

British Brands

THE NEWSLETTER OF THE BRITISH BRANDS GROUP

Scotland the brave?

Brands as a means of economic development

Melvyn Ingleson, *MJI Business Solutions*

Is it time to re-appraise the role of the brand within regional economies in the context of their potential economic impact?

For a long time now it has been accepted that the technology-focused intellectual assets of an organisation – vital intellectual property such as patents, design rights or technical know how – are key to economic success at country level and at organisational level. The result has been a deluge of public sector interventions and continuing pressure on the private sector supply side from banks to lawyers and patent agents to talk up the importance of protecting and gaining maximum financial benefit from such technology.

This is all to the good, but few realised how short term such technological assets might prove to the developed economies. Technology bets are driven by innovation and subsequently a drive to reduce unit costs to maximise global penetration. There is no loyalty in or to technology companies. Neither their customers nor their end consumers are loyal, being fuelled rather by a need for better performance or enhanced features. Thus, Scotland as an example of a developed regional economy in Europe has seen massive investment in innovation and inward investment only to see much of the production move to lower cost labour markets, with an expectation that much of the R&D talent will ultimately follow to support new generations of products.

Brands on the other hand, of which Scotland has precious few global examples still controlled from Scotland, engender loyalty. Innovation drives desire for continued and growing loyalty, for premium pricing, for global reach. It is true that careless positioning can destroy brands, as can faithless management or lack of investment. But, overall, the stronger the brand, the higher the returns for the brand owner and tax authorities.

No one would deny that there should be investment in bringing new technologies to market. This draws on the highly regarded research base of higher education which is a genuine source of pride to Scotland, and it is right to seek to retain the high-level postgraduate talent such as that described by the first minister's Fresh Talent Initiative.

However, it is Scotland the Brand that has built loyalty for Scotland into the minds of the growing number of overseas and English students seeking some part of their higher education in Scotland.

For a nation that is justly proud of its master brand, why are we so poor at providing real support to build the next generation of premium-priced brands that will serve global markets? Why can Scotland not learn from other economies, such as Switzerland, and actively encourage greater retention of ownership and control in Scotland of every form of intellectual asset, including brands? Is there a role for the Scottish Parliament and Scottish Executive in formulating intellectual asset policies

that bring economic advantage to Scotland?

We do have a few truly world-class companies who draw from Scotland's heritage and whose product brand attributes, in whisky or financial services for example, are the very attributes that derive from Scotland's own brand personality. Much is being done also to raise the profile of Scotland the Brand. For example, its positioning as a tourist destination is much admired and when you have sub-regional brands as powerful as Edinburgh or Glasgow, there is much to be built on at every level. Beyond that, there have been great efforts to build generic brand loyalty for Scottish beef, salmon and other Scottish foodstuffs, as well as textiles and other consumer products. Sadly, the future of such umbrella branding activity carried out by Scotland the Brand as a members' organisation is in doubt as the organisation ponders liquidation.

► *continued on page 8*

inside:

From the Chairman
Delivering real growth
through innovation

The social contribution of brands
Seven reasons why brands really matter

However, it is perhaps only in the drinks and financial service industries that the generic is but a mere scaffolding for truly global power brands such as those in the Diageo, Edrington, Scottish Courage and Royal Bank of Scotland portfolios. It is there that shareholder returns are enhanced by leveraging tremendous brand equities, driving innovation and market share, and winning and maintaining loyalty.

In a smart, successful Scotland, identifying, developing, owning and controlling all forms of intellectual assets *from Scotland* becomes critical. This is not to diminish competition or innovation. Rather it is about Scotland developing more successfully differentiated, branded products that will enhance consumer choice. It is also about small regional economies learning to compete more effectively in global markets to deliver economic and employment growth.

So what could be done by the various stakeholders to develop a more brand-friendly environment?

