

What's in store for 2010?

Interbrand's sector experts
share their thoughts

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The last decade is behind us—we can all breathe a collective sigh of relief. But now that we've popped the cork, watched the ball drop, and shuffled back to work, what next?

Here are some of the emerging opportunities and challenges that our sector experts have identified for 2010.

The Airline Sector

by Stuart Green

Low-cost carriers are going to continue to beat out traditional airlines on short haul routes for now. But long-term success will come if they enhance the customer experience to ensure that customers don't trade up when economies improve. Additionally, there's a strong possibility that low-cost carriers may begin losing out to other modes of transportation, like trains, due to passengers' security concerns.

Overall, expect business flying to stay grounded due to new corporate policies worldwide. This will impact the airline brands catering to the business elite.

The Automotive Sector

by Andrew Martschenko

While it may seem counter-intuitive, globalization will help auto manufacturers focus on strengthening their balance sheets and running healthier businesses in 2010. As the "Big Three" automakers pare down portfolios, they'll be better positioned to leverage and extend their core brands, stifling the threat of new foreign competitors.

The global recovery will continue to be bumpy, but the center of gravity should noticeably expand to large emerging markets such as Brazil, China, and India. Companies in these countries will strengthen their legitimacy with newly acquired brands and expanded businesses. Expect GM to capitalize on Toyota's challenges and take a more aggressive position in the U.S. and key markets, particularly China.

Innovation will continue to drive the category with a new generation of electric vehicles hitting the streets. Surprisingly, costs to purchase and maintain these vehicles will not be cheaper than traditional, gasoline-

powered vehicles. This transition will take time but the commercial viability will continue to gain traction and the necessary infrastructure investments will gain momentum.

The Consumer Packaged Goods Sector

by Fred "Dyfed" Richards

The technology behind ordering and delivery will become more sophisticated and convenient to meet the growing demands of online shopping. Consumer expectations will shift as brands will no longer be required to compete side by side on shelf, but perform a newer role of helper, advocate, and enabler within the home.

Continuous scientific developments will result in packages that you can simply bury in your own back garden to repurpose as worm and plant food. The first brand that truly demonstrates a meaningful and comprehensive sustainable model that resonates with consumers will be the ultimate winner. Any brand owner would be wise to start this immediately, before consumers or governments mandate it.

The Digital Space

by Robin Rusch

The brand owner will be in more control than ever before. Connectivity will diminish inefficiency. Already, programs like Google Wave enhance seamless communication between departments, or interrelated processes without redundancies, overlap, or inefficiencies.

Beyond efficiency, real time tracking will enhance consumer engagement. A hungry diner will be able to track his pizza order from hands-in-dough preparation, into the wood fire, onto the delivery truck, and down to the delivery man appearing, on doorstep, pizza in hand. These key touchpoints provide a brand experience and drive purchase.

But collaboration is only as good as the network collaborating, which is why measurements for accountability will become increasingly important. The ability to track, measure, and analyze allow for brand owners to model, predict, and optimize toward future investment. This, ultimately helps them refine as they go, allowing for more time to focus on the brand.

The most successful innovations in 2010 will reflect this flexibility. They will be time, location—and even database—agnostic. This will allow the conversation to flow over time, space, and content through multiple online or offline entry points: person, phone, desktop, mobile device, kiosk, or voice.

Emerging Markets

by Jonathan Chajet

Consumers in developing markets will continue to look more and more like consumers in developed markets, with one notable difference: They will be significantly more optimistic about their future.

In 2010, also expect to see nationalism on the rise. Look for consumers in fast developing markets to take pride in their own brands at the expense of foreign imports, and for foreign brands to try to look, smell, and feel more like local brands at every touchpoint. This will mean that global brands will begin to create scaled-down, no frills versions of their products to reach smaller market niches in the developing world.

The Energy Sector

by Tom Zara

Climate change will continue to be a compelling and profound global issue in 2010. As a result, we'll see the energy sector begin to define and implement policies and initiatives to stem the growth of carbon pollution. This will be evident in both developed economies and emerging sectors, especially the BRIC countries. As new demands for electricity increase with economic growth, global prosperity, and hybrid and electric cars, Energy and Utilities' brands will be focused on creating technology that is more energy efficient.

In 2010, expect the daunting obstacle course of regulatory and zoning nightmares to discourage alternative energy's expansion. At the same time, those brands that invested the time and money in grid management and

energy-efficiency technology will emerge as the darlings of the VC's /Wall Street—they see this as a vibrant growth segment of the world economy, especially in the Western Hemisphere.

