Branding: From a commercial perspective

Received (in revised form): 16th November, 2005

JOHN NOBLE

is Director of the British Brands Group, a membership organisation that provides the collective voice for brand manufacturers in the UK. The Group was founded 11 years ago to promote the values and benefits of brands to consumers, the economy and society, as well as to represent brand manufacturers on policy issues. Through its lectures, research studies, conferences, publications and briefings, the Group is committed to deepening understanding among those who make and shape public policy of the contribution of brands to the quality of people's everyday lives and the success of the economy. It is part of a network of similar organisations across Europe and represents AIM, the European Brands Association, in the UK. John is a chartered marketer and, prior to joining the British Brands Group, followed a marketing career that started with British Airways before moving into marketing consultancy with Marketing Solutions. He then became Head of Marketing for Hamptons, a property company, and Bristol & West International.

Abstract

Ask someone to distinguish a trade mark from a brand and there may be a problem; for some, the two are synonymous. To others, while they may know what a brand is, they may find it hard to define one. This paper explains brands and looks at the similarities and differences they have with trade marks. It explores the reasons why companies are prepared to spend large fortunes building — and then protecting — their brands and the benfits that can accrue as a result, to both the company and its customers, when things go well. When brands come under attack, intellectual property rights, one might think, are ideally suited to protect them but it is clear they are not fully up to the task and brand owners must seek protection from a patchwork of disparate laws, some of which are ill-suited to the purpose. The paper concludes with a look at the wider social and economic contribution of brands and questions how well they are really understood.

Even within companies, people understand brands differently. In legal departments, 'brand' tends to be synonymous with 'trade marks', those registered, distinctive words, shapes, colours and sounds that clearly distinguish one product, service or company from another. Others in the company may understand the brand to be the corporate identity or logo, a view reinforced when companies go through 're-branding' exercises.

Certainly there is a myriad of definitions of 'brand' and the web is as good a place to find them as any. A visit to the knowledge hub at www.cim.co.uk is a starter. But how many of these definitions actually help those in companies build and manage their brands more effectively? How many give a framework of understanding, and bring motivation to everyone in an organisation to orient their actions to brand building?

It does not help that a brand actually is not anything to be seen or felt. It is nebulous, impossible to define and highly fragmented. If a brand was widely recognised as the 'sum of understanding' that rests in the mind of one individual within a population of millions, would that make it easier for those in companies to understand — and grow — their brands? Unlikely, one may think, although that is exactly how leading branded companies of the

John Noble
British Brands Group,
8 Henriette Place,
London W1G 0NB, UK
Tel: +44 (0)7020 934250
Fax: +44 (0)7020 934252
E-mail:
jn@britishbrandsgroup.org.uk

world understand their brands, as this quote from Coca-Cola demonstrates:

> 'If Coca-Cola were to lose all of its production-related assets in a disaster, the company would survive. By contrast, if all consumers were to have a sudden lapse of memory and forget everything related to Coca-Cola, the company would go out of business.'[1]

This 'sum of understanding' in an individual's mind is built over time, and it stems from the *total* experience that individual has with a product or service. The strongest source for this understanding is likely to be actual experiences of the product or service, but it will also be shaped by its advertising, word of mouth, press comment, and the myriad of other different influences that shape individual views and opinions. Some of these influences may be negative rather than positive and many may be out of the control of the company that makes the product. The end result of this 'sum of understanding', however, is whether the product is — or is not — for them.

Jeremy Bullmore of WPP draws an analogy between the way brands are built and the way birds build nests, using scraps and straws from a diversity of sources.[2] It is the brand manager's role to ensure that what rests in the minds of individuals is reasonably consistent, accurate, and sufficiently positive for that individual to select their product over competing alternatives.

This idea that brands actually rest in the minds of individuals explains some aspects of brands that tend to puzzle people.

