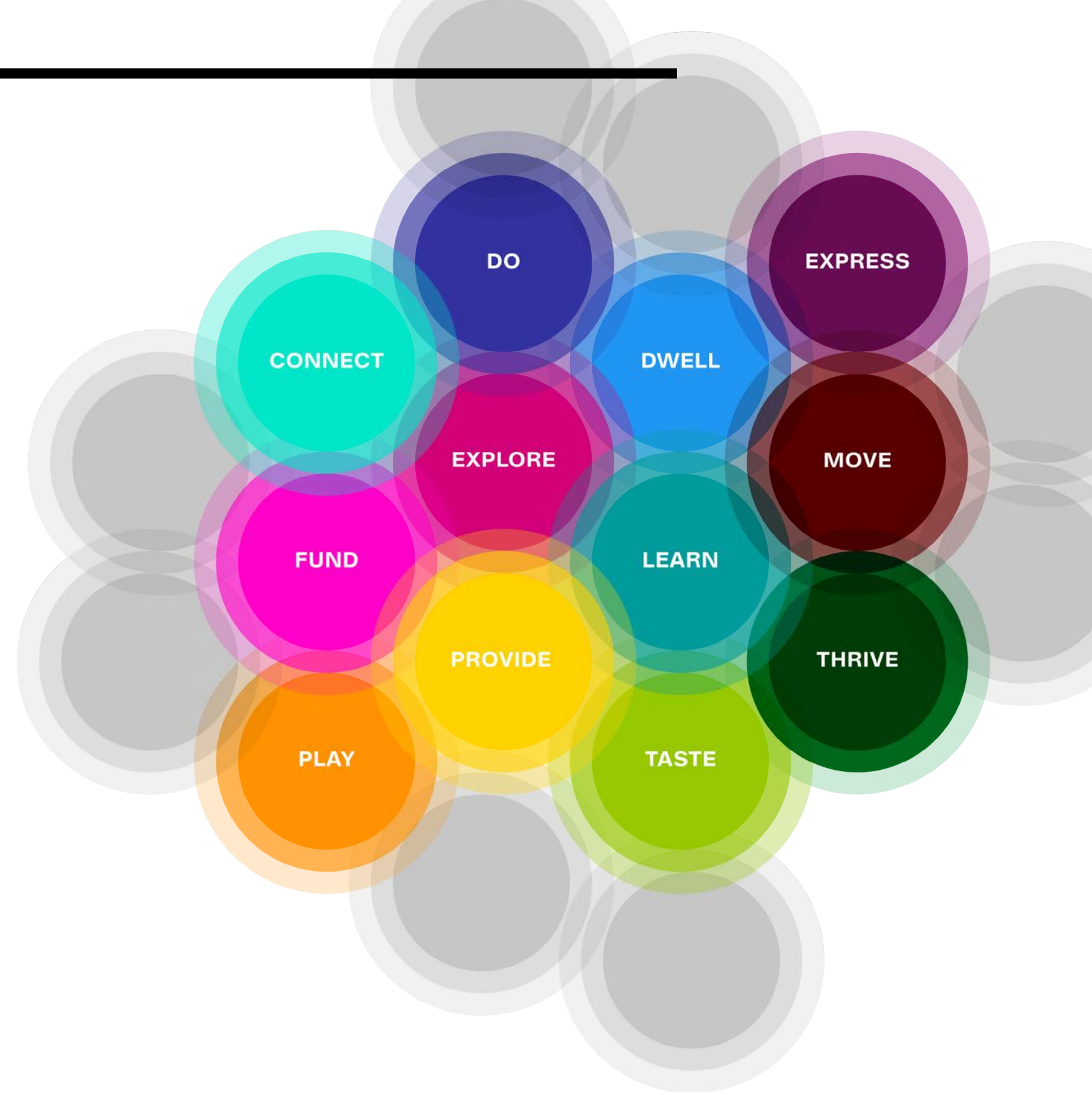

INTERBRAND

Arenas Explained

A breakthrough route to brand growth

Arena Thinking is a new way of driving brand growth. Instead of putting category conventions or industry norms at the center of strategy, Arena Thinking puts human motivation and evolving expectations at the center. Why should you care? The world's most valuable brands use Arena Thinking to fuel their extraordinary growth.

Increasingly, it's difficult to assign the highest-performing Best Global Brands into any single category (what do Apple and Google do?); however, things become much clearer when taking the perspective of customer Jobs To Be Done (**ref. Clay Christensen's JTBD theory**) and looking at which needs they address. Google helps us with multiple "Jobs," like how we Learn, Connect, Move – and even Dwell. Nike – not a FAANG – helps us Thrive, Express ourselves and Connect with others. We can put Microsoft and Disney in this set too.



