

## WHY LOGO?

### Are brands a force for good?

Brands are everywhere. There is nowhere in the western world you can go where you will not see, buy or encounter a brand in some shape or form. As widespread, however, is the lack of understanding about the nature and role of brands. Critics such as Naomi Klein<sup>1</sup> argue that brands are immoral, exploitative and take from society rather than contribute to it. As the Economist<sup>2</sup> summarised neatly – brands have become the ‘stalking horses for international capitalism’. However, by blaming brands for the all the world’s ills, the anti-brand lobby has missed the point: brands make a considerable contribution to consumers, to wealth creation and to our social well-being.

#### **A matter of choice**

Brands provide consumers with greater choice, quality and value for money and were indeed the very first form of consumer protection. Marks to identify origin and quality are even found on ancient Greek and Roman pottery. From its first beginnings the brand provided consumers with the confidence to buy a product in substitution for personal knowledge. Nowadays it’s no different. When you buy a can of Coke anywhere in the world you are assured of three things: firstly, a distinctive product; secondly, a great taste and thirdly, an assurance of a high level of quality, a quality that the consumer has become accustomed to and trusts to deliver their expectations.

Today more than ever, the internet reinforces the need to provide a signpost for quality, price comparison and reassurance across national boundaries. Additionally, by facilitating this selection between goods, branding enhances competition by driving down costs and spurring innovation to achieve competitive success.

Whilst anti-brand critics believe that choice is curtailed and the consumer duped into accepting a cultural homogeneity, today’s consumers – more sophisticated than ever – have a different view. According to a recent global study, brands are widely viewed as providing ‘essential beacons that help consumers navigate the world’<sup>3</sup>. Meanwhile the Economist argues simply, ‘the truth is that people like brands. They not only simplify choices and guarantee quality, but they add fun and interest’. However, if a brand acts complacently, immorally, irresponsibly or fails to deliver, consumers will ultimately vote with their feet and walk away.



As you would expect, it is the public sector in the UK that has traditionally been the slowest to see itself as providing a responsive service to customers. Consequently it has remained far longer in the realms of 'No Logo' and as a result has offered citizens little choice thus diminishing accountability in the provision of public services. More recently, government departments and agencies have used branding as part of their modernisation programme to promote 'open government' and 'citizen focused' policies.

### **An upward spiral**

The economic importance of brands cannot be understated. Globally, brands are estimated to account for the creation of approximately one-third of the world's wealth. In terms of the financial health of a company, brands make a significant contribution to shareholder value. Brands influence the choices of a whole variety of stakeholders – not just consumers, but employees, investors and government authorities. To demonstrate how great is the economic contribution of brands to companies, consider that the McDonald's brand accounts for 70% of shareholder value while the Coca-Cola brand alone (not including other brands in the company's portfolio) accounts for 51% of the stock market value.

For companies to be successful and grow they need to focus their management efforts on intangible assets particularly their brands. A strong brand can ensure business continuity in times of difficulty but this requires sufficient investment in advertising and marketing as well as in new product development. For policy makers, it means that governments need to help business through providing the right encouragement and environment for brands to flourish, such as protecting intellectual property rights from plagiarism and ensuring access to markets.

As Tony Blair said on launching the Innovation Review, to achieve greater prosperity the challenge 'is to create the conditions where all our firms put innovation at the centre of their strategies for the future'<sup>4</sup>. Brands are crucial to innovation because companies invest in innovation only if they have the ability to capture the benefits of such investment. As PIMS research into brand value demonstrated, not only do brands help producers bring new products and services to market, 'branded producers are twice as innovative as their non-branded counterparts'<sup>5</sup>.

More broadly, a consumer society is the basis for a market economy which cannot function without brands. Whilst this model is frequently blamed for the world's problems, wealth generation is fundamental to social welfare and progress. Brands meet growing customer demand both locally and globally which means employment and growth leading to increased living standards and social progress. The social value of brands has two vitally important dimensions: the creation of progressive innovations in products and services and companies as vehicles for social change.



