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British Brands

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Brands beyond business

Simon Anholt, *Earthspeak*

My theme for this Brands Lecture is branding and economic development – two themes you don't often see together.

In economic terms, how important are brands really? Are they not rather superficial? Well, I refer you to Interbrand's annual survey of the top 100 Global Brands. One brand leaps out. The brand value of Bacardi is comfortably greater than the gross national product of the country which produces it. Go further. If you add up the total brand value of those 100 companies, it comes to the surprising figure of 988 billion, 287 million dollars! That unimaginably large number is just their intangible value, not the value of their factories and other tangible assets, and is about the same as the combined gross national product of all the 63 countries defined by the World Bank as 'low income' – where incidentally nearly half the world's population lives.

Now of course one can challenge the maths, but such a figure does suggest, if nothing else, that if we want to have a serious think about the distribution of wealth on the planet then brands should not be excluded.

Brands are the crown jewels of capitalism, one of our star turns in the developed world. So you might ask, if branding is that important, how come it doesn't feature in development policy? In the conversations I have had around the world, the answer to this is something like, 'That sounds like a good idea, but we're not doing it. If it were a good idea, we'd be doing it. We're not, so it can't be'!

One of the good things brands do is to spread wealth. Wherever a brand is produced, it creates wealth around itself. US research suggests that wherever big brand name companies are based, they generate anywhere between 2½ and 3 times as many jobs as actually appear on their payroll. As they expand, they hire more people and need more suppliers, retail businesses do better and everybody pays more taxes. Powerful brands are good for the economy partly because of their wealth-spreading ability.

If you don't have brands, you don't get that effect. Most producers in the developing world are in unbranded, highly price-sensitive, primary commodities – a very risky business to be in. In this increasingly connected and globalised world, decisions happen rapidly which can be instantly fatal. A company in the first world buying raw materials from the third can, with a click of a mouse, switch suppliers from Kenya to Peru if the commodity is cheaper there. Overnight somebody has gone out of business.

Branding, on the other hand, has the advantage that consumers have a predilection for your product. You can keep their loyalty and have some margin for error.

Well, it is all a bit odd, isn't it? If you were a Martian you might well ask, 'If brands are power and strength and the key to sustainable business, why don't poor countries do branding too?' Clearly it is not that rich countries don't want poor countries to be richer, judging from the millions of dollars of aid, technology and skills pouring in. Everything, you might say, except the ability to brand.

Why is that? A conspiracy theorist might conclude that it is done on purpose. We don't want poor countries to learn the real secret of our success. I think it is because we in the first world don't fully appreciate the value of branding and how fundamentally important it is to our economies.

So if the Martian said all this, we would laugh and say there were all kinds of reasons why that couldn't, shouldn't and wouldn't work. The Martian, being persistent and literal minded, answers 'give me the reasons'.

First, people will say that a brand is only built because there is a great product behind it and we in the West are particularly good at quality manufacturing. Second, consumers, particularly rich consumers, wouldn't want to buy something from somewhere like Tanzania. The third reason is that companies in these countries can't do branding, they don't know how to. Fourth, even if they succeeded, it wouldn't do them any good because they are all totally corrupt. Finally, they simply can't afford the millions of dollars of advertising required to build a brand.

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inside:

British Brands Group

From the Chairman

Andrew Redpath *Chairman, British Brands Group*

In 2000 The Lisbon Accord, an agreement amongst member states 'to make the EU the most competitive and dynamic knowledge-based economy in the world', was heralded as the key to Europe's prosperity and the source of its competitiveness, notably against the rapidly growing low-cost economies in the East.

Five years on, a report by the London Business School (*Innovation policy in Europe: beyond technology support – June 2005*) supports the view that Europe is losing momentum. Most agree that innovation provides much of the answer. However the report is critical of governments' overreliance on Internet and Communications Technologies (ICT) and High Tech industries, while placing insufficient focus on helping companies better understand the needs of their customers and to better integrate existing technology in their businesses. This strikes a chord with the British Brands Group, which has struggled to interest policymakers in a wider view of innovation and the importance of consumer focus in successful innovation.

