™.

##### **Involvement in the community**

Star Storage is a pioneer not only in technology but also in terms of sustaining his responsibilities in the society, the company also targets Corporate Social

Responsibility projects even in times of economic crisis, when CSR terminology was little known in Romania. And it speeded up this success.

Star Storage is a company having the understanding of a positive image that might have a large influence on business success therefore it took into account two important tools: brand and customer-brand relationship and managed to be a winner during the economic crisis.

## 5. Conclusions

In order to be successful a brand must continuously adapt to the realities of the external and internal organization environment, to the customer needs, to the financial realities of the moment.

Success through branding is a concept that must first of all be learned, practiced, communicated, in order to be applied on the Romanian economy level.

The recession was more severe and continued longer in Romania compared to most the European countries.

At the beginning, in 2009, the recession was considered to be brought from outside and that the Romanian economy endured losses from the global crisis and from the drop down of export demand. Gradually it has been realized that the main causes

were internal - an economy and a public administration that were insufficient restructured and also an untenable development form based on excessive consumption supplied by imports and foreign capital inflows.

Local brands in the IT industry have difficulties to define itself as an asset. They undergo the same weaknesses like culture. They are vulnerable, variable, sometimes gain benefits from flashes of enthusiasm, but in the same time are exposed to an excessive criticism.

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