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British Brands

THE NEWSLETTER OF THE BRITISH BRANDS GROUP

Brands and government: a shared purpose

Ben Thornton, *Fleishman-Hillard*

THERE IS A CLEAR INTERCONNECTION BETWEEN BRANDS AND RESPONSIBLE BUSINESS, BUT IS THE VALUE OF CSR ACTIVITY BEING MEASURED APPROPRIATELY AND HOW MAY COMPANIES WORK MOST EFFECTIVELY WITH GOVERNMENT TO DELIVER POLICY GOALS?

From obesity and the broader public health agenda to regulation of the internet, governments around the world are wrestling with problems to which their traditional policy-making toolkits offer, at best, limited solutions. In the current economic climate, these difficulties have been further compounded by significant restrictions on resources across the public sector.

In response, governments have increasingly turned to new approaches, including partnerships with industry. The goals of these joint efforts range from seeking voluntary agreements to reduce salt content in food products to directly leveraging major brands' social marketing skills to achieve positive changes in consumer behaviour.

The British Brands Group recognised this developing trend, hiring communications firm Fleishman-Hillard to lead a study into this area and the work that brands are doing to pioneer new partnership approaches to Corporate Social Responsibility (CSR).

Measuring the real value of CSR

The study, which built on the Group's 2008 report on the contribution of brands to the UK economy, came to the striking conclusion that while businesses tend to be good at quantifying and reporting how much they have invested in CSR, they struggle to calculate and communicate the real value of these commitments – often running into millions of pounds.

One solution to this gap could be the Social Return on Investment (SROI) evaluation framework developed by nef consulting. Based on work with the Cabinet Office and aligned to Treasury Green Book guidelines, the SROI model combines elements of social accounting with traditional cost benefit analysis. For example, two regeneration and construction consortia recently projected the SROI from a £2 billion waterfront redevelopment project. Anticipated outcomes included contributing to community well-being, social cohesion, economic dynamism, water-positive impact and carbon neutrality. Projections for simply the social value created ranged from £5 billion to £6 billion in socio-economic benefits alone.

Unless this hidden value is made transparent, evaluation measures and balance sheets will continue to value this 'goodwill' with little accuracy under 'intangible assets' and so reflect competitive performance less holistically. By taking steps to account for and communicate this hidden value, brands would be better able to demonstrate their contribution.

As importantly for brands, effectively communicating this investment and its benefits would enable regulators, policy makers and the media to better understand and quantify the real contributions being made by individual companies and sectors to society or the environment.

Policy partnerships

There are also important lessons for brands and governments to learn from the report which makes clear that partnership between industry and government can be much stronger than a unilateral approach to tackling significant modern policy challenges.

Over recent years, the UK government has increasingly recognised the power of using brands' expertise to support the delivery of public policy goals. Some of the most high profile examples include the recent Change4Life and Campaign for Smarter Drinking initiatives. These programmes bring together a number of branded companies in partnership with government to encourage significant behavioural change, urging consumers to eat and drink responsibly and to live more active and sustainable lives.

With a new government in place, now is the time for brands to seek out opportunities to both develop their relationships with government and further enhance their public reputation.

The Prime Minister has made clear his commitment to developing 'The Big Society'. Coupled with significant spending cuts across the public sector – not least to departmental marketing and PR budgets – this agenda presents a clear opportunity for branded companies to build on their early successes of the public policy partnerships identified in their report.

The full report is available at www.britishbrandsgroup.org.uk

inside:

British Brands Group

From the Chairman

John Bebbington, *British Brands Group*

In the last edition of British Brands, I commented on how branded products were holding their own in the recession. These are testing times as shoppers seek sensible ways to economise so it is encouraging to find branded products standing up so strongly to scrutiny.

Resilience of brands

In July, data from mySupermarket.co.uk showed that, over the past two years, shoppers have largely stuck with their favourite brands. Branded washing-up liquids for example have increased their share by 6% while branded laundry detergents have increased theirs by 13%. Foods such as bread, fish fingers, baked beans and tinned soup provide further examples where branded products have increased their shares by 11%, 7%, 4% and 2% respectively.

