

The background is a vibrant, abstract composition featuring a gradient of blue, purple, and pink. Numerous iridescent, multi-colored bubbles of various sizes are scattered across the scene, some overlapping. A large, thick, rainbow-colored circle is centered in the frame, partially obscuring the bubbles. The word "covestro" is written in a bold, white, lowercase sans-serif font across the middle of the rainbow circle.

# covestro

Submission title:

Covestro: New Brand

Client name:

Covestro

2018 Entry

For Publication

Landor



## Executive Summary

### The Brighter Element: a colourful vision for a new company

The market for engineering plastics in Germany was estimated to be at USD 5,128.81 million in 2017. The market is expected to show a healthy growth rate over the forecast period (2018 – 2023), at a CAGR of 4.41%. (Mordor Intelligence)

In 2017, the Bayer Group comprised 237 consolidated companies in 79 countries throughout the world. At this time, Bayer employed 99,820 people worldwide. The Bayer MaterialScience division was worth \$12.3billion. When the company announced the spin-off of its Material Science division, it posed a huge challenge to the newly-formed business and its 14,700 employees. Since embarking on the project, this has grown to 17,000. The freedom to pursue new opportunities independently was offset by the uncertainty of leaving the security of the Bayer powerhouse, and the name of Dr. Otto Bayer, father of the polyurethanes industry.

We were tasked with developing a new visual identity for the new company that would allow the business to stand alone as a leader in the industry. We needed to compensate for the loss of the Bayer name and brand, simultaneously motivating employees and capturing the interest of the financial community. The new brand (which came to be named 'Covestro') had to be a distinct departure from Bayer that quickly instilled pride and passion. Landor travelled the world conducting interviews and workshops to understand what employees and executives wanted from the new brand.

The design solution we created for Covestro extended far beyond the visual. We focused on creating a powerful internal cultural engagement programme and an externally facing brand. At a time of great uncertainty, we boosted the staff approval rating to higher than ever before and gave the brand standout in an otherwise sterile sector, enabling the new company to launch earlier than expected and immediately boost its value.

As a long-standing partner of choice for its customers worldwide (through Bayer)



Covestro has an 80-year history of developing market-driven, innovative polymers used across a wide range of industries. The company holds prime and defensible global industry positions across its entire portfolio.

Covestro is now among the world's largest polymer companies. Business activities are focused on the manufacture of hightech polymer materials. The main segments served are the automotive, electrical and electronics, construction and sports and leisure industries. The Covestro group has 30 production sites around the globe.

Now in the third quarter of 2018, Covestro sales amount to €3702 million, up €170 million from the third quarter of 2017 (Covestro annual report Q3 2018).

## Case Study Overview

### Outline of project brief:

#### The new brand must:

- Appeal to the financial community – in order to attract financial investment – to raise over EUR 1.5 billion to reach targeted investment graded rating and repay debt to the Bayer group. (Covestro, Investor News)
- Launch successfully on the stock market (within three months)
- Energise and motivate employees who were used to the original Bayer brand and its established values. In 2017, the Covestro cultural board stated their ambition: "To be the most innovative partner in our industry by creating an open-minded, accountable, empowered and united community of curious, courageous and colourful minds."
- Be positioned as a global leading player in the chemical industry – to be able to compete in a global industry.

When Bayer announced the spin-off of its Material Science division, it posed a huge challenge to the newly-formed business and its 14,700 employees. The freedom to pursue new opportunities independently was offset by the uncertainty of leaving the security of the Bayer powerhouse, and the name of Dr. Otto Bayer, father of the polyurethanes industry.

Bayer needed to create a brand that would establish it as a global player in its own right and attract investment from the financial community. It also needed to reassure concerned employees that the new entity shared their values and would be a positive place to work.

The brief included everything it took to build a brand, from positioning and values, through to naming, visual identity, brand guidelines, internal comms, strategy and assets for launch.