- Brands cannot be created overnight, however much money is thrown at the task, as some dot.com companies eventually learned.
- Once positive space is created in people's minds, it is not easily destroyed. Those people of a certain age still remember Marathon[3] with fondness, although it has not been on the market for years.
- If a product remains relevant, brands can last a long, long time (Gordon's gin has been going since 1769 and Colgate since 1873).
- People tend to be intolerant of 're-branding'. This is because the company is tampering with something an individual may consider deeply personal.

That a brand is held in the mind of an individual is very different from the definition of brand as trade mark, yet trade marks are fundamentally important to protect those key distinctive aspects of communication that trigger this stored memory. A comparison of brands and trade marks highlights some interesting differences and similarities:

- a trade mark is a national (or regional) right, while a brand is personal to an individual;
- a trade mark must be capable of graphical representation, a brand is abstract, immensely complex and certainly cannot be represented;
- a trade mark is held on a register, a brand is held in the mind;
- a trade mark is valid in perpetuity (if the registration is renewed), as is a brand (if it is continually refreshed);
- a trade mark is a legal instrument, while a brand is a consumer weapon;
- a trade mark can be bought, sold and licensed, a brand cannot be traded.

So how does this view of brands help companies manage them? First of all, and perhaps painfully for some, is the realisation that it is individual consumers who control the brand. It is they who interpret all the different influences in a way personal to them. Mostly they express their opinions through what they do and do not buy, which is of course the main point. But sometimes stronger reactions are provoked. Most famous is the outcry across the USA in 1985 when Coca-Cola dared change the flavour of the nation's favourite cola, but there are more recent examples, and closer to home. Last year Little Chef decided to introduce a slimmer version of its (chubby) chef logo, only to receive 15,000 pleas to leave well alone.

With an understanding that a brand rests in the minds of individuals comes the realisation that everything a company does and every way it behaves has an impact on that brand. Producing an outstanding product is simply not enough, particularly if competitors are doing significantly more. Every touch point has an effect. While good experiences are remembered, so equally are poor ones. When a product is out of stock, when a helpline fails to help, or when staff are disinterested and off-hand, it registers in consumers' mental images of the brand.

Even if a company is doing everything right, its brand may be damaged if competitors (or even companies in an entirely different sector) do things better. Being held in a telephone queue listening to a standard message may be considered by some companies to be acceptable. However, if a small company, perhaps in a totally different line of business, were able to put the caller in greater control by stating the number of calls ahead of them and the likely waiting time, a new benchmark is set against which all other queues will be judged. Such things build or destroy brands.

A COMMERCIAL PERSPECTIVE

So why do companies pursue a branding strategy as opposed to the alternatives? At its simplest, branding shifts the demand curve. To create positive understanding in people's minds, it is necessary to be providing something effective and different from others, and to do so consistently over time. By differentiating and adding value over existing offers, demand for a product can be increased and/or a higher price charged.

Branding really does make a difference. Research by the Brewery Research Institute (BRI) tested consumers' degree of liking for a range of spirits depending on whether they tasted it blind, tasted and saw the product, or tasted, saw the product and knew the brand. In every instance, knowing the brand made a difference to consumers' degree of liking the product — often positively, but in some cases negatively. This clearly demonstrates the influence that branding can have, in a similar way to the blind tasting that indicates that people in some countries tend to prefer Pepsi to Coke, but when they know the brand, they reverse their preference.

Branding also helps companies compete. In today's market, two products can often be very similar but their brands totally different. This allows the company to distinguish its products more successfully and makes it harder for competitors to replicate their success. In the context of food, a burger and fries from McDonald's are not enormously different from those provided by Burger King, but the brands are certainly very different. A new market entrant may easily replicate the product but it would be impossible for them to replicate the Burger King or McDonald's brands.

