

BBG
ARE
BRANDS GOOD FOR
BRITAIN?

*British Brands Group Inaugural Lecture 2000
Given by Tim Ambler, Senior Fellow, London Business School*

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Inaugural Brands Lecture
6 December 2000

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Executive Summary

Most of the objections to brands turn on different expectations of what life should offer. The corporations that own brands are under fire from some quarters: not the concept of brands. So far as economic and social welfare are concerned, brands provide consumer benefits of three kinds: economic (value for money), functional (quality) and psychological (personal satisfaction).



On the other side, British companies do not fully recognise the importance and significance of brands. Marketing is the business of understanding and liberating the sources of cash flow. Brand equity is the upstream reservoir of cash flow before it hits the profit and loss account. The boards of British companies spend only about 10% of their time worrying about marketing and brand equities. They need to put formal measures in place to ensure these matters go to the top of their agenda.

In world terms, British brands are dominated by American. According to Interbrand ratings, 42 of the top 75 are American, eight are British but none of those rank above 46. 73% of the total brand values are American. At 4% Britain is behind Japan and Germany, but ahead of France and other Europeans. In the British market, four of the top ten advertising spenders are British, if Unilever can be said to be British, but none of the other three has any significant presence overseas.

This should be a wake up call to the top management of British firms. Do not look for help from the British government. With the best of intentions, government help is too often counter-productive, apart from ensuring that markets are open and fair. Fair play for brands and consumers alike, freedom of choice and the same rules for all are important for brands in both British and foreign markets.

Many British brands are very successful. Top management has the tools both to make those more successful and to raise their game with the others. Marketing metrics are an intrinsic part of that and so is ambition. The issue is not about keeping shareholders quiet but about brand stewardship. We are talking about the shareholders' greatest assets and they are entitled to know how their companies are going to make them greater still.

Introduction

Brands have always been with us. 30,000 years ago, a chap called Og made the best flint heads in north west Norfolk. His brand's reputation travelled far and wide, from Kings Lynn to the Wash, and he enjoyed many favours in exchange. More recently, that is to say about 600 years ago, St Thomas Aquinas and his colleagues established the theory of brands.

Nevertheless, brands have become such a major part of our lives only in the last century. The Victoria and Albert Museum now has an exhibition called *Brand.New*. The V&A sees the brand as 'the relationship between corporate culture and consumers' (Pavitt 2000, p.40). But being a fact of life, like taxes, does not make branding a good thing. For example, some people think brands:

- lure people into spending more (on things they do not need)
- are wasteful (throw-away packaging, advertising...)
- are putting power into the hands of dominant global US capitalists (at the expense of the third world)
- undermine the environment, human values and principles
- are manipulating our minds without our consent
- exacerbate social exclusion
- are spin not substance – they would prefer honest products

I do not intend to rebut these objections because they mostly depend on differing expectations from life. If wealth reduces one's chances of getting through the pearly gates, then the effect of brands may well be unfortunate. But the Roman Catholic and Anglican churches are brands of religion. St Thomas à Becket today would get his vestments from hairshirts.com. Look closer at the objections and you find that they are not attacks on brands but on the corporations that own them (Klein 2000).

In the negative camp, some economists think brands are bad because those economists would have us choose utilitarian products on purely rational grounds. As that scourge of advertising, Vance Packard, put it in *The Hidden Persuaders*, 'Such a course is not only visionary but unattractive. It would be a dreary world' (Packard 1961, p.216). BusinessWeek recently suggested that brands are dying due to lack of focus, trivial innovation, being too ponderous, and simply being out of vogue (Byrnes et al. 2000). Top talent, they said, now goes to the Web or entrepreneurship. Some brand marketing is out of date but that does not make brands a wrong business model, still less dead. The Web is more brand dependent than any other medium.