At a recent international forum – *Driving European innovation: innovation by the silent majority* – in Germany, Professor Barwise of the London Business School expanded on this theme, calling for greater emphasis on the routine, consistent innovations that can make consumers' lives better. A focus on the basics – on-time delivery, product quality, good service – will drive businesses and the economy in the right direction, he suggests. 90% of innovation, he estimates, takes place in the hidden setting of day-to-day advances in products and services, what he calls innovation by the 'silent majority'. 'Real and sustainable growth', he argues, 'will come only when the 'silent majority' across the spectrum of the European economy start relentlessly improving their products, services and processes to meet consumer needs better than their rivals'.

These are important themes for Europe, the UK and individual businesses. In previous editions of *British Brands* we have featured articles on how branding drives innovation that delivers real consumer value and the pivotal role branding can play in competitiveness, economic growth and employment. We have also described the integral part played by the consumer, with brands facing constant pressure to meet his or her expectations better than the competition.

In this edition, we move from this big picture to look at one specific category – bread – to see the process at work at closer quarters. Andrew Brown in his article *Adding value – everyone is a winner* looks at how a category characterised by commodisation and a heavy focus on price was able to break out of a vicious spiral of decline by concentrating on the consumer and the adding of value. Out of this transformation he describes a win–win–win, for consumers, manufacturers and retailers. Consumers in particular enjoy wider choice and higher quality. Tellingly, instead of choosing the cheaper options, we learn that consumers express a clear preference for the higher quality, higher value products, despite their higher price.

The challenge that the bread category faced fifteen years ago is faced by other categories today. Commodisation, a heavy focus on price and the driving out of value from the equation neither excites shoppers nor gives them what they want. This presents an opportunity for manufacturers and retailers to work together, re-focusing on the shopper and consumer to rekindle interest and engagement. Just last month at the IGD conference, the Chief Executive of Asda, Andy Bond, bemoaned the lack of differentiation between one retail chain and another, describing shopping as 'boring'. The answer, he saw, lay in stores and suppliers bringing back flair and innovation. We couldn't agree more.

While the bread aisle of fifteen years ago may have interesting parallels with other categories today, and indeed the situation facing some European economies, another article in this issue presents an even more exciting challenge for branding. Simon Anholt, in this year's Brands Lecture *Brands beyond business*, summarised in this edition, argues that branding may have a rather more important role than we might think in tackling one of the greatest humanitarian issues of our age – the distribution of wealth across the globe.

He describes branding as 'the crown jewels of capitalism'. He outlines the enormous economic wealth that brands represent and draws uncomfortable comparisons with the alternative, highly price-sensitive commodity model. Why, he reasonably asks, don't developing countries forsake this commodity model and 'do' branding too? His exploration of the some of the reasons and the case studies he draws on of those who have travelled the branding route make fascinating reading.

Once again, we hear that the consumer plays a pivotal role. Simon talks about the economic power wielded by the consumer but states that it must be accumulated before it can be harnessed. Branding, he argues, is the only reliable way to gather that power and plug into it. He goes on to draw a distinction between branding and traditional statecraft, concluding that it is only branding that remembers – and understands – the individual consumer. The summary presented here may give you an overview, but I urge you to read the unexpurgated version (available free from the British Brands Group or downloadable from our website).

Catching up with the copycats?

Claire Urquhart, *Maclay Murray & Spens*

In May this year, the Unfair Commercial Practices Directive was signed by the European Parliament and Council, seeking to clarify consumers' rights and boost cross-border trade by harmonising EU rules on business-to-consumer commercial practices. The idea is that EU consumers will have the same protection against misleading marketing wherever they buy, while businesses will have a clear set of common EU rules to follow, rather than myriad divergent national laws.

The new legislation outlines 'sharp practices' which will be prohibited throughout the EU, such as pressure selling, misleading marketing and unfair advertising. Included is a ban on deliberately promoting a product in a similar way to another. Does this herald the end of products in look-alike – or copycat – packaging?

Such a practice has been used against shoppers for decades, and not just in the UK. A competitor will present a product in packaging similar to a leading brand to suggest to the shopper that either it is that brand or is associated with it. It is a practice that works. Many shoppers are misled over the quality of the copycat, some buy it, mistaking it for the brand, and generally the shopping experience is made more difficult.