"A lot of anxiety set in and then, of course, the question is how can we be successful on our own without Bayer and a big name and the large company behind it?" Jerry McClear, CEO and Chairman Covestro North America

In 2017, the Covestro cultural board stated their ambitions:

**"To be the most innovative partner in our industry by creating an open-minded, accountable, empowered and united community of curious, courageous and colourful minds."**

Colleague support was crucial to the success of the project, so before the brand could be designed, we needed to fully understand and research the workforce – how they were feeling, their concerns and how they wanted to work. We embarked on a four-month culture 'health-check' phase, using quantitative and qualitative means to better understand the common cultural thread across all regions and roles. When we had a thorough understanding, we devised a set of values that would match the requirements for a successful launch on the stock market and create a workplace that felt like a home for 14,700 highly qualified people.

#### Tracking & measuring cultural change

After 18 months as Covestro, it was clear internal behaviors had not changed sufficiently to ensure the organisation was capable of deliver it's vision. This was evidenced by a Pulse survey, conducted with Landor's support that revealed 85% of employees could name the 3 values, but 65% could not explain or justify how this affected or improved their day-to-day work.

In this stead, we developed a live tracking tool, using the identified behaviors to measure and track internal change, over time. An annual survey was issued, alongside a selection of key business activity trackers to arrive at a percentage score for each of the values, and an umbrella Covestro Culture score. This helped the business identify which areas are improving, enabling them to take action on those that are under performing.





## Case Study Overview

### Description:

The plastics market is set to be worth \$654.38 Billion by 2020 (Grand View Research).

The Bayer Material Science division had become known as one of the world's leading polymer producers. The company manufactured, marketed, and distributed coatings, adhesives, insulating materials, sealants, polycarbonates, and polyurethanes. Its products were used across a wide range of industries including automotive, construction, health, electronics, and medical engineering; touching every aspect of modern human life.

### The competition

As the newly developed 'Covestro', the new company (\$11.52B market cap) would inherit the original outputs of the Bayer Material Science division and grow to hold a leadership position in a highly competitive environment. Competitors include Competi BASF (\$80.16B market cap), Dow Chemical (\$34.307B market cap), Huntsman (\$4.68B market cap), Wanhua Chemical (\$77.62B market cap), Evonik (\$11.25B market cap), Celanese (\$13.33B market cap) and Sabic (\$352.20B market cap). Visually, from a brand point of view, the chemical industry is typically clinical and awash with shades of blue, with key functional promises being a common thread.

The full visual identity we developed for Bayer's new company consisted of a new brand name, and a look and feel that would stretch to encompass all communications. This ladder up to a brand story that would form the uniting culture for the new company's employees.

### New creative direction – bold and bright

With the new company entering a new era, we helped Covestro take the brave step to move away from the expected traditional corporate values usually found in a B2B environment, and developed ground-breaking attitudinal brand values that would deeply resonate, guide and inspire employees, shaping how they would think and behave.



Working with the Bayer team, the brand idea of 'The Brighter Element' was defined. The sense of intelligence, innovation and desire for differentiation was so evident in Covestro's employees, and we felt this creative thought perfectly captured these themes. 'The brighter element' would act as a strategic and creative platform for the broader brand expression, guiding internal communications, engagement activities and the new employer brand as a whole.

Building on the core brand idea of 'The Brighter Element', the new visual identity reflects and symbolises pivotal elements of the Covestro brand. The design was rooted in the values 'curious', 'courageous', and 'colourful'. Where others might question 'why?', we dare to ask 'why not?', breaking with sector conventions to identify this new brand with bold colour.

Imagery is purposefully colourful and optimistic, differentiating Covestro from an industrial market that is often perceived as sterile and dull. It shows that the company values different viewpoints and diverse ideas. It is optimistic and resourceful and uses every colour in the palette to create solutions and solve problems in innovative ways.

After generating over 2,000 possible names and undertaking extensive global trademark research, the name 'Covestro' became reality. Its name is made of three parts: 'co' for collaboration, 'vest' for investment for the future, and 'stro' for strong, referencing the company's solid core values.

The circular mark is a nod to Covestro's Bayer heritage; an element of continuity that reassured both loyal employees and the investment community at large. The mark is also designed to convey a sense of motion and unending curiosity, demonstrating Covestro's relentless desire to keep improving. A full colour gradient signifies the spectrum of what Covestro has to offer, the company's diversity and an optimistic youthfulness previously absent in the traditional white-and-blue hues of the sector.

# Case Study Overview

## Results

Armed with a new brand story, name, visual identity and evolved culture, on its first day of trading, in 2015, Covestro initially became Germany's biggest IPO since 2000.