Perhaps the superlative example is Apple; a brand that helps us Connect, Do, Belong, Play and Thrive. At the time of publication, Apple has just taken "a big bite out of the banks" and is, according to the Financial Times, posing a meaningful threat to the category: "The question for banks and other providers of financial services is how worried they should be about a "technology company" with 1.2bn iPhone users, a \$2.6tn market cap and a history of disruptive innovation making moves on to their territory.

"Apple's scale makes even the world's largest banks look little. Its services division alone, where it earns recurring subscriber revenues and App Store payments, generated \$55bn in profit last year — higher than JPMorgan and Citi combined. But it makes up just one-fifth of its total revenues. And the company hasn't been shy about its ambitions in this space. Jennifer Bailey, head of Apple Pay, said in 2016 that Apple was on 'a good, long journey, to replace the wallet.'" Stephen Squeri, Chief Executive of American Express, told analysts on a global call that he was "paranoid" about Apple and Amazon, which he called "phenomenal" companies with strong consumer relationships.



Ultimately, these corporations are built brand first, reversing the traditional approach to brand building. Rather than build a product or business and then 'brand it', these organizations are building exceptional brands and then adding new products or even businesses around them. Built on a foundation of exceptional experiences and strong integrity, these companies move in multiple directions, growing their share of customers' lives, along with their brand value and market capitalization.

It's the difference between taking a product-led approach like Gillette, Coca-Cola or Canon, in pursuit of organic growth; and a brand-led approach like IKEA, Amazon, Disney or Apple in pursuit of outsized growth – and it's setting them apart from the pack. Further analysis of Best Global Brands data shows that brands that play in more arenas deliver significantly greater growth in brand value over five years (see below). Each of the brands mentioned above are exceptional and each is a Best Global Brand – yet they all take a very different approach; the latter driving outsized growth, compared to the former.

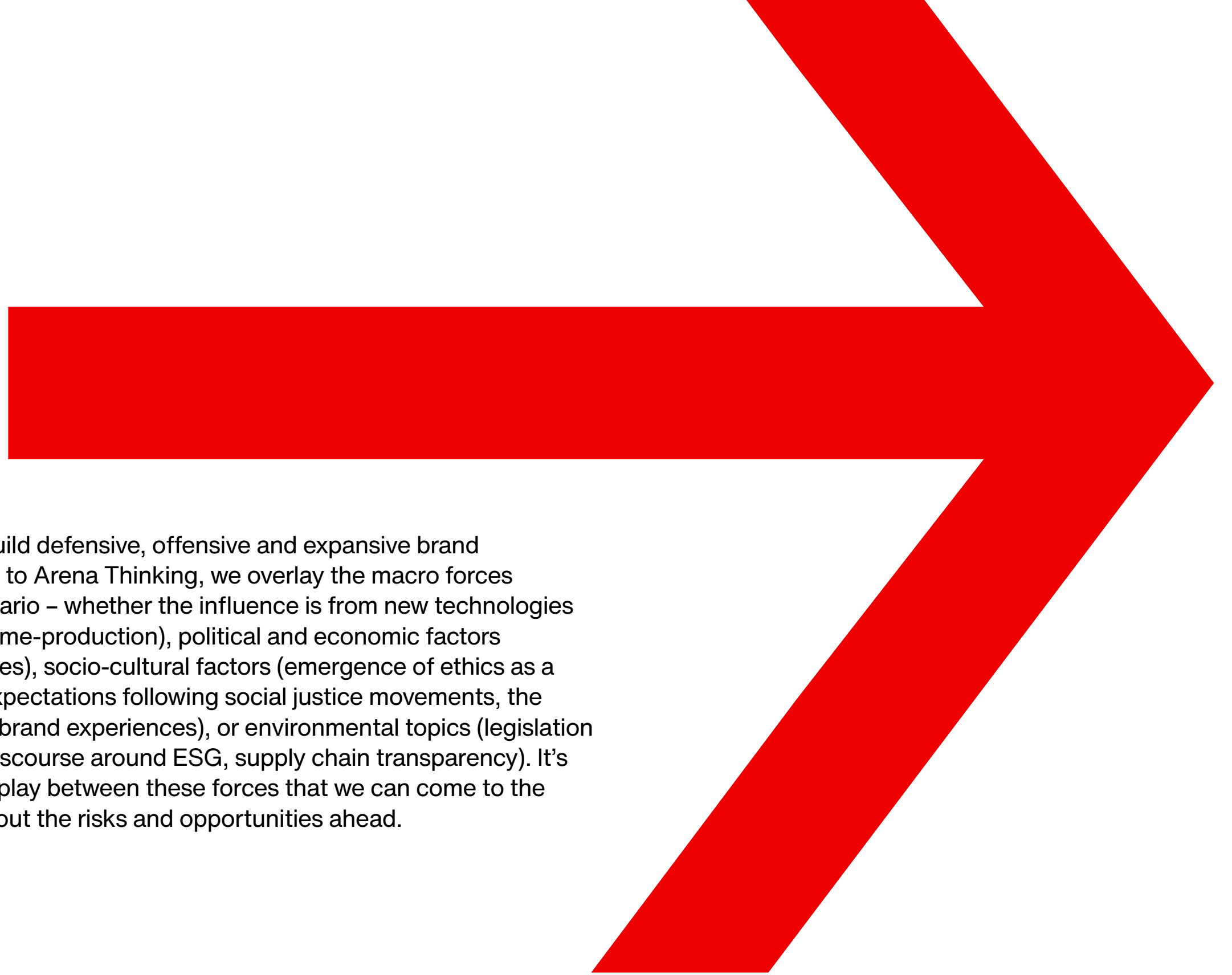
This shift in strategy – from category to arena focus – has a multitude of implications for brands. As a departure point, Arena Thinking opens the aperture on competition, becoming a critical lens through which to mitigate disruption at a time when disruption tends to come from outside of the category / industry. Arena Thinking is also used to open up new growth opportunities – to shift expectation, create new monopolies and drive extraordinary results.



