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Corporate Real Estate mirrors Brand: A conceptual framework and practical applications

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Abstract

Purpose – The purpose of this paper is to show how international companies (can) use real estate as a means to reinforce corporate identity and to express brand values in order to evoke a positive image in today’s competitive world.

Design/methodology/approach – The paper relies on a review of literature, seven case studies including analysis of company documents and in depth interviews with marketing experts and real estate advisors, and a cross-case analysis showing the translation of brand core values in real estate strategies of these multinationals.

Findings – The findings show that brand values are incorporated in the location strategy, building strategy, workplace strategy and at portfolio management level by all companies, but in different ways and with different focus points. Most common used brand values are “Green” values i.e. sustainability, reliability, transparency, innovation and people oriented. Branding policies take into account both internal stakeholders such as the end users, and external stakeholders such as customers and investors.

Research limitations/implications – The number of interviews is rather limited. Reliability of the findings was enforced by triangulation through connecting the interview findings to literature and strategic documents. Additional empirical research is needed to further explore which strategic choices can be made and in particular what is the actual impact on corporate image and organisational performance.

Practical implications –The different ways to translate corporate brand values in real estate and the conceptual framework that has been developed to describe the step by step approach - from defining a vision to translating the corporate culture and identity into a well-considered real estate strategy - can be used by policy makers and real estate managers in real estate decision-making on strategic, tactical and operational level.

Originality – The paper links findings from Corporate Real Estate Management with insights from marketing theory and adding value by real estate.

Keywords Corporate Identity, Corporate Image, Branding, Real Estate, Strategy, CREM, Headquarters

Paper type Research paper

Introduction

In today’s world, people talk about brands, people wear brands, drive them, eat them and admire them. Everything people do and experience today somewhere is a “brand experience”. Due to a globalizing and extremely competitive society where product differentiation is no longer sufficient to maintain a good market position, the value of a company and its products depends more and more on adequate branding. So it becomes necessary to use every opportunity of using corporate resources as a means to communicate brand values. The name, logo and visual representation of organizations expresses the brand values, but corporate brands constitute much more than just these common outward manifestations. Branding is directed to the overall perception that internal and external stakeholders have of an organization and the image they have in mind of the corporate identity (Balmer, 2001). As such, corporate branding extends to the core of the organization and is believed to create, communicate and deliver value to customers in a manner that benefits the organizational performance and supports competitive advantage (Balmer & Gray, 2000).
Corporate identity is propagated through all facets of a company people come into contact. For this reason branding requires the engagement of everyone in the organization, from CEO to HR, IT, RE and production departments. For instance, human resources managers can incorporate cultural matters and corporate values in training and development programs in order to encourage employees to express cultural values in their behaviour. Production departments are responsible for designing products and delivering services that are coherent with the brand values of the company.

In the domain of corporate real estate management (CREM) the role of the real estate strategy in communicating brand values to internal and external stakeholders is recognized as well (Krumm & De Vries, 2003; Herman Miller, 2007; Appel-Meulenbroek et al., 2010). De Jonge (2002, in De Jonge & Arkesteijn, 2009) mentioned seven ways to add value by real estate, including its impact on marketing and sales, as such transforming real estate from a cost factor to a corporate asset. The impact of corporate real estate on marketing and PR is also included in a number of frameworks that connect corporate real estate to shareholder value and organizational performance from the perspectives of different stakeholders (Nourse & Roulac, 1995; Lindholm & Levainen, 2006; Lindhom et al. 2006; De Vries et al., 2008; Den Heijer, 2011; Jensen et al. 2012). A real estate strategy that is aligned with branding objectives can add value to the core business by communicating brand values and evoking a positive image and as such attract and retain customers and talented staff and contribute to distinctiveness and competitive advantage (Harris & Chernatonay, 2001). Real estate can have presentation effects that are hard to imitate or substitute with other means. It is assumed that this might reduce communicating costs in advertising campaigns (Heywood, 2008).

The aim of this paper is to investigate if and how multinationals nowadays incorporate brand values in their corporate real estate strategies to strengthen the corporate identity and, if so, at which levels: overall portfolio level, headquarters, front offices, back offices, interior design. For this purpose interviews were conducted with marketing experts and real estate advisors from seven multinationals. The case studies investigated how common brand values are expressed in location, building, workplace, and portfolio strategy. A relationship framework has been developed that visualizes the alignment of the real estate strategy with branding objectives of the organisation. This framework has been used to structure the data-collection and findings from the case studies. The next section presents this framework. Then the research methods and findings will be presented. The paper ends with reflections and conclusions and some suggestions for further research.

