

British Brands

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What's in a name?

Christopher Scott-Wilson

'What's in a name?' asked Juliet, 'a rose by any other name would smell as sweet.' Great poetry perhaps but not true. Nowadays we have thousands of roses, from the highly scented to the unscented. We have choice.

It is a fundamental human trait to distinguish between things. It is also the very essence of a differentiated consumer market, in which manufacturers may adopt one of two strategies to compete. They may compete on price – making a product more cheaply – the generic 'cheap and cheerful' strategy favoured by low-cost producers in the developing world. The alternative is to compete on quality; to differentiate a product from generic equivalents by qualitative improvements which consumers will value and for which they will be willing to pay.

Neither strategy is intrinsically better or worse than the other and, for both, success depends on enough consumers buying to generate a profit. The sum of these different strategies produces modern consumer markets, in which cheap generic products compete at the low end and branded goods compete at a higher quality/price point, ranging from 'standard', through 'premium' and 'luxury' to 'exclusive'. The essence of such a market is differentiation and choice.

The antithesis of such a market was discovered by the Irish company *Aer Rianta* when perestroika enabled it to open a butcher's shop in Moscow. It discovered that there were two laws governing such shops – all meat, regardless of quality, had to be sold at the same price; and there could be no waste. These laws, requiring a kilo of fillet to be sold at the same price as a kilo of gristle, removed all product differentiation. One effect was doubtless corruption. Another was the elimination of the butchers' profession. There were no butchers in Russia, because there was no value in the ability to produce different cuts of meat from a carcass.

This may be an extreme illustration but it reveals the fallacy that product differentiation acts against the interests of consumers. Consumers are not a homogeneous group, they are individuals with different budgets, desires and values, and the best

way to meet their requirements is to offer a wide choice – let people decide for themselves.

Choice fuels economic growth

Nowhere is the link between consumer choice and value more apparent than in clothing and fashion. I was raised on a farm in the Pennines, instinctively favour utility, and am amazed by the time and effort devoted to colours, cut and combination of clothes. The logical conclusion of the utilitarian is that we would all be better off if we had only one identical piece of utility clothing, a conclusion reached in China with the Chairman Mao suit.

This logic is manifestly wrong.

People clearly want more from their clothing and are happier because of the choice that is on offer. What is more, people's efforts to satisfy that demand generate additional economic activity and create a huge industry employing untold numbers.

Whether you dismiss the fashion world as ephemeral is beside the point. Looked at objectively, the apparently superficial logic of the fashion world has produced a far better outcome than the apparently profound logic of utilitarianism. Differentiation and choice are clear winners.

For a manufacturer, product differentiation provides opportunities only if he can persuade a sufficient number of consumers that his product is worth buying. The value proposition must be sufficient to justify, and command, a higher price.

This strategy requires a trade mark (a unique name or symbol protected by law) which distinguishes the product from its competitors, and a means of communicating the added value to consumers. These do not guarantee success but without them you can forget it. Even with a distinctive name and marketing most new products fail because consumers decide that they are not worth buying.

Branding supports investment, innovation and growth

Intangible assets such as brands cannot be put in a bank and left to mature. Consumer tastes are not only heterogeneous, they are constantly changing.

To remain competitive, a successful brand owner must invest in two, sometimes contradictory, goals – product quality and consistency to retain existing consumers, and innovation to anticipate future changes in taste and threats from new products. In this process the 'brand' becomes far more than just a name. To the owner it is the sum of his past investment – and the underpinning of any future investment.

Returning to my title, there is far more 'in a name' than one might imagine. Differentiation is essentially a 'naming' process, with the name helping to distinguish between two offers.

This being so, the purpose of public policy should be to ensure that consumers have a wide and an effective choice, and that manufacturers are able to offer a wide range of differentiated products from which consumers can choose. Policy should not seek to save consumers from themselves on the grounds that we would choose differently or know better. Nor should we seek to redistribute the value of the brand-owners' investment because we don't like his offer or someone else wants a piece of the action.

So, what's in a name? Gertrude Stein once famously remarked that 'a rose, is a rose, is a rose' but this is patently not so. The differences that exist are not a conspiracy against the rose-buying public – it is their choice.

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inside:

Chairman's Introduction
Trustmarks

100% marketing

The voices from the
supermarket shelves

At the competitive edge