

Special Edition
INNOVATION
CREATIVITY
GROWTH

BRANDED

The Thought Leadership **Magazine**



EDITOR'S NOTE

Dear friends,

it is fast, messy and loud out there, but when it comes to meaningful understanding that lasts beyond a day or assessing how future developments impact our ways of working and doing business, it gets pretty quiet. We believe in less talking, sharing and posting, but more in taking a step back, in-depth thinking and self-reflection.

We feel that there is a market for a serious and focused Thought Leadership Magazine as BRANDED.

We are an eclectic group of people based in Tokyo, Frankfurt and New York, through our daytime jobs as executive strategy and management consultants, strategic planners, creative directors and social scientists we receive daily impulses about digital transformation, the future of work, co-creation and leadership, new approaches to brand communications and customer experiences – and all that on a global scale.

Next to understanding these exciting developments that will inform tomorrow's strategy, we also relentlessly pursue our vision of helping to shape these developments in ways that are beneficial to society. We are strong believers in the power of creative destruction and progress. In this spirit we edit BRANDED as well as our services beyond.

This current issue tackles the state of postmodern consumer societies in digital times and how this can be used to ignite creativity, innovation and growth - the fuel for creating a better future.

We hope you enjoy thinking ahead of the curve with us,

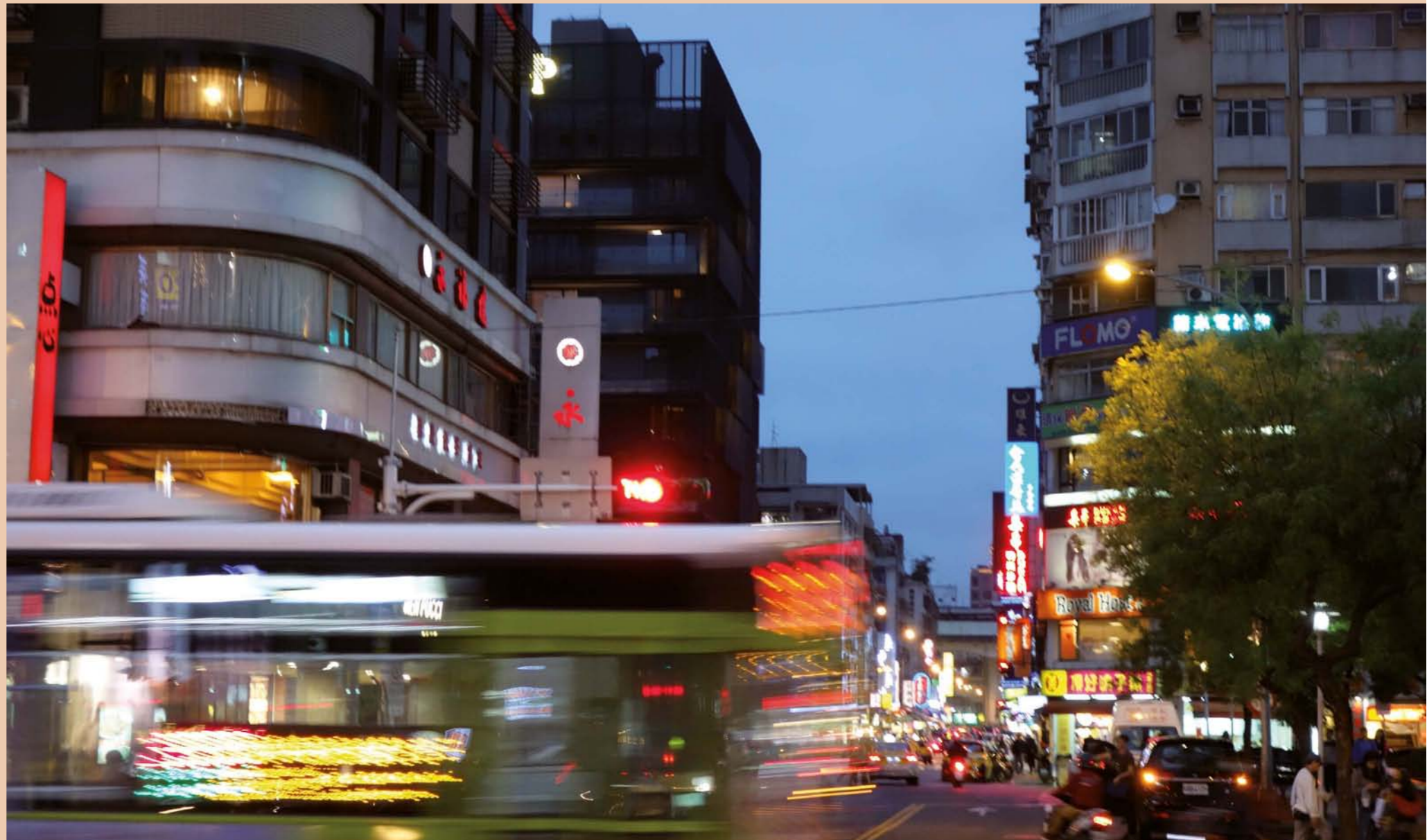
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STAYING ALIVE IN POSTMODERN CONSUMER SOCIETIES

Building brands when lovemarks are dead

Understand the new social dynamics and explore the upcoming social elite of Hipsters with their future expectations towards corporate brand communication.

We experience the consequences of globalised markets and capitalism on a daily basis. Our real and digital world merge and become smaller. We are always on and globally connected.

We are ready to move forward, always career-driven and ever ambitious, but realize that real passion and an unfettered belief in relentless future progress is a thing from the past.

Across all age groups – from Baby Boomers, Generation X and Y to the upcoming Z's fatigue is felt. Aging men are defining our esthetics and point of views. It is like the pricey, but dull Monocle shops in our global gentrified cities where the last cool things are vinyl disc shops and hip DJs' bestseller hits from the 80's.

The quest for sense and purpose is a major theme across all post-modern societies. All the more since we have experienced time and again how everyone is dispensable – in relationships as well as employment.

THE INDIVIDUAL – FROM CITIZEN TO CONSUMER

The social contract evolves from citizens with equal rights and duties towards consumers where everything has a price. Those who can afford to pay a premium get better treatment and a better experience.

The pursuit of happiness in a leisure society is a lifelong challenge. Consumption is the membership card necessary to stay with the in-group. This requires self-optimisation and nomadic flexibility and mobility.

MARKET LIBERAL THINKING, WHEREAS MARKET MECHANISMS DO NOT WORK ANYMORE

Market liberal thinking and attitude define all our walk of lives in an experience economy of postmodern

societies. Consumption is the membership fee of belonging to this society and being able to show the artefacts of membership and staying in the market.

Ideas of the market economy are ambivalent. On the individual level there is a severe cut-throat-competition and ever-rising obligations and expectations to maintain a lifelong employability and everyone carries an individual profit & loss accountability.

In the corporate world we observe that market mechanisms are loosing their relevance. Industries are concentrating in order to compete in globalized economies. Markets are dominated by 'too big to fail' thinking and 'economics of scale' is a major USP as in almost all industries. Only the top two or three players have a confident outlook into the future.

There is a shift towards state capitalism triggered by emerging markets like China, but also through Western policies to protect (and save) allegedly national champions in the course of the financial crisis 2008 and afterwards.