Theoretical framework

Corporate branding can be part of a marketing strategy by using the vision, culture and image of a company as a unique selling proposition (Hatch & Schultz, 2003). As such branding strategy starts at organizational level by defining the vision, culture and aimed image of the organization. A next step is to incorporate these topics in the corporate strategy and to ‘translate’ the vision, culture and image into corporate brands that should communicate via brand values clearly and consistently, differentiate from competitors and enhance the system and loyalty of stakeholders. Brand values are transmitted to the world by means of different communication channels, directly or indirectly. Indirect communication is carried out by means of publications, media and advertisement. Branding by corporate real estate is a more direct channel of communication, because its capability of ‘look and feel’. According to the literature, the location (site), the building strategy - in particular the appearance (skin) but also other building characteristics e.g. the height and remarkable sky-bridge of the Petrona Twin Towers in Kuala Lumpur - and workplace characteristics (space) such as the level of openness are useful means to express brand values in different ways. According to real estate literature, the location and building choice might influence the marketing costs of an office firm (Archer, 2003). The importance of image effects of the location has been long recognised and is often refereed to as the ‘right address’. The ‘location location location’ mantra still holds for current offices. A firm may be known by its
neighbourhood or by the building it occupies (Koppels et al., 2009). Regarding building level, corporations might choose to accommodate themselves in iconic buildings, on prime locations, in order to communicate their corporate brand values to its employees, clients and other stakeholders. By choosing a particular form, an organization transmits messages about its values and aspirations – for example by opting for the representation of progress, power and success associated with a skyscraper, or by architecture referring to industrial design and a living machine of innovation, as is shown in the corporate headquarters of Oakley, California (Figure 1). This building is a monument for the machine age, to honour invention

Figure 1: Oakley headquarters, California

The Oakley Inc. headquarters symbolizes a culture that attacks rivals like Nike with gladiator glee; the huge echoing vault is straight out of Starwars. The exterior architecture signifies a stronghold, a fortress to bunker the triumphs of patented innovation, which is one of the major brand attributes of Oakley.

The physical image of the building may advertise and attract attention to a firms ‘goods and services. The increased interest of companies to buy or lease sustainable office buildings can partly be explained from this perspective. It provides organizations with a means to communicate their corporate social responsibility (Thyssen, 2010). As Lindholm et al. (2006) argue the work place strategy also provides possibilities to communicate brand values. The office and facility layout might for example reflect the organization emphasis on team work, transparency, innovation or any other set of corporate brand values. For instance, the work environments of Vodafone in Amsterdam versus the interior design of BBC, British headquarters (figure 2). According to Ward & Holtman (2000) the “narrative office” brings brand values alive, act as a receptacle for corporate memory, and gives employees constantly visual stimuli to promote a service ethos. While the location, building, and portfolio strategy affect both the perception of the corporate identity by internal and external stakeholders, it can be argued that the workplace strategy mainly aims at expressing brand values to internal stakeholders (Van Loon et al., 2005).

Branding by location, building characteristics and workplace strategy can be applied to particular buildings such as the headquarters, or parts of buildings e.g. front offices, but also to the overall real estate portfolio. Organizations should not focus solely on characterizing their brand externally, but also bring brand in life in the internal world as well. The final step in ‘branding by real estate’ is to investigate how both internal stakeholders such as employees and external stakeholders such as customers and the general public perceive and appraise companies’ real estate and what the impact is on the corporate image.
Figure 2: Work spaces of Vodafone, Amsterdam (left) and British headquarters (right)

The Vodafone NL’s Amsterdam headquarters melds brand value speed in the workplace. The provision of the NS train module as a work space shows how the interpretation of the brand value is made in the workspace. On the other hand, BBC British headquarters melds brand value creativity in the workplace by stating their vision slogans on floors and walls.

