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Is brand heritage blocking innovation?

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The series is a result of co-creation between students and teachers in the course Strategic Brand Management (BUSN21 – 7.5 University Credit Points; 8 weeks 50% study time), part of the master program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The published papers represent the result of the intellectual work of students under supervision of the heads of course. The content of the papers is to be read as student reports albeit the journal format. The papers are free to download and should be cited following international conventions.

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Abstract

Purpose: The overall purpose of this paper is to investigate whether brand heritage is blocking for innovation. The paper will identify the different reasons for how innovation can be blocked and evaluate how the paradox of change and continuity can be combined in the brand building process. Does the company embrace innovation and change, or are they purposely avoiding it due to brand heritage being a key part of the brands identity?

Theory: The theory used in the literature review is based on Kapferer's view on brand heritage, brand building and brand identity. The literature regarding innovation derives from Kapferer's and articles regarding brand heritage from Urde, Greyser, & Balmer (2007).

Methodology: This paper contains a case-based research approach based on an inductive approach, and by a mono-method, empirical/theoretical data has been collected through desk research. The theory and the empirical data collected serve as the foundation for the analysis and conclusions.

Findings:

The findings of this paper show that brand heritage not directly block innovation, but definitely can be an obstacle for embracing change. How brands can cope with change is defined by two factors – the impact of the change in the industry, and the “fit” between the change and a company's heritage values.

Practical implication: Provides a framework for heritage brands to identify whether or not to adapt or embrace certain changes/innovations.

Paper type: It is a research paper. The audience is people within the area of branding.

Original/value: This paper is the first of its kind to research whether brand heritage is blocking innovation and to use a framework that connects this into a matrix explaining the two dimensions.

Keywords: Brand heritage, innovation, change, continuity, brand identity.

Is brand heritage blocking innovation?

Niclas Larsen, Joshua Jong, Jakob Bendixen & Sandra Juncker

Introduction

When investigating how brand heritage can block innovation, it is important to initially understand the meaning of innovation and how a heritage brand is defined by the literature. According to Urde, Geysler and Balmer (2007), brand heritage is defined as a dimension of a brand's identity found in its track record, longevity, core values, use of symbols and particularly in an organisational belief that its history is important (Urde, Geysler, & Balmer, 2007). A heritage brand is one with a positioning and value proposition based on its heritage (Urde, Geysler, & Balmer, 2007).

The paper identifies how several heritage brands emphasises their history as a key component of its brand identity in the paradox of change and continuity. Furthermore, the paper discusses how selected heritage brands embraces innovation, and manage to change various industries without compromising the heritage and identity of the brand. But is innovation always necessary? Are some brands purposely blocking for innovation to protect their brand heritage, because the risk of doing so can have too big of an impact on the current existence of the brand?

Kapferer (2012) states that innovations are brand oxygen. They re-create leadership, focus the market on value not solely on price, and give a goal to the organization, reminding it that brands are about progress and development once they are on the market (Kapferer J.-N. , 2012). Kapferer (2012) also refers to the fact that today innovation is more than ever

necessary as the brands need them, consumer wants them, while the trade requires them. In a world of change, brands being able to acquire and invest in new innovations is possibly their only way of surviving – but are they willing to change? And how does a heritage brand make sure to keep continuity while adapting to change? The different reasons for and against the fact that brand heritage can be a possible factor of blocking for innovation is further discussed – blocking is the keyword of this paper.

There are five fundamental components of this paper; Change, continuity, innovation, brand heritage and blocking. These five components will be the main focus, evaluated and discussed throughout the paper. To create a better understanding of the connection of the components and how they serve as the foundation for the assignment, the components are combined in the following framework.

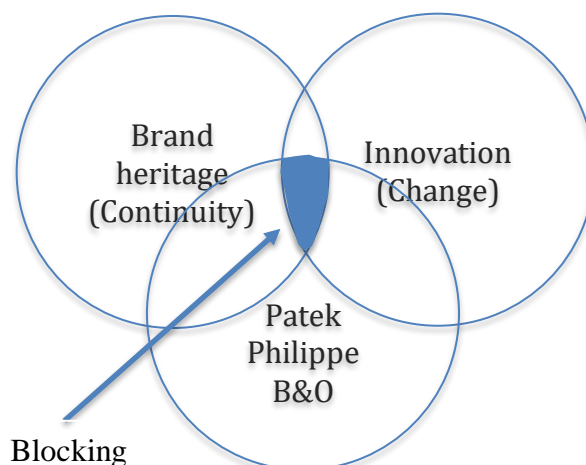


Illustration 1: Own creation

Change and continuity is two opponent forces; it is a paradox. Heritage brands want continuity in their brand building process, but how do they change and adapt to new market conditions and innovations while emphasising continuity? The paper aims to discuss how heritage brands

embrace and protect their heritage and maintain continuity in the process of innovating in a world full of change and opportunities.