Two years after launch, Covestro's share price has more than doubled (from EUR 24 at IPO to EUR 50 now per share), with gross profit up 65 percent. Market value increased from \$4.9 billion (in 2015) to \$7.6 billion (in 2016) - a 55% increase. Covestro gained 12% on the first day of trading. The stock rose 11% at 26.55 euro in Frankfurt (Bloomberg).

By September 2018, Covestro showed a revenue increase of 4.81%.

Without a strong name and visual direction, there was a strong chance Bayer's new brand might not have survived, let alone thrived, through poor colleague adoption. Fortunately, this was far from the case.

"I have never seen nor heard of such a successful transformation and the people's faces on September 1st made everything so worthwhile."

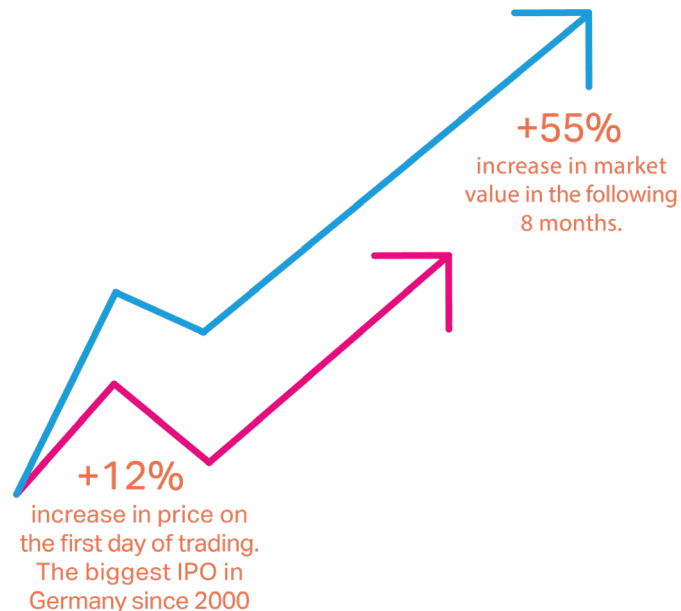
Richard Northcote (deceased),  
Chief Sustainability Officer.

### Summary

Original objective: Appeal to the financial community – in order to attract financial investment – to raise over EUR 1.5 billion to reach targeted investment graded rating and repay debt to the Bayer group.

#### End results:

- Emission volume of EUR 1.5 billion was achieved through the IPO and launch. The shares are now listed in the regulated market segment (Prime Standard).
- Two years after launch, Covestro's share price has more than doubled, with gross profit up 65 percent.
- 13 analysts issued buy recommendations of Covestro shares by the end of the first quarter of 2016
- Initial share sales were 3x over-subscribed
- 55% market value increase



Original objective: Launch successfully on the stock market

#### End results:

- Largest German IPO since 2000 on first day of trading
- 12% price increase on first day of trading
- Stock continued to outperform the market in 2017 with sales increase of 18.8%

Original objective: Energise and motivate employees who were used to the original Bayer brand and its established values. "To be the most innovative partner in our industry by creating an open-minded, accountable, empowered and united community of curious, courageous and colourful minds."

#### End result:

- Colleague brand approval moved from 45% to 90%
- Invested over \$750,000 into Covestro Institute for Engagement which has connected over 45 non-profits with
- Covestro employees (Pittsburgh Business Times, WSJ)

Original objective: Be positioned as a global leading player in the chemical industry – to be able to compete in a global industry.

#### End result:

- EBITDA rose in 2017 by 70.6% to EUR 3.4 billion
- Earnings per share grew to EUR 11.54 in 2018 (+16% vs. YATD)
- Ahead of the market on all valuation statistics incl. Price/Earnings (19.3% vs. 14.7%), and Cash Flow (14.6% vs. 8%) – Investment Detail Report, Morningstar)
- No notable competitors performing as well (Morningstar)