A positive image may contribute to competitive advantage. Brand strength is influenced by the extent to which the interpretations of the brand are congruent. If the perceived corporate image is similar to the conceived corporate identity by the organisation, than it strengthens the corporate identity and supports competitive advantage. Figure 3 shows a conceptual framework with different layers in connecting corporate real estate strategy to branding by real estate strategy.
Research methods
In order to empirically test and further explore this conceptual framework, seven case studies were performed for this qualitative study. The data-collection was structured in accordance to the conceptual framework. Each case has been analysed by investigating the corporate brand values and how these values are translated into the location strategy, building strategy, workplace strategy, and portfolio management strategy of the corporation. Furthermore, it was ascertained if the organization strategy of communicating specific brand values was aimed at internal and/or external stakeholder. Data were collected through interviews with representatives from marketing and real estate division. Most of them are working at the corporate headquarters of the organizations. In addition, document analysis of annual reports and real estate strategy documents was carried out. Finally a cross-case analysis was conducted in search of similarities and dissimilarities. Due to the explorative nature of the study, the case selection ensured that organizations from various economic sectors are represented in the sample. Furthermore the selected cases consist of a mix of companies belonging to the Business to Business (B2B) marketing, Business to customers (B2C) marketing and a combination (B2B+B2C) of both categories.

Research findings
A preliminary cross-case analysis indicated five common corporate brand values: innovation, sustainability, reliability, people orientated and transparency. A follow-up analysis focused on these five brand values in search if and how these values are translated in the real estate strategy i.e. the location strategy, building strategy, workplace strategy and portfolio management strategy (table 1).

Innovation
An interesting observation is that companies considering innovation as one of their brand value closely link innovation to the technological developments in their core businesses, for instance Philips, Vodafone and Logica. The IT department is strongly involved in the translation of this brand value into real estate by application of new technological developments. In the location strategy, the brand value ‘innovation’ is usually depicted by choosing the location in regions where talented labour is concentrated e.g. in Eindhoven (location of the Innovation Hub of Vodafone). In building strategy ‘innovation’ is translated by the use of biometrics. Biometrics authentication refers to technology that measures and analyses human physical characteristics for security. It is typically used for physical access control to buildings to IT systems that makes the building Smart. Innovative work place strategies focus on flexible working with non-assigned “hot” desks.

Sustainability
A majority of the companies stated that one of their prime brand values is sustainability. According to one of the financial sector organizations, sustainability gained more ground in the period of economic downturn. At location level most organizations translate the sustainable brand value through the proximity to public transport (particularly a train station) and centralization vs. decentralization. Regarding the building strategy sustainable brand value is communicated by implementing energy management programs, BREEAM or LEED- certified headquarters, video conferencing facilities, and optimizing the footprint by desk sharing to achieve Co2 reduction targets. An interesting observation is the use of core business sustainable products like sustainable lighting and carpeting to maximize the energy efficacy, e.g. by Philips in Amsterdam headquarters. Regarding to workplace strategy all seven organizations focus on flexible/smart/alternative workplace concepts to showcase the sustainable brand value which also provides flexibility and reduces occupancy and facilities costs. The use of cradle to cradle material is another option that is incorporated in workplace strategies to showcase the sustainable brand value. The sustainable brand value is also communicated via portfolio management through optimization of the real estate portfolio, adaptive reuse of redundant office space, long lease spans, and BREEAM or LEED certified buildings.
Figure 3: Conceptual framework showing the possible role of real estate in corporate branding

Reliability
Measures to communicate the brand value reliability are closely linked to continuity (e.g. life span use of existing buildings) and smart and efficient use of capital and other resources (e.g. adaptive reuse of vacant buildings). For financial institutions like ING it is extremely important to show their investors and customers that they use capital in an intelligent way, e.g. by relocation to the old headquarters building, involvement of real estate consultants such as CBRE to optimize the real estate portfolio, and making social responsible decisions to reduce the problem of high vacancy in the office stock.

People Orientation
This brand value is mainly focused on internal stakeholders as targeted audience. The involvement of employees in designing their workplaces as in Philips headquarters supports a sense of association and is an interesting way to share the corporation vision and core values with the internal stakeholders. Other measures include the incorporation of employee values in location choices, supply of employee services, and application of new office concepts to improve social interaction. One of the companies’ brand values is “connecting people”. This has been translated in a location in the city centre, with a high exposure to the outside world and customers, visible from the highway and served by two train stations.

