

# Growing Brand Extensions Revenue for Global Luxury Automotive Player





# Case example: Growing the brand extensions revenue by >3-5x at a global luxury automotive player



## Client context and objectives

- Client is a **global luxury automotive player** with very **limited exposure** in **brand extensions**
- Aim was to offer support in **defining the strategy, financial plan, operating model** and outline of **implementation roadmap** to quickly strengthen their brand extension business across four strategic pillars of different categories

## How did McKinsey help?

- We engaged our best **firm experts in luxury brand building**, through a workshop-based approach, together **with a small joint McKinsey team** to progress analytics
- We identified **priority brand extension categories** with a **four dimension framework**:
  - **Why?** – Vision, rationale
  - **Who?** – Target customers
  - **What?** – Products, experiences, services
  - **How?** – Operating model and implementation plan, including org structure and priority roles to hire

## Impact

- Helped a truly iconic global brand to step its brand extensions business up from “standard merchandise” to a coherent luxury portfolio
- We identified around **3-5x revenue opportunity** with approximately **60-80% margins**
- **This increases profit potential** from current ~£5m to potential £15-30m)

# A We have redefined the pillars of our client's brand extension business using a tailored approach

DISGUISED CLIENT EXAMPLE

## Opportunities

### Design partnerships



### Luxury experiences



### Best-in-category co-branded products



### Licensed merchandise



## WHY?

### Vision, Rationale

- **Vision:** build a globally renowned design group with a focused portfolio; could evolve to broadly cover engineering design
- **Objective:** build a significant second revenue stream **building on brand equity** and **core competency in design**

- **Vision:** reinvent customer experience to a holistic luxury experience
- **Objectives:**
  - **Maximise product ownership enjoyment / pride** by offering unique and tailored experiences and services
  - Increase total **lifetime value of owners**

- **Vision:** make 'Brand statement' attainable to the upmarket audience
- **Objective:** build a revenue stream by **partnering with leading companies in prioritised connected categories** creating superior brand inspired collections

- **Vision:** Grow as an aspirational and desirable brand
- **Objectives:**
  - Monetise the **brand's value and hype** with approachable price point products & services
  - **Broaden reach**, while not damaging image

## WHO?

### Target customers

- Similarly-oriented business, routing to
  - Luxury omnivores
  - Customers
  - Prospecting customers

- Current customers, with differentiated offers by geography and VIP customers vs. normal customers
- Aspiring customers (e.g., luxury customers)

- Primarily non-customers who appreciate more "affordable luxury"
- Luxury omnivores
- Brand fans

- Brand and luxury fans:
  - Brand fans
  - Luxury fans
  - Families with kids

## WHAT?

### Products, Experiences, Services

- **Increase presence in co-design partnerships** already started building on previous success stories
- **Scale a further 2-3 key categories** in line with brand equity

- Owner-exclusive **adventures**, such luxury holidays
- Exclusive **company/ store/factory tours**
- Special **members-only event** e.g. Fashion events / industry shows

- **Scale commercial opportunities with existing co-branded products**
- **Prioritise further attractive categories & contact key global players** (luggage, audio, sportswear & equipment)

- **Apparel**, e.g. T-shirts
- **Office supplies**
- **Toys** (incl. partnerships with leading companies)
- **Eyewear**

## HOW?

### Operating model

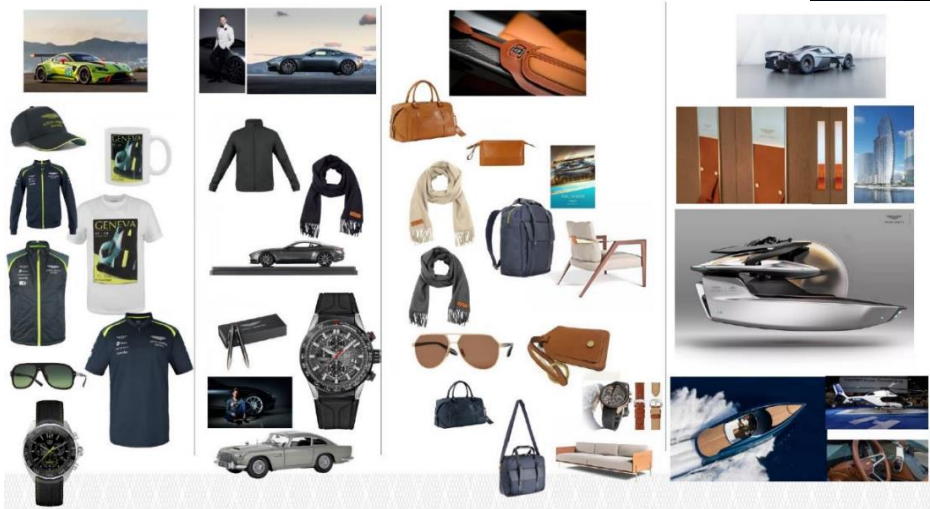
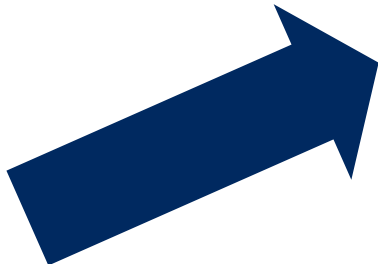
- True co-development with leading partners
- Significant involvement of design team
- Brand credited