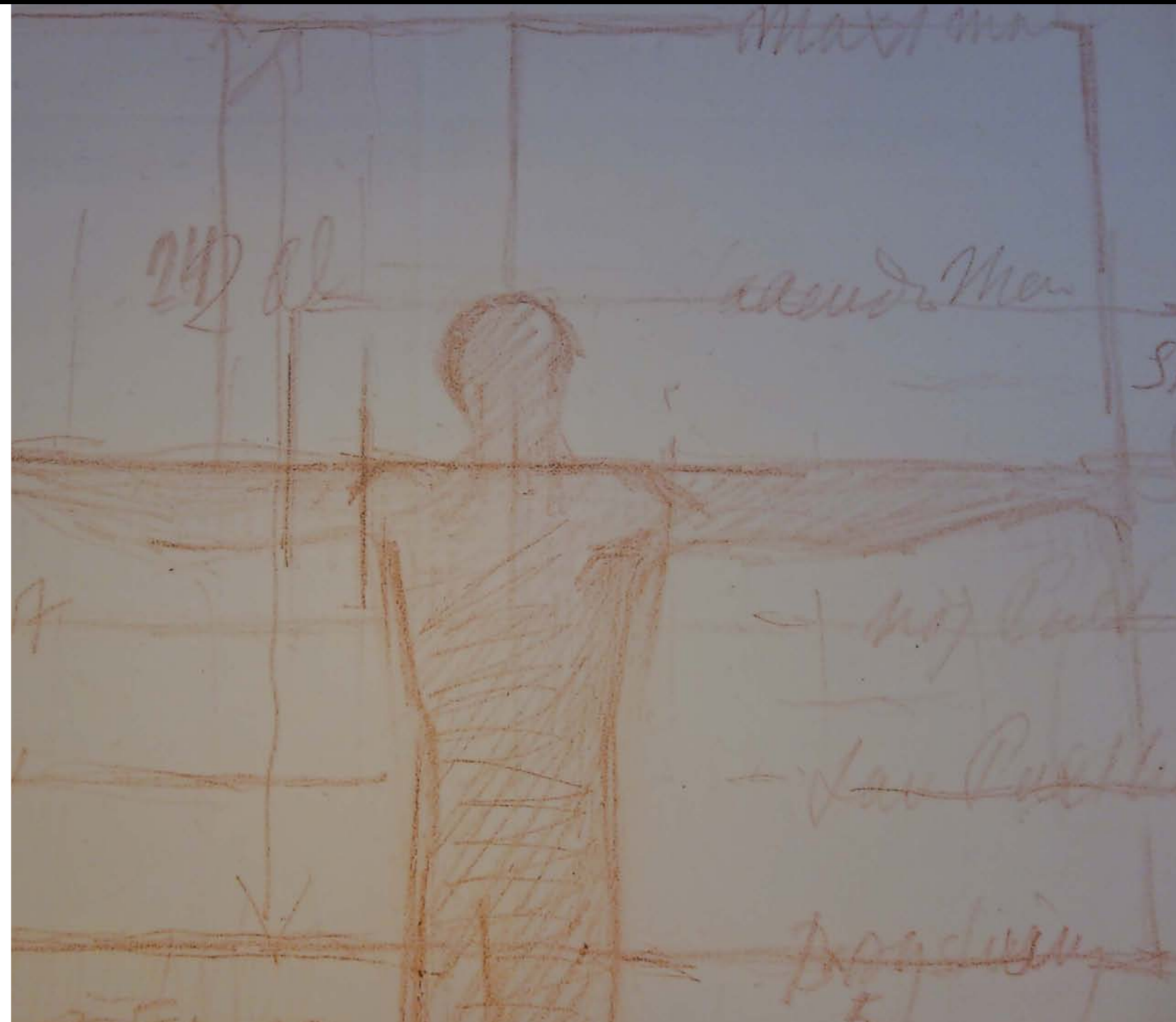
A challenging perspective is also the fact that in most advanced industries, companies with monopolistic characteristics are dominating the market; think Google, Amazon, Microsoft, Apple or Samsung.

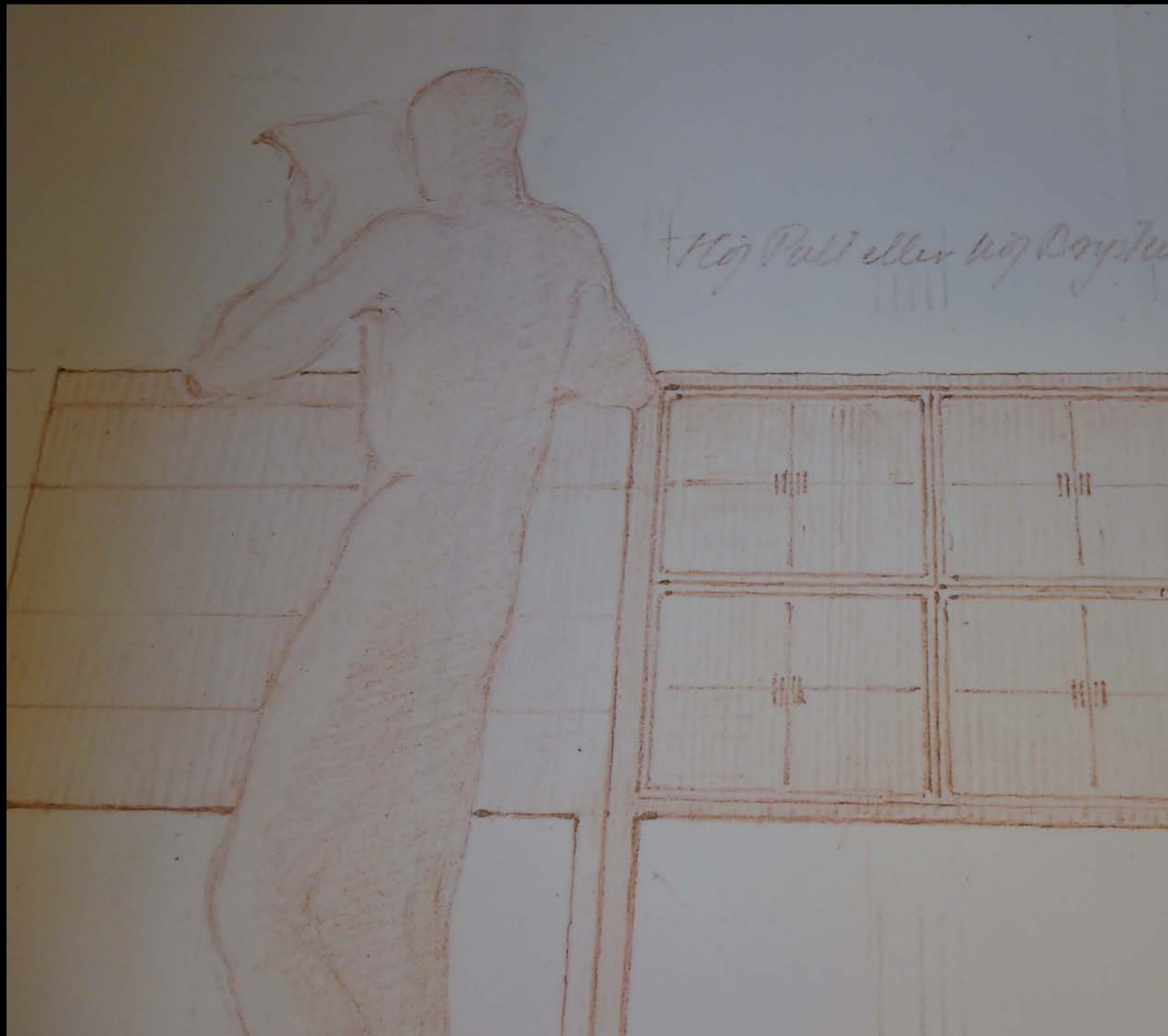
DIGITALIZATION – THE INDIVIDUAL 'BRAND ME'

Social scientists characterise our modern lives as liquid society (Z. Bauman) with an increasing overlap between the private and public domain.

Digital interaction has evolved from sharing into a channel to communicate our individual, and carefully curated 'brand me' to the world.

This has the effect that the 'self' is increasingly defined by the digital resonance. This changes our perception of privacy and redefines the meaning of the private and public.





