They think it’s all over...
Martin Glenn, CEO, Birds Eye Iglo Group Ltd

Martin has worked on some of the UK and Europe’s most famous brands in his 25 years in the UK food industry, including Walkers Crisps, Tropicana and Birds Eye Iglo.

Between 1992 and 2006 Martin worked for PepsiCo where he helped grow the Walkers snack foods business in the UK, initially as Marketing Director and then as CEO. In 2003 he was given responsibility for PepsiCo’s entire UK and Irish business encompassing Quaker Foods and Tropicana, as well as the Pepsi soft drink franchise.

In November 2006 Martin headed up Permira’s successful bid to buy the Birds Eye Iglo frozen food business from Unilever.
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We have to face it. Brand management is not what it needs to be. However something can be done. I wish to talk about the new pressures that brand managers are facing and, importantly, what we can do about it.

But first, what are my qualifications to join the illustrious tradition of the Brands Lecture? It is important to say one thing; I would hate to be considered a marketing guru. I remember a PepsiCo conference about three years ago when we were flown in from around the world to listen to an authority on brand management. He came on and presented himself unselfconsciously as ‘Fred Smith, marketing guru.’ The chap behind me, an old and grizzled R&D director, said, ‘Do you know why he calls himself a marketing guru? He can’t spell charlatan’.

While I am no guru, I do have experience in managing brands and I have a point of view, and that view is that there is something wrong with brand management at the moment. I will try and articulate what that is and what we should do about it.

A little more background. In the last year I was CEO of PepsiCo UK, I recall attending a meeting with the Department of Health and some pressure groups at the height of the obesity debate (I wish it were a debate. It was never close to one) and being addressed by the head of one such pressure group as the devil incarnate for not only having the temerity to market crisps but now Pepsi as well. Now I have gone one step better, from being the devil incarnate to being a henchman for Permira. Last week we were referred to in cynical tones by the Chairman of a House of Commons Select Committee as ‘masters of the universe.’ So I have gone from the devil incarnate to master of the universe which is not promotion, it is an elevation!

Being in front of a Select Committee was not a new experience. In my last couple of years at PepsiCo, Walkers was heavily influenced by the obesity issue in the UK, something I will touch on in my talk. I recall being hauled in front of the Select Committee with the heads of McDonald’s, Cadbury and Kellogg’s to give evidence on what we thought was driving obesity in the UK. That is a subject for a whole other talk but I would like to say now that it clearly was not about giving evidence. It was about being publicly flogged and chastised.

In my mistaken belief that trying to restore the fortunes of Birds Eye foods might result in a quieter life, I joined Permira last year as part of a team to buy the company from Unilever. Wouldn’t it be nice, I thought, to stop having to apologise constantly about junk food. All I can say is my sense of timing was terrible, coinciding with the vilification of the private equity industry and culminating in the Select Committee enquiry last week. That tells you something about my judgement.

Now I seek to elicit no sympathy for moving from junk food to junk bonds, but it illustrates a point that is an important preamble for my talk. The world of building brands, indeed the world of business, has never before been under such public scrutiny. What used to be a fairly simple job of managing a brand, where your toughest meeting was with the buyer from Tesco, has become a lot more complicated. The public scrutiny of brand management has never been so intense and that has both knocked the confidence of and confused a number of younger people in the brand management profession. So what are we supposed to do? How do we steer these brands in a world where there are just a lot more stakeholders?

It used to be said, I think it was by Milton Friedman or Alfred T Sloan, President of General Motors, that ‘the business of business is just business’. OK? Don’t be distracted by anything else, just get on with it and the invisible hand of the marketplace, through the beneficial
effects of competition (albeit destructive in individual cases), will generally build good things in society.

It is the concept of 'the business of business is business' which has never been under such scrutiny. The concept has worked in the past because, probably since the war, there has been a tacit understanding between politicians, the public and business that this competitive arrangement, where individual brands compete to get their story across, works well. Now however it is increasingly about legitimacy in society. We stand at a point today where the reputation of business, and by implication our brands, is at an historic low. Whilst the consensus is not broken, it is certainly being questioned much more publicly.

