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Building brand value through the internet

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Two years ago, the Internet was the most hyped-up phenomenon in Europe and elsewhere. Nowadays, after the crash of the NASDAQ, many people disparage the Internet. Both reactions are extreme. The Internet is and will remain a very important instrument in a company's marketing strategy to build brands. Currently, over 100 million Europeans use the Internet and it allows companies to reach into the remotest parts of Europe and worldwide.

Together with AIM (The European Brands Association), Europanel (the joint venture of Taylor Nelson Sofres and GfK) and the Internet information provider MetrixLab, we conducted an in-depth study of how the Internet can be used by European brand manufacturers to build consumer and brand value. Our main source was a massive data set specifically collected under our guidance in two electronic questionnaires. The first questionnaire focused on general Internet issues, public policy affairs and the generation of website traffic (who? how often? why?). 49,808 consumers from 146 countries (the majority from the EU) responded to the questionnaire, and this wide geographic spread attests to the global reach and role of brand manufacturer websites in the consumer environment. A second, longer questionnaire was sent to 12,463 these visitors. It dealt with building consumer and brand value for 38 different websites of 22 branded goods manufacturers. Some key results are presented here.

Brand manufacturer website traffic

Emerging loyalty to brand manufacturer websites Seventy-five per cent of the brand manufacturer website visits are first-time visits. However, there are some indications that websites can generate enduring interest, if not some degree of emerging loyalty. Fourteen per cent of consumers have visited the same website more than three times, and emerging loyalty is more prevalent among females than. Moreover, the proportion of consumers for whom website-related loyalty is emerging increases with age. Seniors are 50% more likely than young consumers to visit the same website more than three times.

Why do consumers visit a brand manufacturer website? A variety of reasons. The one most frequently given is 'to find some useful information': 55% of the respondents gave this as a reason. Furthermore, 18% of respondents visit the website because they have some *specific* questions, and expect that the website will provide the answers. These results clearly underline the information-provision function of manufacturer websites.

But there are also other reasons, less functional but rather more experiential in scope. Twenty-nine percent of visitors want to enjoy themselves a bit, and about one-fifth of visitors are looking for some excitement. Thus, manufacturer websites can also provide recreational value. Finally, one-quarter of respondents indicate that they visit the website to feel in control of their information needs. Although this deals with information, the crucial distinguishing aspect is that the information flow is not passive, such as in the mass media, but under the influence of the consumer. This is a crucial advantage of the Internet as a source of consumer information regarding brands and products. Control is clearly appreciated by consumers, and is consistent with the growing desire of European consumers to direct their own lives rather than be directed by outside influences.

First-time visitors to a website differ somewhat from repeat visitors in their reasons for visiting. First-time visitors are more often looking for some useful information, while repeat visitors more often come to have a good time or to feel in control of their information needs.

Building web-driven brand value through the creation of consumer value

Brand and consumer value A key goal of brand manufacturer website activities is to create *brand value*. We refer to brand value as perceived by consumers, not in the sense of discounted cash flow. At the end of the day, the value of a brand resides in the mind of the consumer. Brand value encompasses consumers' affective feelings, trust and purchase likelihood towards the brand.

How can a visit to a brand website increase one's affective feelings, trust, and purchase intention vis-à-vis the brand? This occurs when the consumer feels that visiting the website is useful and a good experience, when it meets or even exceeds expectations, when the consumer intends to visit the website again, and when there is a desire to add it to a list of favourites. In short, when *consumer value* is created. If the consumer feels satisfied with their brand manufacturer website visit, this should lead to increased brand value.

Does consumer value lead to brand value? We find indeed that consumer satisfaction with the website visit is crucial in building brand value. A high 91% of the consumers who are satisfied with the value provided by the website

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Chairman's Introduction

Andrew Redpath *Chairman, British Brands Group*

The idea that brands thrive or fall through their service to the consumer is a mantra of such long standing in the market place that it would seem to require no reinforcement by government.

Not so. The topic is in the air again in Westminster and Brussels, prompted by the Enterprise Bill currently before Parliament, and the European Commission's Green Paper on Consumer Protection. And 'Do Businesses hate their Customers?' was the provocative title for a summit recently organised by the Consumers' Association, which debated some problem sectors and possible remedies – codes of practice, regulation or consumer action.

The phrase 'customer service' evokes a world of smiling sales attendants behind the counters of department stores, not a world where brand-owners speak and listen to their consumers in a jungle of sounds and across the no-man's land of the retail trade. In this real marketplace, the brand 'serves its customer' through a constant obsession with studying, anticipating, shaping, responding to, fulfilling and exceeding its consumers' needs and aspirations.

