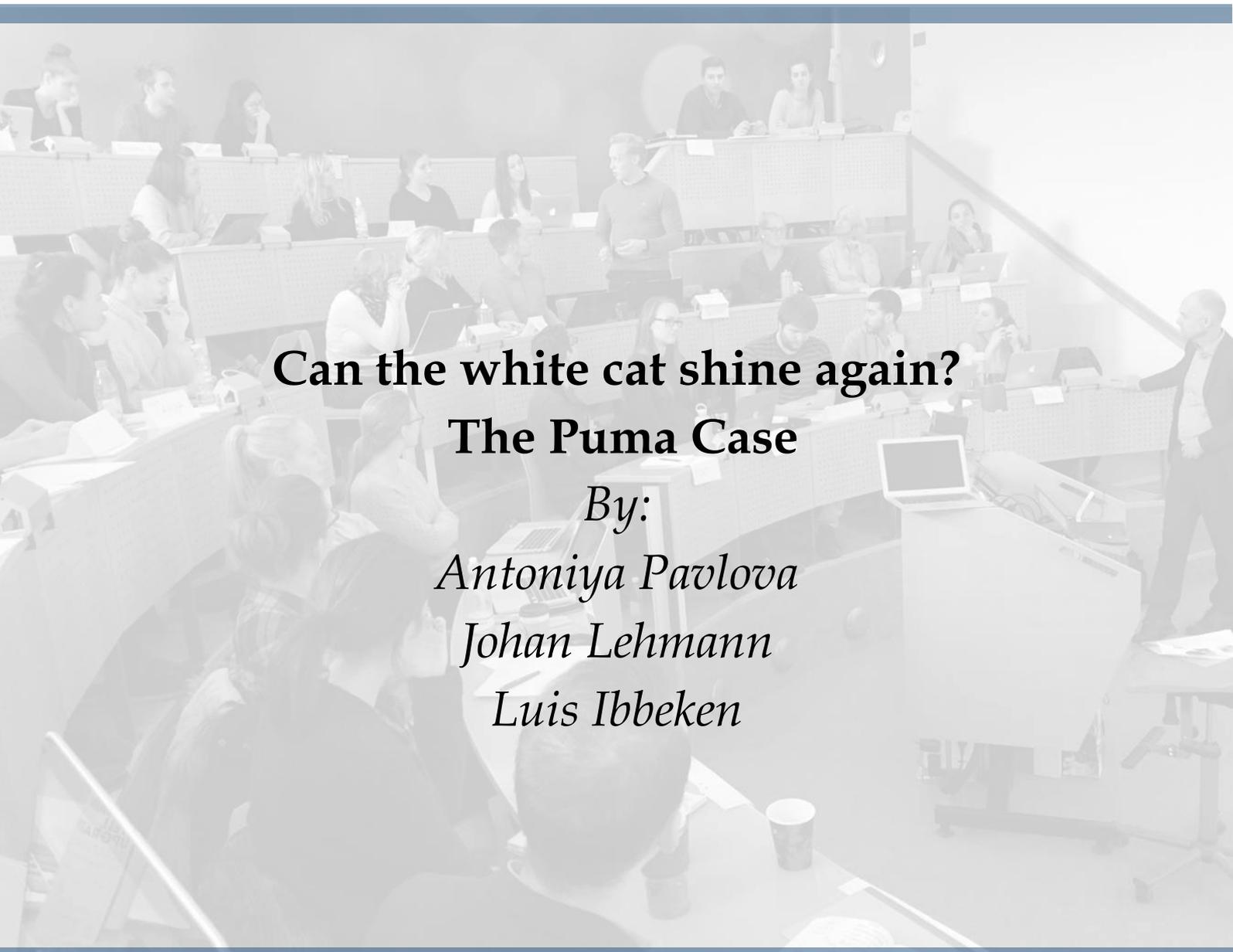


CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



**Can the white cat shine again?
The Puma Case**

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First Edition
Student Case Papers

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Can the white cat shine again?

The Puma Case

WRITTEN CASE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

MANAGEMENT DECISION CASE

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It is September 2013 and newly appointed CEO of German sporting goods company PUMA, Björn Gulden, is preparing for an executive meeting at the company headquarter in Herzogenaurach, Germany. A meeting in which the future strategy of the Puma brand will be discussed. Gulden was appointed after the former CEO, Franz Koch, resigned in March 2013 following an announcement that profits plummeted by 85% in 2012. The Puma brand is struggling in the highly competitive sporting goods market and sales have been stagnant for three years in a row. Reports from the first 9 months of the year are showing further declining revenue and projections of the future are equally disappointing. Journalists, experts and analyst over the world blame Puma's decline on the brand strategy that Guldens predecessors put in place many years back. In preparation for the meeting, he is therefore contemplating the Brand Identity and positioning of the Puma brand, and what decisions he must implement in order to turn the company around.