It has become absolutely normal to voluntarily open and share private matters to the public as a platform to self-display and self-promote our self in the public sphere with the consequence of increasing transparency and social control.

CORPORATE WORLD AND THEIR SALARY MEN

Whereas in the private domain the individual 'self' becomes always more important, we do feel in the corporate world that achievement and performance are out of hand of the individual contribution.

Individuals are working in super-tanker-style companies with defined business processes and job descriptions that determine and condition individual behaviour. The result of this chain of command working environment is the proliferation of Japanese style salary men, who are doing right by the manual, but with a cutback in creativity and originality.

DIGITAL MACHINE WORLD – ABSOLUTE TRANSPARENCY AND SPOT ON PREDICTION

The digital transformation has dramatically changed the source of corporate value creation. Big data and machine run algorithms are the new super tools and business generators to analyse customer data and market parameters to predict future developments.

They often replace individual skills and behaviour. This fundamentally reshapes role and meaning of individual expertise and knowledge as we enter a stage where algorithms are able to better define insurance policies than any mathematician, advise better investment strategies than any banker, predict better health diagnoses than any medical professional or better foresee criminal action in a certain neighbourhood than any police detective.

This revolutionises the (self) perception and role in the value creation process between man and machine. Certainly, this has already started 150 years ago with the Industrial Revolution, when 'labour' was substituted by 'capital' in the form of production machinery. This has in the course of generations affected mainly blue-collar professions – but now with the digital revolution it also reshapes the sectors of professional service firms of white-collar knowledge workers.

This is a major challenge on two levels:

1. To define the future role of humans in machine based solutions

The role of men in the future will be more about delivering machine-based solutions and personalising the customer experience at the various client-facing touch points, rather than working on the solutions themselves.

2. To re-establish companies' uniqueness from competitors when machines are the core of value creation

When machine-run algorithms, triggered by big data analysis, are the new value creators and decades-long human-built heritage is fading, companies must reposition themselves via integrating men better into their service offering than competitors in order to distinguish themselves.

BRANDS AS ARTEFACTS OF A SOCIAL BELIEF SYSTEM

The holy grail of the consumer society is the brand. All circulates around environments where brands define personality, give reason to believe, create community, signal social status and are an enabler for relationships.

The classical brand world with its belief and value system has its foundation in the Yuppie style baby boomers and Generation X. It was the time of Reaganomics in the 1980's with the idea of a meritocracy and of work hard, play hard.

Back then the perception of the world has been positive, with a protestant-working ethic based on education and cultural heritage and a functional equation between effort and results with material value creation. It has been a linear process and based on assumption of a clear hierarchy - of middle class values - where all aspiration is to climb up the social pyramid and to signal their status and achievements to the outside world.

CHANGING PROPAGANDISTS FROM YUPIES TO HIPSTERS

Globalization and socio-economic changes in the last decade have disrupted this joint value base and mutual belief system. Social classes have become more heterogeneous and middle class (values) gravitate towards individual fragmentation with an increased social (upwards and) downwards mobility.

Yuppies have transformed into hedonists with a strong emphasis on consumption and leisure and lost their relevance as aspirational role models.

As the middle class feels its world shrinking, a new population is emerging: The Hipsters who create their own eco-systems and lifestyle and, with their attitude and behaviour, embrace the fundamental social changes of a post-consumer society, from:

- Middle class values towards values defined by the market.
- Social market economy towards capitalism and consumerism.

Hipsters set future standards in their need and motivation system. They are a new social class and their attitude and mentality reflects our time:

- Individualist
- Elitist and distinctive attitude
- Flexible - always in transition - never static
- Connoisseurs in lifestyle and with cosmopolitan mind-set

GAME CHANGER FOR BRAND MANAGEMENT

Brand relations in the age of Hipsters are far more disruptive and unpredictable. The social - and material - value pyramid that used to be common sense does not exist anymore. We can observe the following two major changes:

1. From brand values to product focus

Classical brand management strives to build brands through self-similar reproduction with the intention to become dear to the customer and to be taken into the inner circle, where they evolve to lovemarks with the potential to stay lifelong companions.

Hipsters as the avant-garde of the postmodern consumer have a far more unsentimental perception of brands

and know very well about the overpromising brand machineries that are past their prime.

Hipsters rediscover the importance of 'product benefits' and are interested in quality, heritage and uniqueness of the product features – although these are subject to engineering, too.

This development is also triggered through the sheer amount of products that enter the market and try to establish a returning client base. The level of temptation and attraction is very high to constantly try something new. Therefore, the product features are the main criteria of purchase – as the brand in the classical sense simply does not exist yet.

2. From belonging to the in-group towards self-expression

Hipsters are elitist and products serve the purpose of artefacts and accessories with which they manifest their point of views and lifestyle.

Consumption is a way of self-expression and should underline their individuality and by not belonging to obvious in-groups.

This means a challenge for well-established company brands to attract this new elite, as the function of brands of signalling to a certain group is something that the Hipsters want to avoid.

Hipsters are innovators and early adaptors, always with the ambition to stay ahead of the curve and not being categorized. The consuming majority that follow their consumption patterns trigger Hipsters as avant-garde always to move on and surround themselves with upcoming products and lifestyle.

Hipsters, the consumer avant-garde of the postmodern society, challenge the status quo of multinational companies and mega-brands - in various perspectives:

- Focus on quality - regardless of the brand. Count on the fact that they always do read the fine print on the packaging and investigate how honestly the company is communicating. They no longer rely on the signalling of a brand to do this for them
- From consuming to producing and co-owning - fair and ethical sharing, explore and experiment with alternative ways of mobility, housing and sustainability
- Don't follow, lead the pack – small and diverse is good, safe choice is for everybody; give start-ups a chance, cool ideas and great products and feel individual dedication
- Rather Self-employed than corporate employee. Challenge employers to come up with new and attractive ways of work relations and co-creation
- Easy to motivate and create awareness but also fast to disappoint

JAPAN THE INNOVATION MACHINE

How they do it

While Japanese firms are not the world's best at inventing, they are great at innovating. How Japan manages to build one of the world's best innovation ecosystems.

Accused of being derivative in the 60s and of being uninventive today, analysts decry the lack of a Japanese Silicon Valley and that Japan Inc. has not come up with anything truly original since the Walkman and the PlayStation. In fact, the Kanto region (home to Tokyo and Yokohama) boasts more patent applications than California (home to Silicon Valley) according to the World Intellectual Property Organisation. Largely unnoticed because of the attention that suffering corporate giants (the likes of Sony, Sharp) are drawing in their headline-grabbing decay, Japan has developed an ecosystem that helps companies remain innovative. Three features stand out: a focus on innovation, a commitment to mastery, and strong collaborative networks.

FOCUS ON INNOVATION

Japanese firms excel at innovation rather than invention. But this can be just as much a boon for global competitiveness. Apple did not invent the smartphone, after all, but it certainly revolutionised how we use phones – creating the world's most valuable company through innovation, not invention. To cite a Japanese example, Toyota of course did not invent the car, but has come to be the world's biggest car company by revolutionising and continuing to revolutionise how we drive with its hybrid and new thermal efficiency engine technologies.