The other side of the coin is the impact this deception has on business. Not only the copied product but others in the category lose sales when shoppers believe they are getting leading brand quality at a lower price, while the costs of the original product rise disproportionately as it strives to defend itself and to reassert its distinctiveness. Where a copycat targets an innovative new product, returns on investment are lowered and further investment in new products discouraged.

The Unfair Commercial Practices Directive, however, is consumer protection legislation and therefore will only deal with the consumer aspects of the problem. Businesses – and policymakers – must look to other solutions in order to tackle the business and innovation effects that flow from this form of free riding.

So will this Directive bring anything new to the UK? To date, passing off and trade mark law are the best-known methods for tackling copycats. However both have problems. The copycat will adopt the same colouring and juxtaposition of features as the original to convey sufficient similarity to the shopper, but will usually be just different enough to avoid clear-cut passing off or trade mark infringement.

A trade mark is often of little assistance. For infringement, the brand owner needs to show a 'likelihood of confusion', which needs to be more than just 'a bringing to mind' of the registered mark. As the copycat usually uses a different name on the product, it is hard to find evidence of confusion that led shoppers to buy the wrong product, though it does happen.

Some assume that passing off is a sufficient remedy. However, again, confusion is very difficult to prove. Identifying witnesses who may have been confused is not easy (retail outlets selling copycats tend to deny access to the researchers) and consumers are often reluctant to admit they have been duped. Also complaints are rare where the copycat price is relatively low. To overcome these difficulties, companies have sought to use shopper surveys as a substitute but the courts have been highly critical of this approach.

Will the Unfair Commercial Practices Directive improve on this situation? For a specific look-alike to be unfair (and therefore prohibited), it must be false or misleading and cause the consumer to buy a product he otherwise would not have bought. However it is not clear how confusion is to be interpreted in the context of the Directive. If it is to be interpreted strictly in the passing off/trade mark sense (i.e. that the consumer must believe that the product is another product), we will be no further on. More to the point, will the interpretation be the same in other Member States (where 'confusion' tends to be interpreted more broadly)? If interpretations differ, the Directive will have different effects in different markets.

Much will depend on how the Directive is implemented into UK law, how it will be enforced and how the courts apply it in practice. Although the Directive provides for organisations with a legitimate interest (e.g. competitors) to take legal action against unfair commercial practices, it looks probable that in the UK it will only be public enforcement bodies, and specifically Trading Standards, that are tasked with enforcement. Trading Standards, however, are already over-stretched and more used to dealing in areas that are relatively black and white (such as weights and measures, risks to health and counterfeits) than determining whether packaging is sufficiently similar to encourage a shopper to make a purchase they might not otherwise have done.

Whilst on the face of it the Directive may not provide significant change to what can be done about copycats, it is potentially a step forward and should be embraced as such. However, interpretation and implementation will be critical, not just in the UK but across Europe. Policymakers have a significant task ahead of them if this legislation is to deliver the harmonising effect across the markets of the Member States that they seek.

PUR® – water for developing countries

Chris Smith, *Procter & Gamble*

In many parts of the world, contaminated drinking water represents a major health hazard. The World Health Organization (WHO) puts estimates of those without access to safe and adequate sources of drinking water at 1.2 billion people. Furthermore, a significant number of illnesses and deaths are reported annually as a result of waterborne diseases, with diarrhoea-related illnesses alone estimated to cause two million deaths per year, the majority of which are young children.

Imagine that you could devise a simple, affordable water treatment system that could help address this global issue. Since 1995, Procter & Gamble (P&G) has been working with the Centers for Disease Control and Prevention (CDC) in the US to develop effective, clean water technologies and it was this collaboration that produced PUR® – Purifier of Water, a simple, affordable, in-home system for delivering clean water.

The product was first developed by P&G scientist Phil Souter. Phil had seen first hand the need for clean water during his travels, and his experience working at P&G's technical centre in Newcastle on a laundry product gave him an idea for a solution. Could not the same technology used in almost every laundry product act as a 'dirt magnet' for drinking water? This technology is frequently used in municipal water treatment plants so why not develop a simple, effective and affordable in-home version?

The prototype was refined following tests with thousands of consumers in developing countries. These consumers consistently told us what they wanted:

- visible signals that water was cleaner;
- control of the process in the home;
- affordability.