Background and History of PUMA

PUMA SE has its roots in the family shoe enterprise "Dassler Brothers Sports Shoe Company" founded 1924 in Herzogenaurach, Germany by brothers Adi and Rudi Dassler. Due to a bitter rivalry between the brothers, Rudi left the company in 1948 and founded Puma, while his brother stayed and renamed the original company Adidas. As Adi was the brother with more technical know-how, Adidas gained an early advantage and Puma has been trying to catch up ever since. The intense competition between the two brands have affected much of Pumas development, as both companies gradually expanded their product lines throughout the second half of the 20th century from sports footwear to include a wide range of clothing, street footwear, sports gear and accessories. This strong focus on each other might have contributed to the fact that both companies woke up far too late to the arrival and surge of American competitor Nike.

In addition to the extended product line, The Puma brand meaning has also seen some interesting changes throughout history. The company has gone through a

series of 5 different eras, each with its own somewhat unique brand meaning in terms of Reason for Being, Value proposition, Differentiation, Persona, Associations, Range of Authority (in terms of products) and Target Group. In other words, the positioning of Puma's corporate brand has changed throughout the years.

The first era (1948-1960, *Best in Soccer*) was characterized by the company's focus on Soccer boots. The brand's reason for being was that it sought to outfit the world's best soccer players, which it strived to do through a value proposition of being the best in class performance with a differentiation based on the innovative features of its products. They actively targeted professionals, experts and coaches. As a result, the brand persona was perceived as elitist, exclusive and masculine and many associated the brand with the male German professional soccer team.

The second era (1960-1970, *Going for the Gold*) saw an extension of brands reason for being as Puma now wanted to equip not only the best soccer players but the best athletes in general. In addition to soccer boots the company started producing track shoes and American football shoes. The value proposition now included design as well, as Puma promised their customers that they could enhance performance in style. They also secured a range of celebrity endorsements with charismatic and loveable sport stars, which developed the brand persona to a more colorful, energetic and exuberant identity.

The third era (1970-1986, *Beyond the playing field*) saw a relatively drastic change in the Puma brand as the company now started targeting not only professional athletes but also everyone who play sports, regardless of level. They started focusing more on the sports lifestyle, with a value proposition based on that anyone can play in style and comfort. Puma also started producing clothing and street footwear. Naturally, the brand persona changed and Puma started being perceived as more of a casual, cool and laid-back brand.

The fourth era (1986-1997, *Trying to keep pace*) was characterized by rising problems for Puma due to heavy competition from Adidas and Nike. Consequently, the company went back to their original value proposition of high performance and tried to differentiate through innovative, hi-tech footwear. The product line was extended further and now included a wide range of apparel, running shoes, gear and accessories. However, the brand started losing its value, as it was perceived as dated and irrelevant.

The fifth era (1997-2013, *Initial success and later stagnation*) saw yet another change to the positioning of the Puma brand as a result of new CEO Jochen Zeitz drive to pursue a multi-category strategy which mixed sports, lifestyle and fashion. In conjunction, the company started targeting everyone who leads an active lifestyle, be it businessmen, travelers, or marathon runners. The value proposition focuses on delivering products that fits an active lifestyle and the differentiation is sought through distinctive styles, co-developed celebrity product lines and partnerships with famous fashion designers. During this time-period, Puma was bought by the

French luxury goods company Kering (2007), owners of Gucci and Alexander McQueen, which further cemented its new focus on fashion. As a result, the brand was being perceived as more elegant, edgy, colorful and fresh. This change led to an impressive and steady growth in revenue from €0.5 billion in 2000 to €3 billion in 2011, driven by the optimistic mission statement of “becoming the most desirable and sustainable sports “Lifestyle Company”.

Current Situation (2011-2013)

Although still pursuing the same fashion-led, multi-category strategy that led to Puma’s impressive growth in the early 2000’s, sales have stagnated since 2011, and in June 2013 the company was still a distant third in the sporting-goods industry with an annual global revenue of €2.99 billion, behind growing giants Nike at €23.02 billion and Adidas at €14.8 billion (Exhibit A). In addition, there is increasing competition from newcomers such as Under Armour and Lululemon as well as smaller specialist brands such as Asics. Within the footwear segment, historically the strongest market for Puma, revenues looked equally grim with a continuous loss of market share (Exhibit 2). Profits for Puma crashed by 70% in 2012 and worldwide revenue projections in the first half of 2013 are predicting declining sales. Some analysts argue that Puma is suffering from lack of brand heat among, especially, the younger consumer segment that seem to prefer Nike and Adidas as well as the newcomers on the market.