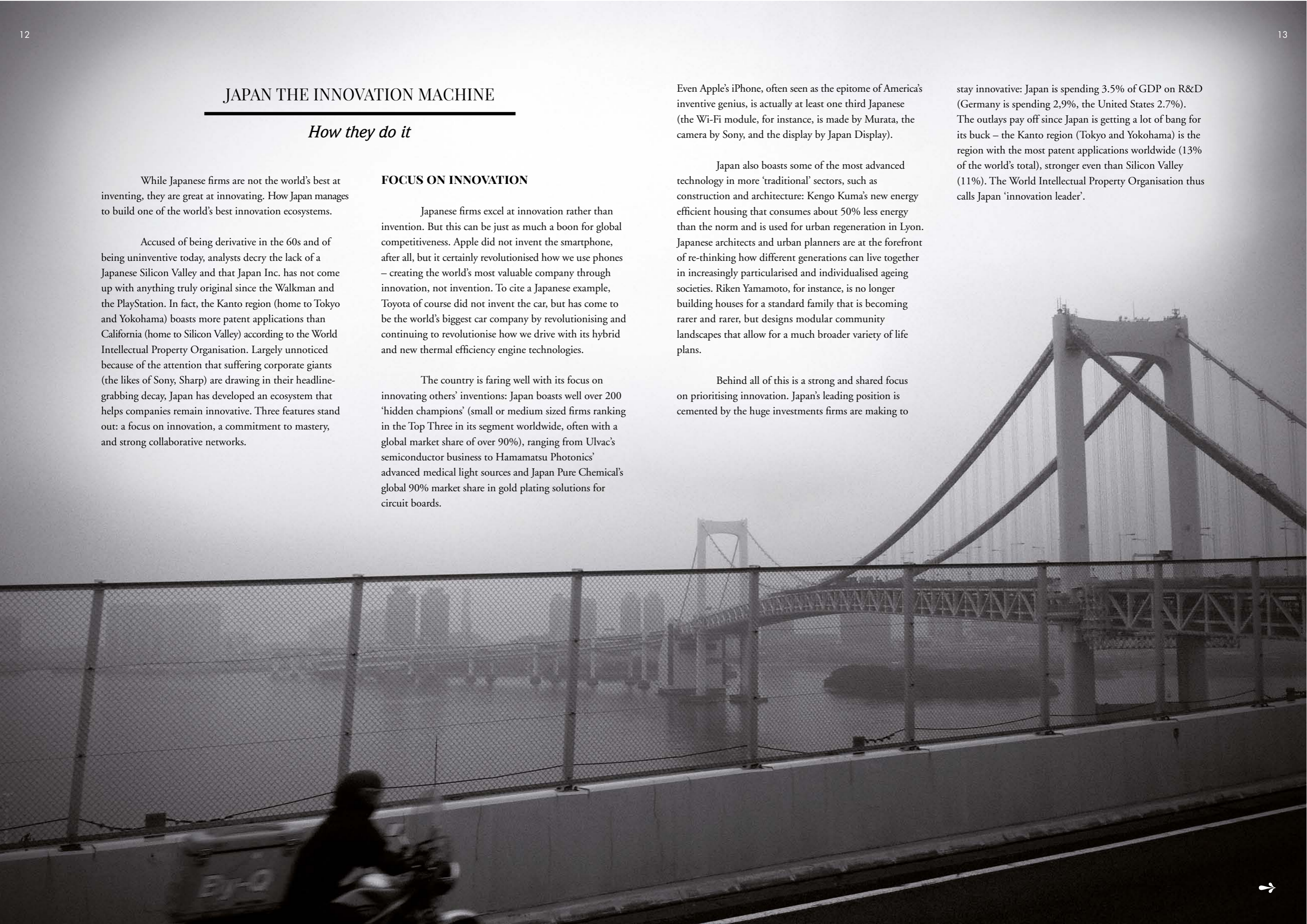
The country is faring well with its focus on innovating others' inventions: Japan boasts well over 200 'hidden champions' (small or medium sized firms ranking in the Top Three in its segment worldwide, often with a global market share of over 90%), ranging from Ulvac's semiconductor business to Hamamatsu Photonics' advanced medical light sources and Japan Pure Chemical's global 90% market share in gold plating solutions for circuit boards.

Even Apple's iPhone, often seen as the epitome of America's inventive genius, is actually at least one third Japanese (the Wi-Fi module, for instance, is made by Murata, the camera by Sony, and the display by Japan Display).

Japan also boasts some of the most advanced technology in more 'traditional' sectors, such as construction and architecture: Kengo Kuma's new energy efficient housing that consumes about 50% less energy than the norm and is used for urban regeneration in Lyon. Japanese architects and urban planners are at the forefront of re-thinking how different generations can live together in increasingly particularised and individualised ageing societies. Riken Yamamoto, for instance, is no longer building houses for a standard family that is becoming rarer and rarer, but designs modular community landscapes that allow for a much broader variety of life plans.

Behind all of this is a strong and shared focus on prioritising innovation. Japan's leading position is cemented by the huge investments firms are making to

stay innovative: Japan is spending 3.5% of GDP on R&D (Germany is spending 2.9%, the United States 2.7%). The outlays pay off since Japan is getting a lot of bang for its buck – the Kanto region (Tokyo and Yokohama) is the region with the most patent applications worldwide (13% of the world's total), stronger even than Silicon Valley (11%). The World Intellectual Property Organisation thus calls Japan 'innovation leader'.



COMMITMENT TO MASTERY

This focus on continuous innovation is also firmly grounded in Japan's long-standing tradition of craftsmanship with its lifelong quest for and unrelenting commitment to complete and utter mastery of one's craft. Japan has long been home to the idea that master craftsmanship is one of the highest attainments possible: the government even designates the most accomplished craftsmen who have helped define the standards of their field as 'living national treasure'.

Kaizen, 'continuous improvement', so famously espoused by Toyota and other manufacturers in order to remain at the cutting-edge and not let oneself be overtaken is merely one expression of this larger underlying idea: true mastery of a craft is not a state, but a continuous process – just as is innovation. This principle permeates all Japanese craftsmanship and helps foster a culture of continuous dissatisfaction with the status quo – the mother of all innovation.

This is mirrored in a myriad of fields where Japanese craftsman are leading the world by having continuously sought innovations to improve their products: Yamazaki Single Malt from Japan, not Scotland, is the world's best Whiskey; the world's best denim products are not being shipped from America, but from Okayama in Japan's south; the world's best pizza is made in Nagoya, not Naples. And the list goes on.

JAPAN'S INNOVATION ECOSYSTEM WITH STRONG COLLABORATIVE NETWORKS

But just throwing money, obsession, or patents at the problem is not enough. What is decisive is the quality and applicability of innovative ideas. Japan is scoring well in this respect, too. It has long been home to an innovation model that is known today as 'open innovation' (as opposed to the American model of VC-driven disruption): Japan may not have a Silicon Valley ripe with 'venture capital funds' (VC), 'incubators', accelerators and all the other technoneologisms so popular on America's West coast, but it has in place a model of fostering innovation that is working successfully and is arguably better suited for Japanese businesses than the American model of short-term risk capital injection: large company-small start-up collaboration.

Early examples include companies like Mazda in the 1960s, teaming up with the much older German NSU in its efforts to develop the Japanese automotive sector. But examples are plenty also today of young start-ups that prefer building a long-term relationship with a major, established player rather than enter a (usually) five year plan for going public or selling the company with a VC: Hardy Kagimoto, the founder of Healios, a biotech firm founded in 2011 that went public in 2015 and is already valued at over \$50m, for instance, flouted venture capital and rather teamed up with large Japanese corporations, such as Sumitomo, one of Japan's largest conglomerates. Rather than money, Sumitomo provides Healios with credibility, infrastructure, supply chains and distribution networks. Another example, Toru Nishikawa, founder of PFN, a leader in 'deep learning' (a kind of Artificial Intelligence) has teamed up with NTT (Japan's largest telecoms conglomerate), Fanuc (the world leader in industrial robots), as well as Panasonic and Toyota – always with an eye to how PFN's innovations can help these large firms innovate their products.

And while oftentimes they provide infrastructure rather than monetary investment, actually Japan's large firms are a major source for financing start-ups, too. According to TechCrunch, corporate finance provides about 80% of all funds for start-ups – a situation completely reversed from America, where corporate investors only provide about 20% and the rest comes from institutional investors, most importantly VCs. This collaborative innovation model is thus strongly rooted in Japan – and is becoming increasingly institutionalised and internationalised: Japan Innovation Network, a not-for-profit (that also has the backing of the government) is focusing on linking up Japanese centres of innovation and large firms with international innovation hubs, knowledge clusters and innovators, is an early mover in these efforts. Large firms, too, are trying to strengthen their capacity to integrate 'open innovation': a survey by the Nikkei, Japan's most influential business daily, found that 10% of all corporations already have dedicated open innovation departments (with numbers much higher in the food and IT sectors). More will follow.

