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Flowserve Corp.

From a House of Brands to a Branded House

Flowserve hits the branding bull's-eye with dual strategy

Start with more than 50 heritage brands. Add a long line of highly engineered products with life cycles of up to 50 years.

Now, picture hundreds of offices, thousands of employees, and sales channels in more than 50 countries. For final measure, throw it all under the umbrella of a newly formed company combining vast business experience and expertise with industry-leading brand names that date back as far as the 1800s.

How do you manage that complex matrix, respect its heritage and, at the same time, compete in a fast-moving global marketplace?

This branding scenario was the marketing challenge for Dallas-based Flowserve Corp., a Fortune 1000 company and

leading provider of valves, pumps, seals and steam solutions. Flowserve's customers include the world's infrastructure business and process industries including the oil, gas, power, water and chemical markets.

According to industrial analyst Craig Resnick, a director of research at the ARC Advisory Group, brand awareness and brand longevity are key in the industrial marketplace where Flowserve operates. "The longer a company has been around, the better the customer feels about that company," says Resnick. "A manufacturer's legacy brand value is often measured in proportion to the base of its installed product."

For companies like Flowserve, whose products have decades-long lifecycles, maintain-

ing the value in a brand or product name is essential for gaining repeat sales and more lucrative asset-management contracts, and for retaining the loyalty of longtime customers. If a customer is comfortable ordering your legacy brand, why rock the boat? If it's easy for a purchasing manager to spec your product by the name he knows on an RFP — a name he associates with reliability, proven quality and trusted support — why change now?

These questions loomed large for Flowserve. Over several decades, the company had acquired a portfolio of dominant fluid motion and control businesses around the world. These businesses carried with them industrial brands with solid market share in a wide variety of vertical industries and regional sectors.

“A lot of industrial groups have taken profitable product branding and made it overly complex by branding products on a whim.”

The Battle for Market Share

The mergers that formed Flowserve in 1997 were part of a merger and acquisition trend in the industrial sector. Behind this activity was a battle for increased market share, an attempt to meet the growing demand for single-source solutions in the global marketplace, and an opportunity to fill regional product and service gaps in both mature and emerging markets.

Flowserve, like many downstream suppliers to big multinationals such as Exxon Mobil and Dow Chemical, is expected to partner with its customers, providing continuity of service anywhere and anytime it's needed.

Moving quickly to a single global brand raised concerns for Flowserve management. Market studies seemed to lend credence to the concept of leaving successful heritage brands alone. A 2002 survey, “Brand Strategy in the Industrial Market,” from Frank Lynn & Associates, found that in 14 of 18 industrial manufacturing categories the top brand commanded more than 50 percent market share.

“We've found that many corporations have gone to a dual branding strategy with a strong corporate brand and sub-brands to hold on to those sub-brand values,” says Bob Segal, principal, Frank Lynn & Associates. “The corporate brand is used for large audiences like investors and large clients and the sub-brands are used for more refined audiences, like specific market customers.

“For industrial buyers, Flowserve does a good job at the corporate brand level to sell the lifecycle productivity of its products and services,” continues Segal. “The Flowserve message says we will support your productivity over the entire life of the product to lower your overall cost of ownership.”

After extensive market research and customer surveys, a clearer picture emerged — a dual branding strategy was needed that would both meet Flowserve's global growth objectives and exploit the value of its best-of-breed flagship brands. With skillful rebranding, Flowserve could retain the equity of the heritage brands while

positioning them as an integral part of a best-in-class corporation.

Brand Evaluation – When Is a Product a Brand?

The quintessential test of brand value is whether a product or service is requested or commonly referred to by name. When people think of a manufacturer's brand rather than any specific product in the range, customers will pay a premium for that brand name.

An analysis of the vast majority of Flowserve's legacy brands showed that customer's placed value on heritage company names associated with products they purchased. For example, Gestra was synonymous with steam solutions. Borg Warner equaled fail-safe sealing solutions. Durco meant reliability in pumps. Limatorque stood for the highest quality in valve automation, Edward for premium gate globe and check valves.

“The specialized nature of most industrial companies and their markets means that



Flowserve “Brings out the brand” at AICHEMA 2006.

they cannot support the cost and attention associated with the proliferation of sub-brands,” says branding expert Paul Hague of B2B International. “Every brand promoted by a company needs strong promotional support and expense.”

The Flowserve management team decided on a dual branding strategy that enables Flowserve to cost-effectively market the parent brand to gain penetration into mature and emerging markets.