Until now, marketers have tended to respond in an ostrich-like fashion, considering that it does not matter what these critics think, that they are politically motivated and that they do not care about their business. I can point out failure after failure. Why was the food industry remotely surprised there was a debate about obesity? Everybody else knew there was going to be one. Why are the leaders of private equity surprised that there are questions over the way they run their businesses?

If I picture myself in the position of a twenty-five-year-old brand manager in, say, Birds Eye Iglo, what they will be hearing is that reputation is the only thing to be managed. And therein lies the problem. It skews the brand management process. Certainly there is recognition that the outside world is very interested in what we do but there is a risk that we believe that is all we need worry about.

We run the risk that the new generation of brand managers forgets that brand management is actually all about selling more stuff. I want the brand manager of Birds Eye fish fingers to be thinking very very hard about how to sell more fish fingers and how to do it in a sustainable way.

The process of brand management may be interesting but it is about results, it is not about means. That is being forgotten, prompted by some organisational changes that have occurred in business. For example, I do not believe that separating strategic brand management from execution is ever a good idea. Whether you are Greenpeace, Google or Green & Black, branding is competitive and it is dynamic. If you read much of contemporary literature about brand management though, you would be forgiven for thinking it to be some branch of metaphysics. It is this fundamental relationship between selling more things and the whole process of brand management that is confusing people when they come new to the industry.

A quote I read in a well-written article on managing brands in Marketing Week defines the problem. 'In a web 2.0 environment, brand reputation is becoming the difference between success and failure. In an ultra-fragmented, super-empowered, over-democratised environment, brands can’t be omnipresent much of the time with controlled first party activity. Brands are being discussed, dissected, advocated or rejected by a growing number of third parties in a global chat room.'

Oh my God! If that is true, how do I sell more fish fingers?! The article may be clever salesmanship on behalf of the agency that wrote it but it is sending the wrong messages. You will decide whether I am an unreconstructed Luddite, suffering from future shock and in denial about these reputational challenges, or, hopefully, someone who sees a real issue here and recognises that the basics of good brand management need to be re-stated. The bottom line is my focus. I believe that we are in the results business, we are not in the process business, and long may that continue.
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So that is the long introduction to my talk. Now, I am very careful to refer to my contribution tonight as a talk and not a lecture. One of the tenets of brand positioning is ‘own the evaluation criteria’. If you own the evaluation criteria, you can take a strategic point in the marketplace and your product or service can be judged against those criteria. So my theory is that, by calling my talk a lecture, it would lead to unrealistic expectations from the audience, certainly from those who have attended the last six lectures. I am very much a marketing practitioner, not an academic, and all of what I will talk about is based on things I have seen. So I wish to try and own the position of my contribution tonight, which is a talk rather than a lecture.

The other point to explain is that my experience is almost exclusively in packaged goods. I have never sold services in my life. As a result my comments are based on that experience. Nevertheless I believe most of what I have to say is applicable to wider sectors. The experience on which I draw is real, is not written in a book and is based on having worked in a number of competitive markets for twenty-five years.

So, to the point in question. I sense a diminishing belief that brand management can lead an organisation today as it could in days gone by. How do we restore self-belief? How do we restore the confidence in our brand managers and for brand management to reclaim its authority to manage brands positively rather than letting them be managed by the vagaries of a global chat room? As Benjamin Franklin said, ‘Drive your business, or it will drive thee.’ We all know that to be true.

There are five negative forces that have led to this lack of confidence, direction and authority in brand management over recent years and that have made our job more difficult to do. A couple of these I will talk about very briefly. They are not new but they are seemingly relentless. Three are new and I am going to spend more time on those as I try to identify what is causing the problem.