So yes, we need to market them more aptly but, so far as the nation's economic and social well-being is concerned, I will make these arguments:

- Brands are positive for consumers, business and the economy
- Brand equity matters and perhaps more than any other business output
- British companies are missing out, but getting better
- The onus lies with top management, not government, to win the brand wars

In this lecture, I skip through the first two propositions, which are not new, as quickly as I can in order to dwell on the latter two.

First, the word 'brand' needs clarification. Meaning has evolved over the years from a sizzle on a cow's backside to a brand being product + packaging + added values. I know some still think of the brand as just the logo or trademark stuck onto a product, i.e. the product itself is excluded, but that leads to a semantic minefield which including the product avoids.

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for example. You can walk into a shop and buy the *brand*, drink the liquid and throw away the packaging. If you enjoyed the experience, you are more likely to do it again. The brand name is a handy mnemonic for the bundle of Lucozade experiences. If, however, you want to buy the brand *equity*, then you will need many millions and a persuasive way with SmithKline Beecham.

There are a number of ways to regard brand equity:

- What people know and feel about the brand which makes them more likely to buy it and at a profitable price
- Not just human memory but also IT memory
- Formed primarily by brand experience but also by advertising/communications
- The main cash flow reservoir
- Usually valued by Discounted Cash Flow (but see below)
- For most companies, their most valuable asset

Taking these in turn, I have a certain discomfort with the way my mind is programmed belonging to someone else. My memories of Bombay gin were sold by Diageo to Bacardi without consulting me. But that is true of any intellectual property and it follows from being part of society. Other people, like it or like it not, put things into our heads which we do not own. We still have the choice whether to act on those memories. So if I now decide never to buy Bombay gin again despite my favourable memories, that is Bacardi's bad luck. The value of their asset has dropped off quite sharply.

Brand equity is mostly human memory be it in the minds of trade customers, end users, employees or shareholders. Whether I remember something or I outsource memory to the computer, and it is increasingly the latter, brand equity is unaffected. Brand equity is the sum total of our learning about the brand. Like any other learning, it is built more from what we experience than from advertising or the other communications we receive.

The financially minded are uncomfortable with neurons and synapses. They want brand equity expressed in cash. Brand valuation methodologies are flawed but they have their uses, the chief of which is gaining top management attention (Ambler and Barwise 1998). Marketing is the business of sourcing and managing cash flow and so we should be able to 'present value' the money in the upstream brand reservoir. Company board meetings devote their time to just three things: spending, counting and earning the cash. You will not be surprised to learn that the last occupies only about 10% of board time, on average. Why firms spend more time counting the money than wondering where it comes from, and why, is a mystery. They seem to have this illusion that the more often you count a pile of money, the bigger the pile will get.

Neither counting synapses nor cash flow is yet an exact science but we should not be caught up in the detail. Some brands have negative value, famously Ratners, and they tend to die when that happens. Reviving negative brand equity is a tough job. It is interesting to review top brands of yesteryear. In 1990 Interbrand listed the world's 500 top brands of which Britain had 27. How many of these would you invest in today?

Table 1: Top British Brands of 1990

Andrex	Elastoplast	Marks & Spencer
Bass	Fairy Liquid	(St Michael)
BBC	Flora	Marmite
Bisto	Hamleys	Oxo
Boots	Hovis	Phileas Fogg
BUPA	Kaliber	Sainsbury's
Cadbury's	KitKat	Sellotape
Dulux	Land Rover	Swan Vestas
Durex	Liberty	Tetley's (beer)
	Lucozade	

Source: Interbrand

With our terms defined, let us consider whether brands are good for Britain as represented by two constituencies: consumers and the economy as a whole. Then we return to the brand owner's perspective.

Brands are good for consumers

Medieval clerics defined the three types of brand benefits as *raritas*, *virtuositas* and *complacibilitas* (Blaug 1991). In English these are economic, functional and psychological benefits respectively. In other words, is the brand value for money? How well will it do the job? And will usage experience give us pleasure? Utility was a valuable concept until economists defined it out of existence.