Literature Review

Innovation

Kapferer (2012) argues that innovation does not only benefit the single innovative product or service, it benefits the brand in terms of both image and sales. This is known as the spillover effect, which is, the effect that advertising for one product, has on the sales of another product in the brand. However, innovation does not have to mean a technological breakthrough (Kapferer J.-N. , 2012). Smaller innovations and product improvements is referred to as incremental innovations and can be highly effective (Kapferer J.-N. , 2012).

On low-involvement products, incremental innovations are much appreciated by the consumer (Kapferer J.-N. , 2012). Evian is a great example; many incremental innovations can be linked to the service brought by the brand, in it is packaging for example. Evian was the first to withdraw the metal capsule, which sealed the bottle. That year, the sales jumped by 12 per cent when the market only grew by 7 per cent. The brand was also the first to introduce the handle, which made the six-bottle pack carriable, the compactable bottle and so on. (Kapferer J.-N. , 2012) All of the above are great examples of incremental innovations, which has really made a difference for the brand. “Don’t reinvent the wheel, make it better” (Mullins & Komisar, 2009).

Brand heritage

When a company’s brand is infused with a heritage, this can provide leverage for the brand, especially in global markets (Stewart-Allen, 2002).

Heritage makes a brand relevant to the present and prospectively the future (Urde, Greyser, & Balmer, 2007). A brand can have a heritage, but not communicate it. It is a strategic decision, when choosing to activate the brand heritage (Urde, Greyser, & Balmer, 2007). That is why modern brand management talks first about brand activation. Values do not exist unless they are activated and unless the clients themselves experience them fully at each point of contact. Kapferer (2012) refers to this as point of equity building.

When activating the brand heritage and using it as a competitive advantage, the company chooses a strategic positioning and value proposition based on its heritage, also known as heritage branding (Stewart-Allen, 2002). All brands have a history. Some brands have a heritage. And a few have made their heritage a valuable corporate asset. For some that value remains hidden.

Finding (in the sense of understanding) the heritage in a brand may well be a path to unlocking its value for the company by enabling the brand’s past and present to strengthen its future (Urde, Greyser, & Balmer, 2007).

Brand heritage & Innovation

Heritage might also be an obstacle, it can be a liability in the sense that it can limit the brands ability to move freely. If a brands heritage is too closely associated with historical events, its growing capabilities can be decreased (Brown, Sherry, & Kozinets, 2003).

Furthermore, Kapferer (2012) gives examples of industries where heritage is blocking for innovation. He argues that the wine industry can be divided into two overall categories, Old World wines and New World wines (Kapferer J.-N. , 2012).

Old World wines have tried to secure their market leadership by transforming their wine-producing practices into laws. A quality control system that has become a major block against innovating to address the competition from emerging growing areas.

Having no heritage can be an advantage due to it being possible to adapt products and innovate to meet customer needs. Kapferer (2012) uses New World wines, such as Jacobs Creek, as an example of an industry with no heritage to respect. The lack of heritage made it possible to innovate and Jacobs Creek went from zero to a 16.9 per cent share of the British market.

Kapferer (2012) states that Old World wines will not be able to remain relevant as long as they do not suppress their Old World wine industry's self-imposed limitations, their production laws and do not encourage supplier concentration, which is a big part of their heritage.

The essence of this is that some brands have succeeded because they innovated, breaking with the competition's conventions as seen with Jacobs Creek. The company's appeal was based on one enduring weakness of competition: it was not an elitist brand, and it had no snob value.

Creating a blue ocean in the industry by being unique and creative can possibly disrupt the industry and affect many of the existing competitors, and if these are based on heritage values, they may be locked in a position, where it will have consequences if they fail to adapt to new industry situation, but where adapting possibly would damage the brand.

According to Kapferer (2012) Old wineries are stubborn and they do not want to appear

mainstream, as a part of their heritage is the uniqueness and differentiation in each wine, but the conclusion is that this can kill the actors in the long run.

According to Urde, Greyser & Balmer (2007) credibility and trust is typically part of a heritage brand. If they decide to abandon their heritage the brand also loses its credibility. So, long-term continuity and safeguarding trust in your brand is key attributes of heritage. Maintaining trust is therefore a vital element in stewardship for heritage brands (Urde, Greyser, & Balmer, 2007). However, adaptability is a key to maintaining a brand's relevance over time. Indeed, sometimes one needs to change in order to stay the same. Examples include modifying the product or it's positioning (Urde, Greyser, & Balmer, 2007). The difficult task in this context is to do it without affecting the underlying values of the brand (Urde, Greyser, & Balmer, 2007), as this will hurt the continuity and credibility, which is partly the essence of brand heritage.