Critically, the truly global brand owners that have an interest in Scotland need to develop a partnership with private sector, business schools and public sector to identify the core capabilities and actions needed to grow an enlarged, sustainable brands portfolio, both consumer and business-to-business. This can be carried out under the auspices of the newly created Scottish Intellectual Asset Management Centre. The initial £3 million of funding from the Scottish Executive for the Centre should be supplemented by financial support and secondment from the major brand owners to drive a Scottish brands work stream. This goes beyond the already generous sponsorship of events and activities that promote Scotland the Brand but foster genuine capacity building and knowledge transfer within a broader portfolio of Scottish brand-owning companies.

At the same time, more practical effort should be made to support Scotland's creative industries by the major players, nurturing talent and building capacity. If necessary, corporate taxation policies should be adjusted to reflect corporate investment in growing talent, not just employees but also suppliers of services.

Inevitably the agenda will evolve from the steering group and the passion of those involved. However, a number of issues should emerge for

debate and analysis. I would like to suggest a 10-point plan for starters, in the hope that other brave souls in Scotland, passionate about the value-creating capacity of brands, might share, improve and build on my vision:

- Influence public sector economic development strategies to recognise the need for investing across the spectrum of intellectual assets.
- Encourage global brand owners to develop greater innovative capacity in Scotland for global markets. This capacity building includes a greater commitment to locating R&D in Scotland, working with local technology partners to identify new ways of reaching consumers (such as those being pioneered by DA Group within mobile telecommunications), and exploring more effective ways of working with private sector supply clusters such as packaging. Scotland needs to be more than a bottling plant and bonded warehouse for the whisky industry.
- Help global brand owners in Scotland to exploit their entire brand asset portfolios through various forms of corporate entrepreneurship, whilst recognising the necessity of retaining their own focus on their top brands.
- Encourage the relocation of intellectual property to Scotland through advantageous tax planning and investment relief.
- Encourage brand investment through suitable vehicles such as Regional Selective Assistance, including the purchasing or licensing of brands in order to enter new categories.
- Establish a Brand Academy Centre of Excellence to nurture and develop postgraduate brand management skills.
- Use Global Scot and other vehicles to identify brand champions for Scotland and Scottish brands world-wide to help build market knowledge and distribution.
- Establish an annual awards programme for key individuals and companies who build brands for Scotland, in partnership with British Brands Group, Marketing Society and Chartered Institute of Marketing.
- Extend the education and training programme for brand management within small to medium size enterprises, in partnership with leading business schools and the Enterprise Network.
- Develop a public/private Brands Proof of

Concept Fund and Equity Investment Fund similar to the recently announced Creative Industries Fund.

The recent Scottish Council for Development and Industry Annual Forum at St Andrews heard from Bob McDowell, Corporate Vice President of Microsoft in Seattle, how favourably Scotland is viewed and how brands associated with Scotland are much sought after. The same conference, attended by many leaders from across Scotland's public and private sector communities, learned how Scotland needed to be bolder and braver in addressing the market place.

Scotland needs to recognise the strength of its Master Brand much more effectively than it has done so far. If this includes much greater support for Peter Lederer's team at Visit Scotland and strengthening the leadership of Scottish Executive's delivery agencies so that there is a real ability to engage with global brand owners, so be it.

More importantly, in much the same way that the intermediary technology institutes are a brave £450 million bet to bridge the gap between pure R&D and breakthrough technologies, Scotland should recognise that public and private sectors must co-invest in building more brands that global consumers and businesses demand, will pay a premium for, and will, for the most part, remain loyal to. The role of the public sector is to create an environment that encourages the private sector to take more risks in and from Scotland. The private sector will respond. Production may well be elsewhere, but the economic heart and soul of an extended world-class brand portfolio should, and can, remain owned and headquartered in Scotland.

As well as being Managing Partner of MJJ Business Solutions, Melvyn is an Associate of Veredus and founding partner of Motive UK.

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.