Good marketers strive to improve brand performance on all three fronts at the same time. To focus on just one will damage the brand. For example, building societies paper their shop windows with interest rates and then complain that their customers have no loyalty. Excessive functionality, video recorders come to mind, reduce satisfaction. And New Labour is suffering the consequences of putting spin ahead of substance. In marketing, the product itself should always come first.

My previous (Ambler 1997) list of benefits is briefly repeated here. I know you will be able to add to it.

There are at least four economic advantages:

- Brands are the pieces in the competitive board game we call the market. They are the means by which firms compete.
- Consumers choose between them, in part, on the basis of the value for money they provide.
- Marketing is a game usually played for the long term. In a sense the brand-consumer relationship begins with the sale. If there is a price premium it is your risk insurance. We would rather spend £10 on a bottle of vodka we know will please us than £9 on a bottle that may not.
- Choice is itself an advantage. One brand may be the best but we want to choose for ourselves. And choice only works when we have a simple and convenient way of making it.

The functional benefits include:

- **Differentiation** – with better, faster and cheaper production, differentiation is getting ever more difficult. So in addition to improving quality (vertical differentiation), firms extend their brands with new types of products (horizontal differentiation).
- **Risk insurance** is more than the financial aspect above. Reassurance has a quality component. If we buy the same brand again, we can be reasonably sure it will do the same job.
- **Fit for use** – a brand marketer empathises with the end user and the problem the brand will solve.
- **Wide availability** – the finest indigo dyes are available in the market in Kano in Northern Nigeria but few of us can get there. The Web may be changing all that but as the pure-play e-companies are discovering consumers cannot live by clicks alone. Too many are unfulfilled. Sad really.
- **Advertising and sponsorship** subsidise the media, sports and entertainment.

Perhaps psychological benefits are the most interesting:

- We cannot absorb all the product information the Consumers' Association thinks we should have and we do not care that much. A brand is an important simplification. We know how enjoyable a Mars bar is and what it looks like. As a matter of passing interest, what have all those statutory listings actually achieved?
- Two economists were given a Nobel Prize this year for their discovery that human decision-making is not wholly rational. We are emotional and we seek pleasure for its own sake. Well well, fancy that.
- Brands are part of our social existence. Relationships with brands are obviously not the

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same as relationships with people but the metaphor is useful. The brands we use reinforce our self-image and how others see us. Cars are an obvious example. What rational person would want to drive a Rolls Royce in West End traffic? Brand perceptions are moulded just as much by their users as by their marketers, perhaps more so. We are social beings and brands are part of that.

- Brand symbolism is a subtle business because it is not just external to others. I wear Dunhill boxer shorts but do not get too excited: you are not going to see them. My underwear is part of my self identity. People wear Barbour jackets in the country not just to keep dry or to impress others, who are unlikely to notice, but to reinforce their own identification with the country.

Brands are good for the economy?

This heading has a question-mark because one could argue that brands *are* the economy. Maier, of the then EC Trademarks Office, pointed out that, from a public welfare point of view, there is no alternative to branding (1996). One only has to look at the grim economies of post-War II East Europe and China to see what the alternative would be like. As noted above, brands provide choice and competition.

To limit brands to fast moving consumer goods is narrow and obsolete. Almost all the benefits above apply to business-to-business brands as well. Buyers and sellers in this sector could no more do without brands than consumers could. Industrial buyers tend to go on buying from the same suppliers just as consumers exhibit habitual behaviour. And they seek value, functionality and psychological satisfaction in much the same way. This is hardly surprising: they are also human beings using the same apparatus for decision-making, their brains.

Whenever business is jolted by a radical development, like the internet or the Marlboro cigarettes price cut in 1993, some scribblers are quick to cry that brands are dead. The reality is the opposite: the new development adds further complication to the marketplace and thereby increases the need for branding. Some brands indeed disappear as they are outmoded and the need for simplification drives out the old to make room for the new. At the same time, the new brands need intensive marketing. Amazon is a case in point. Grove, of Intel, summarised it with two messages: 'Every generation thinks it has discovered sex' but 'brains don't speed up' (Byrne 2000, p.123).