According to Urde, Greyser & Balmer (2007) there is no contradiction between using and expressing one's heritage and having the company be (and be seen as) up to date, cutting edge, high tech and modern. The reason companies with heritage should use it, is to take advantage of differentiation that is valuable for the customer/consumer and other stakeholders. However, adapting to change in the industry and innovating can hurt the credibility, if it is not aligned with the perception of the brand heritage. This is why brand stewardship is important, for those companies that have found their heritage, or think they may have it.

Brand heritage framework

Urde, Greyser & Balmer (2007) advises to incorporate a brand stewardship function to

make heritage an asset and protect one's heritage (Urde, Greyser, & Balmer, 2007).

More specifically, stewardship tries to leverage brands for positive value creation. At the same time, stewardship also calls for protecting the equity of the brand and its symbols from exploitation (Urde, Greyser, & Balmer, 2007). Consumers rarely evaluate innovations in an isolated way, but in relation to a specific brand. Once a brand has chosen a specific positioning or meaning, it has to assume all of its implications and fulfil its promises. Brands should respect the contract that made them successful. They owe it to their customers (Kapferer J.-N. , 2012). This can be done with brand stewardship. Urde, Greyser & Balmer (2007) have developed the Brand Heritage Framework; the framework illustrates the elements of brand heritage, surrounding the brand role of brand stewardship. The elements of brand heritage are: Track record, Longevity, Core values, Use of symbols and History as seen in figure 1 below (Urde, Greyser, & Balmer, 2007).

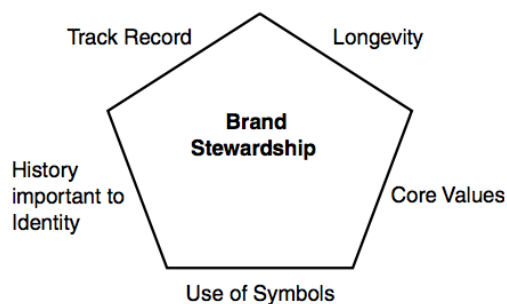


Figure 1 The elements of brand heritage

Figure 1: (Urde, Greyser, & Balmer, Corporate brands with a heritage, 2007)

By analysing the elements in the framework, you can determine the heritage quotient (HQ). The more these five elements are present in a brand the higher its HQ will be. In companies with a high HQ, heritage is important for both

the organisation internally and externally (customers and noncustomer stakeholders) (Urde, Greyser, & Balmer, 2007).

With all this in mind, one could argue that a high HQ makes it more difficult to be innovative and adapt to changes in the industry. At least without affecting the underlying values of the brand and hurt the continuity and credibility, which the heritage is built on. This is why brand stewardship is even more important for companies with a high HQ.

Methodology

We have used a case-based research approach and collected empirical/theoretical data through desk research.

The methodological challenge was to identify, how brand heritage can affect a company's possibility and/or willingness to innovate. More specific examine if there are cases where brand heritage has blocked innovation. The collected data is used to enlighten, why heritage brands either choose to ignore or adapt to changes in the industry with innovative solutions. Furthermore, understand how some heritage brands have been successful in innovating, while still being true to their heritage.

The literature review presents the two terms brand heritage and innovation from a more theoretical point of view, in order to understand what the existing theories and literature is saying about these subjects. The literature review also provides examples of how the two can affect each other. The subjects are being enlightened by research and literature from leading experts in the area.

The case-based research is used to investigate the rather intangible values, which brand

heritage and innovation also represents. Case study research allows the investigation of complex, fuzzy and dynamic phenomena where context is essential (Gummesson, 2005). The paper researches and analyses cases with brands, which have coped with heritage and innovation in different ways.

The case-based research has been based on an inductive approach, observations has been made in the specific case examples, which leads to more broad generalizations. These generalizations can be used for further research; to understand why a certain brand or consumer act as they do, regarding heritage and innovation.

Case study & Observations

Following the outlined literature review, five heritage brands is evaluated on how all of them embrace their heritage in various ways. The case study defines how some of the chosen heritage brands succeed in combining their heritage with change and new innovations, whilst other brands are struggling to keep their attractive market position without adapting to a changing market and innovation. The following section is further going to identify which of the brands that succeeded in embracing innovation and change with their heritage, towards the brands whom been struggling to manage the change.

Additionally, the case study is investigating whether there are any heritage brands who does not need to change, to still maintain a favourable position in a fast-moving industry. The brands are evaluated in the following section by key questions such as; How does the brand heritage affect their position in the market? Which of the heritage brands have succeeded in combining continuity and change? Which have not? And why? What

changes in the market has the brands been affected by? What have the brands done to manage their industries innovations and how did they accommodate these?

Patek Philippe

The Swiss watch company, Patek Philippe, was founded in 1839 by Antoine Norbert de Patek and Francois Czapek. They use the phrase 'since 1839' as an essential part of their communication strategy (Urde, Greyser, & Balmer, 2007). When buying a Patek Philippe watch, what you actually buy, is the beginning of a lasting tradition. 'You never actually own a Patek Philippe. You merely look after it for the next generation'. This positioning and value proposition are a part of defining Patek Philippe as a heritage brand as they have chosen to emphasise its history as a key component of its brand identity and positioning (Urde, Greyser, & Balmer, 2007).