Successful brands can evoke strong emotions and command high levels of loyalty, which provides another reason for pursuing a brand approach. Few brands command the level of attachment of the Harley-Davidson riders who tattoo the company logo on their bodies, but everyone has their personal favourites to which they have such attachment that no substitute will do. Tony O'Reilly, formerly Chief Executive of Heinz, measured brand loyalty by whether a shopper, failing to find their favourite ketchup in store, would be prepared to walk out of the store and shop elsewhere, rather than accept an alternative. Kevin Roberts, CEO of Saatchi & Saatchi Worldwide, talks about 'Lovemarks', which reach the heart as well as the mind, creating an intimate, emotional connection it is impossible to live without.[4]

Once a product has been taken to heart — or mind — it is hard to shift and the individual will tend to be tolerant of mishaps, as long as the company behaves appropriately. The benzene scare did not kill off the Pernod brand, although it did open the door to competitors; and the Mercedes A Class survived its earlier instability problems to be successfully re-launched. While perhaps not a primary motivating factor, effective risk management is nevertheless a consideration in favour of the brand business model.

An individual's attachment to products, and the brands they create, provides a strong platform to launch new products. A new product with a brand heritage will command levels of familiarity, understanding and trust among consumers which will always give it the advantage over an unknown new entrant.[5] Similarly, when entering new markets, sometimes far removed from that of the original, a product with an established brand will always have the edge. While the Dove brand has allowed Unilever to develop strong positions not just in soap but in other categories where cleaning and moisturising properties are important to people, other brands have been able to stretch much further, like Caterpillar (from earth movers to footwear) and Virgin (from airlines to cola).

Brands, in practice, exert their influence at every level of a brand-focused organisation. Yes, the strength of the relationship with individual consumers is key, but there are wider benefits for such companies. Retailers will want to stock their products. Opportunities for joint ventures will multiply, and their negotiating position will strengthen. Talented staff will be drawn to them, with retention costs being lower. Suppliers may be willing to offer better terms and there may be other financial benefits too.

The commercial case for branding, in the form of higher sales at higher margins, greater competitiveness, higher levels of loyalty and lower risk — when things go wrong but also when launching new products or entering new markets — is borne out by the evidence. In 2003 Futurebrand mapped the performance of strongly branded companies against weakly branded ones and found that, consistently over a ten-year period, the strongly branded companies outperformed against the weak, demonstrating the contribution of brands to shareholder value.[6] In 2004, in research among business leaders at the World Economic Forum in Davos, 59 per cent of CEOs stated that brands represented over 40 per cent of their companies' market value (for brand-focused companies, this percentage will be significantly greater).[7]

THE RESPONSIBILITIES OF BRANDING

While the brand model may bring significant commercial advantages, it comes with obligations and responsibilities, failure to adhere to which can bring severe commercial pain if not destruction.

First of all, a product or service must stand for something if it is to become a strong brand. Brand is not bland. It must make a genuine, positive difference to people's lives and be differentiated from other similar offers on the market. Some have described this as a promise that the product or service makes to its consumer, a promise which must be consistently kept.

Furthermore, brands exist in a constantly changing world. Consumer habits, ways of life, needs and wants evolve continuously. Competitors are always seeking ways to win consumer preference. Meanwhile technology advances all the time, opening up new ways to deliver stronger performance and benefits, often at lower cost. To remain relevant and maintain consumer preference in such a changing, competitive world, brand-focused companies must innovate continuously. The evidence is clear across categories where brands play a part, from vacuum cleaners to mp3 players, cars to detergents, computers to razors. For a brand to survive, innovation is an imperative, not an option, and that means deep understanding of consumers, significant investment and, of course, significant commercial risk.

To achieve the economies of scale necessary to deliver value and earn a return on investment, many brands must promote themselves to reach a wide audience, communicating the benefits they offer and strengthening their position in people's minds so that they become, and remain, the product of choice. Few branded products can afford to hide their light under a bushel and many will spend significant amounts on promotion in one form or another, adding further to the investment required — and the risk.

Far from being an exercise in smoke and mirrors, brand building is all about developing relationships with individuals — and creating 'mindspace' — through real experiences. Reputations are not built on shoddy products, poor service and a lack of consideration for the people using them. This brings one back to the position where every touch point that an individual has with a product or service can be a brand creating — or destroying — moment. Having an excellent product, superbly delivered, is just not enough in modern markets to build strong bonds with consumers. Every opportunity must be seized to build the brand in a relationship where every touch point has the potential to destroy the brand. Robert Ayling, former CEO of British Airways, reflected this when stating, 'It only takes one bad experience over the telephone to destroy millions of dollars of advertising.' The skills and talent required to manage a brand-focused organisation successfully should not be undervalued.