This shows that distinctive products offering the right quality at the right price secure the shopper's vote even when times are tough and cheaper options are available. This success translates into company success and it is noteworthy that last year, in the midst of global turmoil in which every financial indicator plummeted, the value of the top 100 brands increased by 2% to $2 trillion.[1]

Brands in a modern economy

These figures, while encouraging for branded companies and their shareholders, send a powerful message to any government committed to driving growth in the economy. Last November, a conference hosted by the IPO and partnered by both the Group and the CBI, investigated this subject in some detail, assessing how the UK might become a more successful market in which to create and build brands.

The conference heard how the stock price of companies with strong brands outperforms that of other companies, how brands are proving critical to new sectors (cf. Blackberry, Twitter, Facebook) and how the UK has its share of up-and-coming brands. Particularly telling was the recognition that, despite the value of brands, their link with innovation, the strength of the UK's brand-building creative industries and the importance of brands in export markets, branding barely features in government policy.

A report of the conference has now been published and can be found on our website at www.britishbrandsgroup.org.uk.

Brands and responsible business

However, economic growth must not come at any cost. Vince Cable MP, Secretary of State for Business, in his first speech on taking office, outlined the challenge ahead as 'finding the right blend of responsible capitalism'. Here branded businesses have a strong role to play, being alert to the expectations of consumers and thereby society at large. This is a theme developed in Simon Cole's article in this issue and was the subject of a major study commissioned by the Group from Fleishman-Hillard, published earlier this year.

The study, which explored the close inter-relationship between brands and responsible business, found that companies' Corporate Social Responsibility (CSR) activities were not being fully measured or accounted for. The result is companies under-reporting their contribution and, more importantly, policy makers and others remaining unaware of the true extent of the work being done.

Of equal relevance in the current climate was the study's investigation of policy partnerships, where branded companies have teamed with government to work together to deliver policy goals. Branded companies have a strong contribution to make, as Change4Life and the Campaign for Smarter Drinking have demonstrated, and the study researched just how such policy partnerships work best, with important lessons for the future.

Ben Thornton summarises the study in his article *Brands and Government: A shared purpose* and the study itself, *Brands and responsible business*, is accessible from our website.

Fair markets

Economic success and 'responsible capitalism' will only be realised if markets work well for consumers, so it was with applause that the Group welcomed the government's announcement in August to bring forward legislation to appoint a Groceries Market Adjudicator (GCA) to monitor and enforce the Groceries Supply Code of Practice (GSCOP) introduced in February.

This remedy, recommended by the Competition Commission as long ago as 2008 in response to an adverse finding, should enable suppliers to invest more in product quality, greater choice and more innovative products for consumers. It is a remedy that the Group has championed for some time. The focus is single-mindedly on benefits to consumers but relies on companies to come forward to the GCA with information on how the market is working, either via disputes or complaints. Whether suppliers will be willing to play this role remains to be seen – the GCA will not be appointed before 2012 – but will depend on the ability of suppliers to feed in information without risk of being identified or their commercial relationships jeopardised.

Brands Lecture

Finally, those lucky enough to attend the Brands Lecture in June heard from Fiona Dawson, MD of Mars Chocolate, how important it is for products to remain relevant to the changing needs and lifestyles of consumers and how crucial innovation is to iconic brands. Her lecture has just been published and is available on our website. I recommend the read.

[1] Brandz top 100 most valuable brands 2009, Millward Brown

Trade marks, brands and corporate reputation

Simon Cole and **Alfredo DeLima**, *Bestra Brand Consulting*

TRADE MARKS AND BRANDS MAY HAVE SIMILAR ORIGINS BUT THERE HAS BEEN A MARKED DIVERGENCE OVER THE PAST CENTURY. NEVERTHELESS THE RELATIONSHIP BETWEEN THEM IS SYMBIOTIC AND CONTINUES TO EVOLVE IN THE SEARCH FOR BUSINESS SUCCESS.

Secretary of State for Business Vince Cable recently declared that the economic upturn must, above all, be founded on 'responsible growth'. The merit of his statement can hardly be disputed. The question is, how are companies to achieve it and what does it mean for the management of their brand assets?

While a product name was the first step towards affirming origin and authenticity, branding followed as the antidote to commoditisation and the panacea for sustainable commercial success. Today, in the new brand world where consumers are empowered with every imaginable source of information, companies need to find new ways to secure commitment to the complex beast that is increasingly the combination of their product and corporate brands if they're to achieve long-term success and properly secure shareholder value.