Brand Value Change 5-Year Average

Defensive, Offensive and Expansive approaches to growth

Arena Thinking is used to build defensive, offensive and expansive brand strategies. As context is key to Arena Thinking, we overlay the macro forces driving change in each scenario – whether the influence is from new technologies (Metaverse, VR, AI, just-in-time-production), political and economic factors (recession, global trade issues), socio-cultural factors (emergence of ethics as a brand imperative, shifting expectations following social justice movements, the drive toward more inclusive brand experiences), or environmental topics (legislation on climate-related issues, discourse around ESG, supply chain transparency). It's through examining the interplay between these forces that we can come to the most robust conclusions about the risks and opportunities ahead.



1. Defensive

Identifying the next competitive challenges

As Rita McGrath, world’s foremost expert on innovation, Columbia Business School Professor and collaborator to Interbrand says: “Thinking your major competition comes from your own industry creates major blind spots.”

It’s these blind spots that Arena Thinking sets out to mitigate. As technological, cultural and political shifts blur the barriers between sectors, we help our clients widen their aperture on the competitive environment. A strategy that is built around category or industry conventions might view competition as brands that compete for the same time and money by addressing the *same* needs and desires through the *same* types of products and services.

An Arena analysis, however, would include those brands competing for the same time and money by addressing *different* needs and desires through *different* types of products and services.