The definition of Patek Philippe as a heritage brand is based on the framework of Brand Stewardship that consist of five major elements that indicate whether and how much heritage may be present or potentially found in a brand (Urde, Greyser, & Balmer, 2007). Patek Philippe is embracing track record, longevity, core values and their history as an important part of their identity. The track record of Patek Philippe is especially shown in their consistent ability to live up to their values and promise to develop watches that embodies centuries of genuine experience and countless hours of work. The watches should at all time be considered a precious and irreplaceable family heirloom (Patek Philipe, 2018).

The watch industry has through the last couple of years been highly affected by technological innovation e.g. in terms of smart watches. Even

though the industry has been experiencing innovations and new categories such as smart watches, Patek Philippe is still embracing their heritage while incorporating small changes such as modern technologies without compromising continuity. In this case, brand heritage is not blocking for innovation.

Den Gamle Fabrik

Den Gamle Fabrik also translated into *the old factory* is a Danish company that was founded in 1834. They have been serving the Danes with jam for more than 175 years. The preparation of the jam consists of a very soft handling of the berries in open pots; this exact manufacturing process is still the one being used today (Den Gamle Fabrik, 2018).

In the brand stewardship framework, Den Gamle Fabrik, embraces track record, longevity, core values and history. History is especially important for Den Gamle Fabrik, as their history of using the exact same manufacturing process from 1839 has a strong influence on how they operate today, and the choices for their future. Den Gamle Fabrik is an example of a company who embraces brand heritage, and because of minor innovations in the market, they have not been forced to let go of their manufacturing process which is an important part of their brand identity. The way Den Gamle Fabrik differs from Patek Philippe is that they do not operate in a fast-moving industry characterized by new technologies and innovations.

Bang & Olufsen

Bang & Olufsen is a Danish electronic company that was founded in 1925 by the two engineers, Peter Bang and Svend Olufsen (Bang & Olufsen, 2018). They sell high premium audio equipment and televisions. The founders defined the special duality which is the core of the brand; the encounter between

artists and scientists, and between designing and engineering excellence (Bang & Olufsen, 2018). Here 90 years later, where the industry has been affected by change in terms of new technologies, Bang & Olufsen is still characterized by the same values, pride and entrepreneurial spirit, defining them as a heritage brand that emphasises track record, longevity, core values and its history. Bang & Olufsen has managed to demonstrate a consistent use of almost all the heritage elements in the brand stewardship framework. Especially their ability to live up to their values and promises over time, while using their history as a key element of their brand identity indicates a high measurement of longevity.

However, Bang & Olufsen have experienced major challenges in encounter the fast-moving technology and innovations in the electronic industry within the last couple of years (Friis, 2015). The fast-changing industry forced Bang & Olufsen to act and change. This led to the launch of their new brand, BeoPlay that focused on audio-video products that combine convenience with high-quality, contemporary design for the digital generation. The aim for BeoPlay is to bring core Bang & Olufsen values of design, performance, and quality to a new audience (Bang & Olufsen, 2012). Bang & Olufsen showcase a company that experienced decreasing sales while struggling to keep up with the new innovations in the market. They were forced to change, but without compromising their brand heritage. They combined change and continuity into the launch of a new brand that could meet the high demands of technology and innovations in the market, while keeping their promise and values of their heritage.

Kodak and Fujifilm

The camera industry has been highly affected by new innovations and the necessity to change

to stay relevant in the market. Both Kodak and Fujifilm have strong brand heritage, but in this case, Fujifilm has managed to innovate without compromising their heritage, opposed to Kodak (Holmblad, 2013). Fujifilm and Kodak both have a track record, longevity, core values, symbols and a history that is important to their brands identity and utilize it through their marketing activities (Holmblad, 2013). The way the two competitors handled the paradigm shift from cameras to digital, certainly differs. Kodak went bankrupt in 2012 due to their struggling in finding their position and had to decide whether to embrace new innovations and technology or maintain their position as a leading brand in the analogue film industry (Holmblad, 2013). Fujifilm on the other hand, managed to maintain relevance in the mind of the consumers by adapting change in technological matters and social environments (Holmblad, 2013). Especially the track record, is a key element of Fujifilm maintaining their brand promise in incorporating the track record of producing high quality film into producing high quality digital sensors (Holmblad, 2013). The main difference between Fujifilm and Kodak is that Fujifilm have managed to control their message of quality by responding quickly to consumers' needs while fulfilling their brand promise (Holmblad, 2013). However, Kodak was not able to cope with the changes that came with the digitalization of the industry, despite their strong brand heritage (Holmblad, 2013).

Discussion

In which ways can heritage block innovation?