Trade marks sowed the seeds

While the roots of trade marks as signs of provenance might well be lost in time, recognition under the law is more recent. The earliest records in statute date from the first half of the 17th century when authorities sought to regulate industry by creating a means to trace goods and hold manufacturers responsible. In time they became seals of authenticity and a means to communicate continuity and reliability to a consumer for whom it reduced uncertainty and risk.

Over the years, as the utility became more apparent, definitions were increasingly formalised. Most recently, the 1994 Trade Marks Act specified them as 'any sign capable of being represented graphically which is capable of distinguishing the goods or services of one undertaking from those of other undertakings'. While that was undoubtedly a step forward it fell short, firstly with regard to the wider meaning of 'brand' (to which the trade mark is a trigger or conduit) and secondly in its relationship with the company behind it which has taken on the mantle of source or provenance in a far more complex way than originally envisaged.

Ultimately, a trade mark is like a birth certificate; it registers the property, establishes the legal presence and affords a level of protection but does not define the person. In that, and critically, it does not deliver the shareholder value consequent upon the brand.

'Brand' – the inevitable extension

While the notion of trade mark has become well defined – in the law at least – 'brand' has not. They may share common roots but, as every practitioner knows, 'brand' represents much more.

Modern brands and branding took shape in the late 19th century as one of the drivers of mass market consumerism. Emotional qualities and self-expressive factors such as image and personality became agglutinated with rational qualities, including trade marks. It all combined to reinforce customer loyalty and enhance the utility of the goods.

Brands marked the transition from a world where companies made functional things people might want to one where they created demand based on inspirational points of difference. Brands provided a utility that the consumer was willing to pay for that represented a direct source of value for their owners and drove the economies in which they flourished.

In their new found role as wealth creators, brands quickly became the subject of debate and a host of business books were spawned with almost as many definitions. Twenty years ago brands were described as 'the sum of all the thoughts, feelings and associations' related to a product; a somewhat one-sided view that presented consumers as largely passive and taking what they were fed. Since then a more balanced consensus has emerged which likens brand to a 'relationship' between the product and the consumer. Whatever the definition, there is recognition that 'brand' represents much more than just the name, symbol, design or a combination of them that is the trade mark.

All that raises issues for the laws governing these properties which, as Professors Desai and Waller at the Chicago University Law School pointed out, 'have ignored the full role of brands and focussed solely on trade marks…'. There may be signs that this is changing – for example in Europe's Court of Justice – but the current legal thinking has yet to embrace the full role of brands and their kinship with trade marks.

Trade mark and brand are undoubtedly distinct but, given their inherently symbiotic relationship, must be considered as inseparable. A brand may evolve and be consumed in different ways by different stakeholders but it remains a largely singular presence and, with good management, enduring. Trade marks however, can be multiple (i.e. with many supporting a single brand) and they have a tenure necessitating periodic re-registration. Indeed, trade marks can be 'replaced'. For example, when Accenture lost the rights to use Anderson Consulting, the brand was migrated to the new moniker 'Accenture' in less than six months. The cost was considerable but only a fraction was spent on the new trade marks. The bulk was invested in imputing new meanings and transferring the desirable equities of the predecessor brand. The body was imbued by its soul.

– a natural evolution in managing shareholder value

In time critical appreciation of the precise role of brands gave rise to objective 'proof' of their commercial significance when they were shown to be real economic assets. Consultancies may argue the merit of one valuation method over another but there is consensus that the brand has an economic worth that ranks alongside tangible and other intangible and or intellectual properties. Business had begun to appreciate the power and the value of its brands.

But the emerging understanding of economic worth also exposed some shortcomings. Specifically, the failure to take proper account of 'corporate' brands. That gave rise to confusing and seemingly contradictory situations where value could be ascribed to one type of brand but not another. For example, accepted practices value Diageo's product brands somewhere in the region of £10-15 billion but cannot put a value on 'Diageo' itself.

The answer to that conundrum lies in recognising that corporate brands work in distinctly different ways to product brands. While the latter guides and secures customer choice, the former underpins the investment community's confidence in the company's ability to deliver economic returns. That reveals a direct and measurable contribution to market capitalisation, a 'reputation dividend', which can be traced back to the individual components of corporate reputation driving it.