As a result, the board of French controlling shareholder Kering decided in early 2013 that a change was needed within the Puma company leadership. Björn Gulden, a Norwegian former professional soccer player and long-term MD of Europe’s largest footwear retailer Deichmann, was therefore appointed as the new Puma CEO starting July 1st 2013. He was hired with the explicit goal of turning the company’s fortunes around, a task he took on with careful optimism, stating that: *“We know that our business is currently in a difficult position with challenging sell-through, suboptimal distribution and low brand heat”* but later adding that Puma is an “amazing brand” and that he is *“therefore convinced that - although it will take some time - we will turn this business around and make ‘the cat’ shine again”*.

In summary, both the Kering board and the new CEO have expressed concern over Puma’s current situation of declining sales and lack of brand heat. There are analysts who argue that it is the multi-category strategy, trying to be a sports and a fashion company at the same time that is to blame for the stagnation. They argue that while trying to be everything Puma has ended up being nothing and that this lack of focus has led to that Puma is missing a clear brand identity. On the other hand, this strategy was responsible for the most successful period in company history, as it

grew from a small player in the 90s to international recognition as the third biggest and strongest sports brand in the world in the 2000's.

In September 2013, CEO Björn Gulden therefore calls an executive meeting at PUMA to discuss the issues, alternatives and possible actions that they must consider in order to combat the lack of brand heat. **Taking on the role as the Puma executive team, how would you answer the following question:**

“What should be the brand identity of the Puma brand in the next – Sixth Era?”

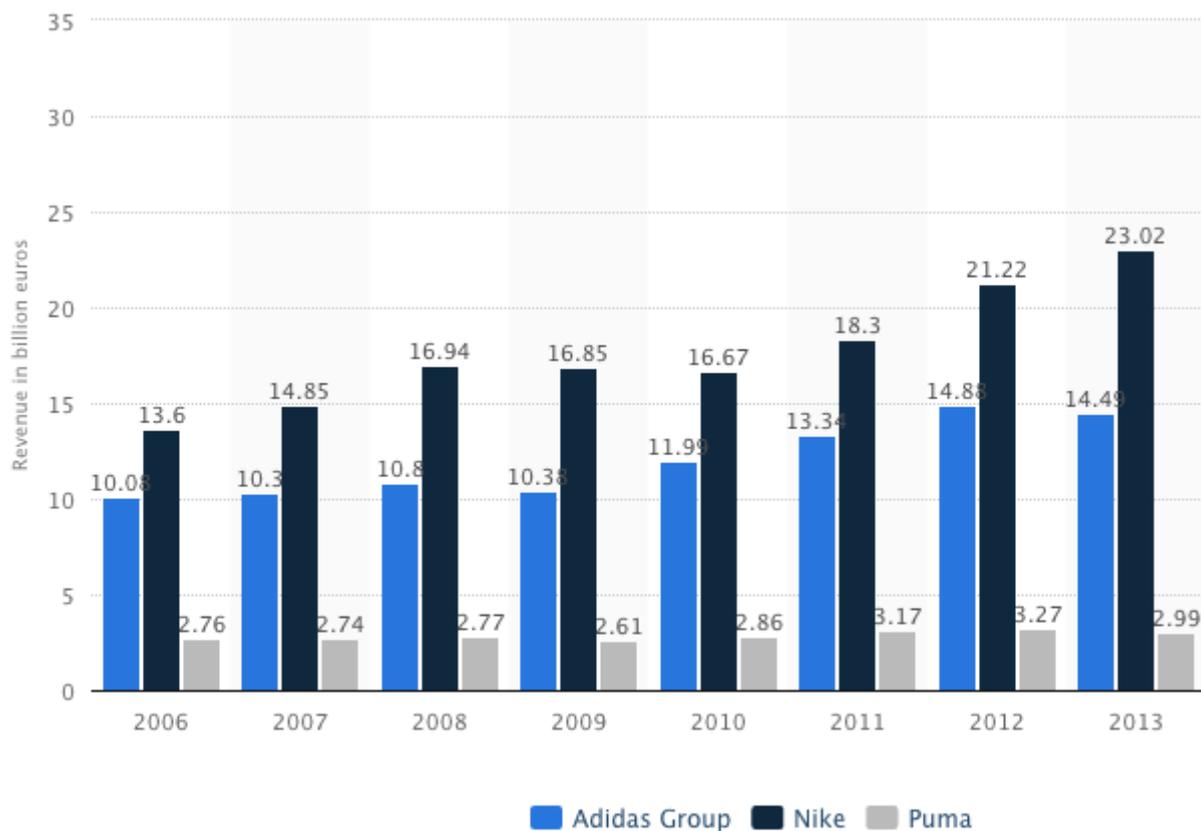


Exhibit 1: Global revenue of Adidas, Nike and Puma 2006-2013 (Statista.com)