Those who heard or read Jeremy Bullmore's Brands Lecture (a précis of which featured in the last issue of *British Brands*) will recall his description of how brands are built – 'as birds build nests, with scraps and straws'. This obsession with the consumer must be one of the larger straws, integral to the strength of the nest.

In general, branded businesses know all too well the imperative of customer service. Recent research by Maritz, summarised in this edition of *British Brands* by James Brooke in his article 'The Brand Inside', identified eight guiding principles for companies keen to deliver the brand promise through people. The same theme is picked up by Andy Milligan and Shaun Smith in their book *Uncommon Practice*: this looks at companies which have a genuine passion for their consumers, and translate this into deeper understanding, strong brand building and commercial success.

The message which runs through the Lecture, the research and the book is the same – the market reigns. In other words, the brand's reward comes only from rewarding its consumer with attention, care and imagination; loyalty is a two-way flow; the brand's best reputation is that it treats its consumer as its No.1 stakeholder. At the Consumers' Association summit the Office of Fair Trading stressed the need to incentivise companies. For brands, their strongest long-term incentive and reward is the growth of reputation. This is safeguarded in its trade marks, helping to explain why trade marks are so important and so valuable.

To some, the function of the trade mark is a modest one – simply a sign of origin, allowing consumers to differentiate one offer from another, helping the exercise of choice and thereby competition. In reality, the trade mark goes much further, indicating concisely not just quality, reputation and fame but the complex qualities of information, values and promises that comprise the brand.

This wider role of trade marks was recently articulated by Advocate General Ruiz-Jarabo Colomer of the European Court of Justice in a recent Opinion:

> It seems to me to be simplistic reductionism to limit the function of the trade mark to an indication of trade origin... Experience teaches that, in most cases, the user is unaware of who produces the goods he consumes. The trade mark acquires a life of its own, making a statement, as I have suggested, about quality, reputation and even, in certain cases, a way of seeing life.

Nevertheless, there are sectors where consumers are particularly vulnerable, where perhaps market forces do not reach far enough or where the reputation incentive is not strong enough: what should governments do to encourage companies to improve in these areas?

Codes of practice clearly have a role, going further than regulation in specifying the levels of service that companies should provide. From the start of this year, the Office of Fair Trading withdrew its support from all the consumer codes it had supported in the past, and introduced a new approach. Now, OFT endorsement of any code depends on its meeting strict criteria, covering such areas as customer service, complaint handling and enforcement.

At EU level, proposals on codes have also been included by the European Commission in its recent Communication to the Green Paper on Consumer Protection: this outlines a framework directive that would impose on business a duty not to trade unfairly. The aim is to provide a consistent – and high – level of consumer protection across Europe.

This worthy intention could, however, be undermined by specific requirements in the proposals. For example, it is suggested that companies which sign up to codes but fail to comply would be acting unfairly – through misleading consumers – and therefore illegally. The logic may be sound but unfortunate consequences may result: signatories to codes would be disadvantaged compared with those who are not. There will be less incentive to participate in codes and consumers will suffer.

The British Brands Group in the UK, and its sister organisation AIM (the European Brands Association) in Brussels, continue to contribute actively to this and other policy debates which affect brands and their ability to deliver their promise to consumers.

Brand dates

17-18 October, ACG Conference 'Virtual Reality: The Challenge for the Campaign Against Fakes', Dalmahoy Hotel, Edinburgh www.a-cg.com

19-20 November, The Marketing Society Conference 'New World Order: Marketing Under Attack', Grosvenor House, London www.marketing-society.org.uk

The brand inside

James Brooke, *Maritz*

'Living the brand' has already become a rather well-worn expression and increasingly marketing agencies are setting up 'brand engagement' offers. However, this is only part of the process of building a successful brand.

In their efforts to secure a relationship with customers, there is a tendency for companies to focus on external advertising and marketing campaigns, overlooking one of the most important assets they already have – their own people.

Maritz was sponsored by the Chartered Institute of Marketing (CIM) to peer under the bonnet of the 'living-the-brand' bandwagon and take a long hard look at what works and what does not. In other words, what is hot air and what genuinely drives the business agenda – and of course does any of this really matter to the bottom line anyway?

The research took the form of face-to-face interviews with senior executives from large organisations including Barclays, HSBC, McDonald's, Whitbread, Safeway, Tesco, Unisys, Xerox and Vodafone. It aimed to identify the practices of companies who achieve a good fit between their brand promise and the way in which their employees think, feel and act.