Clearly, the value of corporate brands like WPP and Procter & Gamble needs to be understood if they are to be properly managed and brand managers need to be as systematic in their approach as they are for product brands. They need to supplement the well-understood methods of brand valuation with metrics that are more closely intertwined with the management of the company; metrics that provide them with a means to manage the levers of corporate reputation to deliver shareholder value.

A new brand world...

Finally, and if managing the conflation of customer and corporate brand wasn't enough, brand owners have to cope with a whole new step change. Consumers have been empowered by a combination of new media and the realisation that their support determines which brands prosper or fail. Skype, Twitter, blogs, social networks, YouTube, etc. opened new possibilities for information exchange previously controlled by brand owners. The balance of power is shifting and consumers have begun to realise that they now dictate many of the rules.

Brands are being tested as never before and the winners are those that are authentic, adaptable and consistently true to their core values. Consumers are flexing their muscles and demanding more in return for loyalty. The twin pillars of the trade mark – source and quality – have been supplemented with a variety of intrinsic and extrinsic factors. Quality has expanded to embrace a range of intangible elements. Source has evolved from geography to focus on the company behind the brand.

A key component of corporate reputation for many is social or environmental responsibility. Corporate, or perhaps more accurately brand, responsibility, founded on honesty, integrity, openness and shared values, is fast becoming integral to securing relationships with consumers. The deferential consumer has morphed into a referential one and the 'new brand world' has identified the corporation behind the brand as the all-important repository of ethics. Consumers now have the information to choose a company over another based on which will do the most good. Or at the least, reject those that do any bad.

Consumers are therefore becoming more sensitive to corporate reputation at the same time as the investment community is being influenced by brand in the round. Corporate reputation has become inextricably and irreversibly entwined with brand, and managers have to take a more holistic approach if they're to maximise the potential of their assets.

Conclusion

Today, brands (as distinct from trade marks) are widely recognised as underpinning commercial success, helping businesses compete on dimensions other than price, securing distribution, raising the bar for new entrants and directly supporting a company's share price through the corporate reputation. The function of brand has been elevated to the point where it has become an active agent of corporate strategy, driving revenues from the bottom up while supporting share price from the top down.

Inevitably, trade marks will continue to be a first step to introducing a new product. However, they need to be given life, nurtured and guided. They will need to develop their own personalities and behave in a consistent way to ensure stakeholder loyalty. They will need to take on the wider mantle of brand and become competent, responsible and altogether good corporate citizens if they're to maximise shareholder value.

Ultimately, when properly cared for, brands deliver sustainable and enduring advantage for their owners that translate directly into revenue, earnings and commercial success. Given that their effectiveness depends, amongst other things, on a resonance with stakeholders, they possess a unique capacity to be sustainable wealth generators and thus one of the more effective engines of longer lasting and responsible economic growth. Just what the Secretary of State is calling for.

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The inconvenient truths (...about branding)

Stephanie Colton and **Manfred Abraham**, *Interbrand*

WHAT IS THE RELATIONSHIP BETWEEN BRANDING – THE ACTIVITY THAT MAKES A PRODUCT, SERVICE OR COMPANY STAND OUT FROM THE CROWD AND COMMAND CONSUMER PREFERENCE – AND BUSINESS STRATEGY? SUCCESSFUL COMPANIES INTEGRATE BRANDING INTO THE VERY HEART OF THEIR BUSINESS, ALIGNING EVERYTHING THE COMPANY DOES BEHIND THE BRAND PROPOSITION.

Once upon a time, branding was a cosmetic exercise, the preserve of marketers deftly demonstrating distinctiveness, good at casting a golden halo around a company with flashy communications that surprised and delighted in equal measure. That was then.

In the modern economy, stakeholders – internal and external – hold companies to account, expecting consistency of thought, word and action. Put another way, a strong yet authentic brand proposition is essential for survival. Get it right, and they outperform the competition. Get it wrong, and the impact can be disastrous.

A case study: BP – beyond slick marketing

Once the darling of the oil industry, BP's clever repositioning under the banner of 'Beyond Petroleum' back in 2000 was a direct bid to break away from the petroleum sector and lead from the environmental high-ground.