KANTO VALLEY – THE JAPANESE INNOVATION CLUSTER

Despite boasting the region with the most patent applications in the world, 'Kanto' is not synonymous with innovation as is Silicon Valley – at least not yet. But Japanese firms' relentless focus on innovation, high quality R&D spending and collaborative networks of open innovation – if internationalised successfully – have all the fundamentals to change this.



CREATIVITY AT WORK

The new agency model of Ogilvy & Mather

A NEW AGENCY MODEL TO REINVENT CREATIVITY

CONVERSATION WITH MARTIN ALLES,
GENERAL MANAGER OF OGILVY & MATHER,
DÜSSELDORF

The nucleus of an (ad)agency has always been Creativity. Creativity is the point of difference that separates the great from the average. It is where pride is generated and a 'bigger than life culture' and corporate myths have its foundation. It is the source of award wins, fame and of multi-billion businesses.

Creativity used to be the Unique Selling Proposition of agencies - being the out-of-the-box thinking business partner for their in-the-box thinking corporate clients.

Creativity separates cool places to work for from the nine to five ones. Working for a 'Creative' agency has always been a state-of-mind. Employees are wearing and sharing artifacts of belonging, doing their work - which is more conviction than a job - with great dedication, including blood, sweat and tears and the famous all-nighters.

But the world of marketing, advertising and communication is in a state of (digital) transformation. And so is the definition of what and who is creative and what and who is not. Especially the big agency networks are about to loose the '2 Cs': Creativity + Coolness.

DIGITAL REVOLUTION REDEFINES 'CREATIVITY' - WITH NEW COMPETITORS ENTERING THE MARKET

Digitalization of our daily lives substantially changes the creative sector as well as the communication and advertisement industry. A new understanding of creativity in the digital age emerges:

In addition to the imaginative capacity and individual mastership to create ideas and to transform them into something tangible and touching, another - new - angle appears: the technological know-how and digital capability.

New digital companies are reshaping how business is done: from news and insights gathering to travel planning, purchasing or finance. In turn, the rapidly changing nature of interaction between customers and companies and brands, as well as the permanent data generation and new technological capabilities allow those new players to completely reshape the communication market.

AGENCIES MUST REPOSITION THEMSELVES TO STAY ON TOP OF THE CREATIVITY INDUSTRY

1. Owning Creativity

Who owns creativity in the digital age-tech companies or agencies? Who will lead in developing truly integrated - meaning seamlessly digital and non-digital - brand activation and communication along the customer journey?

Agencies will only stay ahead when they manage to master all ends and implications of brand communication in digital times and come up with applicable approaches for clients that combine market insights, data and technological skills with creativity.

Creativity will be more than ever the competitive advantage compared to technological service firms who often do not think beyond products and services and lack the capacity and skills to create great, compelling stories and content which is necessary to gain awareness and relevance in the market.



To transform products and services into (real) brands is more than ever important in highly competitive (virtual) digital markets. And this takes more than technological skills - it requires creativity.

2. The weapon in the war for talents

The necessity to stay on top of creativity is linked directly to the war for talent. Digital firms are increasingly fishing in the same talent pool as ad agencies, intensifying the competition to attract the best talent globally. (Those who went to Cannes last spring will remember the beach being conquered by Google and Co. for workshops, parties, free drinks and bonding.)

Which company has the strongest appeal to attract and retain the Top of the Pops of the industry? The answer will determine where the 'cool kids', the smartest and the brightest, apply, engage and create value.

Internet companies like Google are setting up new creative work spaces and establish new ways of co-working, making established firms often look as dull as public service. If creative agencies want to remain competitive, they need to think about offering similarly attractive working places.



NEW AGENCY STRUCTURE OF OGILVY & MATHER

Ogilvy is already well positioned for the transition to the digital age: next to the (classical) Ogilvy & Mather advertising business, it also owns Ogilvy One, a leading digital agency.

With a newly designed agency structure, Ogilvy is now pushing boundaries even further. The new structure of Ogilvy & Mather in Düsseldorf is part of an Ogilvy-wide pilot project, attempting to offer a working environment and working processes that fit the requirements of the digital age.

DRIVERS AND PRINCIPLES OF THE NEW AGENCY STRUCTURE

Market reality makes the general distinction between classic and digital communication obsolete. More than that the separation has an increasing negative impact because organizational units create silos and 'we and they' thinking. Units, departments and teams tend to have own agendas and interests. This leads to typical dysfunctional structures, whereas we need exactly the opposite:

Putting digital do-ability, skills with creative minds and business/customer experts in integrated teams where all necessary resources for the assignment are working real time jointly together.

This implies an organizational change to reduce hierarchy levels, to enhance flexibility and to improve the decision making process.

The classical approach tries to 'manage' the complexity of assignments by reducing and trimming work down into bits and pieces, into units, departments and processes.

Which is an outdated model as members of different units do not talk, share and co-create enough. Often a Creative Brief - a written document - is the major vehicle of communication. Which barely is enough. A real joint perception and understanding of assignments and tasks are missing.

Time and energy is spent - and wasted - in internal coordination, trying to bridge interfaces, defining unit interests and passing over point of views - *it leads to thinking from small to big.*

Ogilvy's new agency turns this upside down and brings different functions and player together, integrating the classical and digital agency value chain and breaking the silos of strategy and planning, account and business directors and creatives units.

Integrated communication starts with an integrated team. It leads to thinking from big to small.

The new agency structure reduces the complexity and puts staff - through horizontal and vertical integration - into the centre. Four formerly independent organizational structures are integrated and the agency organization is reduced to

- Brand Teams
- Expert Labs
- Studio

The new structure pays tribute to different employee skill-sets and profiles with and divides between Generalists and Specialists.

Generalists are mainly Client Service Staff, Creatives, Strategists and Planners. All of those with an focus on customer relations and brand management.

Specialists are staff members with a functional service matter expertise like market researchers, designers, web-developers, etc.





Branded Teams

Each big client gets a dedicated brand team. This team is physically sitting together and unites all skills, knowledge and competencies that are required to work on daily client assignments. The Teams are jointly lead by a triumvirate of Generalists namely Client Service Directors, Creatives and Planners.

Depending on required skill-sets Specialists are supporting the Brand Teams - on demand and to work on bespoke solutions.

This creates a team dynamic, where mutual understanding is achieved and 'we' and 'they' attitudes becomes a relic from the past because Generalists gain insights of technical content and approaches and Specialists broaden their universe and experience with real-time business constraints.

Expert Labs

Expert Labs are the innovation engines. Who ever has a special skill set or passion gets the freedom to explore (new) topics and profound their work beyond day-to-day constraints and business obligations.

Experts can define a topic of interest they want to explore but have to pitch their idea and convince management and team that it is worth while to invest time, energy and money in this project.

Other Specialists and Generalists do then join the LAB to work on the agreed project. Besides interest and motivation it's skills, knowledge and competencies that matter.

The nature of Expert Labs is intrinsically creative, curious and passionate, driven by the will to explore new things. This freedom creates a playground beyond daily business requirements. The result might be the next cool thing, award winning or a product feature the client haven't briefed but will let them stay ahead.

Studio

The third pillar of the new agency structure are the STUDIOS. Studios are staffed with creatives and production experts, they execute and finalize the ideas and concepts of the different Brand Teams and Expert Labs.

Studios are the last mile of the value chain of creation, they are the production competence centers that ensure that resources are most efficiently used and thinkers times & resources are not wasted.

