

British Brands

THE NEWSLETTER OF THE BRITISH BRANDS GROUP

Helping brands deliver the 'innovation inside'

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'It's the economy stupid.' The poster on the wall of the 'war room' in Little Rock reminded candidate Clinton that, in the final analysis, presidential candidates are elected on their ability to deliver a strong economy. This is a lesson which political parties often learn the hard way; witness Labour's period in opposition for all of the 1980s and much of 1990s. That's one of the reasons why Downing Street poll watchers monitor as keenly what the polls say about perceived economic confidence as they do the intention to vote.

Whilst the economy is the foundation on which political success is built, there is rather less debate about how to create the climate in which brands can play their full role in driving innovation and growth. That is not to say there is no discussion about the economy, economic management and the principles of macro-economic stability. Indeed at the time of the Budget and in speeches to the CBI, competitiveness, innovation and enterprise featured strongly. But in this debate there seems to be an implicit assumption that innovation is what happens in the universities, research parks and in small companies, and that the FTSE100 or Fortune 500 need no incentive to innovate. After all, 'they are big enough to look after themselves.'

An election is often an instructive time to examine political priorities. Debate centres on how resources should be allocated and how

revenue will be raised. Rarely do we consider how policy can help wealth generation. In fact business and politics continue on their different and disconnected tracks, with discussion of the former relegated to page 22 (if it's on the front page it will be more likely because of a corporate scandal). In election campaigns business is unlikely to feature strongly and where it does it will be around business manifestos and business endorsement (as a proxy for economic competence or an endorsement for economic performance).

This paucity of debate does the body politic no favours. Going back to first principles, as Sir Digby Jones of the CBI is often keen to point out, without business there would be no tax revenues to spend and no public services to spend them on. It is economic activity which creates all wealth in society. Business isn't just a sectional interest but rather the foundation on which society is built.

Within business, brands have a special role; to put it simply they are the fuel of economic life, as integral to our economy as 'intel inside' is to the laptop of today. Brands enable companies to differentiate themselves and their products and services – and so realise reward for their investment in innovation. Looking back at the last century, the power and importance of brands is obvious. They have dramatically transformed the

lives of individuals – every substantial innovation, new product or new medicine that was put in front of consumers was done so by a brand – and in the process have driven economic growth. The value of this contribution might not be recognised by all but even the most damning critique would not argue with the contention that brands are a powerful force.

In elections brands dominate debate... or rather, to be more accurate, it is through the articulation of their brands and the varied disciplines of marketing communications that political parties seek to build support. This is in sharp contrast with the near absence of any discussion of the policies and measures needed to create a climate in which brands can continue to help drive innovation.

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Ask a dozen CEOs what they want from government and once you've moved beyond the expletive you'll hear a familiar refrain; sustainable economic growth, low/stable taxation and regulatory/legislative predictability. Scratch a little further and a broader agenda will emerge. The CBI has, for instance, recently published a business manifesto setting out its ten priority challenges, which range from improving the supply side through enhanced skills and better transport infrastructure, to making it easy (and attractive) to do business in the UK.

CBI's top ten challenges

- 1 Bring about a skills revolution
- 2 Improve Britain's transport infrastructure
- 3 Boost Britain's competence in science and innovation
- 4 Begin to tackle the pensions crisis
- 5 Work with business to address climate change
- 6 Achieve meaningful deregulation of business
- 7 Keep the labour market flexible
- 8 Create a tax environment conducive to business growth
- 9 Build efficient public services
- 10 Make the European Union work for business

So that's the business agenda, or at least a powerful articulation of it, but what's the brands manifesto? Should there even be such an agenda? After all isn't it just a case of what is good for business will be good for brands?

Brands are one of the most dynamic forces in the economy; they are the drivers of innovation; the parents of growth; and a symbol of freedom. Their benefits are so huge that recognition of their importance has become implicit. However a lack of an explicit debate combined with some poor choices by some of the companies involved has contributed to a climate in which it is fashionable to sneer at the benefits brands bring. This is as prevalent in the pages of national newspapers as it is within the corridors of Whitehall. This (unintentionally) offers intellectual cover to those who wish to 'steal' from brands. It is for this reason that a specific brands agenda is needed; an agenda which goes back to first principles and

confidently makes the case. I offer three pointers:-

Value innovation – innovation is crucial to the success of an individual, company or country. Innovation is integral to economic growth but how much is it really valued? The shocking truth is that most innovation fails; it doesn't make it past testing to reach the consumer. Even that which reaches the consumer is not guaranteed success, as *Persil Power* demonstrated. With innovation comes huge risk. For investors to continue to allow companies to innovate there needs to be reward, and for that reward to be realised, intellectual property needs to be protected. Defending intellectual property rights of the strong (as well as the weak) and the established (as well as the new) never made front page on the *Daily Mail* – in fact quite the contrary. The populist tone of railing against the 'excess profits' brings more immediate reward. In open and competitive markets high profits are a result of meeting a consumer need and being able to utilise innovation effectively, whether it be innovation in product, service or approach. It is only when Ministers are willing to defend intellectual property rights in the face of mock outrage in the media that we will know that innovation is truly valued.

Trust the consumer – When faced with big problems it is tempting to seek simple solutions. But hard cases make bad law. The debate over obesity provides a topical example. A simplistic solution advocated by some would be to restrict commercial communications by food companies but, as with most issues surrounding lifestyle choices, reducing freedom of commercial communications would at best make a minimal difference. What is behind the debate is as much to do with a dismissive view of advertising as it is with the rights and wrongs of the issue. For brand manufacturers the ability to communicate with consumers is critical; it is to innovation what freedom of speech is to democracy. Without effective commercial communications brands cannot market innovation. Just as brands need to behave responsibly, politicians need to trust the consumer to make choices.

Access to markets – the final area in which brands need support is potentially the most difficult because it is here that manufacturer brands can come into conflict with retailer brands; where business is split. For most manufacturer brands access to consumers is provided through other brands. While some high-value items have the ability to supply direct, most branded goods rely on a retail channel to sell to their consumers. If that channel did not exist it would have to be invented because it is by far the most efficient way of providing a venue in which the willing seller and purchaser can meet to do the deal. However the balance of power between the channel and the producer has changed dramatically in recent years. Increased retail concentration, together with the development of own label offerings, means that for many manufacturer brands the channel is also the major competitor. There is no simple solution to this complex interrelationship. However for brands to flourish there needs to be a recognition of this particular dynamic, a commitment to responsible behaviour and a willingness to ensure that competition regulation does its job.

Creating the right climate isn't just one-way traffic. Whilst brands need support, they also need to help themselves. This is partly about ensuring that responsibility is a core value but it is also about being a little more willing to argue their case in the court of public opinion and overcome a timidity which is neither merited nor a successful strategy.

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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.