This consumer-centric approach to business goes further than managing positively every touch point with the individual. Consumers today want not just excellent products but them to be delivered in a way that they consider socially and environmentally acceptable. Delivery and accountability go increasingly hand in hand. To maintain a favourable place in people's minds, companies are forced to respond, making branding a powerful source of influence for consumers. Coffee companies proclaim their sourcing policies, drinks companies promote responsible enjoyment of alcohol and retailers stress their contribution to local communities.

There is one further essential responsibility that brand-focused companies must meet, and that is to safeguard the brands they have created. Creating a positive understanding in the minds of millions which then manifests itself in such behaviour as vocal endorsements, loyalty and purchase is of untold value and there are inevitably the unscrupulous of the world who will seek a free ride on it.

Brand protection is an enormous subject and involves, as has been seen, continuous innovation, communication and refreshment. In the more traditional sense, it involves legal protection, the mainstay of which is intellectual property rights. The name 'intellectual property' might suggest that such rights are well placed to protect something that rests in the mind, but of course nothing could ever be up to a task that is so personal, abstract and ever-changing. Instead, intellectual property rights in a branding context focus on those distinctive aspects that differentiate one offer — one brand — from another, be it names, shapes, colours, design or other distinctive elements.

This approach works well, as far as it goes. Human brains are very good at condensing the vast amounts of information stored in them and people are good at using shorthand to help them to act. So, on seeing the words 'Head & Shoulders', the words do not register in their descriptive sense, instead, they bring to mind all the author's feelings for a shampoo he has used since a teenager. He is interpreting the words, or trade mark, as a shorthand or signpost as he would use other distinctive features. It is this ability that allows him to select products he likes — and ignore those he does not — in a fraction of a second.

Intellectual property rights, if they are enforced, are effective at tackling the obvious forms of free-riding, such as counterfeiting. But what of those practices that succeed in triggering a shorthand or signpost to a brand but without using any of the distinctive features that may be protected by intellectual property? Copycat packaging is the classic example, where competitors design their packaging sufficiently similarly that the brand is recalled without any infringement of rights. Even a simple statement such as 'cleans as well as the leading brand' may prompt a shopper to recall their favourite and preferred brand, even though it has not been mentioned by name (see Figure 1).

Clearly one is now beyond the limit of intellectual property protection and brand owners must look to other more general solutions. This may include laws that deal with unfair competition or, perhaps in the fu-

Figure 1 A copycat example from 1997

ture, consumer legislation in the form of the Unfair Commercial Practices Directive.[8] In effect, brand owners must look to a patchwork of overlapping and disparate legislative provisions to safeguard, as far as they can, the brands they have built. In some cases there are holes in that patchwork. The UK law of passing off is one example, where the test for consumer confusion is impossibly high and the cost and time involved in bringing a case impractical, thereby allowing the vast majority of competitors' copycats that do not infringe intellectual property rights to thrive unchallenged.

THE WIDER BENEFITS OF BRANDS

The commercial case for brands may rest on the close interrelationship between product and consumer, but the benefits that radiate from that interrelationship have much wider implications, for society and for national economies.

That branding may be beneficial for society tends not to be an argument that receives popular endorsement, despite the trust and loyalty one may hold for specific brands. Yet when one considers what brands contribute, their social value is indisputable. Steve Hilton of Good Business has identified four main areas of social contribution: encouraging socially beneficial innovation, providing a powerful mechanism for consumer protection, creating pressure for responsible business practices and community investment, and building and maintaining social cohesion.[9]

While innovation transforms daily life, the brand is an essential component. It provides the continual motivation for the innovation if it is to remain people's preferred choice. It focuses innovation effort on making a difference to people's lives and allows new ideas to be packaged and presented in a way that people can relate to. Consider all the brand-driven innovations that have transformed the home, cutting the time required to do the most basic of tasks, and the social impact this has had in giving people greater freedom as well as more comfortable and enjoyable lives.