Having a brand strategy of being a heritage brand, does not necessarily block innovation. However, being a heritage brand can be an obstacle in which innovations and changes can be difficult to connect with the

underlying values of the heritage. The reason for this is, that brand heritage can trap the brand within a box, based on the heritage values, with very limited room to move freely (Urde, Greyser, & Balmer, 2007). This can be dangerous if the heritage becomes irrelevant for the consumers.

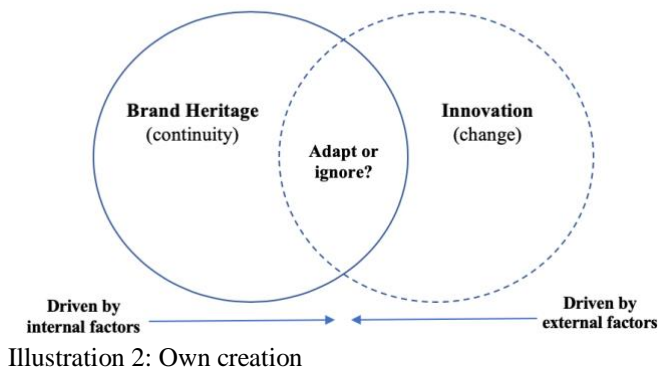
Harley Davidson is an example of a heritage brand, who has tried, with big success, to innovate and change their products, while staying true to their heritage (Hodgson, 2018). Harley Davidson have adapted a lot of modern parts to their classic-looking motorcycles (some parts required by law). To stay true to their brand heritage, Harley Davidson, tries to hide these modern parts as much as possible, to make the product look original and authentic. This strategy has worked very well for Harley Davidson, but even so, it has resulted in frustrations from some motorcycle enthusiasts, accusing Harley Davidson of being a sell-out, not staying true to the original bikes (Hughes, 2017). This indicates how difficult it can be to adapt changes and innovate products as a heritage brand.

The essence of this is, that innovation and change for heritage brands are about adapting changes, that doesn't contradict with the values derived from the heritage.

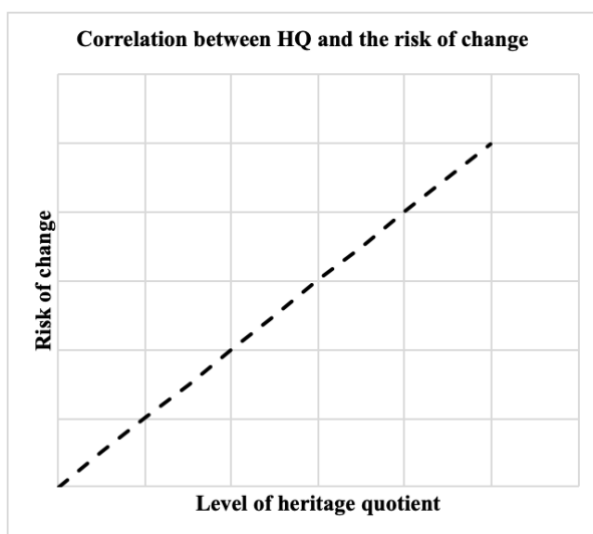
The heritage brand builds on continuity and is driven by the internal factors derived from the corporate culture over many years. This is built on values embracing the beginning of the organization (Urde, 2013). Innovation on the other hand represents change, in opposite to the continuity of brand heritage. This is most often driven by external factors, such as new trends and consumer behaviour, new technologies and so on, in order to be either market driven or market driving (Kapferer J.-N. , 2012). This can create a mismatch where a change cannot be

incorporated as they will undermine the original values of the heritage brand.

Figure: The fit between Brand Heritage and innovation



However, the strategy behind being a heritage brand is not a “one type fits all” and not all brands have the same level of heritage quotient (HQ) (Urde, Greyser, & Balmer, 2007). One could argue that the higher the HQ, the higher the risk is of adapting changes. If a brand's whole identity is linked to its heritage and history, the adaptation of a change can lead to significant damage on the brand if it does not support the underlying values of their heritage. This also means that the more their identity is linked to their heritage, the less room the brand will have to move freely.



Therefore, the organisation behind the brand should consider the following two aspects of their brand:

- A) How significant a factor is brand heritage of their identity? (Their HQ).
- B) If the change can be integrated without conflicting with their underlying heritage.

Are there any industries that are more sensitive to innovations?

Some industries are more affected by innovations than others. In the fast-changing industries, the risk of a disruptive innovation, that could lead to a paradigm shift in technology and/or in consumer behaviour, is greater (Filieri & Raffaele, 2005). Companies in these industries are more dependent on following changes or creating it themselves to avoid being left behind and become irrelevant.