Simplifying the Customer Experience

“Even though Flowserve’s products are industrial components, they’re fulfilling strategically important jobs,” says Hague. “They’re in a refinery, in a chemical plant. If a seal goes, if a pump goes, if a valve goes it’s not just the cost of that equipment, there’s the downtime in the plant. So, people are buying more than a commodity from Flowserve. That’s why product names like Durco or Gestra are important. They have a value because people learn to trust them.

“That’s what branding’s all about,” adds Hague. “Getting people to pay a premium for all the history associated with that product and its name.”

According to John Jacko, Flowserve’s vice president and chief marketing officer, “A lot of industrial groups have taken profitable product branding and made it overly complex by branding products on a whim. We have focused our marketing efforts and resources on developing a credible, consistent, well-designed and well-supported Flowserve parent brand that mirrors our customers’ needs to simplify their supplier base, increase their efficiencies and lower their costs.

“We believe we are hitting the industrial branding bull’s-eye by streamlining our offerings.” With their solid portfolio of fluid motion and control solutions — comprised of a family of reliable, quality, recognized sub-brands — it’s now easier than ever to do business with Flowserve.

“We understood that to be effective, we needed to distinguish Flowserve as a ‘branded house’ rather than a ‘house of brands.’ “We needed to leverage the multitude of heritage product lines the company

CAUTION TURNS TO ADVOCACY

A German case study

Tradition, loyalty and craftsmanship are important facets of the relationship that many European employees have with their employers. These strong ties build significant value into some of the oldest and most well-known brands in the continent’s industrial sector.

Flowserve acquired one of these great brands in 2002 when it bought the companies of the Flow Control division of a UK holding company, Invensys plc. Included in the acquisition was Germany’s Gestra AG, a 100-year old internationally known leader in steam management systems. Gestra was a dominant number-one brand in Germany, and a close number two throughout Europe.

At first some Gestra management and employees were cautious of the merger.

The company had avoided a total rebranding when Invensys had acquired it, and there was concern that with the Flowserve acquisition might come globalization of a company with a strong pan-European identity. What’s more, the purchase by a large American company accentuated the need to bridge communication techniques, corporate cultures and business customs.

Initially, Flowserve management wanted the 400-employee Gestra to transition immediately to a Flowserve company, says Lutz Oelsner, president, Flowserve Gestra. “We didn’t question the corporate decision to migrate Gestra to a Flowserve brand, but we thought our customers and employees would need more time.”

Oelsner’s opinion was borne out by the market. Early feedback had some customers turning away salesmen, saying that they had did not know who Flowserve was, had never dealt with the company before, and would not deal with them now.

Gestra representatives and Flowserve management agreed to a two-and-a-half-year transition that would give Gestra the time it wanted. Gestra would employ Flowserve’s dual branding strategy to brand Gestra as a Flowserve sub-brand, renaming the company Flowserve Gestra.

One of the first actions by Gestra was to call an all-employee meeting at which Oelsner laid out the timetable and identity milestones for the rebranding process. And he sold employees on the many advantages of joining the Flowserve team.

“That communication coming from the top was very, very important,” says John Jacko, Flowserve vice president and chief marketing officer. “The Gestra rebrand was a strategic necessity for our success in Europe. Gestra had survived a string of acquisitions without much identity change. We felt the rebranding to Flowserve Gestra would enhance our portfolio’s value. We were gratified when Gestra united as a group to realize the vision.”

A series of communications was launched, including a letter to 5,600 Gestra customers. The letter spelled out the benefits of becoming a client of Flowserve, and underscored how the great quality and service that made Gestra a leading brand would be preserved. Gestra marketing management also used regular customer symposiums to get customers acquainted with the transition.

Continued on page 28



Gestra AG in Bremen, Germany, becomes Flowserve Gestra.



Flowserve, São Paulo, Brazil



Flowserve, Tlaxcala, Mexico. Winners of the “Spirit of Flowserve” award.

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acquired from its activities as an industry consolidator.” Moreover, Flowserve’s branding strategy had to communicate and reinforce the company’s strengths and capabilities to both internal and external audiences around the world.

Branding from the Inside Out

“To get employees engaged in building a Flowserve brand, Flowserve devised a new mission, vision, brand promise, and tag line — messaging and addressing them throughout their intranet, internal company publications, and other media.

Flowserve’s new tag line — Experience In Motion — became very important. “It recognized the value in our heritage and reminded employees that we need to be on the move,” says Jacko. New company values were built around the customer, called the *Six C*’s — for Customer: Commitment, Confidence, Competence, Creativity, Collaboration, and most importantly, Character. Most important was Character, messaged as key to Flowserve’s ethics and compliance campaigns.