Transparency/Openness
Transparency is communicated by the building strategy of all seven organizations with a strong focus on internal stakeholders. Use of glass, flexible working and the open voids or atriums in the building architecture enhances visual connections. The workplace strategy is linked to the organization culture and reflects the organizational structure.
In addition, real estate and other facilities are also used to support the distinctiveness and reputation of the company. For instance by choosing a high rise building as visible element in the skyline of the city, or the use of a huge reception desk with the back wall showing the company logo and a lighting effect that evokes an atmosphere of spaciousness and richness. The oil and gas supplier organisation applies global guidelines for workplace design at all levels of real estate to induce an enterprise identity. The large hanging banners in the atrium of the Ahold headquarters showing sub-brands like ETOS, Gall n Gall etc. illustrate the large products range of this company. The historic showcase in the visitor lobby and the reception zone shows the artefacts from 1890 that were sold in the first shops. In the Post.NL headquarters a huge typographical art work with meter high letters on the glass panel, with different coloured foil, shows the various promises of this company to the customers. The large size of the conference hall expresses the magnitude of the target group of Post.NL. The colour red in the interior refers to the traditional use of red in post offices and post boxes. Branding by real estate is also applied though the sorting centres that are considered as a window to external stakeholders, and the post shops, where the company gets in touch with the customer.

Other values such as trust, speed and simplicity are less often communicated by real estate. Trust is sometimes translated in a location in a safe area, transparency, and facilities that support employees’ wellbeing to make them feel comfortable. Speed is connected to close proximity to public transport. Sin one case simplicity was mentioned to be the driver to naming all floors in connection to its function and to check the location for easy access to amenities for daily purchases. To make employees aware of the involvement of the organization in the outside world, Vodafone calls one room the Red Room to refer to the theme of Formula 1 races. They also connect trust to new ways of working with a high level of employees’ autonomy in deciding when, how and where to work, and express the speed value in train modules in workspace (figure 4).

Furthermore, brand values are not static, due to changing visions and core business strategies. For instance, in the phase of growing one of the companies focused on transparency and innovation, whereas since the financial downturn most real estate decisions are driven by cost reduction.

Most interviewed companies believe that branding by real estate supports their marketing policy and results in competitive advantage. As one of the interviewees said: “We tend to bring people within the space we generated by making it open for new investors and customers. Real estate adds value by supporting the brand loyalty and brand awareness amongst employees. The move of the headquarters to a more exciting location attracted 200 talented workers and evoked a positive image amongst employees, customers and investors. The WOW factor adds to job satisfaction and top employer brand”. On the contrary, another respondent stated that the company does not see marketing as one of the added values of real estate: “our money is made by consultancy hours, most
of our consultants don’t stay in the office very often but visit clients, so our headquarters is just a facility to accommodate staff and other employees and is not used for branding”. As a consequence, the headquarters is located in an A building near Amsterdam and not in an AAA grade building in Amsterdam, and the facades are not very iconic “because the primary investment is in the work force that is the key factor to success”.

Reflections and recommendations

Some brand values showed to be easier to translate into real estate measures than others. Transparency is often literally translated at building and workplace strategy level, by much glass and lack of walls. Sustainability is usually communicated by proximity to public transport, energy reduction measures, BREEAM or LEED label, Cradle to Cradle materials, optimum usage of available resources in the portfolio and efficient use of space by new ways of ‘smart’ working. Innovation is often linked to innovative products and materials – in particular when it is possible to apply own products, and new ways of working. These kind of values is both communicated to external and internal stakeholders. Being people oriented is partly translated in involvement of employees in design processes and partly in implementation of new ways of working to give them more autonomy and a better work-life balance and as such focuses on internal stakeholders, whereas reliability is often linked to life span use of buildings and cost effectiveness, with a focus on external stakeholders. The upcoming objective of corporate social responsibility is primarily communicated by brand values such as sustainability, reliability and being people oriented. Also some inconsistencies have been observed. For example one of the companies wants top brand themselves as a sustainable company, whereas they don’t apply BREAM or LEED as a performance indicator of their buildings. Another company wants to attract young talented workforce by an open, dynamic and innovative work environment, but the cellular office does not support these brand values. Some decisions are a little ambivalent. On the one hand the choice of Post.NL to accommodate small post offices in Ahold stores and book shops seems to be mainly directed by efficiency and cost reduction. However, this choice is also connected to brand values such as ‘connecting people’ and being a highly reliable organisation that provides easy access to its customers. From a managerial point of view still much work has to be done to incorporate “branding by real estate” in practice; According to one respondent “corporate real estate managers are unable to see the bigger picture. The implementation of ideas is carried out in bits and pieces and lacks coherence and one holistic theme. Most decisions are mainly cost driven with a focus on short term results”.