It was these requirements that PUR® – Purifier of Water set out to satisfy. The result? One PUR® sachet provides 10 litres of visibly cleaner, safe water – enough for the average family's daily potable needs – for US $0.035, or about the price of an egg.

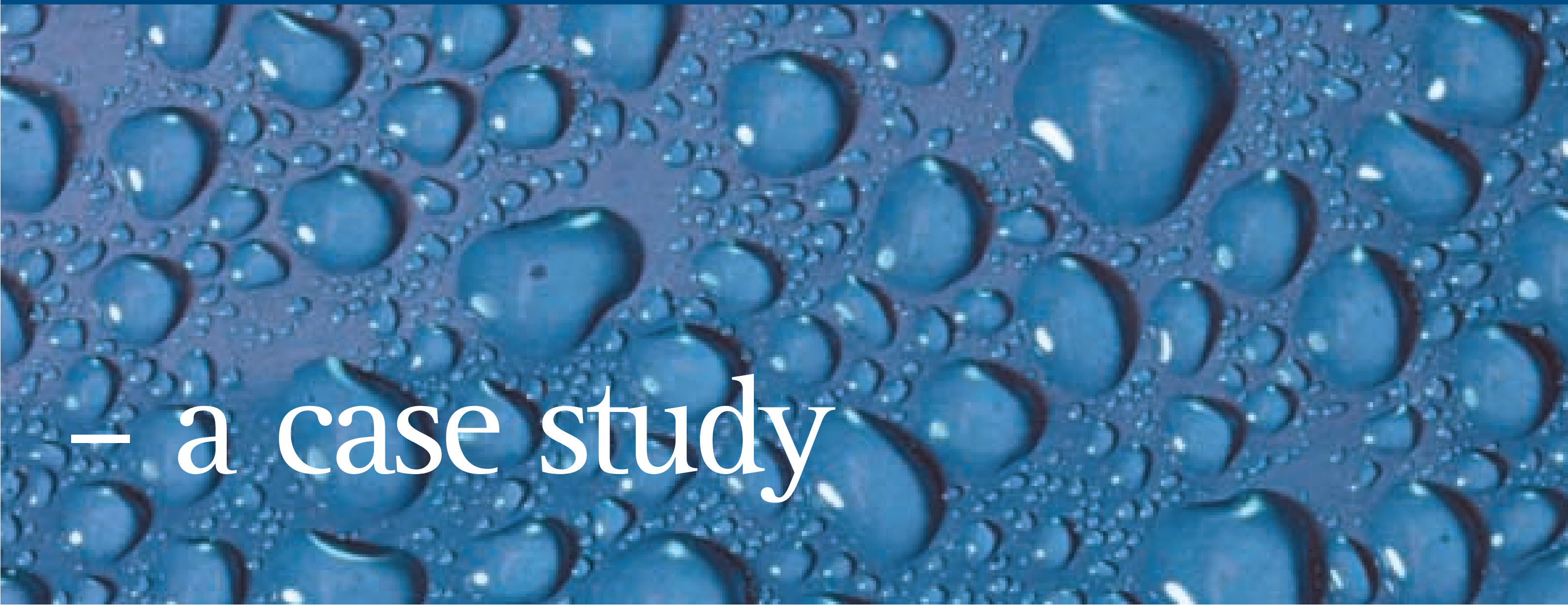
The PUR® process is simple and uses simple implements that people in developing countries have in their homes. The contents of one small sachet are added to a 10 litre bucketful of water and mixed. The combined flocculation/disinfection technology separates the dirt and other contaminants from the water within five minutes. The water is then filtered through a cloth to separate the floc, which is then disposed of in the latrine. After 30 minutes to allow for disinfection, clear, clean water is ready to drink.

The water cleaning process

The project, however, is not just about developing the product. A holistic approach is required to ensure the product reaches those that really need it. Based on initial market analysis, it became clear that P&G's traditional marketing approach would not work in those parts of the world where this product was most needed.

A lack of infrastructure and very limited communication routes meant that a more innovative marketing approach was needed. As a result, a specific strategy was developed and has been underway in Latin America and Asia for several years. This has included clinical studies in Guatemala by CDC, learning-markets in rural villages and the testing of consumer acceptance at the village level.