The value paradox

In the old but relentless category of problems that marketers face is the continued growth of private label, discounters or, if you are in services, any form of disintermediation. It seems we have an interesting polarity in the world at the moment. There is this massive shift of people wanting to buy luxury products. One great statistic is the average spend on a bottle of wine in a British supermarket is now over £5. Only two years ago it was £3.99. There has been a massive trade up taking place and it is happening in many categories where people are seeking some form of accessible luxury. The corollary is that there has also been a lot of trade down. So in those areas that people do not judge to be valuable, the low-cost offerings are working very well. So for every story you hear of the growth of Louis Vuitton or some other luxury brand, you hear of the growth of Yo! Sushi, budget airlines, and the like. Margins are being squeezed, aggravated by a continued switch from advertising spend into price promotion. If you were a marketer twenty-five years ago when there was no private label in your business, and now there is, then life has become more difficult.

Diffusion of technology

The other ongoing factor that I will not dwell on is the increasingly global nature of business and the technical diffusion that results. Good ideas that were once proprietary can now be replicated very quickly. As a result the job of creating a real functional, tangible USP is just harder to manage.

We have to get over it, it is true, but these two things make it harder to create a tangible brand proposition than it was a few years ago. But we know these things so I am not going to dwell on them. There are three things however which are different and which have not been discussed much.
The first which makes me uncomfortable about brand management today is the siphoning away of talent into the financial sector. The second is the challenge to the legitimacy of marketing which I touched on in my preamble, with a lot of people now questioning whether free enterprise is the right model, let alone the so-called ‘manipulation’ of people through advertising that has resulted in criticism, regulation and restriction. And then there is the startling growth of private equity as a new force in global business. This has implications too.

Talent for brand management
Let me start with talent and what has changed.
I started my first proper job in 1981 when I joined Cadbury-Schweppes from university. The environment I joined was, as I am sure it was at Unilever and Procter & Gamble, a hothouse of very smart people. The graduate intake that year was around a hundred and twenty people, not all in marketing of course, but it was highly competitive and you were pleased to get a job offer. Then came the growth of the City and the liberalisation of Big Bang. If you look today at UK PLC, financial services account for something extraordinary – like 40% of all profits made in private industry. This massive growth in the City started to change things.

So you have a situation where graduates have more choice, financial services pay more money, and – I say this having never worked there – the role of dealer is less complicated than that of brand manager, although it obviously yields massive returns. That has affected the flow of talent into brand management and marketing. We still get very good people but we do not get them in the same quantity.

If you look at some of the big players in the world of well-known brands in the UK now – Richard Brasher at Tesco, Justin King at Sainsbury’s, Tim Mason who is now in the States opening Fresh & Easy for Tesco – they all started their careers in either Unilever or Mars. While that may have been the starting point for them, I do not believe that future generations of leaders will have started in the same place.

So the Big Bang in the City has siphoned off talent. There has also been a huge boom in consultancy, partly driven by the changes in the City but also by the liberalisation of nationalised industries that required significant change management. When I did a spell in consultancy I seemed to be working permanently at BT which was trying to make sense of this new competitive world. Once again that siphoned off a large amount of people at an important age.

The marketing department at Cadbury Typhoo was massive and when I was an assistant brand manager on drinking chocolate there were many people to learn from. And whilst it was a hard-working environment, there was the time to learn and observe that is simply not available nowadays. We must try and re-create that. The advertising agency was a legion strong and the Nielsen team must have filled a whole train. It was very impressive. At the Nielsen review there were seriously smart people drawing on a range of consumer data and looking at linkages between this factor and that factor. It was like a workshop every four weeks from which, if you were open to learning and remotely curious, you could learn a lot. I do not see us doing that today.

We have cut back on the agencies. We cannot afford that level of support now. But it did feel, in that environment of massive marketing departments and massive agencies, like a big party. As you know, at the end of a big party there is a guaranteed hangover and in the late 1980s the accountants moved in. Profits were not being made and marketing was treated, like it should be, as a cost. We cut back.