AS BARRIERS
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CATEGORY

Competing for the same time and money

By addressing the same needs and desires

Through the same types of products and services

SPACE

Competing for the same time and money

By addressing the same needs and desires

Through different types of products and services

ARENA

Competing for the same time and money

By addressing different needs and desires

Through different types of products and services

CONTEXT

Impacting available time and money in economy

Shifting needs and desires in culture

Driving innovation in products and services

2. Offensive

Exploring Avenues within Existing Arenas



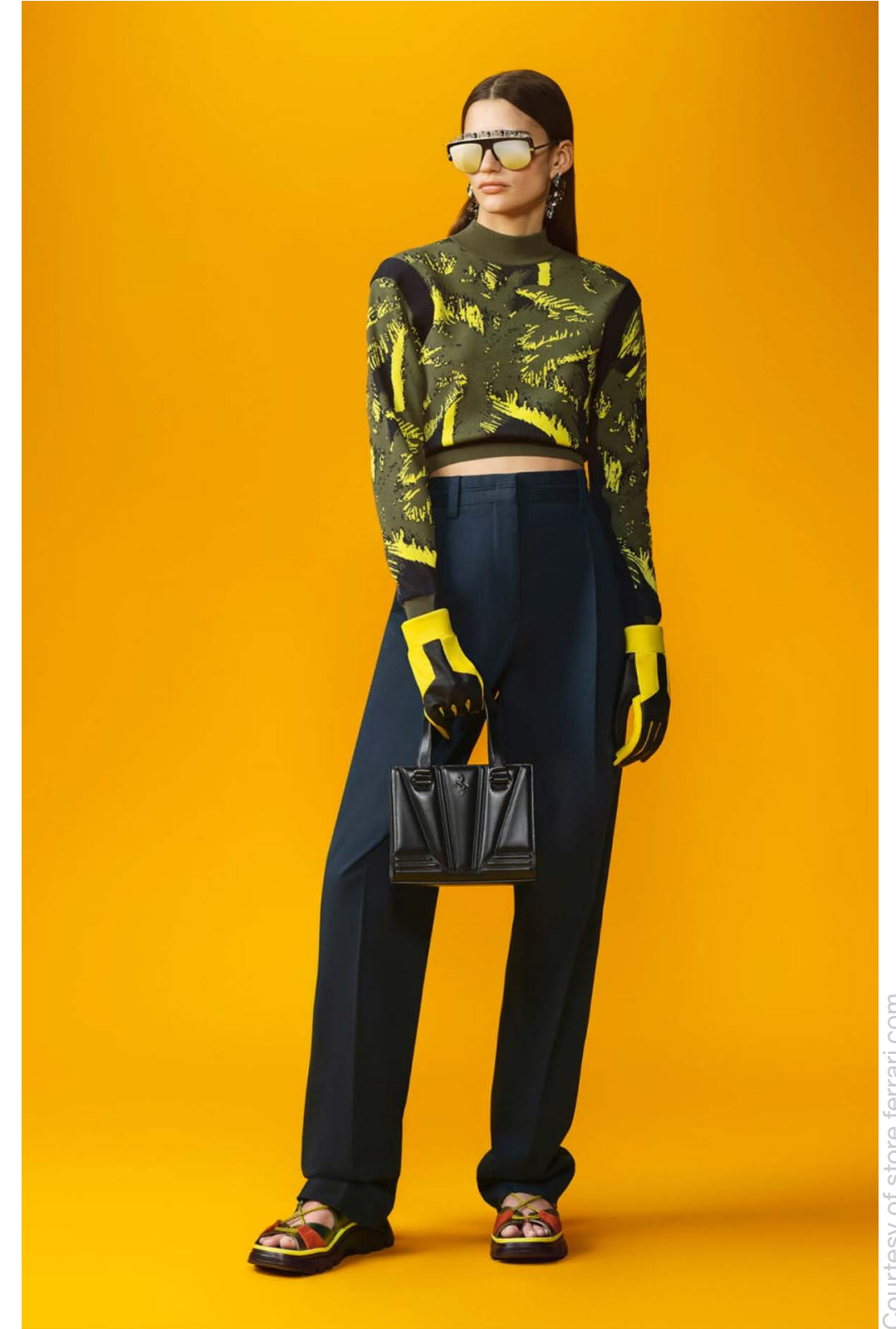
Many brands already span multiple arenas.

Let's take Ferrari as an example.

What sector does it belong to?

Automotive? Let's instead look at what motivations it addresses. The desire to express our self-concept (Express), to revel in the thrill of the ride (Play), perhaps to get us from points A to B (Move), or, more likely, to be our partner in life's most exciting journeys (Explore). An offensive analysis using Arena Thinking determines which arena is core to the brand's growth and the moves a brand should make in order to meet, deepen and exceed expectations in the arena. It would mean looking at the experience benchmarks; it would mean defining an ambition for the brand in terms of the arena it is doubling down on and then identifying a series of moves that propel the brand toward delivering on its ambition.

In the case of Ferrari, the Express arena is growth territory - with the retail experience and runway shows borrowing cues and codes from that world.



3. Expansive New Growth Avenues within New Arenas



As we have already shown, the most valuable brands in our Best Global Brands ranking are playing in multiple arenas, leveraging their brand and the permission it has created with consumers to address more and more of their needs.