Arthur Andersen, quoted in BusinessWeek (August 18, 2000, p. EB39), found that 62% of top executives considered that marketing was more important to their e-business strategies than anything else. monster.com is the world's largest on-line recruitment agency with capitalisation of about \$7bn. Taylor, the founder, considers branding one of his top three personal priorities (2000). They spend 43% of revenue on advertising.

These kinds of statistics do not separate the true value of a brand from mirage. AOL has no tangible assets to speak of and yet was valued at \$165bn prior to the merger with Time-Warner. Most countries are not worth that much. The business has not stabilised enough yet to get any real sense of the value of the AOL brand.

We should leave our wonderment at the modern economy, 'economy?', and focus on how well British management is coming to terms with the brand. Firstly, how important are brands? Probably everyone in this room knows brands are usually the firm's most important assets, but that is not the general perception.

Brands are most companies' most valuable assets

The increasing gap between share price and book is not all explained by brands but most of it is. Given the modern importance of intangible assets, it is strange that companies engage expensive auditors to count the paper clips and ignore the assets that provide their future. We often hear of employees being a company's greatest asset but that is a confusion. Employees belong on the other side of the balance sheet. They are human capital, just as shareholder equity is financial capital.

If brand equity is that upstream reservoir of cash flow, then the City expectations of future dividends and brand equity are much the same. Volatility can be a problem. Coke cannot guarantee to be there next year because as they found out in Belgium, disasters do happen. Nevertheless, only about 5% of the Coca Cola share price is explained by balance sheet assets. Not all the other 95% is explained by Coca Cola's brands but there is little argument that the Coke brand in particular dominates the value of their other assets.

When we interviewed Chairmen and senior executives as part of our 'Brand Stewardship' research, we found confusion about intangible assets and little wonder perhaps. The brand equity concept is only about 20 years old. Executives meanwhile have been bombarded with demands to put quality first, to re-engineer, to innovate or die, invest in people, be driven by shareholder value and now, says Gary Hamel (2000), junior managers should be encouraged to revolt. Change is certainly important but do Chief Executives really want junior managers fomenting revolution all over their companies? Whatever happened to strategy?

Every new business fad refreshes our thinking but when the chips are down, cash flow is king. Marketing as the

sourcing of cash flow provides a company-wide philosophy of achieving shareholder value through first achieving consumer value. Brand equity, as the asset representing future expectations of cash flow, is the winning post today. The next section explains how to keep score.

Do British boards appreciate their brands?

If by 'appreciate' we mean appraisal, the top executive committees in Britain rarely appreciate their brands, but in the sense of causing brands to grow, yes they do. There is little brand equity awareness at senior levels. When quizzed about what their leading brands stand for, the answers are a bit wobbly. When probed, e.g. for reliable research on consumer thoughts and feelings, the answers get more wobbly still. Enough of the brand message is out there for well-read directors to say the right things. The Annual Reports may impress but the understanding is not deep.

The brand equity asset comprises various market segments' memories of the brand. The most important segments are usually the end users, the immediate trade buyers (or franchisees or branch managers in retail) and the employees. To appraise brand equity, the executive committee first has to decide the relative importance of each segment and then identify the brand metrics, or key indicators, relative to competition, for each segment that matters. A metric, for example, is the percent of customers who intend to buy the brand in the next month. A company with only one brand, like McDonalds, has a simpler job than Unilever.

Aggregating metrics across brands and markets and segments (BMS) loses too much detail. The trick is to single out the brand-market-segments that account for most shareholder value and appraise those.

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Appraisal probably needs between 10 and 25 metrics per BMS, some financial (sales, marketing investment and profit) and some non-financial measures from the marketplace (e.g. relative satisfaction and perceived quality).