“Den Gamle Fabrik” the Danish jam-manufacture is an example of a heritage brand in an industry with a low-level of innovation, and the innovation that has happened, has been incremental changes, e.g. changes in taste. These changes do not contradict with the original heritage values, which is making jam in the original way (Den Gamle Fabrik, 2018). Den Gamle Fabrik do not have to create bigger innovation to stay relevant and they can keep focusing on their heritage or as they state it: “Real jam since 1834”.

But as stated earlier, bigger changes can in an industry sometimes contradict with the original heritage values and the management then have to decide whether or not to adapt these changes - and more so, how to adapt these changes.

Kodak is an example of a company, who faced a huge shift in the industry, as the market for digital camera started to arise. Kodak chose not to embrace the digitalisation of photography.

The brand was tied to their original invention from 1885, where they invented the roll films. This is also indicated in their life-long slogan “You press the button - we do the rest”. Suddenly this slogan was no longer synched, but Kodak chose to try and fight the changes and invest in their original brand (Haig, 2003). A decision which later led to the bankruptcy of Kodak. This is an example of an industry, that is not as static as the jam industry. Kodak chose to hold on to their original business model and brand heritage from 1880’s of being the creator of the roll films but became irrelevant in a changing market. Instead, a solution could have been to stop focusing on their heritage and embrace the technology. But this is also a reminder that many heritage brands started out as innovative companies.

So yes - some industries are more affected by innovations and changes in the market. At the same time this can indicate, that there are some industries, where building a brand with a high heritage quotient can be more difficult. In these industries the heritage most often will not be as valuable a factor as in other industries.

According to Kapferer (2012), brand heritage is more relevant for industries that are more dependent on intangible values, e.g. luxury and niche industries, instead of mass markets, where consumer often is more price oriented.

Are there any brands that block innovation on purpose?

Heritage brands are built on values that are not possible to change drastically without affecting the heritage and thereby affect the company’s positioning. Therefore, some companies choose not to embrace certain innovations and are actually counteracting it both internally and in the market.

Patek Philippe is an example of a company that has not embraced certain innovations, such as smart watches (Patek Philippe, 2018). Their promise is to create a timepiece that will last for several generations (Patek Philippe, 2018). They innovate to some extent by improving the technology behind their timepiece, to improve quality and the lifespan of the product and have been crowned by over 100 patents (Patek Philippe, 2018).

Because of their core values that have created their heritage brand, it is difficult for Patek Philippe to follow the innovations on the market to the same extent as other watchmakers (Patek Philippe, 2018). If we look at the innovation of smartwatches, that several watchmakers try to follow. Patek Philippe does not pursue this, as it probably would interfere completely with their core values. It is possible that the company actively declines to keep up with this technological development and thereby is trying to block the innovation in this industry as much as possible.

Another Case of a heritage brand that was blocking innovation on purpose is the well-known American department store Macy’s. In the early 1980’s the company was approached with an idea of starting a cable TV channel and thereby selling merchandise through this (Day, 2016). But Macy’s believed in the traditional way of selling through a retail store. A new but small competitor on the market - QVC, implemented this strategy as part of their business model, and this innovative approach became a major success among the consumers (Day, 2016). Macy’s was convinced that their customers would continue to physically purchase goods at the store, and therefore Macy’s refused to implement an innovation that proved to be ground-breaking. QVC is today a very large competitor (Day, 2016). Macy’s has now also announced that they

would close around 100 of their 635 stores, because they now are trying to adjust to the changes in the consumer behaviour from buying online (Gustafson, 2017). The market has developed to such an extent that customers value buying consumer goods without going to a store as we also see with growth in online shopping (Chaffey, 2018)

A third example is the company Kodak, which is also described in the case study. They were not responsive to the market trends and innovations that influenced consumer behaviour (Day, 2016). The company did not believe that images would be digitized, but that customers would still get their images evoked, so they chose not to pursue this innovation, which later on led to bankruptcy, when pictures were digitized (Viki, 2017).

The conclusion of the above examples is that the degree of change/innovation is of great importance to whether companies should follow new market trends and needs that innovation can create. Patek Philippe, who possesses a strong heritage brand, does not have to follow the technology in the form of a smartwatches because the market for timepieces has not evolved into a market where it is necessary for the watch to communicate with the individual consumer's electronic technology. If the degree of innovation has or will develop to where it can be categorized as revolutionary or disruptive for the industry and have a major impact on purchasing behaviour, such as digitization of images or shopping without physical attendance (TV shop and later on the Internet), then it indicates that it would be beneficial for heritage brands to accommodate these innovations. Core values build on heritage can possibly prevent the companies from being innovative and follow market trends, yet businesses should find a way

to embrace and implement innovation to the extent possible.

Blocking innovation on purpose can possibly slow down the market growth to some extent. This strategy may work at this current moment, but companies also have to consider that blocking innovation for protecting their brand heritage may not be a long-lasting strategy if the market keeps developing in a direction that does not correlate with the brands core value.

Can a company be embracing both brand heritage and innovation in their branding?