Today we have marketing departments that are just less well resourced.
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do more, and probably more general, things. There is a paradox. There is more, better data than ever but less capability to do anything with it. I see marketers being conscious of the need to be accountable but not being sure of what that means, nor having the confidence to state the case properly or argue with the finance director about the value of a particular marketing programme.

Marketers today have been taught that if they cannot prove to the world how fast they can move, they are not doing a good job. They fall out of their seat to tell you how well they understand the retail trade. While channel understanding is important, it is not the only thing that matters. Consumer understanding has to come first or otherwise the retailer will be less interested in listening to you. There is less time to think. The net result can be disconnected annual plans with no linking narrative and no sense of journey. That is a definite problem.

To relate a brief experience when I moved to Birds Eye, I remember asking the fish fingers brand manager, ‘Who do we compete with?’ The answer came back, ‘private label and Young's’. That is only part of the answer of course. What else would the consumer see as a substitutable product? It is all about market definition – what might make a mother on a Wednesday night choose a pizza over a fish finger? The data is all there, but it is necessary to train people how to use it, empowering them to think about some of the definitions that I took for granted when I was learning the trade. What is the market definition? What are the criteria for purchase? I think we have stepped backwards collectively as an industry and it is something we need to fix.

Closer public scrutiny

A bigger issue even than that is what I call the challenge to marketing’s licence to operate. That may be a pretentious term but the world has changed. There is now much more interest in marketing and I am going to give you two examples, linked by chocolate, to shed light on what I mean.

Cast your mind back a couple of years. Cadbury, one of the most progressive food companies in Britain, in a well-meaning initiative, was determined to address the obesity issue by encouraging it to be seen more holistically. So remember, what is the key to brand management? Own the evaluation criteria. The evaluation criteria for obesity was seen to be calories in, when it is of course about calories in and out. So Cadbury decided to ‘Get Active’. This campaign was a great cause-related marketing idea, borrowing from Tesco’s ‘computers for schools’ and Walker’s ‘books for schools’ programmes. They all worked together in the same BITC1 sub-group and happily shared information. They did ‘get active’, and they were killed for it.

What was interesting was that they just did not expect to see the problem. They were astonished by the reaction they received. They were surprised at just how many pressure groups there are that have a point of view on obesity, that were out to criticise and hold them to account. It was one of those big moments when the world changed a little.

The second example, also to do with chocolate, is more recent. David Cameron, the new leader of the Conservative Party, gives his first big speech on food policy and what does he talk about? Chocolate oranges in WHSmith. Now why on earth would the leader of Her Majesty’s Opposition have a bee in his bonnet about chocolate oranges on sale by the till in WHSmith? We have a war going on in Iraq, we are trying to persuade the population to eat ‘five a day’, so why that? Because he is a good marketer. He had been up and down the country listening to focus groups and was hearing people say that they felt these companies were

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taking the mickey. He would have heard mothers saying, ‘I know I need to get balance in my kids’ diet. I just wish the manufacturers would help me out a bit. Why do they put chocolate oranges right by the check-out knowing that my children will make a fuss if they can’t have them?’ It was, as I say, his first public policy speech on food and it was the issue of impulse selling on which he focused. These two telling stories illustrate why the world has changed.

This is timely. As of Monday new curbs on TV advertising come into force. We have not achieved a satisfactory result on obesity. The food industry failed to put the case properly and the government was looking for some easy wins. The result? It will be harder for sixteen-year-olds to see celebrities advertising a food product! The result for us is a curb on our freedom of speech and on our freedom to operate.

The Sarbanes-Oxley Act is another example. Those who work for American companies will know that post-Enron, and the consequent public pressure on how business was conducted, a massive burden was placed on businesses reporting their financial numbers. It is now no longer enough to produce a P&L. Your CEO must attest legally that the numbers are correct. A big change. Curbs and restrictions happen when trust breaks down and there is clearly a breakdown of trust, and politicians see that.