Marketing performance equals short-term profitability adjusted by any change in brand equity. In other words, looking at short-term sales and profits by themselves can be misleading. And this combined performance should be compared with expectations (plan) and key competitors.

How many companies do this? Not a lot. Right there true brand companies are distinguished from those who do not walk the talk.

Does it matter? Opinions differ. Some think making the runs matters more than keeping score. We have evidence that market-orientation is positively correlated with profit performance. And that these companies are more likely to conduct brand valuations (Cravens and Guilding 2000). We do not know for sure that hyper-brand-focus by the CEO *causes* long-term profit growth but it seems likely. EasyJet seems to identify with travellers, and the Mars Corporation intensively researches its markets to name two examples. If appreciation means growing brands, rather than understanding them, British companies rate better. And lack of attention to brand metrics is probably equally true elsewhere. Four of the things companies increasingly do to grow their brands are:

- Invest in R&D, innovation, and quality
- Drive for customer satisfaction
- Spend more on marketing
- Recognise the employee contribution to brand equity

The 'what you measure is what you get' school should believe that, if brand equity effectively represented the winning post, then those are the metrics any board should routinely review.

Take Kraft Foods in the USA for example. Up to 1993, they measured the effects of the elements of the marketing mix with the exception of advertising which was too difficult. Not as any conscious act of policy but more because their finance men preferred money to go to activities where they could see the returns, the spending on media declined by 3% p.a. And customer communication is, in fast moving consumer goods, the primary driver of brand equity.

Then a new Kraft marketing science team had a crack at measuring advertising returns. They could not be precise but three rough methodologies enabled them to triangulate the likely paybacks. The exact figures are confidential but the pattern is in the public domain: spending accelerated much faster than the 3% cuts as top management and accountants could see the metrics.

Brand stewardship

Even if one takes the view that the top executive committee need not be intimately involved in the company's brands and brand metrics, we have the shareholders to consider – especially where the brands are the company's most valuable assets.

In our current Brand Stewardship research, 83% of FTSE350 Chairmen and senior executives agreed that shareholders were entitled to know how their brands were performing. In a parallel study with Brand Finance, 73% of analysts and 72% of company respondents thought that companies should publish more information on brand values. The word 'values', of course, is ambiguous: it means financial valuation to some and metrics in general to others. But that niggle is beside the point: shareholders will, as they become more sophisticated, increasingly insist on brand equity information.

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On the other hand, disclosure is inhibited by competitive sensitivity and shareholder panglossian expectations that everything must always get better. Even the finest companies cannot produce brand equity metrics which all get better, all of the time. CEOs have the impression, and they may be right, that the City attacks any sign of weakness thereby fulfilling their own downside prognoses.

Companies will not remove the veils until analysts are mature enough to come to terms with brand metrics in the way experienced marketers do. In the second study above, 77% of both analysts and company respondents said that branding will become more important in the next five years.

At this stage we need to re-check the road map. I have shown why, in general, brands are good for consumers, their owners and the economy. British companies are good at building brands but, of course, we could do better. Now we should consider how British brands rank in the global marketplace. Then I will conclude with some suggestions as to where we might focus improvement.

How does Britain rank in the world?

The ad agency Young and Rubicam publishes a list, from time to time, of what they regard as the most globally developed brands. Coca-Cola comes top as you might expect and American brands dominate. The Japanese have two in the top ten, Sony and Panasonic, and Europe has Ferrari and Mercedes Benz. The best British brand in their rankings was Rolls Royce which is seen second most (after Disney) *consistently* around the world.

But how long will that last now the Rolls Royce car marque has been turned into a German conjuring game of find the lady, find the Silver Lady perhaps? How could

the Rolls Royce company fail to appreciate the danger of exporting the car marque? Their heads must be so stuck in their turbines that they have forgotten the consumers. In a less premium category, Del Monte has been so parcelled up that its brand equity has been seriously damaged.