BENEFITS OF THE NEW AGENCY STRUCTURE

1. Fully integrated assignments

The new agency structure overcomes classical hierarchy structures and job descriptions. It is flexible and dynamic - orientating towards the two most important aspects: clients and employees.

Where there were department corps spirit, animosities, performance objectives and individual agendas are now clear and simple team assignments focused on content not structure.

This results in an outcome that is better, faster and more efficient as transaction costs are reduced to a minimum.

The on-the-job exchange across various disciplines from classical ad campaigning knowledge to the hottest skills in digital activation and state of the art channel strategies is the best way to get to integrated communication approaches.

2. Freedom to experiment, create and innovate

One major positive aspect is that the new agency structure provides freedom and space for the employees to develop, experiment and try.

'Creative agency' is newly filled with meaning. It allows to be more than a communication business provider, delivering doable campaign work that responds to mass markets and risk adverse marketing. It brings Creativity back to the center.

Expert Labs are generating the business of tomorrow. It is the way how Creative thought leadership works in the future.

3. Putting people in the focus

The new agency structure puts people back into the focus. Around their various talents and interests - the Generalist with the broad understanding of company brands, business developments and market needs, the Specialists with their profound (specific) expertise.

This mix reflects agency reality and pushes it further by installing two complementary and interlinked universe.

In the long run, even the criteria of Generalists and Specialists will be over-mounted. It creates a problem-solving-oriented workforce without blinders, where each team member has a key competency but everyone has the chance to evolve and explore new thinking and gather new knowledge and expertise.

This addresses a new type of employees, with a more entrepreneurial spirit and an integrated understanding of their work, that their work is part of an co-creation.

FUNCTION FOLLOWS FORM

Hakuhodo's landscape of collaboration

HAKUHODO'S VISION OF OFFICE SPACE IS THE ONE OF A MELTING POT OF CREATIVITY IN WHICH FUSION GENERATES INSPIRATION AND EXCELLENCE

An office is an office is an office – maybe not. At Hakuhodo, Japan's leading and cutting edge creative agency with more than 3000 employees, the working space is closely linked with an unique working culture that focuses on harmony and collaboration.

Working space in the Hakuhodo Headquarter in Akasaka, Tokyo, is designed with the understanding and knowledge of the impact physical spaces do have on our brains and well-being.

This approach on space concepts and interior design brings Hakuhodo close to the Austrian architect Friedensreich Hundertwasser with his philosophy about life and sources of inspiration and his definition of creation as a divine act, and as combination of purpose, freedom, nature and space.

Hakuhodo believes in concentration and disruption – in continuously seeking the new and unknown in the familiar and known. According the idea of “function follows form” Hakuhodo has created a distinct office design, the so called ‘Landscape of Collaboration’ to offer inspiration and to motivate co-creation.

This workspace concept is based on six principles that re-define the common wisdoms of functional and purely practical workspace organization.

1. Turn offices into spaces of happiness

Locate your office not in sterile business or commercial districts but in areas where people can enjoy themselves and make the office a statement of the nature of your creative agency. Work in agencies are no 9 to 5 jobs and cannot be done in bog-standard surroundings. The engine behind great creative work are not standardized spaces and processes but the degree of how happy people feel and how freely they can develop and share their ideas.

2. Make your values tangible

Think big, design smart. Tear down silos and move all employees together, let them gather and make them experience their co-workers. Build your agency like a beehive. This allows everybody to feel the power of the brand working day by working day. Staff sees and experiences the greatness of the agency - also physically - Hakuhodo uses for this an entire work space of 4000 m2.

3. Encourage non-linear thinking

Creativity is not a linear process. For sure it requires focused and forward moving work but the ultimate all defining or changing insight, the legendary tipping point, often comes from somewhere totally unexpected (e.g. while doing something completely different). As the act of creation is like an organic process that needs different angles, perspectives and corners to grow, the office space should be organized in a disruptive manner, mirroring a natural landscape with hills and valleys, roads and cross roads.

4. Meet the unexpected

Creativity lives from unexpected encounters. That random chat that brings you the last piece of understanding, that glimpse into a very different project that ignites a big idea. The Hakuhodo office has many spaces, that allow spontaneous and unforeseen meetings and conversations. This ensures that people mingle with others and do not only stay within the same (safe) environment and groups.

5. Inspired by nature

Nature brings peace and serenity and following Hakuhodo's philosophy both are necessary to bring the creative spirit at ease, to be able to concentrate, to focus and to let the mind fly. At Hakuhodo the workspace brings back mother nature as creative stimulus, using daylight, organic materials like stone and wood, trees, fountains and greenery.

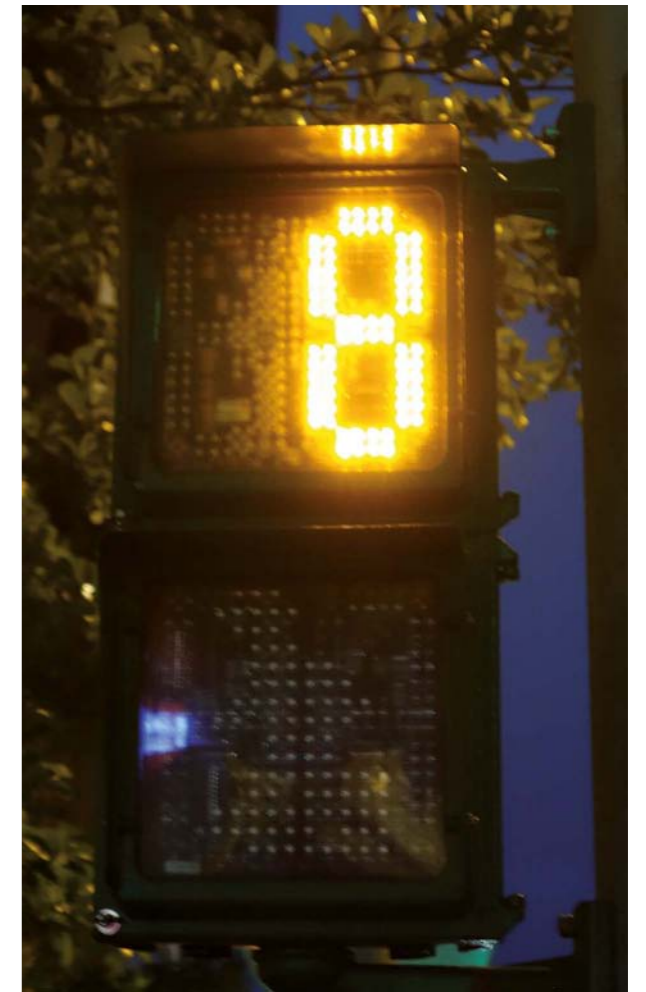
6. Circulate and change perspectives

As the famous ‘rules of the garage’ advise us, ‘know when to work alone and when to work together’, it is important to provide knowledge workers with an environment that has many different facilities and options to chose ‘where and how to work’.

The offer goes from private to public spaces, hide-away places, rooms for thoughts, group working spaces, formal and informal ones, from playgrounds to board rooms.

Take out:

Creative agencies live from knowledge work, it's people with their skill-sets, knowledge and know-how, motivation and enthusiasm who jointly co-create and transform ideas into business solutions.



Next to recruiting people with high potentials and with great track records, the most important thing an agency has to do is to create a stimulating work environment where their ‘human resources’ feel happy and good and ready to expand their spirits and minds in exchange with each others.

That's why work spaces should not primarily be seen as a cost factor but as places where the biggest assets of the company are treasured - its people.

In addition read the Interview with two Top Creatives from Hakuhodo, where they are sharing their vision on Japanese sources of creativity, leadership and digital transformation.