Civic society is increasingly concerned about how business is transacted and how products are made. These are now clearly elements of a brand’s ‘evaluation criteria’.

Now good CSR is integrated in the business, not a damage limitation exercise managed in isolation by the public affairs department. This just confuses marketers. An example is Unilever’s founding, to its great credit, of the Marine Stewardship Council, a body which seeks to certify fisheries that fish responsibly. It is a terrific initiative and we have kept our membership going under the new ownership. The trouble was that Unilever managed it from the public affairs department without seeming to involve those in purchasing or marketing. While the policy was respected, there was dissonance and no sense of trying to leverage the policy. There is a risk that trust breaks down when companies espouse lofty principles that are not seen as part of their lifeblood.

It is worth talking about the rise of the pressure groups. It is a significant change. What we must first understand is that they are fantastic marketers. Under the old model, pressure groups sought to create noise and influence government. The new generation are much more effective because they go straight to the consumer, seeking to influence attitudes. When attitudes are influenced, politicians listen all the more. But you must recognise that this is what they are trying to do. They are marketing themselves.

So if you are a marketer looking at how the public affairs department should deal with a pressure group, a different and professional approach is required. They are a fact of life in most businesses, we cannot ignore...
They think it's all over them, we must respect them, but we should not confuse respect with being craven. We need to understand what it is about our businesses and brands that we need to work on. Negotiating with a pressure group however is like negotiating with Tesco on price. Once you start you never stop. So if I was coming into brand management today, I would find pressure groups a tough one to deal with, but I have some suggestions.

**The rise of private equity**
The final new issue is the rise of private equity. There is a wall of money that is being created by private equity companies. Astonishingly, around a quarter of the UK food industry is now owned by private equity. In the minds of the public, and probably in the minds of the marketing community, judging from the phone calls I get on whether the marketing budget has been slashed yet, private equity is seen as short term and brands as long term. In other words a marriage made in hell.

There is no doubt in my mind that a private equity environment changes the rhythm and tone of brand management, but it is actually for the better. It presents marketing with a chance to become more accountable. Just to hold your disbelief for a moment, in the first year of the Birds Eye Iglo business we increased marketing expenditure by 7%. So while private equity is not a panacea for anyone, as a brand manager it is less of a threat than pressure groups.

So these are tough challenges. Is it curtains for the marketing organisation? Is it time to re-cast the role of brand manager to 'reputation' manager and leave the job of driving revenue and profit to the sales director? No it is not. Brands are about results. Brands are as important today as ever in driving the heart of a business, its sales revenue and its profitability. However the means are changing and we must not be in denial about that. Change is a constant in life and business. While this is not the end of brand marketing, we have to be much more radical in what brand marketing needs to encompass. It must address what it means to be a responsible business. What is the social contract between business and society? Perhaps the biggest benefit to a healthy and happy society is well-employed people, working for good companies with good prospects, who in turn contribute to the community because they are well employed. Companies that produce high quality goods, whether or not they are low priced, are also important and have contributed significantly to the improvement in living standards over the last 30 years. Brands have been at the heart of making society better. If we give up on this, we are all going to be the poorer for it. So we need to be smarter at how we manage things. I will finish my talk with this statement: brand management needs a re-launch. I am suggesting five functional improvements.

**Back to basics**
We must go back to basics in brand management and the first thing we must do is fix lousy execution. Some guru somewhere coming up with a marketing plan and then giving it to the activation people (who immediately feel like second-class citizens by being called ‘activation people’) is not going to result in great execution. One of the things I have learnt is that there are not many new strategies in life. People make strategy happen, and the difference between good, average and bad companies is how well things get done. Yes, it needs to be well thought through, but how it gets delivered is so important. So let us get back to a position where thinking and activation are connected, ideally in one head but certainly one department.