The brand valuers Interbrand also regularly publish global rankings. Of the 75 most valuable brands this year, according to them, 42 are American and 27 are European of which eight are British:

Table 2: Global brand rankings 2000

Position	Brand
46	Reuters
58	BP
60	Shell (also Dutch)
61	Burger King (but being sold)
62	Smirnoff
67	Johnnie Walker
73	Guinness
74	FT

Burger King aside, which was acquired and is now being sold as a matter of financial engineering rather than marketing, Britain's strengths lie in media, oil and drinks. I suppose these are all forms of lubrication. Between a quarter and a third of Europe's tally rates more than a tick on our scorecard but note that we have only just scrambled onto the list. Against a mean of 37.5, our brands ranked 62.6; none was higher than 46th.

Perhaps this is because the UK is a small country? Nokia of Finland ranked #5.

Another way of cutting the same data is to look at the countries behind the top brands defined by total brand

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values. Here we come 4th. Not bad you may think except the UK has 4% against 73% owned by the USA.

Table 3: Countries behind global brands 2000

Country	\$billion	%
USA	677	73
Japan	54	6
Germany	52	6
UK	39	4
Finland	38	4
Switzerland	17	2
Sweden	14	1
France	14	1

If one looks at the UK marketplace, where the home team should be relatively strong, one can estimate the strength of brands from their relative spending on advertising. Of course it is a rough proxy but it makes a point. Table 4 shows the top spenders by holding company for 1998, the most recent year for data.

Table 4: UK advertising expenditure by holding company – 1998

Company	£million	%
Unilever	249	2.7
Procter & Gamble	194	2.1
BT	139	1.5
Ford Motor	133	1.4
Dixons	118	1.3
General Motors	114	1.2
Mars	110	1.2
Nestlé	104	1.1
Kingfisher	91	1
PSA Peugeot Citroën	85	0.9

Source: Marketing Pocket Book 2000, Advertising Association/NTC

The last column shows the percentage of all display advertising. Of this top ten four are British, if Unilever counts as that, and only Unilever has global brands. It is perhaps more instructive to examine global branding failures but to keep this even handed we should learn from successes too. You can probably add to both lists but my global brand balance sheet looks like this:

Table 5: UK Brand successes and failures

Successes	Failures
Advertising	Banking
Aerospace	Biscuits
Drinks	Cars
Media	Computers
Oil	Motor cycles
Pharmaceuticals	Some electronics
Professional services	Some engineering
Unilever	
Vodafone	

We should not depress ourselves as the successes column is longer than the failures. Relative to most of Europe, Britain does well in branding terms. Tonight we are questioning how to do better. And even in the successes column there are worries. Will Diageo and Unilever realise their new vision of fewer greater brands?

As well as the foolishness with the Rolls Royce marque, I worry about the aerospace industry. This year they published their state of the art performance metrics. Part of the 'Lean Aerospace Initiative' and supported, naturally, by the DTI, these metrics are supposed to establish the strategic path to global success. Unfortunately, they hark back to just the kind of thinking that destroyed British Leyland. Value added is measured by profit divided by employees. Supposedly, outsourcing labour will improve marketplace

performance. Why so? Likewise floor space utilisation. Why should any customer be bothered by how much floor space was used in constructing the plane? Customer satisfaction is not measured, as you might expect, by asking customers if they are satisfied but by the number of deliveries that turn up when planned (by the producer). That is like achieving punctuality by adding 30 minutes to the plane's ETA.

This document encapsulates the market- and brand-blindness of so much of British business today. There is nothing in these aerospace metrics which involves talking with customers or comparison with competitors.

The worry is that we repeat our mistakes. Aerospace repeats cars, biscuit brands crumble as their owners give priority to private label, banks fail to achieve empathy with customers both at home and abroad.