Because building brands takes time, companies are keen to deliver great performance consistently and to make sure that things do not go wrong. When things inevitably do go wrong, brand-focused companies will act fast to resolve problems quickly and in a way that preserves their reputation, not hide them under the carpet and hope for the best. Considerations for the brand provide a guarantee of quality and a responsibility in business which delivers high levels of protection from which both individuals and society benefit.

The implications go beyond just protection. Consumers are increasingly concerned about the wider social and environmental harm that may result from the goods they use. Companies with reputations to protect and build have a strong motivation to ensure that the way they do business has as positive a social and environmental impact as possible. Brands therefore force the pace on responsible corporate behaviour. Brands can also provide the catalyst for real social leadership, where companies can see a direct link between investment in social initiatives and a stronger rapport with individuals.

Hilton's fourth point, about social cohesion, is based on the fundamental human desire to come together with other people. He talks about brands promoting social cohesion 'by enabling shared participation in aspirational and democratic narratives'. This is seen, for example, in the decisions people make about the cars they drive (and the way their feelings towards strangers are shaped by the cars they drive). In some instances the effect is more overt, being a conscious and deliberate statement like the wearing of a Hackett shirt or Burberry check.

Turning from the social to the economic benefits, these may be clear for individual companies but what of the wider economic benefit, to national economies? First, brands provide the means of competition, encouraging and enabling companies to differentiate themselves, and with competition comes competitiveness. Secondly, innovation grows markets and creates new ones and, as has been established, innovation is oxygen to brands. The evidence shows that branded businesses innovate more than non-branded businesses and deliver more economic value added as a result.[10] Thirdly, brands help businesses cross geographic and cultural borders, boosting exports. Indeed, Simon Anholt has noted that the brand value of Bacardi is comfortably greater than the gross national product of the country from which it originates.[11]

Anholt goes further, pointing to the fact that the brand value of all the companies in Interbrand's list of the top 100 global brands ($988,287bn) is about the same as the consolidated gross national product of the 63 countries defined by the World Bank as low income. Might not branding therefore be a route to economic development, the means by which these economies emerge? One obstacle Anholt identifies is that, even in developed countries like the UK, people do not fully appreciate the value of branding and how fundamentally important it is to their economies.

References

(1) 'Brand New' — V&A exhibition on brands, 2000.
(2) Bullmore, J. (2002) 'Posh Spice and Persil', Brands Lecture, available at: www.britishbrandsgroup.org.uk.
(3) Marathon was the UK name for Snickers, a chocolate bar made by the Mars company. The name was changed to bring the UK into line with the rest of the world.
(4) Roberts, K. (2003) 'Lovemarks: The Future Beyond Brands', PowerHouse Books, New York, NY.
(5) PIMS and IMD (2000) 'Innovation, Consumer Value, and Communication', Pims Europe Ltd, London, UK.
(6) This research was reported in the *Financial Times*, 3 February, 2004.
(7) Details available at: www.wefoum.org/site/homepublic.nsf/Content/Corporate+Brand+Reputation+Outranks+Financial+Performance+as+Most+Important+Measure+of+Success+
(8) Directive 2005/29/EC on Unfair Commercial Practices. This was signed by the European Parliament and the Council on 11th May, 2005.
(9) Hilton, S. (2004) 'The social contribution of brands', *British Brands*, No. 19, available at: www.britishbrandsgroup.org.uk.
(10) PIMS (1998) 'Of Brands and Growth', PIMS Europe Ltd, London, UK, and PIMS (2004) 'Brands, innovation and growth', *British Brands*, No. 20, both available at: www.britishbrandsgroup.org.uk.
(11) Anholt, S. (2005) 'Branding Beyond Business', Brands Lecture, available at: www.britishbrandsgroup.org.uk. See also, Anholt, S. (2005) 'Brand New Justice: How Branding Places and Products Can Help the Developing World', Elsevier Butterworth-Heinemann, Amsterdam, The Netherlands.