There is a tendency in marketing departments to over-value difference and under-value better. This is not an original thesis. There is a very good book called *Simply Better* that I would urge you to read as it does a better job of explaining the approach than I will. It is predicated on the Michael Porter strategy of twenty-five
years ago (revolutions are slow in happening) when he said, 'if you compete against a competitor on the same dimensions, you are running the same race faster, so you must differentiate'. That approach just lends itself to spurious differentiation. Almost all the success stories in business of the last ten years are based on someone understanding what consumers really value and finding how to deliver that in a better way. Tesco did not reconceptualise the shopping experience. They just did every bit of it better.

In 1993 crisps had been in decline for about three years, while there was growth in what was called the extruded snack sector, with brands like Roysters, Discos and Frisps. In our strategic plan discussion at Walkers we asked what our response should be. There was a strong push to produce our version of a processed chip, but we did not do this. Actually we noted that, not just in the UK but everywhere in the world, people like a regularly made potato crisp. What if we just made potato crisps better? What if we just gave people what they wanted? We knew that, when you made a potato crisp perfectly (which is hard to do with a variable product), people rate it far higher than any other salty snack. So we made it our business to make a better potato crisp, every day, every bag, every bite, and apply some of the principles of exciting marketing. It was a better, not a different, strategy. The differentiation strategy would have been to invent a triangular shaped crisp or something. We went to the heart of the market to find out not what people wanted but what they valued, and delivered against it. That requires a level of patience, it is not as sexy, and you cannot 'blue sky' that kind of stuff, but it reflects a belief in some of the inexorable processes behind consumer understanding. I could give you example after example of where 'better' beats 'different' and why there is more money to be made in that strategy. So we need marketing departments that understand that.

Something else is required that is profoundly unattractive in today's fast-moving consumer age of ideas and information and that is an intimate understanding of the product. It is not necessary to analyse this every year but it is critical to understand it in depth, intimately, and not to gloss over the surface. This is true of any product or service. The great opportunity for us at Birds Eye is that we can re-launch many of our products based on new improved formulations because we now know what people want, and 'better' beats 'different' – a counter-intuitive message, I think, for the marketing profession.

My final point is to learn to embrace continuity. Marketing managers become bored with campaigns and ideas much quicker than consumers. There is a real boredom trap in business, with new brand managers arriving every couple of years eager to put their own stamp on things. You know the old adage – re-design, re-launch, resign. We have all done it. We need a humility about marketing. People are not waking up every day thinking, 'how can I get a new kind of fish finger?'. If you have campaigns or agency relationships that really work, do not get bored with them. Encourage people to value the long term and to embrace continuity. I do not say don't be challenging, but the first instinct should not be to change something that is working. All too often it is.

**Apply marketing planning to external affairs**

The second theme concerns this issue of external affairs and pressure groups. We need to apply some marketing principles to this. Not all public affairs issues are as important as each other. Also, as we realise the need to engage pressure groups and civic society more widely, there is a sense that every issue looks and feels the same. They are not. We need to apply some market segmentation principles and to incorporate our public affairs and social issues into our three- and one-year planning. Run your business, do not let events run you.
In our business, sustainable fishing feels like a massively important idea. I am less sure that sustainable packaging is of the same magnitude, although I am sure there is a sustainable packaging person somewhere who will hate me for saying that. We will decide what to do based on enlightened self-interest. What are the most likely evaluation criteria that, if we get them wrong, will come back and bite us? So segment the market, do not be driven by it, and do not let the public affairs department, if you have one, tell you what to do based on whatever scare story they have just heard. Treat the outside world like we treat the consumption base of our products – segment, figure out what we want to do, and don’t panic.

Another example from my new business was a well-meaning approach by the Birds Eye business to reduce salt and saturated fat in products. This pioneering project took place over the last couple of years and was called Project Store Cupboard. It was a classic case of doing something but forgetting to tell the marketers, so it never became a big marketing campaign. Birds Eye pioneered the use of high oleic sunflower oil, which has the same kind of saturated fat profile as olive oil, in its products. One of the first things I was ribbed about when I arrived was how Walkers advertised its use of this sunflower oil, something that Birds Eye had been doing for two years!

