NO. 10 GERMAN INDUSTRIAL BRANDS: HIGH ON QUALITY, LOW ON EMOTION.

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Why do so many B2B companies in Germany fail to recognize the potential of their brands? Because they still believe in fairy tales. An analysis by Andreas Ernst.

To understand how we got where we are today, we need to go back a little in the history of industry. Introduced in Britain in the late 19th century, the label **"Made in Germany"** was intended to warn British consumers of lower-quality imported goods from Germany. But things panned out differently than the Brits expected; the quality of German products increased, and in the 20th century the label became a collective brand for German manufacturers that was synonymous with quality and reliability. Today, Germany is the world's strongest nation brand.

However, a special report to accompany the 2019 Edelman Trust Barometer shows that recent corporate scandals have sharply eroded trust in German companies. Other nation brands, meanwhile, have closed the gap. One reason for this is that companies from other countries, especially in Asia, now offer high-quality products at lower prices. Another is that competitors from China and the USA are more trusted when it comes to their digital expertise, which is an absolutely crucial factor in today's market.

This has had consequences. Offering high-quality products **"made in Germany"** is no longer enough if you want to be a global player. Germany needs innovations. And German industry needs strong brands that can (more) successfully market their expertise and high-quality products in the face of global competition.

INDUSTRIAL BRANDS: HIDDEN CHAMPIONS AND FACELESS GIANTS.

At companies like Mercedes-Benz and adidas, brands have long been dealt with at the highest level. Why? Because they're those companies' greatest assets. German car manufacturers alone have a combined brand equity of over 120 billion US dollars. However, although Germany's consumer brands are among the most valuable in the world, over 70 percent of German trade revenue comes not from these brands but from export-focused B2B brands selling typical industrial goods: machinery, electronics, software, chemical products. I shall call this group **INDUSTRIAL BRANDS.**

For these brands, the waning power of **"Made in Germany"** is a great threat, because they owe their decades of success in large part to the nation brand's strong, collective reputation. At the same time, German B2B companies make only minimal use of their own brands: A recent study by BVIK (the German Federal Association of Industry Communication) showed that they spend 10 percent less on marketing than the international average. That doesn't make sense.

I'd like to distinguish two kinds of **INDUSTRIAL BRANDS**.

1. Firstly, there are what I call the **hidden champions:** small to medium-sized businesses, often owner-managed, that have become world leaders in a certain niche while flying below the public radar. For these specialists, brands are mere labels; what really counts is having exceptional products. Their own success has led the hidden champions to believe they don't need to cultivate their brands, despite the crucial function that brands play in competitive niche markets in the global tech economy: They prevent cheaper competitors from getting a foothold, they make companies attractive to talented employees, and they help to open doors in foreign markets.

2. The second kind of industrial brand is what I call **faceless giants.** They aren't specialists, but jacks-of-all-trades. They're the heavyweights of the German economy. Wherever you go, their logos are emblazoned on industrial machinery and factory buildings. Everyone's heard of them. But unfortunately, they don't really arouse any associations or emotions. For the faceless giants, brands often simply mean familiarity and long-established tradition. However, strong brands could do great things for these big companies too. They could serve as a compass that guides their transformation as they advance into the future, as well as motivating employees, attracting talent from across the world, and symbolizing a change of business and culture.

So why don't German **INDUSTRIAL BRANDS** recognize their potential?

THE FAIRY TALE OF RATIONALITY.

The influence of emotions on people's buying decisions was demonstrated long ago by Nobel-winning research. More recent analysis by authors such as Les Binet and Peter Field has described how brands can have an emotional impact even in the B2B sector. But this realization doesn't yet seem to have trickled through to the world of the German **industrial brands,** who continue to believe in the myth of total rationality. The way they see it, it isn't human beings with emotions who make decisions and award contracts, but engineers and businesspeople for whom all that counts is things that are measurable and manageable.

But in reality, people in every company are constantly making decisions based on incomplete information and their emotions. Whether they're choosing a supplier, deciding on an acquisition, or recruiting for senior roles, they act on the basis of past experience, personal impressions, and gut instinct. Yet apparently very few executives at German industrial companies believe that their customers' buying decisions are influenced by emotions. The fairy tale of rationality prevents these executives from recognizing their brands as valuable strategic assets – as highly effective tools that can have an impact on whether potential customers will buy their products or services.

Consequently, it's uncommon for German B2B businesses to have a CMO or head of marketing. Their management boards rarely pay any attention to brand strategy or messaging, and only a handful of German CEOs see their **industrial brands** as leadership tools and drivers of transformation at their company. Instead, marketing is subordinated to sales, and branding subsumed under corporate identity.

One thing is crystal-clear: Companies that don't appreciate the value of marketing, and whose boards and managers don't recognize brands as crucially important tools, have little chance of being able to inspire the **emotion and excitement** that strong brands can generate. Which is a real shame.

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