Trustmarks

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I first visited Soweto in the early 1990s, just before the end of apartheid. A friend, who was married to a prominent ANC activist, offered to show me around. Back in those days there were few amenities for the two million-odd people who lived there: some schools and hospitals and just one shopping centre of significant size. Apart from the surprising diversity of the housing (tin shacks to walled villas) and the great crowding and poverty, my abiding memory is of the 'spazzas'. These are small open-air shops, little more than trestle tables stacked with a few household necessities – flour, detergents, rice, coffee etc, which enterprising Sowetans run for the benefit of their neighbours. I remarked to my guide that the products on display were all leading brands and asked why, as the people were so poor, cheaper alternatives were not available. The answer was simple: these people had so little money that they just could not afford to risk buying a brand they did not know and trust. In fact, amongst poor South Africans such brands are known as 'trustmarks'. Nothing I have learned since about brands has taught me more about the value of reputation.

Branding is a 'binary' process. First the name, logo, pack design, advertising and purchasing environment must create the promise; and then the product or service concerned has to deliver. If the brand lives up to expectations then trust is the reward; if it does not, then the buyer will look elsewhere. It is always important to remember that the visual aspects of brands – the 'marks of identification' most dictionaries refer to – are triggers of recognition. Brand owners rightly invest huge sums keeping these in good repair, to ensure that they remain relevant and appealing to their customers. But, important as these triggers are, reputation depends upon satisfaction.

In a sense, the visual components of the brand act as a proxy for its reputation. And how wonderfully enlightened is the law, which allows brand owners to protect their trade marks, subject to tests that are none too onerous. For many consumers the ® symbol has a significance that eludes most brand marketers, who probably regard its inclusion on packaging and in advertising, at the insistence of those pernickety trade mark people, as aesthetically barbaric. Yet, for consumers, it confers an additional layer of confidence, as they may rightly infer that the names and symbols thus endorsed carry the weight of statutory approval.

So good brand management is all about managing customer confidence, so that he or she can buy without fear of risk. The reputation thus established then needs to be maintained. Brand owners recognise the commercial advantage reputation brings, and the law provides for the protection of the marks of recognition that symbolise this. There is a very strong mutuality of interest involved in 'keeping the faith', otherwise the consumer and the brand owner will suffer, and the law will be devalued.

But brands sometimes falter – mostly through neglect or bad luck, and occasionally through dishonesty. The *Jaguar* brand survived many years of variable quality – self-inflicted wounds; *Perrier* recovered from its 1990 contamination scare and the collateral damage this caused. Why? Because both brands had reputations that helped them to survive the worst consequences that bungling and negligence could bring them. And, arguably, there was nothing wrong with the products and services that *Enron* and *WorldCom* supplied – but they cheated their shareholders and thereby destroyed any thread of credibility they may have had. It is doubtful whether even the longest-established brand could have withstood this degree of abuse.

Of course, brand owners who tend their reputations find that they have an important tool to help them develop. The reputation of *Nestlé* as a manufacturer of good quality food products gives it a means to exploit new categories. The vision of Sir Richard Branson – that consumers deserve a better deal – animates the *Virgin* brand, the reputation of which, despite shortcomings in one or two categories, is generally high. Swiss manufacturing efficiency versus high idealism: two widely differing platforms upon which to build reputation, but each pursued with great dedication.

Should there be directives, codes of practice and regulations to compel businesses not to trade unfairly? (These have been suggested recently in Westminster and Brussels). I agree with Andrew Redpath here (British Brands, Issue 16): in areas where the consumer is particularly vulnerable, through lack of market forces or the reputation incentive, perhaps yes. But in markets for branded goods and services, where information and choice are abundant, my view is probably no – here caveat emptor must apply.

Pragmatic brand owners understand that satisfied customers can become loyal customers, and that loyal customers can be a source of strong cash flows. Thus there is a powerful motive to keep the faith and to ensure that the brand follows through in all aspects of delivery. Consumers are equally pragmatic: for them, a strong reputation reduces the risk of making a costly mistake. And this applies equally to the Rolls-Royce you gaze at in Jack Barclay's showroom in Berkeley Square and the pack of Huletts Sun Sweet Sugar in the Soweto spazza.

Commission investigates grey trading

In May, the European Commission published its report on possible abuses of trade mark rights within the EU. This report was requested by the European Parliament in its consideration of exhaustion of trade marks and grey imports arriving from outside the EU.

The report studied three areas of possible trade mark abuse – selective distribution, refusal to issue trade mark licences and trade mark infringement. As a result of its investigation, the Commission identified no deficiencies in the current system. It recognised that selective distribution systems can benefit consumers and, were a specific case to be illegal, existing community law provides an effective remedy. Community law also provides an effective remedy for excessive pricing by dominant companies and restricting the free movement of goods within the EU.