There is a danger too of reformulating products without sufficient consumer input, thereby reformulating more than necessary and risking product quality. There can be a sense of panic when a public body such as the Food Standards Agency says we must cut down salt. However, while it may be necessary to cut down salt because the consumer expects it, there is a point of inflection where the consumer really notices. We are all paid as marketers and R&D people to work out where that point is. So, segment the market, look at it coolly, do not panic and adopt a more professional approach to this area, which includes incorporating the systematic measurement of social attitudes in our planning so that we are not surprised by things that should not surprise us.

**Trust consumers**

The third part of the re-launch is to trust consumers. It may sound like a platitude but it is all part of holding our nerve. If we are clear about what consumers really value, what they want from our products, we do not have to worry all the time about our brands’ reputation being on a razor’s edge, assuming our supply chain is professional and we are doing things the right way. Consumers do not suddenly shift if the fundamental proposition is right.

This reinforces the need to really understand what consumers value as opposed to what they say, which is the million dollar question in marketing. If you ask a focus group how to improve fish fingers, you will be told to make them twice as big and half the price. If you do what consumers ask, you go out of business. It is all about managing trade-offs. What do consumers value? That is the basis of trust with consumers, who are the most important of all our stakeholders, whether financial investors, government, or retailers. Consumers are our biggest boss and they either vote for us or they don’t. It is a very democratic process. They have plenty of choice and trusting them to make the right decision is important.

**Private equity represents an opportunity**

The fourth part of the re-launch will not affect everyone, but private equity, believe it or not, represents an opportunity. The opportunity lies in what private equity means and the huge wall of money that has been collected by the private equity companies to invest. It is massively competitive and everything that is up for sale costs these companies more and more, prices that can rarely be justified on cost savings alone. It may be possible to consolidate a head office here or there but such savings are almost never enough because the
goodwill represents such a significant proportion of the total cost. So the only way for most private equity deals to work is to create value, which means building demand and, to a lesser extent, supplying that demand more efficiently.

That is why someone with my background is running the Birds Eye business, rather than a classic cost cutter. Certainly I have done parts of that as a general manager but my background is marketing. Value creation is critical and smart motivated managers are needed to get that done. When you talk about brands and the need to build long-term demand, there is a magnificent unity of self-interest. This is not because anyone in Permira or CVC has the remotest interest in the process, the philosophy, the craft or the love of building brands. They don’t. They are cold and calculating business people. But the self-interest is simply this – if you have a business which is growing sustainably with expanding margins, underpinned by a good level of advertising and promotional support, you will sell it for a higher price than a business where the costs have been ripped out and with a flat top line. The PE ratios of growth companies are significantly higher than those of so-called yield stocks.

When we were presenting three-year plans to the Permira Board in Hamburg, we proposed an increase in advertising and promotion from 5.4% to nearly 8%. Now we will not spend that if we do not generate the necessary productivity, but no-one batted an eyelid. Why? Because the margin growth and the bottom line translation looked good. In fact what is interesting and beneficial about private equity ownership is that, whilst they are neutral about how you find growth, there is a great culture of measurement and a curiosity about what works and what doesn’t. While there is always the trap of people knowing the cost of everything and the value of nothing, private equity has been good for our business.

This culture of brand measurement is not something that we should be scared of, but you do need the self-confidence to persuade people to see things in the round. Private equity may be a non-issue in the pressures facing marketing, but in a re-launch of the marketing profession, embrace private equity if it comes near you because it is probably a force for good.