Regarding Business to Business marketing (B2B) versus Business to Consumer marketing (B2C), some interesting observations came to the fore. One B2B case focuses on cost reduction, the other one on standardization. Whereas the latter case explicitly stated to consider real estate as an important means of communication to their internal stakeholders (employees) and link their HR policy of employee value proposition with their real estate decisions, the former case - considering People as their prime asset - does not align actions to retain and attract talent worker to their brand values.

Ahold, a B2C case in the retail industry, breathes their brand values in their real estate, though the CREM staff emphasized that the major brands are communicated through retail outlets and stores and less at corporate headquarters level. Nevertheless, most brand values were well-translated in the business headquarters as well. The headquarters location of Ahold in Zaandam is an important factor of the company’s Identity and a basic component of its market position and the way customers identify themselves with the company and its products.

Vodafone is an example of a B2B&B2C combination. This firm has been able to translate their brand values at all real estate levels. Being a communication organization, Vodafone wants to communicate the same brand values at local and global level. Real estate is considered as a strong means of communicating brand values – both at corporate headquarters and outlets.
Using the corporate headquarter as a channel of communication to the employees and outside world showed to be strategically successful. This psychologically contributes to positive feelings of the employees and adds value in the form of intangible benefits such as a strong brand association and attracting new skilled talent. Vodafone attained cutting edge results by an integrated and multidisciplinary approach of combining marketing campaigns with a changing workplace real estate strategy, targeted to both internal and external stakeholders.

Practical implications
The present study showed many ways to use real estate as a means to communicate brand values and to strengthen the corporate identity and to evoke a positive corporate image. The findings can be incorporated in corporate real estate management regarding the location strategy, building characteristics and workplace strategy, and on overall real estate portfolio management level. It is recommended to conduct a step-by-step plan to incorporate real estate in the marketing strategy, taking into account both internal and external stakeholders. Possible steps could be (figure 5):

**Figure 5: Step-by-step plan to branding by corporate real estate**

Step 1: Outline the corporate brand values
- List down the elements of brand essence.
- Examine and evaluate the vision of the organization.
- Identify the basic organizational culture characteristics.
- List down the main elements of the corporate business strategy and organization’s objectives.
- Summarize the corporate brand values

Step 2: Define corporate real estate strategies to communicate brand values
- Define the strategic directions in CRE and the desired supply for well-integrated brand values.
- Decide which potential properties are important for communicating the listed corporate brand values.
- Define the target audience to whom the brand values are needed to be transmitted.
- Outlining the strategic means of translation brand values in CRE strategy

To accomplish Step 2 it is important to organize effective interactions with internal stakeholders such as the (departments of) HR, IT, finance, marketing and PR, with shareholders, with (representatives of) employees and with external stakeholders such as architects, real estate advisors, and so on. Decision-makers such as the C-suite need to be in constant dialogue with other parties to make sound and effective decisions and incorporate the expertise of internal and external stakeholders.

Step 3: Create a tactical action plan
- Identify actions/measures to translate corporate brand values in corporate real estate strategies.
- Make use of the translation of most common brand values of the investigated corporations.

Step 4: Evaluate and communicate the success of ‘branding by real estate’
- Define the success factors of the translation of brand values in CRE strategies.
- Evaluate the employer brand rank after implementation.
- Conduct a brand values awareness campaign amongst internal and external stakeholders
- Implement similar measures across other potential properties, standardized if possible.
- Communicate the results internally and externally.
The coherence between perceived corporate image and conceived corporate identity by the leaders is a sound indicator of the success of transmission of corporate brand values in CRE strategies. Linking corporate brand values to CRE gives CRE managers a unique opportunity to add long-term value to the organization and as such to be a valuable strategic partner within the company.

Further research
Of course seven cases are a limited sample. It is therefore recommended to extend the present study with more cases, preferably in different sectors (offices, retail and leisure, education, health care etc. and profit versus not-for-profit) and different cultures. Another next research step could be to extend data-collection methods with stakeholder surveys to investigate which values are recognized in real estate, which ones are appreciated and support a positive image, and if and how this actually results in improved organisational performance.

References


About the authors

Chesta Khanna graduated in 2012 on this subject at the Department of Real Estate & Housing, Faculty of Architecture, Delft University of Technology. She specialised in Corporate Real Estate Management (CREM). She carried out her thesis in close association with Jones Lang LaSalle, Amsterdam. For a short span of time she was involved in research on Corporations and Cities.

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