The Financial Services Sector

by Carola Jain

Transparency is the key word for 2010. Because consumers are looking for smart ways to manage and save their money, banks are slowly adopting tools that provide more transparency for consumers and enable them to aggregate information and show their "virtual wallet." One example is www.mint.com.

Mobile payments for micro-transactions will continue to grow. The U.S. market has some catching up to do with Europe and Asia.

Consumers were used to being overflowed with financial services advertising and communications—until the most recent financial crisis. In 2010, players will begin to get their stories straight and use the recently opened up white space to communicate with key stakeholders.

The Food and Beverage Sectors

by Greg Silverman

Food safety will become a major brand protection concern. Brand marketers will start investing in a corporate social responsibility audit that will look across their entire supply chain of activities to ensure that best practices are being applied and that the business is protected, should products become tainted.

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Healthy + Budget = Less. Portions and pricing will adjust to reflect new sensibilities. Out of the home, lower pricing and smaller portions will emerge in markets facing recession, and higher prices and stable portions will occur in markets pushing local and organic consumption. In the home, portions will be smaller reflecting both budget and wellness issues.

FMCG companies will look to create tailored product offerings to match the fragmentation of the population. Restaurants will experiment with recipes and flavor profiles to create unique signatures that tie more directly to brand ideas, not just broad market appeals.

The Health Sector

by David Sun

Expect consolidation to foster a deeper commitment within brand portfolios. The goal is to grow more loyal relationships with long-term customers and partners in a category area at a portfolio level, rather than only at a product brand level. The most progressive proponents of the portfolio-centric marketing approach have adopted portfolio or franchise branding; for example, diabetes (e.g., Lilly Diabetes), oncology (e.g., Genentech BioOncology) and other specialty areas (e.g., Allergan Medical Aesthetics).

Additionally, many newly merged entities will use this opportunity to rebrand. Already, we are seeing the first hints of change in a global effort to refashion a more powerful, consumer-appealing, Pfizer brand.

In 2010, we'll also see generic growth become an increasingly important strategic asset. An estimated US \$100 billion worth of branded products are expected to face patent expiration by 2010. Although generic offerings gain limited returns through brand promotion, there's been a rising level of brand marketing investment to drive preference and loyalty.

The Hotel and Hospitality Sector

by Iain Ellwood

Smart phone applications will revolutionize the travel experience. Not only will they take some of the pain out of delayed flights and changes in plans, but impact the richness of travelers' experiences. Imagine walking through the streets of Venice and pointing your smart phone at a building to discover it was the home of Venetian Master Architect, Andrea Palladio. A double click downloads a short film about his life and influences, while a GPS route map shows where you can view his buildings across Venice. A swing of the camera around the Piazza lets you discover and tag like-minded fans, and connects you with a local Palladian Architecture social network.

To reshape their business models, hotels will outsource non-essential or highly specialized services. This will allow operators to strengthen their core capabilities around experience, design, service standards, brand, and customer management. They will pursue the model

of many of the world's leading brands like Nike and Apple—whether that's outsourcing spa facilities to Elemis within a hotel, or partnering with Giorgio Armani to build an exclusive hotel in the world's tallest building; the Burj Khalifa.

Additionally, 2010 will mark the year that space tourism becomes a reality. Some of the world's biggest brands (Hilton International and British Airways, for example) are considering space hotels, clothing, activities holidays, and experiences. Space has always been a sublime, enchanting idea and it may provide some well needed glamour to the beleaguered travel industry. Expect space tourism and space tourism influences to be the story of the decade.

The Luxury Sector

by Manfredi Ricca

Being "old" is new again. Brands that guarded exclusivity and history – like Hermès and Ferrari – will be in the best shape. However, the pursuit of exclusivity will also be the greatest long-term threat for all global luxury brands. The key driver of demand will shift from the desire of something known – a status symbol – to the desire of something completely unknown and unbranded – a discovery.

The retail store will remain the key touchpoint for most luxury brands, but the considerable expansion into Asia Pacific and developing markets is likely to slow. Luxury brands are also likely to take advantage of

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low real estate prices in the U.S. and expand. Booming Brazil will be another target for brands in this sector.

To reach the millennial market, expect to see more campaigns like the iPhone-apped Lady Dior campaign and various live-streaming catwalks. Online shopping is a fact. The challenge will be its coexistence with the one-to-one physical shopping experience. Yet, there are boundaries here. The one thing luxury brands cannot credibly do is engage consumers in creation: Masters know the way, show the way, and go the way.