A small anecdote before I finish this point. I remember my first day in Birds Eye Iglo sitting down with a couple of country managers and asking about their three-year plan. They had not had one for a while. We decided that the first three to four months were to be spent developing one, recognising that if we did not have a plan and did not know where we were going, any road looks good. We decided that the first three to four months were to be spent developing one, recognising that if we did not have a plan and did not know where we were going, any road looks good. People may think that private equity companies are only interested in next week’s sales but it is also about building long-term. The irony is that Birds Eye Iglo under Permira’s ownership is able to be much more strategic than Unilever, constantly under public scrutiny, was ever able to be. We can right-size the business without worrying about the effect on quarterly earnings.

Get a balanced lifestyle
The final point is that managing a brand should be like managing your life. You need a balanced lifestyle. What do I mean? Well, we all know that we are supposed to eat five portions of fruit and vegetables a day and are supposed to exercise three times a week. If we do that, we will probably live about a year and a half longer and will probably live better. We also know it is possible to cheat. You are not forced to comply each and every week and it is certainly possible to have forty rather than twenty units of alcohol per week.

It is like that with brand management. We know what an unhealthy lifestyle in brand management looks like. It is either too focused on the long term or too focused on the short term. The long term can end up being
They think it’s all over theoretical nonsense while the short term is about sales tomorrow and nothing else. We must try to achieve the right balance.

What are the right short-term measures that show us that we are doing a good job and what are the projects that will give us a payback in the longer term? What has worked and what has not, and why? How are we developing our people (I am as guilty as any other busy person; I know that we do not do it enough)? But that is the balanced lifestyle that brand owners must find. Understanding the marketplace P&L, our quality performance, the imagery in the marketplace, our relative value are all vital but we also need the courage to pursue longer term projects with a payback that goes beyond the annual plan. We need a balanced lifestyle, otherwise we are going to fail.

Summary
The challenge to business’ historic licence to operate is at the crux of today’s crisis in confidence in brand management. This is a big issue and it is here to stay. We have vocal critics who are brilliant exponents of brand management themselves but they are people that do not necessarily believe in the benefits of competitive markets, seeing only their costs. This has resulted in a number of curbs either on our freedom to operate in terms of advertising or in other ways and there is more to come. So we are losing the battle. That is real. The war for talent is also real. There is not the flow of bright graduates, or bright people (who cares if they are graduates or not?). While there are plenty of them in marketing today, there are not as many as there used to be and that will force some organisational change in how we run marketing departments. Our agencies too do not have the resources to take up the slack that they once had. So we need to respond, placing more emphasis on training and development but most of all on senior people in a business spending the time to tell war stories about what worked and what didn’t. People learn more from stories than from analytics.

Private equity is the new dynamic, but if you have worked in performance cultures like PepsiCo or Tesco you have nothing to fear. The questions you are asked by a private equity board are no different from those you would be asked by management boards in those companies. It can also be a liberating force.

If we take the essence of this re-launch and professionalise brand management again, learning to accept the world as it is rather than how we might wish it to be, then it is not over. Brand management has a great future. Consumers respond to value, we know that. Reputation needs managing across a wider, more diverse set of stakeholders certainly. But if brand management turns into a specialist niche of PR, then it really is all over. We are all stronger businesses if we sell more stuff and if we have more contact with consumers. For us at Birds Eye we believe that good brand management will help us sell more fish fingers and help us develop a great business.
This is the seventh in the Brands Lecture series. Previous lectures include:

**Are Brands Good for Britain?**
Delivered by Tim Ambler, London Business School

**Posh Spice and Persil**
Delivered by Jeremy Bullmore, WPP Group

**100% Marketing**
Delivered by Rob Malcolm, Diageo

**Hybrids, the Heavenly Bed and Purple Ketchup**
Delivered by David Aaker, Prophet

**Brands Beyond Business**
Delivered by Simon Anholt, Earthspeak

**The Lovemarks Effect**
Delivered by Kevin Roberts, Saatchi & Saatchi

Copies of each Brands Lecture are available from the British Brands Group and are downloadable from the website at [www.britishbrandsgroup.org.uk](http://www.britishbrandsgroup.org.uk).