INTERVIEW

*Top Creatives from Hakuhodo are sharing
their vision on Japanese sources of creativity,
leadership and digital transformation*

M. HIROSHI YONEMURA, EXECUTIVE CREATIVE
DIRECTOR AT HAKUHODO INC

*The creative process - how do you approach
a creative project?*

Our work begins with ascertaining the value of our client's brand or product in today's age, identifying its customers and their insights, and determining the most meaningful approach to them in terms of what message to deliver. We then dive into a journey in search of fresh, crazy creativity to take us there.

*What are the major points of difference
between the Japanese and the Western way
of creativity?*

There's a distinctive Japanese aesthetic or sense of beauty that I think subtly differs from the standard global value system. A case in point is the considerable range of Japanese terms that cannot easily be rendered in English, such as wabisabi (used to describe something beautifully austere and simple), iki (stylish in a very Japanese way), and yabo (tasteless or boorish). So when executing creatives in the Japanese market, you need to tune them on the assumption that consumer insights are informed by this aesthetic or sense of beauty. Communication is not as straightforward and transparent as in the West, which necessitates an approach that takes into account the distortion.

*Do you integrate aspects of 'Kaizen' into your
creative work process?*

My creative process involves seeking to optimize things by starting from scratch as a matter of principle in every project I undertake. Consequently I seldom do things from a "Kaizen" perspective. Every product or brand finds itself in completely different circumstances; things aren't so simple that the same process is always valid. Thinking through

the process first is perhaps the only immutable aspect of the process, though that approach might be called inefficient.

*Is digital an own thinking or does it evolve
from the overall creative/campaign idea?*

Basically I think the two don't differ, since a piece of creative communication, no matter what media it is transmitted through, ultimately comes into being when individual customer and execution meet. The spread of digital, however, has instantly reduced physical distances between points of the globe, while the rapidly expanding volume of information, including interactive, has quickly altered the speed at which it is digested. That, I think, has greatly changed the communication speed and durability of a single message.

What is the next big thing in digital in Japan?

Seamlessly linking the real and digital worlds, which have until now been seen as antithetical, both on the technological side in the sense of media and in terms of the nature of the message.

*Is the Japanese ideal of harmony and
consensus a guiding principle for your
creative work?*

Such Japanese traits are gradually changing. Individual Japanese are experiencing the world more than ever before and becoming aware of how it differs from the environment in which they were brought up. They are seeing themselves in a new light and formulating the linear measure of the judgement. When executing creatives, I think my role isn't to hold up a mirror to society but to be mindful of how the world will be slightly in the future. The ideal is to become the engine driving the progress of both our clients and their customers into the next generation.



M. KAZUHIRO SUDA, EXECUTIVE CREATIVE
DIRECTOR AT HAKUHODO INC

*The creative process - how do you approach
a creative project?*

In the case of an ordinary project, I ask myself what the nub of the orientation is. In the case of a lab project, I start seriously thinking about what would be a wonderful thing to have. In either case I honestly ask myself how the user (sei-katsu-sha, our term for the holistic person) will likely react to our plan in reality.

*What are the major points of difference
between the Japanese and the Western way of
creativity?*

The greatest difference between the Japanese and Western ways is that in Japan the high level of quality is determined by the ability of staff to sense what each other is thinking without having everything conveyed in words. In the West everything presumably has to be put into words. Within Japan this telepathy serves to enhance the speed and quality of creative work. Outside Japan, however, it cuts no ice, leading to serious misunderstandings and wasting much time.

This occurs because Japan is a small island nation with a long history, and Japanese culture is a high-context culture like few in the world. Japanese creatives, I think, need to make conscious use of the upside resulting from this distinctive trait, a unique edge nowhere else in the world can rival, and bring it to the global stage.

*Is digital an own thinking or does it evolve
from the overall creative/campaign idea?*

Digital naturally relates to every field. In all fields of advertising and communication, there's nothing unconnected to digital. Of course that's true. Just look at users' information behavior: not a moment goes by without their making use of their smartphones. In both corporate activity and advertising, digital is a layer that covers everything, and anyone who thinks they can ignore it in doing the job should promptly get out of the business. Such an attitude can only be described as insincere to both client and user.



How do you ensure a holistic brand experience in the digital world?

The important thing isn't a holistic experience in the digital world, it's that users lead ordinary lives in the real world while making use of digital as a matter of course. Planning a brand experience sealed off in the digital world is virtually meaningless. The digital is always connected to the real. That's why digital is important. The truly important thing is how digital can support brand experiences in the real world.

What is the next big thing in digital in Japan?

The Internet of Things, of course. Japan has a high-speed wireless network installed in every corner of the country, in which regard there's nowhere else in the world like it. The IoT will spread over this high-speed wireless network in an instant. Once people start taking the IoT for granted, everything will become a medium. The job of the advertising planner, having progressed from newspapers to magazines to radio to TV to the Web to the smartphone, will finally be to plan advertising experiences delivered through every type of object and the experience of using them. Creatives with expertise in such planning are now virtually nonexistent. The infrastructure will, I think, all be in place within three years, at which point there will be a dire shortage of "IoT ad planners."

Is the Japanese ideal of harmony and consensus a guiding principle for your creative work?

There's saying in Japan, "Harmony is to be valued." Harmony is the most valuable thing in my own creative work as well. You see creative agencies in the West that subscribe to the philosophy that creativity is born of conflict, and I can understand where they're coming from, but my own honest feeling is that conflict sucks.

I want to produce fun, high-quality stuff harmoniously, not by fighting. There's no way the Japanese can beat Westerners and Americans by taking the fighting approach. So instead of following that path I want to do stuff that far surpasses the competition by taking a don't-fight, non-combative, non-defiant approach.

This, I like to think, is a philosophical view similar to Mahatma Gandhi's principle of non-resistance, and constitutes a determination to transcend the impasse that the Western way of doing things has hit with its predilection for competition.



HOW TO GROW A GLOBAL BRAND IN THE EXPERIENCE ECONOMY

The example of Heineken

BASED ON A CONVERSATION WITH MARK VAN ITERSON,
GLOBAL HEAD OF DESIGN AND CONCEPT DEVELOPMENT AT HEINEKEN

With no doubt Heineken is one of the best in class brands that manage to be globally successful since decades - even in a worldwide challenging market like the beer market. One of the driving forces that makes out of a normal Dutch lager brewer a world leading beer brand is brand activation.

Long time treated as the little cousin of brand building, brand activation becomes an increasingly important pillar within thoroughly planned communication architectures.

Today, besides having a great product, a distinct and relevant brand purpose and a successful brand communication, a major element to create awareness, consideration and loyalty are activation campaigns.

Because it's here, where brand messages become brand experiences and the consumer is physically enticed - not only by the product but by the brand universe.

In addition to marketing investment and a deep understanding of the consumer needs and wants it requires an emphasis on creativity and content to develop activation campaigns that work successfully along the customer's experience journey.

Heineken's approach to brand activation is most exemplary - the following 6 points are underlying how and why:

1. A shared understanding of the importance of Brand Activation

In the 1960s, Alfred Heineken, grandson of the brewery founder Gerard Heineken was very clear in defining the purpose of his company: 'we sell enjoyment - not just beer'.

Half a century later Heineken has arrived in the 'experience economy', not only selling a famous beer in a famously green bottle, but tangible values, beliefs and the world around it.

In order to do so, the core of the brand - 'Crossing Borders' - and the brand claim - Open Your World - are constantly filled with meaningful content that resonates with the consumers and their environment and that offers the possibility for identification and to be used as signal to peer groups.

It is a joint commitment within the worldwide Heineken marketing team and all involved management levels that you do not get a living and vibrant brand without putting a huge emphasis on brand state of the art activation campaigns that produce brand experiences instead of promotions, gift with purchase and shelf wobblers.

2. Consistency of the communication approach

All touch points where the Heineken brand engages with its consumers are carefully defined. Every activation campaign must tell a consistent and powerful story around Open Your World when - and wherever the consumer gets in contact with the brand.