From the research, eight key principles were identified for any organisation seeking to create a world-class brand through its people.

1 Emphasise freedom not control

Too frequently companies feel that to deliver a consistent brand experience they have to slip into control mode. Effective brand management requires a number of agreed, steadfast principles. Beyond that, staff must be trusted to get on with things.

2 Decentralise

Companies who succeed in delivering a desired brand experience tend to roll back the frontiers of head office. Whitbread used to employ nearly 500 people in its group office. It now employs 30. Traditional head office roles have now been attached to the brands.

The rationale: everyone, whether they be Finance, Operations or HR, has a deep understanding of the desired brand experience and this remains paramount when making any decisions. Supermarket chain Safeway has now renamed its head office the 'Store Support Centre.'

3 Do things differently

Companies who build world-class brands emphasise processes and practices that are uniquely owned by them. For example 'TGI Friday would not be one of the world's strongest restaurant brands if it followed generic best practice in recruiting staff. Instead, the recruitment process takes the form of an audition with candidates skating, juggling or dancing.

4 Communicate your brand positioning to your own people before you communicate it to your customers

While many companies are finally recognising the need to run at the same pace inside and outside the organisation, leading-edge companies take this principle a step further. Brand management on the inside of the company outpaces the outward-facing elements of brand management.

This entails building a deep intuitive understanding of the brand among one's own employees before communicating the brand promise to consumers.

5 Keep it simple

'Keep it simple' is a mantra of Tesco's CEO, Terry Leahy. While Tesco is the UK's number one retailer it has achieved this position by driving for simplicity in everything that they do. As the company has grown, Leahy has been rigorous in making sure that people inside the company do not become 'burdened by processes that are baked into a bureaucratic nightmare.'

6 Operate across functions

The traditional organisational model, which has a department as custodian for the brand and a different department as custodian for the people, simply does not fit with world-class brand building. The most progressive companies increasingly work in a networked or cross-functional way. This enables the company to look at the way in which the brand promise is delivered to customers in a more holistic way. It also ensures that the way people are hired, trained, measured and rewarded fits with the brand.

Leadership is crucial in creating alignment across these different functions. Many respondents felt that having a brand-literate CEO is a massive benefit in aligning the company to the brand.

7 Think longer term

Great brands are built over time. The average tenure of marketing professionals is becoming shorter and shorter. This is recognised as a problem. If brand-building companies worked on the same planning cycles as pharmaceutical companies when doing research, there would be more genuinely world-class brands.

Brand building needs to be viewed as a seven-to-ten year planning cycle as opposed to an eighteen-month planning cycle.

8 Measure

Measurement focuses the mind and top-performing organisations measure things that really matter to the brand. The crucial thing about measurement, however, is what happens to the results and the extent to which they are fed back to front-line staff in a way that really drives actions.

A copy of the Brand Inside *research document is available from James Brooke on +44 (0) 207 731 9614 or* jbrooke@maritz.co.uk.

Uncommon practice

Some companies do things differently. *Uncommon Practice*, edited by Andy Milligan and Shaun Smith, investigates companies which do things that are unusual, ground-breaking and defy conventional business wisdom in order to deliver something valuable to consumers. The book looks particularly at how such organisations treat their own people to create a culture uniquely developed to meeting in a distinctive way the needs of their customers. (Published by Pearson Education Limited ISBN 0–273–65936 7)

Intra- and inter-brand competition – the public policy debate

Derek Ridyard, *RBB Economics*

A number of current public policy debates that affect brand owners centre around the distinction between inter- and intra-brand competition. These themes are present, for example, in areas such as trade mark exhaustion, the legality of selective distribution systems, constraints on parallel trade within and beyond the EC, and even in the area of look-alike competition. The sometimes conflicting pressures of intra- and inter-brand competition are not always treated consistently in the public policy discussions.

Why restrict intra-brand competition?

The concept of inter-brand competition is clear and readily explicable. Intra-brand competition, meanwhile, is a more contrived concept – it refers to the competition between rival sellers of a particular brand, for example the rivalry between Tesco and Sainsbury in their efforts to sell Unilever-branded detergents.

At first sight, it is hard to see why manufacturers should restrict intra-brand competition. Suppliers expend great effort in minimising the costs of procurement, manufacturing, logistics and distribution. Since retail margins are effectively one such cost, surely the best way to minimise that cost is to have unrestrained and vigorous competition between competing retailers – intense intra-brand competition.

