

INSIGHTS

brandaffairs™



Insights and thoughts from our Partner Markus Kramer on core branding principles with broad applicability for any marketer, communications professional or business leader. Views are subjective and our own. October 18th, 2018. © Brand Affairs AG.

The Brand Angle on Aston Martin's IPO



This month marks a historic moment in Aston Martins forward history: James Bond's favorite car brand is selling about 25% of its shares. Time to pause and reflect.

Having been at the very edges of cliffs, it would be an understatement to claim that Aston Martin has had a rather radical history thus far. This is a serially loss-making company that almost disappeared more than once. But the genetic code inhaled into the brand by their founding fathers Lionel Martin and Robert Bamford in 1913 has always generated emotions triggering returns beyond money. Now in



its second centenary and in the context of Aston Martin's initial public offering (IPO) the 'brand factor' will play a key role in determining both valuation as well as Aston Martin's ability to sustain and increase returns over time. So how then does 'brand' create value for Aston Martin?

Today 75% of an average corporation's value is intangible – or in other words, its brand and its reputation are a business' most valuable asset.¹ A lateral analysis of all the ingredients needed to build a brand powerful enough to command (IPO) premiums is outside the scope of this short piece of perspective. Perhaps most importantly, it is critical to take into account that Aston Martin is not your ordinary automotive consumer brand. The way a luxury brand like Aston Martin needs to manage does not comply with traditional thinking. Or as in the words of François-Henri Pinault, CEO of Kering, "In luxury, the rules are very different to any other industry".²

What Competition?

Luxury does not follow; it leads – often at the cost of polarization. Aston Martin focuses on the creation rather than the competition. In Aston's case this dimension has no negative connotation; it is not only deliberately polarising but remains understated and tasteful in doing so. The creation process doesn't only involve the production of the powerfully performing vehicles but also the creation of value for customers, building the bedrock of desire for future sales. For Aston Martin the economics go beyond trying to grab a share of the luxury automotive market but instead to expand it by creating some of the finest pieces of automotive art-like vehicles. It is a different perspective altogether and as a result, competition becomes a lot less relevant. Gaining competitive advantage then becomes an outgrowth of the economies of quality where value is extracted above volume and as a consequence quality is prioritized over quantity.

Bonding With Customers

Aston Martin's growth strategy includes plans to expand into markets it believes have strong growth potential. These include a number of developing markets that are now home to an increasing numbers HNWIs, including China and other parts of Asia as well as the Middle East. Whilst we are quick to jump to the conclusion that consumers in these territories will be aware of the brand, this is simply not the case yet. Anchoring the character of the brand will simply not be enough for bonding with Chinese consumers, as they do not have a 'James Bond culture', yet for instance. Aston Martin needs brand building outside its core markets. It will need to continue to lead on the product front with extreme halo cars such as the [Valkyrie](#) delivering otherworldly performance, yet create reachable attractiveness by offering points of entry that serve both lower price points as well



as new customer segments. Adding a new SUV model with the [DBX](#) and inhaling a soul into the [Lagonda](#) brand will enhance the interest of potential shareholders. Clearly, such ambition requires huge levels of funding and on a rational level, a successful IPO is a great way to secure the brands long-term future.

“Anchoring the character of the brand will simply not be enough for bonding with Chinese consumers, as they do not have a ‘James Bond culture’, yet for instance”

Associating its brand with James Bond as a character who transcends time solidifies the durability of the perceived value. Actors come and go, James Bond stays. CEOs come and go, the brand stays. So long as the British iconic carmaker continues selling beauty and soul rather than just power in performance (which is offered by other supercars, too), it will have a bright future. Aston Martin is not about a car. It is philosophy and a way of life that bonds across many dimensions. It is a one of a kind club of like-minded, passionate and wealthy enough individuals that raises its value. Customers’ enduring bonds and loyalty with the brand is what matters in the final analysis.

The UK's strongest brands

Rank	Brand
1	EY
2	Costa
3	Premier Inn
4	Dove
5	Jaguar
6	Magnum
7	Aston Martin
8	ITV
9	The Body Shop
10	Rolls-Royce

Source: City AM³

Taking Its Time

Timing is everything. Especially when it comes to securing growth in the niche of luxury cars. This means the alignment of the product lifecycle, funding requirements and brand building has to work in perfect synchronization. As a preceding move, new models’ hitting media is, in many ways, more important

than these cars finding customers and hitting the road. The results is a sharp increase in awareness, signaling how well things are being steered within. Aston Martin is certainly delivering on this, with the [DB11](#) receiving fantastic reviews and a strong product pipeline demonstrating the brand's ability to sustain the pace.

“The alignment of the product lifecycle, funding requirements and brand building has to work in perfect synchronization.”

Radiating aspiration beyond its core customer base is how Aston Martin makes sure it can punch way above his weight. However, it is not solely about the intangibles beautifully captured in the brand. In other words, appealing appearance alone is insufficient to claim such territory in the minds of people. It is the essence of the brand, which is realized partly through the tangible object of desire itself as well as through the heights of internal culture. Investors wouldn't be willing to put up their money just for 'fluff', which is why having a strong brand and marketing ecosystem in place along with the ability to demonstrate traction, is essential. In 2017 as sales hit a record £876m (\$1.2bn), we saw a 48% improvement over the previous year.⁴ Sales may increase by about 60% in 2020, according to IHS market estimates.⁵ In the long-term analysis, the fact that the brand can stand the test of time makes it somewhat future-proof – despite its chickened past – and this will add to the appetite of investors.

The Brand Leitmotiv

Today, Aston Martin stands proudly at the helm of its second centenary plan and the IPO will bring much-needed funding to secure stability for the future. Unlike in the first century, in this century we will see the more Churchillian side of the decision-making within the brand. The previous 100 years analysts witnessed *what the brand stood for*. In the 100 years ahead, however, we will witness *what stands for the brand*.⁶

References:

- ¹ Alexander F. Brigham Stefan. "Your Brand Reputational Value Is Irreplaceable. Protect It!" *Forbes*, Forbes Magazine, 19 June 2013, www.forbes.com/2010/02/01/brand-reputation-value-leadership-managing-ethisphere.
- ² Kramer, Markus, and Tofiq Husein-zadeh. "Why Has Luxury Got It Right." *BrandQuarterly.com*, BrandQuarterly, 2017, brandaffairs.ch/en/luxury-got-right/.
- ³Key, Alys. "From Shell to Aston Martin: The UK's Most Valuable Brands Ranked." *Cityam.com*, CityAM, 23 Apr. 2018, www.cityam.com/284460/shell-aston-martin-uks-most-valuable-brands-ranked.
- ⁴Finnegan, Aaron. "COMPANIESAston Martin IPO: What Does It Mean?" *TheMarketMogul*, 9 Mar. 2018, themarketmogul.com/aston-martin-ipo/.
- ⁵Ebhardt, Tommaso, and Kiel Porter. "Aston Martin Seeks \$6.8 Billion Value in Potential IPO." *Bloomberg.com*, Bloomberg, 8 Jan. 2018, www.bloomberg.com/news/articles/2018-01-08/aston-martin-is-said-to-seek-6-8-billion-value-in-potential-ipo.
- ⁶Ricca, Manfredi. "At the Heart of Brand Experience: The Power of Leitmotiv." *Interbrand*, 10 Mar. 2017, interbrand.com/views/at-the-heart-of-brand-experience-the-power-of-leitmotiv/
Image courtesy: Aston Martin. Photography: Rankin.
<https://www.astonmartin.com/en/live/news/2017/11/21/rankin-brings-his-vision-to-the-new-aston-martin-vantage>