A decade on and at least 90 million gallons of leaked oil later, we ask the question: just how authentic was this brand proposition to the core of their business? And how could this fall from grace have been avoided?

Brand-driven business requires much more than slick marketing. It requires true alignment of business strategy with brand strategy. Starting with a realistic brand proposition, it takes steely determination and some serious stamina to really integrate it into the day-to-day business, making it central to everything the company does and says, inside and out.

In this model, CEOs and their boards take overall responsibility for the ongoing successful management of brand value. Every department – including operations, HR and marketing functions – has a critical part to play. If claims are being made, the organisation had better be positioned (and not just willing) to deliver.

In the case of BP, 'Beyond Petroleum' now sounds – at best - more like a future vision for the business than a credible brand proposition. In the first quarter of 2009, BP Alternative Energy provided less than 1% of BP's revenues and none of its profit. The claims to be moving 'Beyond Petroleum' were not based in fact, and in the end have been their undoing, from both a reputation and business point of view.

So what can be done to staunch the wound? Taking fast action is paramount. The question is, could BP live its proposition and still run a successful business? The answer to this might be, 'not yet'. With the right steps in place, BP will emerge from this crisis, but they face a tough decision: either embed true meaning and deliver credibly against the current proposition or redefine their vision to better reflect the business strategy and what matters to stakeholders.

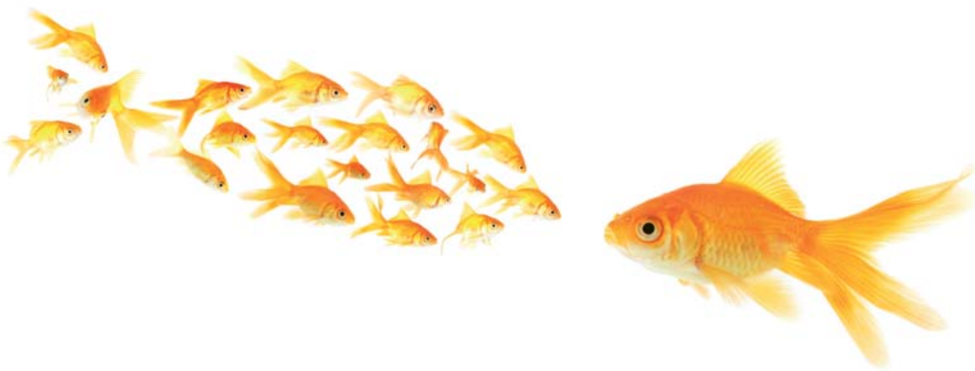
True to their words: companies that are getting it right

The good news is that some companies have mastered the art of brand-driven business and are proving its case by delivering significant financial impact. No article on the subject would be complete without at least a passing reference to Apple, who for the first time this year surpassed Microsoft in terms of profitability. With Steve Jobs at the helm, this is a company that knows exactly what it stands for, and works tirelessly to remain consistent. After his return to Apple in 1996, Jobs famously reviewed the innovation projects in the pipeline and reduced their number dramatically – only a few survived including the G3 processor and the famous coloured iMac, a product that demonstrated Apple's new business and brand strategy perfectly. The focus on delivering a single-minded brand proposition allowed the company to break into new categories and create the unchallenged leader in the MP3 market, the iPod. Apple has gone from strength to strength with iTunes, iPhone and the new iPad. All groundbreaking in their own ways but still a true execution of their core principles.

Interestingly, Apple's recent iPhone 4 blip could have proved disastrous for the company, with threats of product recalls, but not so. Steve Jobs 'humanised technology' by freely and openly admitting the technological issues and offering an immediate solution with the free iPhone bumpers. Seamless and guided by brand.

Other companies have achieved similar success stories applying the same singularity of vision and purpose.

When Howard Schultz returned to the helm at Starbucks in 2008, he knew it was time to refocus the business on its core proposition: 'The Third Space', delivering an experience around the consumption of coffee. This even led to 'debranding' a number of stores. In a marketplace quite different from the early 1990s when Starbucks was rising to the top, it realised that the delivery of its proposition needn't be a one-size-fits-all approach. So whilst visually these stores might appear 'debranded' they are very much on brand in their execution of Starbucks' 'The Third Space' proposition. Howard Schultz understands that branding has very little to do with the fancy logo over the door, it is about continuous investment that will deliver Starbucks' distinctive proposition, sharpen the competitive edge and stay attractive to the ever-changing customer taste.