However, economists have identified a number of potentially legitimate *and consumer-friendly* reasons why it could be in the interests of suppliers to apply a brake on intra-brand competition. The classic textbook illustration concerns the 'free-rider' problem, where retailers provide valuable pre-sales advice or showroom facilities. The provision of such services helps to boost demand for the brand, but it is also costly for the retailer to provide. Even the most efficient retailer will need a higher gross margin to compensate for the extra costs incurred if it is to be worthwhile supplying the pre-sales service.

But what if some retailers adopt a low-cost no-frills business model in which pre-sales service is eliminated and showroom facilities are kept to a minimum (or as with an Internet site, disposed of altogether)? These retailers can easily undercut the prices charged by service-providing retailers. They can also encourage consumers to sample the pre-sales service at the retailers who incur those costs and then make their purchase at a lower price from the no-frills retailer. It is easy to see how this kind of free-riding can undermine the incentives of retailers to invest in sales advice and showrooms, potentially leaving the manufacturer and the consumer worse off.

The applicability of this free-rider rationale for restrictions on intra-brand competition is not limited to goods that require technical pre-sales advice, however, and nor is it restricted to manufacturer–retailer relationships. Consider the position of Whitbread's (historic) position as exclusive UK licensee for Stella Artois beer. Stella is a much loved but distinctly mass market brand in its home market, Belgium, but when Whitbread was appointed UK licensee it invested to promote the brand in the UK as a premium beer, creating a brand with real value to the licensee and to the consumer. It was encouraged to do so by the protection afforded to it under its long-term licence as the exclusive UK producer of the brand – a restraint on intra-brand competition. But the licensee's efforts in creating this valuable brand property in the UK created an incentive for parallel trade from Belgium (where the price of the brand was low) to the UK (where it was high) at the wholesale level. Although this kind of parallel trade offers potential gains to consumers, it also free-rides on the investments and risks that the UK licensee had undertaken in promoting the brand.

Another instance arises where brand owners decide that distribution through up-market retailers helps to promote the image of the brand – fine fragrances and designer jeans are prominent examples. The discount stores who bemoan their inability to sell Chanel perfume and Levi's jeans at lower prices find it easy to portray themselves as consumer champions, but they are seeking to free-ride on the contribution that the approved retailers have made to making those brands what they are.

There are yet other instances where, paradoxically, too much competition between retailers can become dysfunctional from the point of view of manufacturers and consumers. One such case arises from brands that have an impulse appeal to consumers. Manufacturers of such products want the brand to be available in as wide a network of retailers as possible in order to capture discretionary sales opportunities. However, these brands can also be ideal vehicles for loss leading by price-oriented retailers, and this kind of aggressive retail price competition can bid down retail margins so much that smaller retailers choose to stock other brands instead, thus reducing the brand's availability. There are a number of models in the economic literature that point to a welfare trade-off between the lower prices enjoyed by consumers who buy at the outlets that continue to stock the brand, and the resultant non-availability for those who visit other outlets only to find the brand has been de-listed.

These instances where manufacturers restrict intra-brand competition see distribution as one of many inputs that the brand owner relies upon in bringing its product to market. No one criticises Levi's for choosing to make its jeans from higher-quality denim, even though cheaper denim grades are no doubt available. We recognise that this choice of more expensive material will, other things equal, tend to make Levi's jeans more expensive, but we do not accuse that choice of being anti-competitive or anti-consumer. It is just one of the factors that defines the brand. The choices made by brand owners when selecting how their products should be presented to the consumer at retail level are really no different.

Intra- and inter-brand competition

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A common public policy theme – conflict between dynamic and static efficiency

These tensions between intra- and inter-brand competition have parallels in a number of other public policy areas in which static incentives clash with the objective of promoting dynamic competition. The basis for patent protection is a case in point. Competition between branded and generic pharmaceuticals is a kind of intra-brand competition. It can be extremely effective in driving down prices of existing products (i.e. in promoting 'static efficiency') to the benefit of consumers. However, the law grants patent rights to research-based firms that allow some respite from generic competition in order to preserve their incentives to invest for future generations of breakthrough medicines (i.e. promoting 'dynamic efficiency').

There is no definitive 'right' balance to be struck between static and dynamic efficiency in patent rights. However, two guiding principles do help the choices. First, where there is a clear opportunity for other innovators to make a better patented product, any detriment to consumers caused by the patent right 'monopoly' can be guaranteed to be temporary. Second, the benefits to consumers and economic growth from encouraging the development of new products are potentially far greater than the benefits from making existing products available at lower prices.