### **A force for social progress**

Can you imagine a world without innovation? A world without basic medicine such as penicillin where a minor infection could be life threatening; a world where we still take our clothes down to the river bank and beat them with rocks to clean them; a world where we cannot store food for longer than a day because we have no way to chill or freeze. It is hard to imagine. Steve Hilton argues that 'behind every great brand lies a valuable social benefit delivered through innovation'<sup>6</sup> and cites some recent examples of how brands have improved customers' lives in developing countries. In Brazil, Unilever's Ala brand detergent was created specifically to meet the needs of low-income consumers who wanted an affordable but effective product for laundry that is often washed by hand in river water. In India, the company has developed specifically affordable products, such as low-cost tooth powder and fortified staple foods, including flour enriched with extra iron and vitamins. In Tanzania where half the population earns less than \$1 a day, Unilever's new company has set up a bicycle brigade of local sales people to deliver products such as Key soap, sold in small units for a few cents.

In the developed world, consumers may look for different benefits beyond basic needs. A recent Mintel study<sup>7</sup> found Britons were benefiting from innovations that freed up their time. It found the convenience foods sector grew 70% from 1993 to 2003 and spending on health and fitness clubs 179%. Peter Ayton, chief statistician at Mintel, explained more money was being spent on time-saving products and services. 'We no longer spend time peeling vegetables and preparing dishes, we simply buy convenience foods or go out for fast food. We use the internet to save time on research and we don't need to go to the bank or supermarket as everything can be done from our home computer.' These innovations reflect recent consumer needs to achieve a more satisfactory work life balance.

### **Reputation is a delicate thing**

As well as specific products and services that serve a social function, companies themselves are recognising the importance of demonstrating that they act as responsible social citizens. It is around responsibility issues such as protecting the environment, ensuring adequate working standards and product safety that the spotlight falls most piercingly on company behaviour. By their nature, the pressure for responsible behaviour is most acutely felt by branded companies and there have been numerous examples of bad corporate behaviour which deserved attention. Where Naomi Klein got it wrong is simple: once a reputation among customers and stakeholders is lost, a brand becomes a liability. Therefore protecting the brand reputation through good corporate behaviour and product quality is paramount. 'No Logo' means no driver for companies to be open, transparent and honest.

Whilst much of the anti-globalisation activists base their case on cultural bias and misinformation, exposing examples of poor behaviour by brands has led to significant changes in the culture of corporate behaviour. Reeling from accusations of sweatshops, bullying suppliers, environmental and human rights issues, it tends to be those companies facing the most difficult issues that are now leaders in CSR. Protecting the brand reputation is clearly a major driver for corporate responsibility –



one can only wonder how many non-branded companies out of the spotlight continue to misbehave. As Philippe Legrain, Chief Economist of Britain in Europe, believes 'far from giving companies power over consumers, brands actually give people more influence over companies 'behaviour' <sup>8</sup>.

Beyond corporate responsibility is social leadership. One benefit of brands' cultural ubiquity is the ability to harness a widespread appeal for promoting social good. Coca Cola has used its brand to create sexual health campaigns in Africa to combat AIDS; McDonald's has a long tradition of supporting local communities; MTV has used its organisation to change attitudes towards issues such as AIDS, environmental protection and human rights and Asda supermarkets have campaigned against domestic violence. It would be nice if this motivation came from philanthropy but in reality it is as likely to be driven by corporate risk reduction. However, it is still in the best traditions of the founders of our oldest companies – Hershey, Disney, Cadbury and Boots for example – who devoted their lives and company profits to social improvements, to building spacious towns, better schools and bigger hospitals. But, as the Economist said, 'The difference in the future will be that it will be consumers, not philanthropists, who will dictate the social agenda'.

Trust continues to be the basis for all brand values which means that companies have the greatest incentive to earn that trust. Under the watchful and unforgiving eye of the media, politicians and consumers, there is every incentive for companies to protect the reputation of their brand as their most valuable corporate asset. As Warren Buffet, the investment guru, once famously observed: 'It takes 20 years to build a reputation and 5 minutes to lose it.'

#### Notes

1. Naomi Klein, *No Logo: Taking Aim at the Brand Bullies* 2000
2. The Economist 'The Case for Brands' Sept 2001
3. Malcolm Baker, Global Director, Research International Qualitative, Study exploring perceptions of Modern Brands 2002
4. Rt Hon Tony Blair MP, Prime Minister, DTI 'Innovation Review' 2002
5. PIMS – *Brands, Innovation and Growth*, 2004
6. Steve Hilton – Founder of Good Business in 'Brands and Branding' 2003
7. Mintel *British Lifestyles Survey* 2004
8. Philippe Legrain, Chief Economist of Britain in Europe, *The International Economy* 2003