Even smaller players like Musgrave, whose retail businesses in the UK include Budgens and Londis, are adopting this approach and improving commercial success. Where the major multiples continue to broaden their ranges, Musgrave has been fine-tuning what it offers. This means giving independent retailers the tools, skills and confidence to start delivering an experience that reflects the brand proposition, and is appropriate to the particular needs and tastes of their community.

Whatever business they are in, the leaders of the pack have one major thing in common: they have accepted, embraced even, the seven inconvenient truths of branding in the modern economy.

Seven inconvenient truths

1 **Authenticity is everything.** A brand proposition must be credible. Claiming something that you cannot deliver will trip you up in the end.

2 **Be prepared to make tough trade-offs.** Being brand-centric means making tough choices on a daily basis. What's good for business may be bad for your brand. In the long run, it pays to consistently reinforce your proposition.

3 **Brand in the boardroom.** The brand proposition – that is, the singular, guiding idea that makes a business unique – begins in the boardroom. As a driver of value creation, differentiation and profitable growth, the brand proposition is best considered a living business asset with the CEO and board taking overall responsibility for its careful management.

4 **Brand in the business.** It's not just the board's job. As the singular idea that guides the business, the brand proposition should run through every fibre of the company, informing conversation and decision making in every area, whether research and development, operations, people and behaviour, core processes, the supply chain or your customer service experience.

5 **Give it time.** Making the brand proposition integral to daily operations takes time, and cannot be achieved with a superficial, six-month communications programme, however many fireworks you let off. People are sometimes irrational, and slow to change.

6 **Stop obsessing about innovation.** Obsessing about innovation can overload your business with costly, burdensome and distracting activity. To maximise your return on investment, try using brand thinking to clear away the rubble, to rationalise activities and de-prioritise aspects that undermine your proposition. Similarly, if you are doing good stuff and it's getting lost, find ways to elevate and share that best practice.

7 **Ongoing, not a one-off project.** To be truly successful, brand-led businesses are always asking: what's next? Staying ahead of the curve means anticipating and responding to changing needs in the market, in ways that fit with – and build – your proposition. This is not a project; it's a sustained focus on delivering only what is authentic to your brand proposition.

Research and best practice have shown that by adopting these brand-building principles, companies large and small can expect to see a greater degree of alignment of people and purpose internally. This in turn leads to higher levels of staff engagement, customer satisfaction and loyalty and ultimately improved business results. Now that's not something to be sniffed at.

2010 Brands Lecture

This year's Brands Lecture, delivered by Fiona Dawson, MD of Mars Chocolate, focused on the need for branded products to remain relevant to today's consumers, explaining why continual innovation is necessary. Innovation is a risky business and the Lecture outlines how to offset those risks. The Lecture can be downloaded at **www.britishbrandsgroup.org.uk.**

New ISO brand valuation standard

On 23rd September, the ISO published a new ISO standard on brand valuation. Intangible assets are recognised as highly valued properties and arguably the most valuable but perhaps least understood are brands. Reliable values need to be placed on brands and this standard provides a consistent approach which includes financial, behavioural and legal aspects.

Adjudicator for groceries market

The government has announced it will appoint a 'Groceries Market Adjudicator' (GCA) to oversee and enforce the new Groceries Code of Practice (GSCOP) which came into force on 4th February. This is an integral part of the Competition Commission's remedy to prevent large grocery retailers anti-competitively passing excessive risks and unexpected costs to their suppliers. The government's approach falls short of the CC's recommendations by limiting the circumstances under which the Adjudicator may investigate breaches of the GSCOP and by not granting it the powers to levy fines, initially at least.

Brands Manifesto

Prior to the General Election, the British Brands Group and the Anti-Counterfeiting Group published their *Manifesto for Brands*, outlining how brands already contribute to the UK economy and proposing a six-point plan on how they might deliver even more. The Manifesto can be downloaded from www.britishbrandsgroup.org.uk.