When it comes to restrictions of intra-brand competition, the same tensions are evident in the policy debate, but recently there has been a welcome shift towards a more permissive view on intra-brand restrictions. In 2000 the EC Commission produced a new set of enforcement guidelines on vertical (i.e. manufacturer–retailer) restraints that struck a more liberal stance than the traditional European policy, and the new UK competition law regime has declared vertical restraints per se legal (with a few exceptions) as long as there is inter-brand competition. Another significant move in this direction came with the *Davidoff/Levi Strauss* case in which the ECJ ruled in favour of brand owners' rights to restrict parallel trade from outside the EU.[1]

Inter-brand competition is critical

Discussion of restrictions on intra-brand competition often takes place without reference to the nature of inter-brand competition and the role it plays in protecting consumer interests. Yet in most markets where these restraints arise there is vibrant inter-brand competition and a very wide range of choice available to the consumer.

Where inter-brand competition is healthy, concerns about the effects on consumers of reduced intra-brand competition can generally be dismissed. This proposition is neatly encapsulated in the Levi's example. Parallel traders ask why consumers should be denied the choice of buying cheap jeans from a no-frills retailer, and instead have to buy their 501s at a higher price from a Levi's-approved high-margin outlet. But in reality consumers are presented with a wide choice of inexpensive jeans, available from outlets varying from high-street boutiques to market stalls.

The only 'freedom' consumers are denied is the freedom to buy Levi's jeans from the low - cost outlets. However, if Levi's are correct in their marketing judgment that the (relatively expensive) up-market retail presentation of their brand is an integral part of the brand's appeal of their jeans, that would be a false choice. And if Levi's have made a commercial misjudgment on the value that up-market retailing adds to the appeal of their product, we can rely on the effectiveness of inter-brand competition to ensure they will be punished in lower sales and shrinking market share to rival brands that make full use of lower-cost retail distribution.

Significantly, however, the discount retailers involved in the parallel trade disputes specifically want to sell Levi's jeans. This fact alone betrays the fact that the appeal of the brand has some additional and enduring value over and above its tangible attributes. Levi's is taking a risk in restricting the points of retail access for its brand, and paying its approved retailers higher margins than the minimum necessary to distribute the product to the consumer. If the brand owner in a competitive market believes that the way the product is presented in approved retail outlets helps to create that value, it should have the right to protect it by excluding low-cost retailers. If it gets this judgement wrong (as many do) it will be punished through inter-brand competition by rivals who do select the right mix.

It is all too easy for the consumerist argument to fall on the side of discount stores and parallel traders, and against the brand owners who impose restrictions on intra-brand competition. However, the true interests of consumers lie in some more complex trade-offs. Often, any harm caused by some suppression of intra-brand competition is more than compensated by the benefits consumers derive when, because of these same restrictions, more effective inter-brand rivalry is generated. Policy makers increasingly recognise the importance of this trade-off, and of allowing inter-brand competition to flourish. In the end, effective inter-brand competition provides all the necessary safeguards to protect and promote consumer interests.

[1] *European Court of Justice, Judgement of the Court, 20 November 2001, Joined Cases:* Zino Davidoff v A&G Imports C-414/99, Levi Strauss v Tesco C-415/99 *and* Levi Strauss v Costco Wholesale C-416/99.

Tougher sentences for pirates

In July, The Copyright and Trade Marks (Offences and Enforcement) Bill received Royal Assent. Introduced as a Private Member's Bill by Dr Vince Cable MP, this legislation will mean tougher sentences for counterfeiters and pirates and gives greater powers to investigators. Penalties for copyright theft are increased (from 2 to 10 years), search warrant provisions are strengthened and powers of forfeiture of counterfeit goods are increased. The Bill was strongly supported by the Alliance against Counterfeiting and Piracy.

Supply chain critical

Tarun Patel, *IGD*

The power of consumers coupled with intense competition in a mature market has created a challenging climate for retailers. Price and choice are as important as ever, but retailers also compete fiercely on availability, product freshness, store opening hours and ease of shopping. So with each year, retailer supply chains must cope with the ever more complicated challenge of rising levels of expectations from businesses and consumers.

As retailers make their businesses increasingly customer-focused and seek new ways to differentiate, the store rather than head office becomes the focus of attention. That can mean a big culture change, convincing head office functions that their role is to support the stores rather than dictate policy.

Andy Banks, Supply Chain Development Director of Sainsbury's, recognises that his company 'needs to turn around 25 years of culture and behaviour, to create an organisation that embraces change, continuously learning and improving.' Elsewhere, Safeway are sending senior executives on secondments to their stores in an effort to break the cultural barriers that exist between head office and the store.