- Controlled by company, specific resource required to support
- Execution potentially outsourced but closely monitored

- License
- Approval / input from design
- Discreet co-branding (e.g. 'Inspired by')

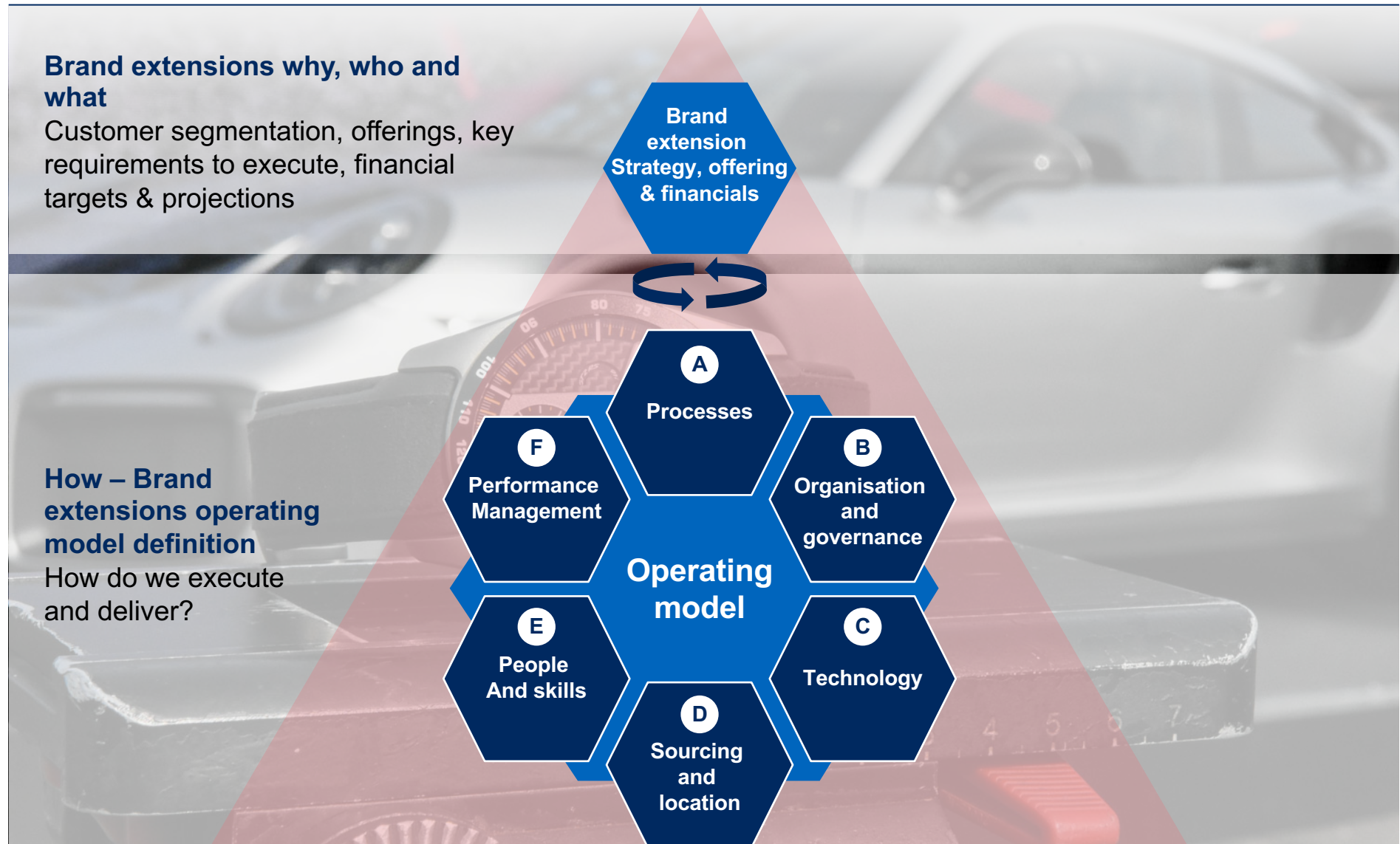
- License
- Brand design & procurement sign-off

# The new strategy takes the client's business from a collection of branded products and services to a coherent brand-enriching portfolio