Today, PUR® is being marketed on a large scale in several countries using an effective social market-based model supported by our partners Population Services International (PSI), a non-profit US-based organisation that harnesses the vitality of the commercial sector to tackle health problems in over 70 countries. This partnership allows PUR® to be delivered to low-income consumers in remote, difficult-to-reach locations. Further in-country work is carried out through other partners such as the International Council of Nurses (ICN), Johns Hopkins University (Baltimore, USA), teachers, doctors, church leaders and humanitarian organisations such as CARE. They help to educate the local population about the need for safe water, household water storage and how to use the product appropriately. The result is a reduced occurrence of diarrhoeal illness and



– a case study

other waterborne diseases, as well as a boost to local economies.

As well as this social model which provides PUR® for regular day-to-day use, the product is also ideal for emergency use. Millions of people lack access to safe drinking water because of natural disasters or armed conflicts and PUR® has several potential advantages in this context. Its long-term stability means it can be stockpiled in areas of frequent disasters for long periods, it is easy to transport – even in inefficient distribution chains – and its robustness means it can treat even very turbid surface waters. This emergency relief model involves both product distribution, typically through a relief agency, and the provision of simple education materials in multiple languages. To date this emergency relief model has delivered over 200 million litres of safe clean water all over the world.

In total (social markets and emergency relief) PUR® has been used in Haiti, the Philippines, Guatemala, Morocco, Pakistan, India, Liberia, Bangladesh, Chad, Botswana, Malawi, Zimbabwe, Sudan, Iran, Ethiopia, Iraq, Uganda, Kenya and the tsunami-ravaged region of South East Asia.

The success of this product contains many lessons. Yes, the solution to the problem of safe drinking water was a technical one, but getting the product to the people that most needed it, and encouraging them to use it in order to reduce illness and disease, involved consumer understanding and innovations in marketing, distribution and education. Furthermore, the development of the product, its distribution and long-term viability have been wholly dependent on partnerships with other organisations that individually deliver vital parts of the holistic strategy. Without these partnerships and innovations in marketing, PUR® would have been unable to deliver over 300 million litres of safe, clean water since its introduction in 2000.

For more information on PUR® visit www.pghsi.com/safewater

Membership grows

In the last year, seven brand manufacturers have joined existing members to support the British Brands Group's work in explaining the contribution of brands to the UK and campaigning for an environment of fair competition. These members vary in size and cover a range of sectors from toiletries and household goods to food and drink.

Sales promotion regulation withdrawn

The European Commission has withdrawn its proposals for its Sales Promotion Regulation due to intractable disagreements between member states. The withdrawal highlights continued difficulties in moving towards a harmonised single market.

Alliance changes its name

The Alliance against Counterfeiting and Piracy has changed its name and is now called The Alliance against IP Theft. The Alliance, of which the British Brands Group is a member, is a unique coalition of trade and enforcement bodies with an interest in preventing IP theft. The new name reflects the growing threat from new forms of IP crime. The website is unchanged (www.aacp.org.uk).

Finding a voice for your brand

Judy Delin, *Enterprise IG and University of Leeds*

When we think of brands, we often think of their powerful visuals: the Nike swoosh, the Kit-Kat wrapper, or the distinctive shape of the Coke bottle. Or we might think of LloydsTSB's blue and green, or Vodafone's red speech marks, or Easyjet's distinctive typeface and orange colour. We know that colours, logos and typefaces go a long way to create our impressions of a brand, and they certainly reinforce a brand's presence every time we see them. But what about their language?

Brand guidelines, handbooks and identities reflect this emphasis on the visual. You will see pages about the way the visual identity can and can't be used. You'll know the typefaces that are on- and off-brand. You'll know your Frutiger from your Franklin Gothic.

It's crucial to get all this right. But we know that people's experience of brands is drawn on a wider canvas than this. That is where branded language, or 'Tone of Voice', comes in. Most brand guidelines devote less than 5% of their space to describing how the brand should use words. The guidance is often vague, amounting more or less to 'if you think about the brand, you'll write (or speak) in the right way.'

This is a missed opportunity. Language has enormous power to do what brands need to do – communicate. This goes not only for the highest-profile communications, such as advertising, retail environments and packaging, but for every point at which the brand touches consumers. This means every channel: internet, phone calls, face-to-face communications, text messages, emails, letters, bills, statements, instructions – everything that has a linguistic component. If brands consider all these touchpoints as potential spaces to express the brand, a huge benefit can result in terms of customer impact and even loyalty.