Heineken ensures that its brand narrative always matches with the customer journey - from planning a

night out, to choosing the drink to sharing it with friends to planning the next night out - using the strengths of different channels and linking it with content around music, culture and sports. Content fields the brand has identified as valid playground with the ambition to claim it longterm and to use it as setting to tell powerful and engaging stories.

Out of this understanding and creative process evolve activation campaigns that ensure that the brand stays stable and consistent at its core but fresh and flexible in its expressions.

3. Consistency between group level and local markets

Heineken's approach works truly integrated - with all relevant key stakeholders and job functions involved, senior stakeholders sit at the same table to define jointly the next 'big idea', how they call their activation ideas - an expression usually reserved for brand building activities.

Top-down:

The process works top down: the HQ in Amsterdam develops the overall concept and presentation deck of the 'big idea'. The overall concept is then shared with the different markets who will contribute local cultural requirements and specific market insights.

Bottom-up:

Markets have the responsibility to develop a 'local topspin' with specific local activation concepts once a year. This is mandatory to ensure a strong foothold within the local cultural context.

4. Bring all involved parties into one boat

At Heineken there is a strong emphasis on the brand leadership role that determines and impacts the brand management.

For the overall brand communication all string ends are gathered at the Heineken HQ Marketing, where all actions are overseen and orchestrated.

It is ensured that all involved creative agencies and other service providers, that are mandated for any specific assignments (creative agencies, design agencies, market researchers, etc.) do get the same understanding of the overall assignment and co-create closely together at an early stage.





LEARNINGS:

- Classical advertising is losing its importance over brand experience
- Content is equally important as creativity
- Iconic brands have to be stable and change at the same time

5. Create a strong physical and digital presence

With its uniquely designed bottle Heineken has a strong physical presence. It is an iconic landmark of brand recognition.

Nevertheless it is understood that the brand must resonate in the digital world, as the clients are naturally moving between on-and-off-line world.

In the digital brand experience, Heineken has a leading facebook friend's base of 19.940.760 ! On Twitter 126 000 000 followers.

Digital activation takes place through innovative, some times real time engagement. For example during UEFA Champion League matches audience has the chance to chat and dialogue with the world famous football-players.

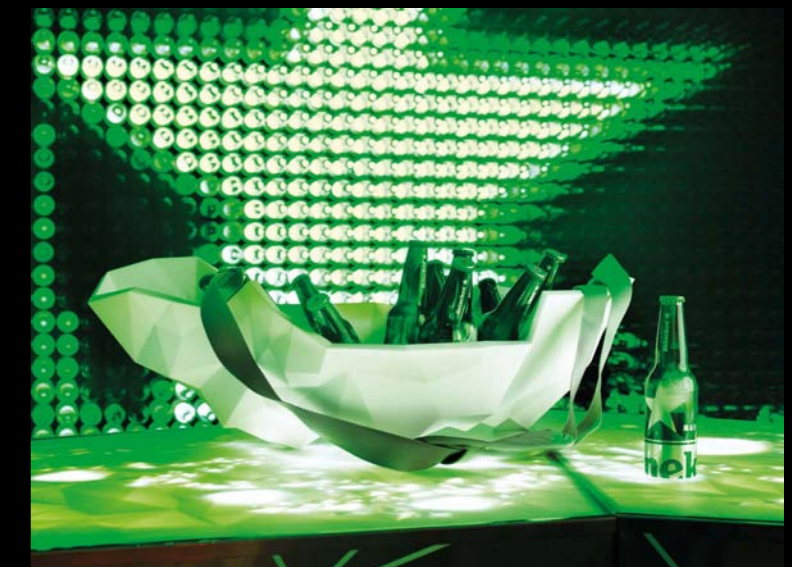
6. Count on the illoyalty of your consumers

The Heineken brand values of Open Your World resonate well with a target group that is curious, engaging and happy to discover new ways.

This means that, no matter how much consumers are connected with the Heineken brand, at some point they will try something new. In the end, if you constantly tell your consumers to 'open your world' you have to be prepared they might also do when it comes to their beer of choice, tempted by the hundreds of new products entering the highly competitive market every year.

The volatility is part of the Heineken's customer profile, which means, being not loyal is taken for granted. This is why it is so extremely important for Heineken to stay highly attractive by constantly producing new news. Which requires tremendous efforts, creativity and innovation. Also given the fact that with every successful activation the benchmark for the excitement level is becoming a bit higher.

It shows that especially for leading and iconic brands like Heineken, brand activation is one mayor tool to stay ahead of the competition, to continuously reassure even the brand fans about their choice and to constantly re-enforce the brand's energy in the hearts and mind of the consumers.



DIGITAL DISRUPTION

Trends

DIGITAL DISRUPTION – FIRST STEPS

Foreign entrants to Japan's digital music and online TV markets are lining up

This year has been one of the busiest so far for digital Japan. Apple has launched its on demand music streaming business in June, with Google swiftly following suit. Spotify, the global number one in the music streaming business, has been preparing its Japan launch for several years as well. Netflix, the number one in online TV streaming, has rolled out its service in Japan in September.

But digital disruption is not only brought about by new entrants. Established firms also struggle hard to digitalise their offerings: Takara Tomy, Japan's largest toy maker (and the third-biggest in the world) recently gave a digital makeover to its iconic Licca-chan doll (the Japanese equivalent of the Barbie) – a product with declining sales that was until recently said to be on the death bed, given that today's youngsters rather play with iPads than with a doll. Now she has her own Twitter account on which she also posts photos of her 'meeting' with the Dutch Prime Minister on his visit to Japan, as well as other digital offerings. Sales of Licca-chan have gone up 50% since her forays into the digital realm.

There is a lot to play for in new – and old – Japanese market segments for companies with the right digital strategies.

CASHLESS SOCIETY – THE NEXT STEP

Japan's most widely used smart card will be rolled out nationwide, expanding hand in hand with its integrated payment system

Often said to be a nation of cash-lovers who spurn card payments, cashless payment systems are increasingly becoming wide-spread and widely used. Smart train cards ("IC cards", originally designed to pay for public transportation in urban areas at automated ticket gates) can nowadays be used countrywide for buying everything, ranging from a drink at a vending machine to paying at any of the tens of thousands of convenience store spread throughout the country.

The two largest providers, Suica and Pasma, now started rolling out their systems nationwide. With backing from the Ministry of Transport, their payment infrastructure will be expanded to those 10 prefectures (out of 47), such as Aomori or Okinawa, where these IC cards cannot be used yet. At the same time, their usability in the existing areas will be further expanded.

IC cards are on their way to become a serious, and very promising, competitor for debit cards in Japan.

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OMNICHANNEL-BUILDING IN JAPAN – STEPPING UP

Japan's largest convenience store chain is tying up with Uniqlo, one of the country's largest fast-fashion firms to build a seamless online-offline shopping experience.

7&i Holdings (operator of Japan's largest convenience stores chain) is teaming up with Fast Retailing (operator of the Uniqlo fast fashion brand) to offer a seamless Omnichannel shopping and delivery experience. Clothes can be bought online and picked up at any of the 18,000 Seven-Eleven convenience stores – as well as returned and exchanged, if necessary. This would turn the Seven-Elevens into an extended shop front for Uniqlo stores, strongly expanding its reach into virtually every neighbourhood in Japan.

Other firms are following closely: LINE (Japan's most popular messaging app, that also offers the LINE Mall shopping channel) is teaming up with Yamato Transport (one of the largest delivery companies) to offer the same seamless service. Barney's New York, the department store brand, on the other hand, is building its own omnichannel strategy independently and is reaping first successes.

Competition over the most seamless omnichannel experience will continue to harden over the coming months and years as more and more firms will not only compete over price and quality, but also increasingly over convenience.



EDITORS



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