It's a fast-paced environment and shortening response times is a mantra for retailers. The way people shop is changing; they are shopping for smaller quantities and more often, which means that large, once a day, deliveries are no longer sufficient. As a result, retailers are working with suppliers so that deliveries can be more responsive and customer, rather than production, driven.

This will undoubtedly affect the structure of distribution costs. Over the last three years transport costs have risen steadily and now contribute to 41% of total distribution costs, compared with just 35% in 1999. At this rate of change and with escalating fuel costs, transport could soon exceed warehousing costs. Consequently, retailers are seeking to make much more efficient use of their vehicles.

Business critical

Through major changes in UK grocery retailing such as Wal-Mart's acquisition of ASDA and new chief executives at a number of the major retailers, the focus on the supply chain has remained consistent. Supply-chain management is now accepted as a critical component of business strategy.

The solution might be in-house or out-sourced and it's not just about cost. Most importantly it's about finding the best and most highly motivated people to do the job. For example, Sainsbury's is embarking on a new strategic relationship with Exel. The logistics provider has been charged to manage the primary logistics function involving the co-ordination of activities of other (competing) logistics providers. Both companies have pledged to share the commercial benefits achieved through efficiencies in bringing product from suppliers through cheaper distribution routes.

This is a real sea change. Retailers are turning to their service providers for increasingly more strategic insight and are willing to work in a true partnership way.

Another global player testing new approaches is Ahold, the Dutch retailer ranked 2nd in the IGD Global Retail Index. It operates strong promotional campaigns to drive volume of product through the business. This can create increased demand averaging 10–15 times more sales. Traditionally this has created a huge strain on the supply chain with promotional items out of stock on the shelf up to 22% during a typical week. In response, they're testing Collaborative Planning Forecasting and Replenishment (CPFR) to manage promotions with suppliers more effectively. CPFR is a rigorous approach to sharing information such as store sales, stock levels, forecasting etc, and following a series of 'best practice' rules.

The sharing of best practice is one of the main objectives of the industry-wide initiative 'Efficient Consumer Response' (ECR). ECR is a far-reaching initiative designed to bring customers such as retailers together with their suppliers in the hope of improving the way they work to serve the consumer better. Retailers and manufacturers showcase the latest developments in developing their businesses in the future. For example at the recent ECR Europe conference, Tesco outlined their vision of how a supply chain of the future is likely to evolve to satisfy the changing needs of the consumer. There will be a rising need to collaborate with competitors to gain improved economies of scale in operating extensive distribution networks.

Think customer

Thus the role of the supply chain team is growing in importance. The move to a customer focus means a re-examination of supply chain processes. As much as businesses are changing to fall in line with customer expectations in terms of product development, in the supply chain they are balancing levels of stock and key delivery times. This has led to substantial savings in supply chain costs. Much of these benefits have been passed on to the consumer in lower prices and funded promotional campaigns. It will become supply chain critical to attract and retain the best customers to drive future growth whilst striving for world-class efficiency.

For further information on IGD's Retail Logistics *report and upcoming* International Logistics Conference *(28 November 2002) visit* www.igd.com.

Inquiry into Swedish supermarkets

In February, the Swedish Competition Authority launched an inquiry into the country's supermarkets, where the top three companies command over 90% of the market. The Authority is due to report in December.

UK Court supports Levi Strauss

In July, the UK court endorsed the approach of the European Court of Justice in finding for Levi Strauss in its case against Tesco and Costco over grey traded goods (ie. goods purchased outside Europe and imported into Europe without the consent of Levi's). The case is significant for the further defences that were raised by Tesco and Costco, including human rights, comparative advertising and free movement of goods arguments. The UK court rejected all these arguments, at last bringing clarity to the interpretation of current law.

British Brands now available in electronic format

You can now receive your copy of British Brands as a .pdf file over the Internet. If you prefer an electronic copy, please contact us at info@britishbrandsgroup.com.

Unsung business superbrands

Stephen Cheliotis, *the Superbrands organisation*

Brands are certainly an enigma. They surround and influence us, as we in turn, either as consumers or competitors, influence them. In the last issue of *British Brands* the insightful article by Jeremy Bullmore provided a reminder to brand managers and owners that we are not in full control of our brands. As living entities it is impossible to control the brand, both as an asset and in the way it is perceived by those with whom the brand seeks to relate.