We know that people don't always read everything. A compelling communication therefore has to be well structured, allowing people to get the information they need. But people also return to communications and use them in different ways at different times – from reading the cereal packet over breakfast to skimming a bill at a later date to find the most expensive calls. Messages that are clear and well structured, therefore, win friends. To many brand owners, this has meant improving their English – which is a good thing – but it can fall short of creating distinctiveness for the brand, a 'voice' that makes the same kind of associations that the visual identity does.

We all speak differently at different times. Brand Tone of Voice works directly from the essence, personality and qualities of the brand to predict what kind of language that brand should use, to whom, and when. This may be different for different audiences. We also know that the way brands talk about themselves inside an organisation tends to leak through to the outside. So if your call centre has something called the 'Large Customer Unit', you'll eventually get customers who are insulted by being put through to it.

So what kinds of things does Tone of Voice cover? Most people intuitively think of vocabulary – informal and fun, formal and professional or somewhere in between. There are, however, many more dimensions of language to call upon. Linguists have identified a rich array of forms that people use to create a sense of 'self' in writing – to communicate a personality. For example:

- How much certainty are you communicating – saying something *is*, or it *could be*?
- How closely are you associated with what you're talking about? Are you, or the customer, or even the brand, the 'doer' in the activity? Does this make the customer feel empowered, protected and looked after, or passive and powerless?
- How much subjective evaluation are you including? Are you calling a product *fantastic* (which is positive, but highly subjective) or *most popular* (which is positive, but more objective)?
- How closely are you involving the customer? For example, in a brochure about a mortgage product, are you talking about *an account* or *your account*, *the house* or *your home*?
- Is the language predictable – or can you find new combinations of words that will surprise, perhaps more in keeping with a fun, vital brand?

Tone of Voice is most usefully based on a survey of existing communications, a solid understanding of the brand and research with stakeholders to find their reactions to the Tone of Voice as it develops. And training is vital, so that the Tone of Voice doesn't get lost in your organisation. Finally, thought needs to be given to translation, having guidelines prepared to make sure that your Tone of Voice is going to work in any other languages you need. The result should be a consistent, usable, effective and well-liked set of principles for on-brand language.

Tone of Voice, like much current branding practice, is all about consistency – making it clear that people can expect the same kind of personality from a brand, all the time. But what's next? Our ever-richer customer data might shortly enable us to create 'chameleon brands' that present different facets of the brand to different consumers. This is a future challenge both to visual and verbal branding – so watch this space!

Report on innovation in Europe

In June an international leadership forum looked at the role of innovation in advancing Europe's economic agenda. It called for a higher priority to be given to innovation and confirmed that putting the customer at the centre of this effort is the critical ingredient for success. A report on this forum is available free from the British Brands Group.

Adding value – everyone is a winner

Andrew Brown

Banana sandwiches for lunch and beans on toast for tea. In the early 1990s you could feed a family of four a fairly nutritious (albeit vegetarian and rather restricted) diet for under 20p. A large loaf of bread could be bought for 9p, bananas for 5p each and a tin of baked beans for 4p. It was the time of the bread wars, the banana wars and the baked bean wars, when a combination of manufacturer/ supplier overcapacity, fierce retail competition and a consumer recession led to below-cost selling of a number of grocery products.

So was this an example of a free-market economy working efficiently or does below-cost selling distort markets and is ultimately not in consumers' interests? Should governments legislate against it as in other countries? The European Commission is currently looking into the issue, so should manufacturers be lobbying hard for action?

The debate about whether or not to legislate is legitimate but manufacturers, whatever their feelings, would be unwise to rely on this as a solution. After all, legislation will not solve some of the fundamental market problems which lead to below-cost selling, in particular commoditisation and overcapacity. Manufacturers should seek solutions which lie in their own hands. The example of what has happened to the wrapped- bread market since those dark days of the early 1990s is a good one to follow.