Feelings you can't ignore

Crispin Reed, *Brandhouse*

AS MARKETS BECOME MORE COMPETITIVE, PRODUCTS NEED TO FIND WAYS TO DIFFERENTIATE THEMSELVES AND FIND MORE EFFECTIVE WAYS TO CONNECT WITH CONSUMERS. ADVANCES IN NEUROSCIENCE ARE HELPING TO BUILD A DEEPER UNDERSTANDING OF THE ROLE THAT EMOTION PLAYS IN OUR DECISION MAKING, WITH IMPORTANT IMPLICATIONS FOR BRAND MANAGEMENT.

Forty-two days after a baby is conceived, the brain develops its first neuron. Some three months later, there are 100 billion neurons in the brain, and 120 days before birth, the neurons start to create strands, called axons, that connect with each other to form synapses. By the time a child is three every one of these 100 billion neurons has created 15,000 axons. The relevance of this? Well, it gives an insight into the complexity of the brain and how it functions. It also demonstrates how science is developing our understanding, in turn developing our knowledge of the 'softer' aspects relating to our emotions.

Breakthroughs in neuroscience have confirmed that people are primarily emotional decision makers. Leading neuroscientist Antonio Damasio studied people with injuries that had damaged the part of the brain where emotions are generated, finding that these people could no longer make decisions. Damasio concluded that ultimately, all decisions are emotionally based.

One only has to look to the world of sport to witness the power of emotion. Who can forget the 2006 World Cup Final in which Zinadine Zidane, the French star, was sent off for head-butting the Italian player, Marco Materazzi. Consider the rational facts – Zidane is at the very height of his career playing in arguably the most important match of his life. He is poised to retire from international football on a high. However, in response to an insult whispered in his ear by the opposing defender, his emotions got the better of him and he responded aggressively, resulting in a red card.

Yet, for all this understanding, business still finds it difficult to talk about emotion. This is surprising when one looks at the financial data. According to Standard & Poor, in 1982 some 62% of the value of the S&P 500 related to tangible assets such as buildings and stock. By 1998 this figure had decreased to just 15%. In addition to the value of intangibles such as trade marks and IP, a good proportion of the remaining 85% was attributable to the value of the 'brand', an important component of which is emotional satisfaction.

Rarely discussed, emotion is locked away while rationality reigns supreme. But in this age of oversupply, product parity and commoditisation, business needs to forge deeper emotional connections with its consumers. Most businesses have yet to grasp this, let alone act on it. Yet business success depends on understanding and harnessing the central role emotion plays in how people decide which products meet their needs.

Emotion is critical to success in three areas; driving decision making, bringing brands to mind at the point of decision and causing the motivations that drive our behaviour.

Emotions and decision making

As the emotional area of the brain is larger than the rational, our brains process more emotional activity than rational. Signals that run from the emotional to the rational brain outnumber signals running in the opposite direction by a factor of ten to one.

We decide with our hearts and then rationalise our decision with our heads. At the root of why we do this lies what French psychologist G. Clotaire Rapaille calls the 'Intellectual Alibi' - the 'good reason'.

So, for example, in the world of luxury brands, we may buy a BMW because ultimately we worry about what the neighbours may say. However, we provide ourselves with a 'good reason', an intellectual alibi, by saying that the purchase is down to rational reasons such as the resale value or reliability.

This has profound implications for marketing. Consumers tell researchers the reasons they prefer one product over another, but businesses are actually building growth strategies around their 'intellectual alibis'. The real reason people make choices – the emotional truth – is being largely overlooked.

As far back as the late 19th century this was acknowledged by banker J.P. Morgan when he said: 'A man makes a decision for two reasons, the good reason and the real reason'. Anyone who has sat in on focus groups can relate to that!

To truly influence people's purchase intent, emotion needs to be put at the heart of the strategy.

The role of memory

Memory, and therefore brand recall, is also emotion-based. The memory and emotion centres in the brain are next to each other. We remember something when a connection is made between the two. Aristotle likened the brain to a wax tablet – memories make an impression in the wax. Everything we remember is only remembered because it has made an emotional impression in our brain.

Emotional memories are vital in the context of what we pay attention to and how we choose. Damasio's research highlighted the presence of what he calls 'Somatic Markers' to describe how we assign (mark) our experiences as either good or bad. Familiar sights, sounds, smells and sensations, easily activate these markers and creating these kinds of markers is key to brand success, because without them a brand won't even be considered.