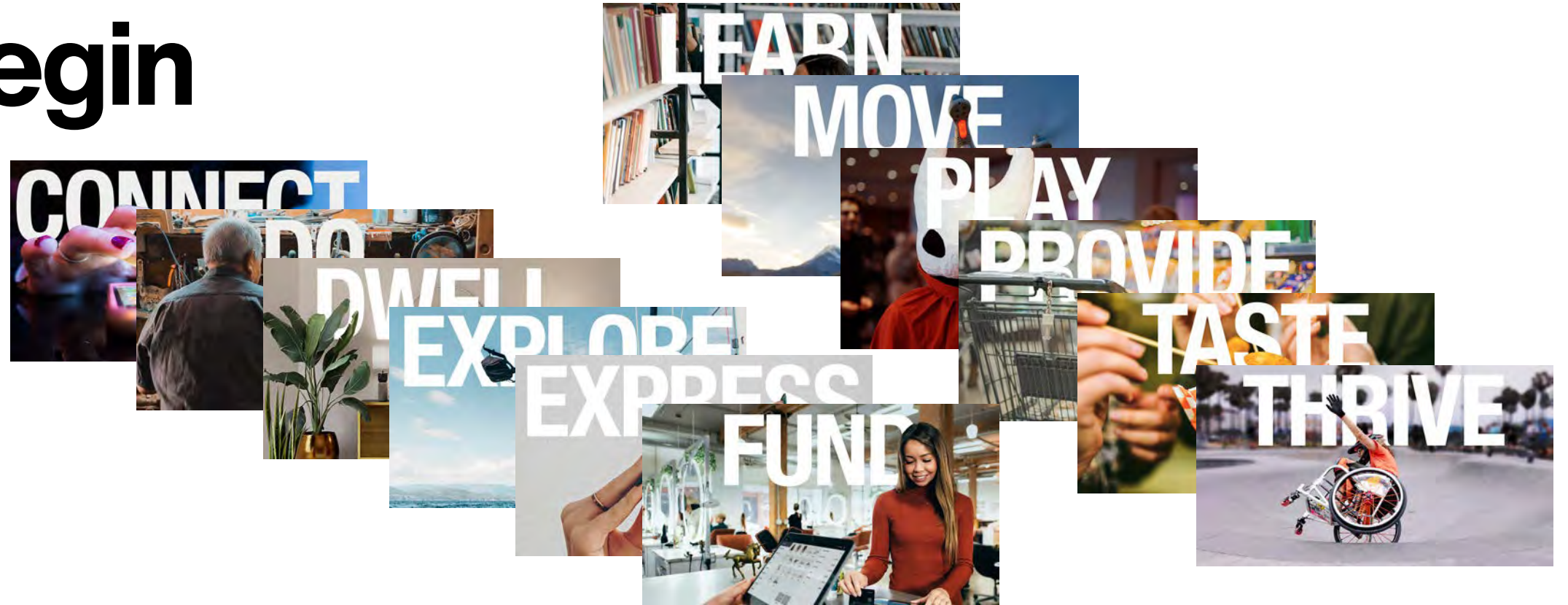
These brands' incremental moves keep them competitive within category, but their Iconic Moves leap them ahead of expectation.

Such moves **shift customer expectations entirely**, creating a leap of utility and/or desire. They **create a temporary monopoly** – setting brands apart for a period of time, becoming the option of choice for customers. They **drive extraordinary results**. These moves are less about the pursuit of organic, stable growth, but to deliver a surge in results beyond an ordinary pattern of incremental growth. Vespa began with an iconic "Move" product, but through a series of partnerships including LEGO and Justin Bieber, has become an iconic "Play" brand with surging brand value that reached €906mn in 2022.



Courtesy of vespa.co.id, vespa.com

Iconic Moves Begin At the Edges



Today, a brand's major opportunities and existential threats are less likely to come from the usual suspects at the heart of their industries than they are from what's happening on the fringes. "Snow melts from the edges," as McGrath notes. "To succeed when the game has changed requires a fairly aggressive approach on the part of leadership to say, 'We were great in the old game and now we need new skills, relationships and capabilities to be great in the new game.'"

In our Arena reports, we examine those edges: the evolving motivations and expectations that are driving change and creating new arenas of competition. It's for this reason that our Arena reports feel less like *brand* books and more like *people* books. They're designed to get brand leaders closer to what makes people tick and drives their behavior, to help us move beyond the value propositions of single products to imagine the ecosystems of value we can create. Arena reports

uncover unmet needs and track evolving expectations. They give our clients the confidence to make Iconic Moves - keeping them ahead of the competition and unlocking new growth.

So far, we've explored evolving expectations in the Express Arena (the brands that help us express our identity and values); Move (the brands that help us get from A to B); Connect (the brands that help us join the dots of our lives); Thrive (the brands that empower us to get better at living) and Dwell (the brands that enable success in our lives at home). In this new report, we look at Play. Working with global consumers in India, China, the US, the UK and Germany, as well as edge consumers, leading global brands and experts in ethics, climate and beyond, we seek to understand the commercial and human imperatives making change in Play – an Arena we estimate to be worth \$7.2bn.

Interbrand