

British Brands

THE NEWSLETTER OF THE BRITISH BRANDS GROUP

Are brands a force for good?

John Noble, *British Brands Group*

A lack of understanding about the role of brands is widespread. Critics such as Naomi Klein argue that brands are immoral and exploitative. However, the anti-brand lobby has missed the point: brands make an indispensable contribution to consumers, wealth creation and our social well-being.

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 variety of stakeholders – not just consumers, but employees, investors and government authorities. To demonstrate this economic contribution, consider that the Coca-Cola brand alone (not including other brands in the portfolio) accounts for 51% of the company's stock market value.

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

Tony Blair said on launching the Innovation Review, that the challenge, 'is to create the conditions where all our firms put innovation at the centre of their strategies for the future.' PIMS research into brand value demonstrated that not only do brands

help producers bring new products and services to market, but 'branded producers are twice as innovative as their non-branded counterparts'.

More broadly, a consumer society is the basis for a market economy which cannot function without brands. While 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.

Exposing examples of poor brand behaviour by anti-globalisation activists has led to significant changes in the culture of corporate behaviour. Reeling from accusations of sweatshops, bullying suppliers, environmental and human rights issues, it's often those companies facing the most difficult issues that are now leaders in CSR. Protecting reputation is a major driver for corporate responsibility – 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.'

One benefit of brands' cultural ubiquity is their ability to harness a widespread appeal for promoting social good. Diageo has used its brand to help unemployed and disadvantaged people find worthwhile work and to improve access to safe

drinking water in developing countries. British Telecom's 'Am I Listening?' campaign aims to ensure that the voice of every young person in the UK is heard. GlaxoSmithKline, with Barretstown, has opened up the 'summer camp' experience to children with serious illnesses by providing first-class medical facilities on site. In reality, companies are as likely to be driven by corporate risk reduction as they are by philanthropy. However, it is still in the best traditions of the founders of our oldest companies – Cadbury and Boots for example – who devoted their lives and company profits to social improvements. 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. Under the 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 investment guru Warren Buffet once famously observed: 'It takes 20 years to build a reputation and five minutes to lose it'.

inside:

From the Chairman

The world's most precious whisky
Hybrids, the heavenly bed and purple ketchup
Brands, innovation and growth
Packaging and trust – a declining relationship