Perhaps the most interesting feature of the successes column is advertising. London is arguably the ad capital of the world and WPP could be seen as the best and biggest group of agencies. We will gloss over the extent to which it was formed by buying American agencies: that argument works both ways. It is interesting because advertising is one of the primary, if not the primary, builder of brands. We have a case of cobblers' children. We know more than anyone of how to build brands and yet our brands are too often unshod.

So what should we do about it?

For a start, no more Government initiatives please. The DTI and other ministries work hard to help British business but, sadly, these good intentions turn out to have the opposite effect. The aerospace metrics, Rover cars, subsidising our arms industry and numerous other interventions are cases in point. Relative to the rest of Europe and the USA, British business is done up in red tape. The British government should do nothing at all

beyond ensuring that British and foreign brands do not cheat, that markets are transparent and that everyone plays by the same rules, both in the UK and overseas. Consumers and brand-owners are entitled to fair play but no more than that.

Business leadership, as ever, has to come from the top of business itself. The Marketing Council was set up to penetrate the doors of non-marketing oriented senior management. Most of those doors remain firmly shut. Ignore the modern marketing-speak in Annual Reports; behaviour reveals the metrics top executive committees consider most important. How they spend their time and energies shows what they care about.

In global brand terms, Britain is good but it can be better. We have to recognise that the marketplace is no longer just between Kings Lynn and the Wash but the whole not-so-wide world. If Britain cannot sell its brands abroad, you can be sure that foreign brands will win here. It has already happened. Look at cars, look at computers, look at biscuits, look at motor cycles. Many CEOs are well aware of this global need, the question is what to do about it. How can they establish global niches? Banks for example have gone international, lost money and withdrawn. Now Barclays, according to the Sunday Times of 29 October, are going to try again.

British brands abroad fail less because their strategies are wrong but because their marketing is. And we build bad practice into what new exporters get told. Take, for example, the guidelines for export proposed by the DTI, now British Trade International. BTI says exporters should plan and research markets extensively. The hugely successful Swedish retailer IKEA, however, gets into the market first and asks questions after. This is in line with the success models from my own research. The Swedes are right and our official guidelines are wrong. Come to that, why does our bureaucracy need two brand names: British Trade International and Trade Partners?

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The three years of the Metrics project revealed great support for improving brand measurement but also unwillingness to change. This is hardly a surprise. Golf, they say, is a matter of faith, hope and charity; and the greatest of these is keeping your head down. Marketing is much the same. It demands faith and hope to invest in unknown campaigns and it demands charity when they fail. Marketers are not going to risk all that by challenging their board's long-held prejudices. No, these changes have to come from the CEO but there is one other constituency that could make a difference.

The City has long been castigated for short-termism. When that was researched (Marsh 1998), my colleagues at London Business School found it was caused by their diet of short-term data. We are what we eat and analysts are no different: if all they can get is short-term data, then that is what they demand. We need a two-way street in which companies supply brand equity information, i.e. what is in the upstream reservoir, against an understanding that it will be treated responsibly. Analysts of the future should have the same training as marketers today.

Conclusion

This lecture has ranged across the benefits brands bring to consumers, their owners and the economy. The increasing gap between stockmarket company valuations and book assets points to the increasing importance of brand equity. Not all the gap is explained by brands but most of it is. If brand equity is that upstream reservoir of cash flow, then the City expectations of future dividends and brand equity are much the same. Leading brand companies know that their brands are their most valuable assets but for others this truth is still to dawn.

We needed that backdrop before considering how Britain could do better with its brands. Of course British companies are seeking to improve shareholder value and are thereby growing brand equity, consciously or not. We know that Britain is well represented amongst world class companies and brands but we may have more than our fair share of the tail.

Why?

Top management in too many companies is not using the available tools to make their brands more successful. Marketing metrics are an intrinsic part of that and so is ambition. The issue is not about keeping shareholders quiet but about brand stewardship. We are talking about the shareholders' greatest assets and they are entitled to know how their companies are going to make them greater still.

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