Yet while this may be true, it is essential that we acknowledge and celebrate the achievements of those brands and brand managers that have succeeded in building trust, authority and understanding with consumers and in building a powerful overall brand proposition. The fact that the brand is a living entity in symbiotic relationships with vast numbers of stakeholders means that it is the most difficult asset of the business to manage. This is the reason there are so few real Superbrands in existence.

Acknowledgement

There is one area of business where brands and marketing are still not always given the appropriate resources, respect and top level support that befits their importance. Recently our Business Superbrands Council sought to identify those business–business brands that truly deserve recognition in branding terms. This process highlighted the importance of building a powerful business–business brand and the key elements needed to do so.

Importance of strong business brands

Strong brands are essential in business–business markets for many reasons. They simplify the selection process. They get you in the door and on the pitch list. They provide the foundation to build relationships. They give meaning and direction to strategy. They guide and support the recruitment process. They contribute to the motivation and satisfaction levels of staff. They also act as a focal point for the organisation.

Brands operate differently in business–business markets than in consumer markets, but they share similar qualities and provide similar benefits to the business. This includes driving business volumes and values.

Consumer v business–business markets

So how do business–business markets differ?

- Purchase decisions are not normally down to one person
- The purchase is usually of greater significance
- Product or service attributes can be more varied and therefore key
- The sales process is usually longer
- There are often far more brands to choose from (compare the number of accountants with the number of washing-up liquids)
- Personal relationships are often the determining factors between different offerings

The key success factors in business–business branding

As with all areas of branding there are no ultimate golden rules to building a strong brand. Each sector and business is individual. However some key learning points can be gained from Business Superbrands such as 3M, Lehman Brothers, Ernst & Young and Pfizer.

One such learning may seem obvious but is certainly not widely employed. It is to be bold, and to set out to build a powerful brand even if you do not operate in a sector that traditionally embraces branding. Paper manufacturer Conqueror, print services company Prontaprint, hard goods tool manufacturer Stanley, computer chip manufacturer Intel and even premium stretch fibre Lycra prove that in business-business markets a commitment to building a strong brand can bring dividends. These brands have developed a clear proposition, a quality product and a trust-based relationship with loyal users in primarily commodity-based markets.

A second learning is to ensure that the product or service lives up to, or, better, exceeds, the brand promise, that expectations are met and that each interaction is a pleasant surprise. Whether it is the depth and quality of the consulting provided by Accenture or PriceWaterhouseCoopers or the quality of the editorial analysis in the Economist, the comfort and service on a Virgin Atlantic flight or the PR coverage achieved through Hill & Knowlton, the promise must be delivered.

Another learning is to develop a consistent brand personality and proposition. EasyJet, for example, has developed a strong presence based on a core proposition of value for money without compromising safety and reliability. It has also created a distinct and irreverent personality, not afraid to take on the established competition or inject a little humour. Individuality and personality are prerequisites. Orange, for example, has a refreshing, deep and honest personality built around a colour it now effectively owns.

Authority in service markets is a vital determinant of brand success. However, in both service and non-service business–business markets we found that Business Superbrands tended to immerse themselves fully in their industry, driving new ideas and visionary thinking. Airbus has led the aviation industry in new concepts and technological advancement, Microsoft has led the software industry in user friendly systems and the London Business School continues to produce leading research and entrepreneurs.

Whether through an organisation's Internet site, research, support for industry events, partnerships and associations or even proactive public relations, ensuring that you are visible and that you are perceived to be a leader in your field is fundamental.

While there are many in the business–business world still suffering from 'brand myopia', the early adopters of branding prudence have benefited. They have strengthened their business by being bold enough to be different, by taking the lead and being committed to delivering the brand promise. As such they deserve a pat on the back.

Protect your brands

A new guide on how to protect brands is now available free of charge from the British Brands Group. *A Guide to Brand Protection* explains why brands are worth protecting, the role of intellectual property rights, and what to look out for when reporting fakes in the marketplace. The Guide is available via info@britishbrandsgroup.com or 07020 934250.

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also report an increase in brand value (see Figure 1). On the other hand, if consumer value is not satisfactory, this does not have an appreciable negative effect on brand value. A plausible explanation is that the brands included in this study are all widely respected and therefore a single dissatisfying web-based experience does not lead to a significant change in brand value. However we should caution that repeated dissatisfying experiences might negatively affect it. This is not an unthinkable scenario as a high 25% of consumers are dissatisfied with their visit to the brand manufacturer website, and 40% of the sites have dissatisfaction rates of 30% or higher.