Heritage and innovations are in many cases, what would be considered opposite of one or another. *"Brands that thrive on innovation tend to look forward and want to project a contemporary, even futuristic look and personality. On the other hand, brands with deep roots in the past, take pride in their heritage and want to command respectability and trust"* (Ottolenghi, 2018)

Nowadays companies need to innovate to some extent, and heritage brands therefore need to find some way of innovating themselves both internal within the organization and external in order to survive, retain or conquer market shares. (Consultancy.uk, 2017).

It can be a difficult task for a heritage brand, to adjust their values and culture in order to embrace innovation and use this as part of their branding, without it destroying their brand identity- if innovation has not been a part of the brand's DNA from the beginning. Therefor one could argue that companies that has rooted traditions in development and innovation and has a brand build on these values possesses greater competitive advantages due to the brand itself reflect "Change".

3M is a good example of a company where innovation is stated as their core purpose “Solving unsolved problems innovatively” (Collins & Porras, 1998) which supports why this heritage brand can use innovation successfully in their branding.

It is very important that we distinguish between innovation below the surface (Internal) and innovation above the surface (External).

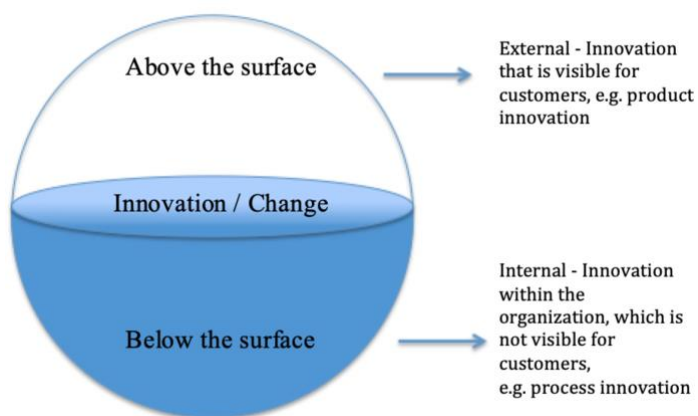


Illustration 4: Own creation

Levi’s is an example of a brand with internal innovation, which lead to optimising production process, which reduced their manufacturing time for one pair of jeans from 30 minutes to 90 sec. (Ottolenghi, 2018). But this innovation would still be considered difficult to use in branding, because it does not provide the consumer with any benefits

One could argue that heritage brands always can innovate inside the organization and thereby improving process and efficiency, without it affecting the brand. But external innovation such as product innovation may be harder to embrace and use in branding if the company's HQ is high with core values that does not support innovation of a greater level.

A company's DNA is therefore thought to be a deciding factor for how easily a company can embrace external innovation/change and brand

heritage simultaneously. At the same time, the degree of innovation is also a determining factor for whether the company's brand heritage correlates with innovation/change.

How can heritage brands cope with innovations?

Based on our findings throughout the paper, two factors have been identified, as being essential for a heritage brand in order to cope with change and innovation. The first factor is considering the change/innovation in question and then asses how big the impact is going to be on the industry, in terms of consumer trends and behavior, e.g. incremental innovations vs disruptive innovations. The other factor is about looking at the specific change and then identify how compatible it is with the original heritage values linked to the identity of the brand.

These two factors have been used in the matrix as parameters that are graded as either low or high. From this we have identified four different scenarios for heritage brands to deal with change, depending on how they fit within this matrix.

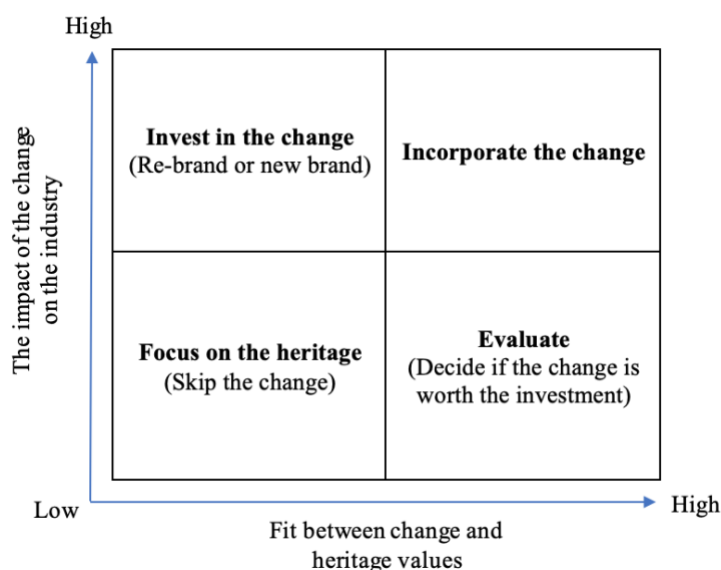


Figure 2: Strategies for coping with innovation - Own creation

If the fit for the company is low, and the innovation is of incremental nature an advised strategy would be to keep investing in the company's brand identity and heritage, as it will not be beneficial to invest in low impact innovation when it does not match the company's heritage values. E.g. Den Gamle Fabrik should not focus on embracing a change of a new way of making jam, as it would not correlate with their heritage values, and this innovation have low-zero impact on the industry.