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Relating this to my own experience, when I was five I had a teacher who always had daffodils on her desk. Well, probably not always but such is the power of my memory that it seemed that way. Every time I now smell daffodils I am transported back to that time and all of its associated positive memories.

As Elizabeth Loftus, an American psychologist and expert on human memory says 'Memory is malleable and it is relatively easy to change it'.

Our emotions

Emotions determine the quality of our lives. However, when defining the emotional benefits of brands true emotions become clouded with business jargon and category values. 'Warm' isn't an emotion, neither is 'trust', nor 'friendliness'. There are many definitions of emotion but Dr. Paul Ekman, Professor of Psychology at California Medical School, provides a good benchmark:

> 'An emotion is a set of sensations experienced… briefly… about something that matters.'

Our emotions happen to us – we do not choose them. They are positive or negative – never neutral. Positive emotions awaken in response to anything (real, imagined or potential) that brings us closer to realising our goals in life. Negative emotions awaken in response to anything that takes us further away. Brands can be built around either – the desire for positive emotional outcomes or the desire to avoid negative feelings.

There are many ways to categorise emotions but the most common is to group them as primary and secondary. The primary emotions are usually agreed as being love, joy, anger, sadness and fear, and they can be broken down into other variations on each theme:

Love (affection, liking, compassion…)
Joy (enjoyment, bliss, amusement, thrill, relief…)
Anger (annoyance, frustration, disgust, envy…)
Sadness (hurt, grief, humiliation, pity, sympathy…)
Fear (terror, panic, uneasiness, worry…)

Emotions can also blend to become other emotions (Zeitlin and Westwood 1986). For example nostalgia is a blend of happiness and sadness; *naches* (pride in the achievements of your kids) is a blend of pride and love.

Emotional Competitive Advantage

Of course it's vital to give people a rational reason for choosing one product over others (the intellectual alibi which will justify our decision) but ultimately brands are about the anticipation of emotional outcomes. Brand equity can, in effect, be boiled down to 'emotional anticipation', and the stronger this is, the bigger the competitive advantage. At Brandhouse we call this Emotional Competitive Advantage.

To drive Emotional Competitive Advantage one must identify a brand's Proprietary Emotional Benefit.

This term, coined by Brandhouse founder Mark Wickens, is when a brand owns an emotional benefit that the consumer can't get from any other brand. It is a unique statement of 'something good the brand helps me say about myself by using it' that actively supports the consumer's aspirational self-model.

At the heart of any brand with an Emotional Competitive Advantage is a strong Brand Story. Brands such as Apple and Nike have a clearly defined Brand Story that is told across all their touch points. For example, Apple's story is all about technology being cool and simple. This doesn't just manifest itself in the design and functionality of its products but also in the service ethos to be found at an Apple store. The ability to pay at the display rather than queuing is one example of this.

In our 2009 study, The Brandhouse Emotion 100™, we set out to measure the Emotional Competitive Advantage of 100 leading brands in the UK. The study, produced in conjunction with The Centre for Brand Analysis, was the result of an empirical survey conducted amongst a nationally representative sample of 2,000 UK consumers. Although it is increasingly acknowledged that positive emotional connections between brands and consumers generate higher loyalty, support price premiums, defend brands from aggressive competition and create a buffer in economic downturn, there had, until now, been no systematic study of the issue and the emotional factors and mechanisms at work.

By conducting a detailed analysis of seven key emotional dimensions along which brands connect to their consumers, it is possible to determine the precise nature of the Emotional Competitive Advantage that some brands have over their rivals – and what those rivals need to do if they are to improve their prospects.

One of the key findings is that it isn't always the 'showy' emotions that matter most. In relationships with brands – as in many other areas of human interaction – those that offer steady contentment often retain more long-term loyalty than those that seek to provide high levels of novelty and excitement.

Even in the most price-driven sectors, it is almost impossible to become a significant national player without an overall positive score on all seven emotional dimensions.

In developing a methodology for measuring Emotional Competitive Advantage there is now an approach for managing it for the benefit and growth of brands.

The intangible has now become tangible. Emotion sells.

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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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