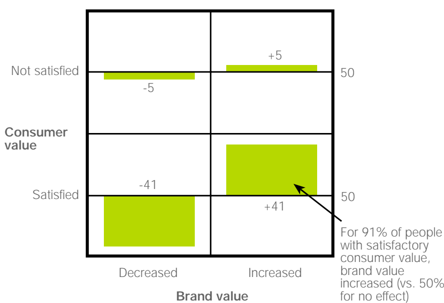

Figure 1 Positive consumer value increases brand value

How is consumer and brand value created?

Drivers of consumer and brand value The more useful and customized the information, the more consumers are more satisfied with their website visit, and the more positive their functional experience. Moreover, websites are powerful in generating positive or (unintentionally) negative emotions. Emotions are rapidly becoming more important in shaping consumer behavior in Western markets. Three basic emotions are pleasure (feeling good), excitement (feeling activated) and the feeling of being in control.

We find that the provision of clear, reliable and timely information is a *sine qua non* for brand manufacturer websites. If consumers trust the information provided and consider it to be useful, satisfaction with the website will result and brand value will be built. However, about one-quarter of consumers are dissatisfied with the information provided by brand websites – a worrying figure.

Customisation of information to individual needs and the emotion of excitement (feeling activated by the site) play a secondary but not negligible role. Feelings of pleasure and being in control also have a significant effect although this is relatively small. Satisfaction with these drivers of consumer and brand value is only about 50%. Hence, there is clearly room for improvement.

However, the usefulness and trustworthiness of the information is so important that it is the obvious first leverage point to improve consumer satisfaction with the website. Only when the information provided is satisfactory does it make sense to consider the other aspects (especially customisation and the emotional experience of excitement) to further increase consumer value.

What creates functional and emotional experience? We find that key foundations of satisfactory functional and emotional experiences are a tight and transparent privacy and security policy, as well as an easily navigable and flexible website. Although in general consumers are satisfied with the navigation of brand manufacturer websites, there is much more concern about security and privacy. Automatic recording of data, security of online shopping with a credit card and getting good redress when online purchases go wrong are among the concerns voiced by consumers around Europe. This does not necessarily mean that security and privacy are not guaranteed, but about half of our website visitors are worried over this issue. Market-driven companies should take this to heart as it is a serious barrier to the creation of consumer and brand value. Finally, satisfaction with flexibility of the website can also be improved considerably.

A virtuous brand value chain reaction

The key findings are summarised and integrated in **Figure 2**. It shows how brand value can be increased through the Internet, following a virtuous chain reaction. High security, privacy protection, ease of navigation and flexibility lead to increased functional as well as emotional experiences. These in turn mean that consumers derive more value from the website, and increased consumer value leads to higher brand value. This virtuous chain reaction emerges as a common thrust in our data, covering a wide range of websites and an extensive number of consumers with a varied socio-demographic background.

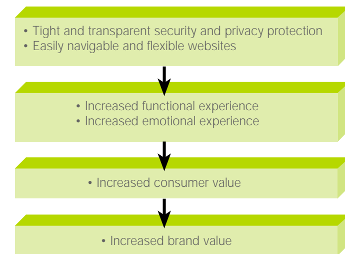

Figure 2 Increasing brand value through the internet: the virtuous chain reaction

A negative chain reaction can also occur. Lax security arrangements, (unintentionally) ignoring privacy rules or even simply not being fully transparent about security and privacy decrease functional and emotional experiences, and thus overall consumer value. However, the negative chain reaction does not extend to an appreciable decrease in brand value, at least not in the short term. Adverse longer-term effects (after repeated negative experiences) are likely, but have not been researched. Alternatively, consumers will not visit the website again, resulting in the investment in the site not yielding the expected return. Both consequences are clearly undesirable.

In sum, our results show that consumer value works mainly in the positive direction. Given that we still need to learn a lot about how to develop better websites, this indicates that at this stage in the development of the Internet, the negative risks are still modest. Thus, companies can for the present seize this window of opportunity to further improve and fine-tune their websites to reap the benefits of satisfactory consumer value in terms of increased appreciation for their brands.

Copies of Prof. Steenkamp and Dr Inge Greyskens' research, Building Consumer Value through the Internet, *are available free from the British Brands Group* (info@britishbrandsgroup.com).

British Brands Group

The British Brands Group represents the interests of brand manufacturers in the UK. Membership comprises companies of all sizes across a wide range of product sectors.

The role of the Group is to encourage recognition of the values and benefits of brands to consumers, society and the economy and to represent the interests of brand manufacturers on issues which affect their ability to operate in a framework of fair competition.

The Group is the UK representative of AIM, the European Brands Association based in Brussels.

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