When a fit between change and heritage values is high, but the impact of the change on the industry still remains low, the company should evaluate if investing in the change is worth it. This strategy remains open as it is up to the company concerned to assess whether this investment is beneficial both financially but also for the brand. The company may miss a great business opportunity if they choose not to embrace the change/innovation, but the investment can also prove to be indifferent and unnecessary.

Investing in change is the strategy to implement if the change has high impact on the industry or is of disruptive nature, but the company's does not fit the change due to their heritage values. Kodak is an example of a company that failed to embrace innovation of digitalization of pictures and tied to their original invention from 1885, with the invention of roll film, which unfortunately led to bankruptcy. There are two ways of implementing this strategy. It can happen through rebranding where the company down-prioritize or dismiss their brand heritage and embrace the innovation. The other option would be to establish a new brand that is not build on heritage values and thereby embrace the innovation. Bang & Olufsen is an example of a heritage brand that experienced

major challenges to encounter the fast-moving industry within consumer electronics. Therefore, they chose to launch the daughter brand BeoPlay, targeting a new audience to encounter this change in the market. BeoPlay does not use heritage in their branding, yet it seems that the brand still reflects quality due to the strong brand of Bang & Olufsen. (Bang & Olufsen, 2012).

Incorporate the change is the last strategy. This strategy should be implemented if change has high impact on the industry, and the company's heritage values fit with the change/innovation. The company can thereby embrace the change, as this investment might help build the brand further, while being supported by the company's heritage values. It can be considered a business opportunity that fits well with the heritage brand. 3M is an e.g. of a company where their brand heritage is built on innovation (Collins & Porras, 1998), which has given them an advantage as their brand has a good fit with change. Their values let them embrace innovation easily which is has been their road to success (Anan, 2015).

Conclusion

Being a heritage brand does not directly block innovation, however it can be an obstacle in which innovations and changes can be difficult to connect with the underlying values of the heritage.

If the market is changing, and a company's positioning is built upon factors that become irrelevant for the consumers, it becomes dangerous for the heritage brand, because of its locked positioning. Heritage brands builds on continuity and are driven by internal factors based on values that has been in the organization from its beginning. Innovation on the other hand represents change in opposite to

the continuity of brand heritage. If innovation and heritage does not fit with one or another, difficulties occur. Our hypothesis suggests that the higher heritage quotient, the higher the risk is of adapting changes. This also means that the more their identity is linked to their heritage, the less their adaptability becomes.

The industry is also an important matter for the degree of change and innovation that can affect heritage brands. Some industries experience more innovations and changes in the market than others, like the tech-industry, which is fast moving versus the industry of Jam.

It seems that some heritage brands try to block innovation by not embracing the changes/innovation in their company, and the research suggests that the degree of innovation is of great importance to whether companies should follow new market trends. If the degree of innovation has or will become revolutionary for the industry, it will probably have a major impact on purchasing behavior, and companies are therefore forced to react.

It can be discussed whether blocking innovation on purpose can affect the market growth to some extent, but it can be argued that this may not be a long-lasting strategy.

Adjusting an organization's cores values and culture in order to embrace innovation, can be difficult without damaging the brand identity. Having a heritage brand with and identity and core values build on innovation is therefore a great advantage, because it allows the company to embrace innovation on different levels. One could argue that heritage brands always can innovate internally in the organization, without it affecting the brand. However, external innovation such as product innovation may be harder to embrace and use in branding if the company has a great level of HQ, and their core values do not support the innovation. The DNA

determines how easily a company can embrace external innovation/change and brand heritage simultaneously, but the degree of innovation is also a determining factor for whether the company's brand heritage correlates with innovation/change.

Based on our findings we have established a matrix as a framework for heritage brands to identify whether or not to adapt or embrace certain changes. To do so, management should decide if they think the change/innovation will have a strong impact on the market and decided to which degree the change fits with original heritage values.

If it is a change with a low fit and high impact, the management should invest in the change and slowly stop embracing their heritage, e.g. through the use of re-branding. However, if this disrupting change does not contradict with heritage values, they should embrace the change, but keep embracing their heritage. If the change on the other hand is not expected to have a crucial impact on the industry and it does not fit with the values, they should of course skip the change. But if it does fit, and the change is still expected to have a low impact, it is up to management to decide if the investment is worth the reward in that specific case.

All in all, does brand heritage not block innovation, but it can in many cases be an obstacle for the innovation. Therefore, it is important that companies make strategic decisions regarding if they wish to embrace innovation or deviate from it.

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