The Professional Services Sector

by Josh Feldmeth

In professional services, the battle for talent was eased with the global economic crisis and the downsizing that occurred in many sectors. However, attracting and retaining the best people will continue to be a challenge as economies rebound. More than ever, having a strong employer brand with a compelling employee value proposition will be essential.

Like the accounting sector more than a decade ago, it is likely that the big global firms will capture the most opportunities. The demand for global capability is increasing and major projects are becoming larger and more complex. Mid-weight players will need to scale up or be acquired by the super firms.

Expect to see organizational transformations. The dynamic nature of the contemporary business environment, the

pace of technological change, and the scale and complexity of organizational challenges will require a fresher, more agile, and more innovative approach to management consulting. Companies from other sectors – from IDEO to IBM – have demonstrated new ways to shape organizational transformation for clients. Management consulting brands will need to follow. The question is: How will they fund this?

The Retail Sector

by Bruce Dybvad

Traditional retail will continue to lose share to e-retailers. In order to draw shoppers, retailers will focus more on creating a compelling experience in the physical environment. Smart retailers will also accelerate efforts to build online, social communities and develop empowering mobile applications that drive shoppers' connection with the brand outside the store.

Value meaning cost-benefits will remain a big driver of purchase decisions. More shoppers will be interested in getting the best product for the best price. They will be less loyal and change how retailers manage margins across their entire businesses.

Brands will look for new ways to be disruptive. We'll see more innovation around how and where they come to market. One area that's particularly ripe for experimentation is the automotive sector, where automobiles and other vehicles are being sold through non-dealer, retailer-

merchandised environments as lines are blurred and vehicles start looking more like consumer electronic products.

Telecommunications Sector

by Dr. Jürgen Häusler

The battle for neutrality of the net will continue. At the heart of the issue is whether or not businesses like Google, which use the Internet to conduct business and drain network capacity provided by telecoms, should do so for free. Telecoms will continue to argue that they are under tremendous strain to keep up with capacity demand at their expense, while other businesses benefit at no cost.

Broadband connectivity will be an issue. There is an ever-increasing demand for bandwidth across carriers. Many carriers will struggle to keep up with consumer demand and some carriers may even need to limit excessive usage. The primary focus for telecoms and manufacturers in 2010 will be making broadband connectivity easier, more efficient, and more reliable.

Phones and computers are converging. Manufacturers like Apple and chipmakers like Intel are working on products that will blur the line further between computers, phones, and other electronic products.

The customer demand for connectivity will continue to grow. Throughout consumer electronics, more and more electronic devices are moving towards wireless connectivity. This means a multitude of

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new and expanded relationships and competitors, including manufacturers, consumer electronics retailers, and customers.

Telecoms will collaborate more with hardware and software manufacturers to run new products and services on their networks. Similarly, the App explosion will continue. The options for consumers will most likely be many and confusing before too long.

Since consumer electronics retailers are selling mobile phones and plans and telecoms are selling connected consumer electronics in their own stores, telecoms face an entirely new competitor in the retail business.

The Technology Sector

by Federica Judica

Display and input technology is developing rapidly. Breakthroughs in digital paper, OLED screens, projected displays, and motion sensing input devices will radically change how we receive and interact with information and entertainment. Light Blue Optics' Light Touch, a breakthrough interactive projection technology, and Microsoft's Project Natal, which allows players to game without a controller using natural movements, will enable entirely new modes of working, playing, and living digitally. There is even discussion about how the superior experience of the new digital paper and e-readers from

Plastic Logic, combined with the app business model, could revitalize moribund newspapers and magazines.

In 2010, the adoption of 3D in the home looks poised to take off much faster than HD. But will consumers pay to upgrade the sets that they just bought? Will the glasses that are required to view 3D turn them off? Will there be enough variety in the content? Regardless, look for the early adopters to jump on board quickly.

The smart home of the future looks different than it did a few years ago – energy consciousness has come front and center. In addition to allowing remote control of entertainment and convenience features, wireless devices, and software will enable homeowners to have more control over their energy consumption.

While businesses will dabble in cloud-based computing, the news of 2010 will be about consumer services that make use of the trend. Increased diversity of connected devices will make accessing personal and subscribed items/services on any device more important to users. Netflix, Pandora, MobileMe, Picasa, and more all represent cloud-based, multi-device, consumer services that have successfully gained traction to date.

This type of approach to meeting the computing needs of consumers will continue as the cost and convenience temper fears of security. The result will be a shift from people, local storage, and apps to a service-based, cloud-centric world. ■



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