A significant first step in the Flowserve brand development was directed to the group’s employees through its HR programs. An employee reward and recogni-

tion system, called The Spirit of Flowserve, was launched to reinforce the *Six C* values and support the brand promise. The Spirit of Flowserve campaign not only defined Flowserve’s objectives but also reinforced work and corporate ethics, defined standards of excellence and publicized employee recognition efforts.

A new internal communications infrastructure and a commitment to training kept communication channels open. A web-based brand standards intranet site became the epicenter of Flowserve’s brand control and enforcement. The web application includes access to a range of visual assets as well as precise specifications for everything from logos to stationery to trade-show assets.

A simultaneous external branding effort was undertaken to streamline and coordinate marketing efforts through the company’s network of advertising agencies around the world. Jacko and the integrated marketing communications team kicked off a global branding initiative with the development of a strong, easy-to-implement graphic identity program that was launched in Italy in 2004.

The group adopted a bold graphic makeover for all of Flowserve’s heritage brands.

The Flowserve brand dominates the corporate message, while the heritage brands are identified with product portfolios. A similarly consistent and disciplined approach to prioritizing and branding literature was also developed, along with web, trade-show, advertising and PR programs. These coordinated efforts provide a positive and repeatedly messaged customer experience.

The adoption of the strong positioning statement, *Experience In Motion*, has proven to be the lynchpin that bridges internal and external communications efforts. Today, Flowserve leverages the power of the internet and digital communications to market its brand messages around the globe 24/7 — first in U.S. English, the common language of the engineering community, followed by targeted local languages such as Chinese, Dutch, German, French and Spanish to shorten any communication gaps.

“While we normally preach marketing that drives customers to Flowserve from the outside in,” says Jacko, “you cannot brand the outside without having the inside in lockstep. It also did not hurt that the consistency of the efforts led to significant cost reduction in setup costs and literature fulfillment. We enforced our brand compliance program with the help of our agency partners.”

Ground Taken and Rapid Integration

Flowserve’s primary goal is to be the most recognized and preferred supplier of fluid motion and control products and services in the world. Successfully integrating more than 50 heritage brands — and their inherent brand equities — has become key to reaching that goal. The branding strategy has enabled the company to rapidly position itself to its internal and external audiences, meet global demands and streamline



THE SPIRIT OF FLOWSERVE

The Spirit of Flowserve:
An internal branding
campaign that identifies
and promotes company
values.

CAUTION TURNS TO ADVOCACY

(Continued from page 26)

A Total Visual Makeover

During the transition, Flowserve Gestra changed its logo, website, packaging, trade-show materials and product identification. Everywhere that was feasible the notable Gestra blue changed to the new Flowserve red.

“For our distributors and customers, the packaging change was a dramatic indicator that the brand had really changed,” says Andreas Lubisch, Flowserve Gestra marketing director. “All of a sudden, where there were blue Gestra boxes before, the warehouses were lined with solid red. Not only did it affect our distributors, it sent a positive visual message to our manufacturing team.”

A novel coffee cup design proved to be instrumental in getting employees to grab on to the branding change. Oelsner personally illustrated the mug at the all-employee meeting.

“We wanted to make the branding a meaningful and pleasant experience for our employees because we needed their buy-in.”

Now, Flowserve Gestra employees are clearly leading advocates of the adoption of the corporate branding. Cultural, language and globalization concerns have been replaced with loyalty to everything Flowserve.

Lubisch notes that use of the new coffee cup is just one sign of how enthusiastically Flowserve Gestra employees have taken on the transition. “In the end, no one considers using the cup for cold drinks, because that would leave it colored blue,” says Lubisch. “Everyone uses it for hot tea or coffee so the cup turns deep, Flowserve red.”

new market penetration efforts with a portfolio of products and services under the global Flowserve umbrella.

Flowserve has attained brand integration in a much shorter window than have many similar groups in the industrial sector. Today, any Flowserve employee could put his or her business card on a table, and the look would be the same. The branding of the cards is consistent — they pass the essential identity litmus test. Everything from paychecks to hardhats to advertising, marketing communication, factory foyers and websites carries the Flowserve brand.

It’s an achievement that is the result of the Herculean, though sometimes unpopular, effort on the part of the brand champions inside the corporation.

More and more, the Flowserve name is becoming recognized by their customers around the world as a leading global brand of fluid motion and control solutions. The dual branding strategy is clearly paying off, but Jacko says that there’s still a lot of work to do. “It will take our continuing commitment to the branding process to make certain everyone is onboard internally and that externally, our message is fully understood.

“Our vision,” adds Jacko, “is that customers and employees alike will identify the company’s powerful portfolio of solutions with the single, unified Flowserve brand.” ■