Wrapped bread in the early 1990's was a commodity market. Private label dominated and the bulk of volume sold was 'standard white bread', an undifferentiated, basic product whatever retailer you bought it from. Brands did exist, though mainly in the Co-op and independent channels and again the products were all the same. Manufacturers were good at changing the wrappers but did not like changing the product as this slowed down production. So bread manufacturers treated brands as just different labels to be put on the same product. The industry had got itself into a vicious spiral of price, volume and cost efficiency. Product differentiation and therefore all innovation was seen as adding cost, making the product uncompetitive on price and damaging volume. There were some premium branded offerings, particularly in brown and wholemeal, but these were seen as peripheral.

What was the result of all this? Nobody (with a few exceptions) was making money out of bread. Retailers justified it as a means of making a price statement about their whole grocery offering while manufacturers struggled to survive. Some didn't. It could be argued that the consumer was getting a very good deal. Well, yes, if they liked the basic white product, a product which became increasingly value-engineered to lowest cost. If, however, consumers wanted choice and better quality then they were not getting what they wanted.

What has happened in the 10–15 years since is remarkable. Today there has been a switch around between brands and private label, with some three-quarters of the market now branded. Warburtons, Hovis and Kingsmill are now counted within the top 20 grocery brands in the UK, across all categories. Today's fixture is unrecognisable from that of fifteen years ago, with an enormous range of different products at different price levels. There has been sustained product development and innovation with most years bringing new offerings to the market. So while market volume has fallen over that time (retail bread volumes have been declining for decades as diets have become more varied and out-of-home consumption, such as pre-wrapped sandwiches, has increased), the market value has increased substantially.

How did it happen? No one manufacturer or retailer was responsible but the market recognised back in the early 1990s that adding value was the *only* way forward. This adding of value was led by the brands, but with the active support of many retailers. If anyone led the way it was Warburtons, in those days a regional player in the north of England, who showed that there was a substantial market for a high quality product at a price 3–4 times higher than the 19p which became the benchmark for a 'value' loaf. Allied Bakeries then began to increase support behind their Kingsmill brand and British Bakeries took the bold step of launching Hovis into the white market with a new premium product. The momentum provided by these three brands, all vying for market share, kick-started the process. The products were continually upgraded and a series of innovations and product introductions followed, segmenting the market further: sandwich loaves, 'toastie' loaves, farmhouse loaves, crusty loaves, white loaves with added fibre, white loaves with the health benefits of wholemeal and most recently 'crustless' loaves. The focus of this value-adding activity was in the white bread category but innovation followed in brown, wholemeal and grained products. The choice today is phenomenal and the quality of the offerings a transformation from fifteen years ago.

The history of market pricing over this time is fascinating. In 1990 the cheapest 800g loaf of wrapped bread was 47p. Within two years this had dropped to 19p as retailers exploited industry oversupply to negotiate better prices. It was clear that 47p was not a sustainable price for a commodity product but it was only after this price collapsed that manufacturers were kick-started into pursuing an added-value strategy. Today, prices vary from around 25p for a 'value' loaf to over £1 for the most premium branded offerings. Crucially the consumer gets different products in each price tier - a very basic white loaf at 25p and a very high quality product using premium ingredients at the 75p+ level. Interestingly the vast bulk of the market is now sold at prices over 75p, proving that the consumer wants, and is willing to pay for, the added value.

The result of all this has been win–win–win. The manufacturers can now make a return out of added-value bread, retailers make good profits out of wrapped bread and see it as an attractive category, while the consumer is getting a much greater choice of high quality products. It really is a case of everyone being a winner.

Clearly the issue of below-cost selling is important, not least for small retailers. However from the manufacturers' perspective, the message is clear. Lobby government against below-cost selling by all means but don't put all your efforts into this. Revisit your strategy, add value and you may find the solution lies in your own hands.

Andrew Brown has been Marketing and Strategy Director of British Bakeries, Managing Director of Rank Hovis and recently Interim Director of The Federation of Bakers.

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Let's go through those arguments and find out whether they are any good.

First – they can't manufacture to the quality required. Well, that is obviously untrue because everybody knows a great many products with Western labels are actually made in the developing world. People know that companies like Nike have spent years training manufacturers in those countries to produce to the very high standards that we fastidious Western consumers require. So we can tell the Martian that actually developing countries are already manufacturing global brands.