## B We defined a rigorous and comprehensive operating model is a fundamental step when creating a brand extensions business



# C We have built a short and medium term implementation plan

DISGUISED CLIENT EXAMPLE

## End-year target

1	Design partnerships	
2	Luxury experiences	
3	Best-in-category co-branded products	
4	Licensed merchandise	

Build 2018	Maintain & scale 2019	At-scale operation 2020
Established organisation and min 40% revenue growth	Fully functional organisation, +2-3 new global partners secured	Scaled activity across 4 pillars, with leading global visibility
<ul style="list-style-type: none"> <li>Deliver existing contract &amp; potentially upsell current agreements</li> <li>Sign new large-scale contract and receive first payment</li> <li>Have advanced conversations for additional categories</li> </ul>	<ul style="list-style-type: none"> <li>Set process for scouting and negotiation across categories</li> <li>Sign new additional partnership contracts in two categories</li> </ul>	<ul style="list-style-type: none"> <li>Implement large scale design deals</li> <li>Run 2-4 simultaneous large scale contracts</li> <li>Scaled up additional categories</li> </ul>
<ul style="list-style-type: none"> <li>Pilot &amp; qualify customer-focused activities (holidays, events / shows, company / factory tours, adventures)</li> </ul>	<ul style="list-style-type: none"> <li>Scale winning activities at right margin by region (min 1 scaled activity per region)</li> <li>Soft launch customer membership</li> </ul>	<ul style="list-style-type: none"> <li>Scale globally customer membership club</li> <li>Operate full global &amp; regional calendar of activities</li> </ul>
<ul style="list-style-type: none"> <li>Scale current co-branded products</li> <li>Close one new contract</li> <li>Contact &amp; lay out options with top 5 companies in apparel, luggage, sports</li> </ul>	<ul style="list-style-type: none"> <li>Close additional contract with revenue down payment</li> <li>Contract an additional partner in one category</li> </ul>	<ul style="list-style-type: none"> <li>Develop global partnerships across existing and new categories</li> <li>Have locally relevant partners (or adaptations) for US &amp; China</li> </ul>
<ul style="list-style-type: none"> <li>Agree on new assortment list</li> <li>Have a rationalised &amp; audited list of suppliers</li> <li>Identify distribution strategy and new partners</li> </ul>	<ul style="list-style-type: none"> <li>Scale distribution through multiple channels, including eCommerce</li> </ul>	<ul style="list-style-type: none"> <li>Operate standardised process of supplier audit, sign-off, and new supplier on-boarding</li> </ul>
<ul style="list-style-type: none"> <li>Define sales funnel &amp; contracting</li> <li>Allocate resource for operations</li> </ul>	<ul style="list-style-type: none"> <li>Decide global vs local activity setup</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<ul style="list-style-type: none"> <li>Recruit priority roles</li> <li>Launch new corporate identity</li> </ul>	<ul style="list-style-type: none"> <li>Scale up organisation based on pipeline &amp; workload</li> </ul>	<ul style="list-style-type: none"> <li>Fully scale to target level FTE organisation</li> </ul>
<ul style="list-style-type: none"> <li>Gather high level IT requirements</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade CRM system</li> <li>Build membership system</li> </ul>	<ul style="list-style-type: none"> <li>Scale CRM &amp; membership systems</li> </ul>
<ul style="list-style-type: none"> <li>Contract outsourcing partners</li> <li>Set up new office</li> </ul>	<ul style="list-style-type: none"> <li>Mostly in-house partnership &amp; design activity</li> </ul>	<ul style="list-style-type: none"> <li>Have core activities in-house</li> </ul>
<ul style="list-style-type: none"> <li>Detail core job descriptions</li> <li>Complete skills matrix for all roles</li> </ul>	<ul style="list-style-type: none"> <li>Refine skills and job descriptions for new roles</li> </ul>	<ul style="list-style-type: none"> <li>Evolve skills matrix based on new in-house positions</li> </ul>
<ul style="list-style-type: none"> <li>Set and communicate initial KPIs</li> </ul>	<ul style="list-style-type: none"> <li>Implement full compensation guidelines and KPIs</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>

## Operating model

### Processes

### Organisation & governance

### Technology

### Sourcing and location

### People & skills

### Performance management

# Blended M&S and core CST delivering this to the UK client



***Bjorn Timelin***  
*Partner*



***Bogdan Toma***  
*Engagement Manager*



***Colin Shaw***  
*Partner*



***Jonathan Gordon***  
*Partner*

Take this to  
your client  
using the CxO  
discussion  
document on  
Know (ID  
#862478)



***Lauri Heliövaara***  
*Junior Associate*



***Simon Middleton***  
*Associate Partner*



***Thomas Baumgartner***  
*Senior Partner*