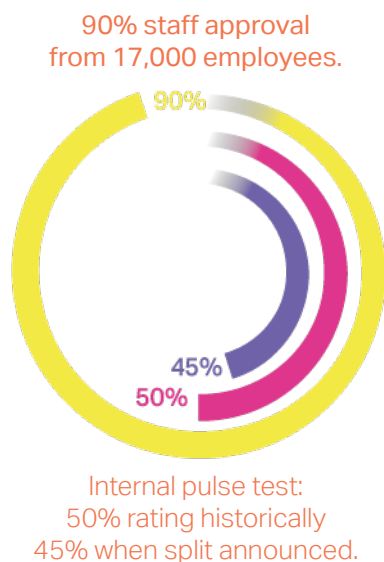
## Case Study Overview:

### Results

#### Results in further detail

The internal response from employees was so positive, that the brand was announced three months earlier than scheduled. The staff approval rating (50% historically) had dropped to 45% before the rebrand was announced; an internal pulse test of 14,700 employees placed it at 90% after the rebrand.

This November, Covestro won the 2018 Corporate Culture Award "Best Culture of Innovation"



"We have created a culture of openness and appropriate fault tolerance as well as a comprehensive infrastructure for ideas: an Internet platform, regular international innovation festivals and a new internal start-up competition. For us, innovation means working together every day to push the boundaries of what is possible. That's why we're particularly proud to be recognized for this." Markus Steilemann, CEO of Covestro.

Initial share sales were three times over-subscribed. The launch was the biggest IPO in Germany since 2000, and the brand enjoyed a 12% increase in price on the first day of trading. In the following 8 months, the brand enjoyed a 55% increase in market value.

Covestro continued its positive business performance in 2018 with a solid third quarter in an increasingly challenging market environment. Group sales grew by 4.8% to EUR 3.7 billion over the same quarter in 2017 thanks to higher selling prices and volumes sold. Core volumes were up marginally by 0.2%, remaining at last year's level despite limited product availability. At EUR 859 million, the Group's EBITDA also matched the prior year period. Declining margins in the Polyurethanes segment were offset by higher margins in the Polycarbonates segment. Net income rose slightly by 1.0% to EUR 496 million. Earnings per share advanced by 6.6% to EUR 2.59, supported by the ongoing share buyback. Free operating cash flow (FOCF) was down 12.2% to EUR 578 million due to increased investments.

## Case Study Overview:

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### Influencing Factors:

Design has driven some exceptional results for the newly formed Covestro brand, but several other factors influenced the success of the project.

- A global general print media ad campaign ran alongside a digital campaign to work with the launch day (1st September) and the actual IPO in October, 2015. Reach was pushed with the print media campaign, but due to the newly established differentiation of design and brand, we can apportion a higher percentage of awareness to this as the reason for success.
- Covestro are carrying out additional airport advertising in Germany and the US. Naturally, this will help with awareness, but the consistency of the brand's visual identity will also have a bearing.
- Throughout the launch of the Covestro brand, employees were engaged through a coordinated series of exciting launch events. Each of these events was branded and marketed according to the guidelines we established together and the recent Culture award and great results show a correlated impact between higher employee engagement and better performance.
- The initial public offering of Covestro in October 2015 came after capital markets were roiled by an economic slowdown in China and the admission by Volkswagen AG that it cheated on emission tests. This shows the clear success story for Covestro in an incredibly challenging business environment – boosted by its design and positive 'first impression' through marketing and PR, despite external capital market disruption.
- On April 1, Covestro was admitted to the STOXX Europe 600, comprising 600 companies from 18 European countries, thus enhancing Covestro's visibility on the stock markets. This introduction was bolstered by the name and supporting design, as well as the strong performance that the company has continued to show.



- As a business, Covestro is influenced by global demand and supply, with the price of raw materials heavily affecting Covestro earnings. It's true that demand in Covestro's areas of specialism has increased, but this also means stronger competition. The performance of the company is heavily affected by such market forces, but has survived strong headwinds. It is very challenging to show design's impact on this particular trend, but it is important to note as an influential factor.
- Higher selling prices accounted for some sales growth in 2017. Whilst we believe that the brand has created a strong, trusted relationship with Covestro's customers, we are also aware that this will have a significant impact on performance and have such included it as an influential factor.

### Research Resources

Covestro Interim Report 2016  
Covestro Annual Report 2017  
Covestro Internal engagement results and stakeholder interviews  
Covestro Investor Relations Press Releases  
Share price results gathered from [www.bloomberg.com](http://www.bloomberg.com)