Second – rich consumers wouldn't want these brands because they come from the wrong places. There is a marketing concept called 'country-of-origin (COO) effect', where the country of origin is a significant part of the brand's equity. Indeed, brands can be the primary vector of our perception of a country – think how Toyota and Sony have affected our mental picture of Japan. It is possible to play around with this country-of-origin effect and Japan is the classic example. Thirty years ago, we wouldn't have bought a Japanese product on principle. Today we will happily pay substantially more for a product we have never heard of just because it sounds Japanese. It is why Dixons calls its own brand products 'Matsui'. The value to the Japanese economy of that change in perception can scarcely be calculated. I can think of a few developing countries that could do with that transformation.

So clearly, in order to answer the Martian's question, these countries would need to change their COO effect in the way that Japan did. It also depends on whether consumers are prepared to change their minds, fuelled perhaps by a growing desire to buy a little more ethically than before and to make our lives a little more interesting. It is not that hard to imagine a situation where brands from poorer countries become appealing.

Let me jump to objection number five – companies in poor countries can't afford to build brands. Well, the one thing we do give them is money. The thing I have noticed about developing countries however is not that they don't have enough money but they don't spend it wisely. They don't share our love of metrics and accountability. There is another respect in which marketing has developed in the past few years, and that is in making our money go further. No longer do you have to spend a billion dollars a year to build a global brand.

Objection four – the country's economy wouldn't benefit because some villain would pocket all the money. Even if that were remotely true, some degree of trickle-down is unavoidable. No matter how much of a villain the business owner is, he has to hire people, pay them, and buy in supplies. If it is well clustered, it will coalesce and an economic benefit will be unavoidable.

Which leaves us with the third objection – companies in the third world don't know how to 'do' branding. Actually this is probably right and it is the objection I will return to at the end.

There seems no doubt that if producers in developing countries were to brand their produce instead of leaving it to others, that would be good for them and their economies. Brand is the key. All economic power lies in the hands of the consumer, but it is fragmented and must be accumulated before it can be harnessed. Brand is the only reliable way to gather that power and plug into it. Each of us has a small amount of money to spend, but there are billions of us. Getting us to spend in a concerted way is like herding cats, and can only be achieved by coercion (taxes) or by brands (shopping). The first world understands and creates brands and thus plugs directly into the economic power of the consumer. The second and third worlds don't do branding and are separated from that power by middlemen – importers, distributors, brand owners and retailers. The further away from the consumer you are, the less you will benefit from their economic power.

Branding has a further role to play, a far more important one, and that is the branding of the nations themselves. I have spoken about nation as brand in the sense that country-of-origin effect is a primary component of a lot of brands (Burberry wouldn't be half the brand it is if it wasn't British). What is less obvious is that country-of-origin effect applies to everything the nation does, not just to everything it sells. Country-of-origin effect applies to a country's government, its culture and its people.

For a moment, let us leave aside the connection between branding and branded products. If you look at the discipline itself, it has a number of basic similarities to conventional statecraft. Branding is good strategy but the one quality it has which conventional statecraft does not is that branding remembers the individual consumer and it understands the importance of reputation – critically important in the modern age.

So this discipline of branding that we understand so well is actually of much greater value to the developing countries than we think. It is so much more than a trick to help them get more margin and sustainable profitability from their exports. It is actually the way that they will emerge.

And this is where I finish. You remember the last objection we offered the Martian? That poor countries can't do branding. Well to an extent it is true, they can't. Branding is the crown jewels of capitalism and we have clasped it tightly to ourselves. There is a lot of very poor marketing in second and third world countries and almost no understanding of brand strategy.

Now, in a thousand rich cities around the world there are a lot of people who are very good at this stuff. They are good at strategy, good at understanding marketplaces, good at understanding how to galvanise public opinion to achieve big movement. These mighty brains could be doing this kind of thing exceptionally well. One day, companies that make their living building brands – the advertising agencies and marketing consultancies – might find a way to release that talent through short-term assignments, helping a glove factory in Sri Lanka develop a global brand perhaps?

A full copy of Simon Anholt's Brands Lecture is available from the website at www.britishbrandsgroup.org.uk/Lecture.html

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 build in Britain the optimum climate for brands to deliver choice and value to consumers, through constant innovation and fair competition.

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

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