

The value of brands

The role of branding in the UK economy

The value of branding to companies is well understood. However, while recognised as important, its contribution to the UK economy is not being measured, suggesting its role is being undervalued.

Background

The British Brands Group has commissioned Westminster Business School to undertake a study into the economic contribution of branding to the UK, to help build understanding of the wealth it generates and to quantify the contribution it makes to the economic health of the country. This work is an essential precursor to assessing whether this contribution is being maximised.

Key findings

- An estimated **1 million people** are employed in the UK in the creation and management of brands, equivalent to 4% of all those employed;
- The value of branding to companies is well understood. [The most valuable brand domiciled in the UK is HSBC (\$33,742 million), followed by Vodafone (\$26,688 million)¹];
- Brands are simply not being counted in the UK's measures of economic activity. The knowledge economy is not being valued, and branding is an important element of this;
- While brands are recognised as a driver of economic growth, there remain significant gaps in the evidence base;
- Approximately **£32.55 billion** is spent on building brand equity annually, or 2.3% of GDP;
- This represents some **£15.8 billion** investment in the UK annually². This represents around 12% of all intangible investment and 6% of all investment in the UK;
- The creation and management of brands is becoming an increasingly important component of the UK's overseas earnings;
- The investment in building a strong trust relationship between firm and consumer yields a number of **returns** to the wider economy:
 - providing a surety that new products, ventures or markets are "safe" for consumers;
 - the quicker adoption of new technologies and ways of living and working;
 - aligning business with society, allowing firms to offset side effects of consumption;
 - a means of regulating large global firms with extensive influence;
 - a spur to innovation as companies strive to maintain their reputational asset;
 - enhancing the reputation of British products and services abroad, supporting exports.

¹ Brand Finance Top 100 Updated, September 2008

² Based on 2006 data

Implications

The two surprises from this Westminster Business School study are (1) what little work has been done so far to assess the contribution of branding to the wider UK economy and (2) the significant gaps that exist in the evidence base. With branding's potential to add value, deliver competitive advantage, commercialise innovation, protect consumers, contribute to GDP, enhance export performance and align business to societal needs, this seems at best an anomaly and at worst a significant oversight.

Just from the findings of this study however we can develop some important recommendations for policymakers to ensure that branding contributes fully to the economic health of the UK:

- establish a clear **ministerial and departmental responsibility** for branding within Government. BERR³, DIUS⁴ and DCMS⁵ play important roles but this falls short of leadership, in contrast to other nations that have specific brand task forces and committees (eg. Taiwan, Korea, Malaysia);
- integrate the role of branding into **policymaking**, especially in key areas such as innovation, SMEs, export performance and soft regulation. A relevant ambition is for the UK to provide a world class regime for the creation and building of brands;
- seek to fill gaps in the evidence base to enable a fuller **assessment of the contribution of branding** to the UK economy. A comparative analysis with other nations will provide an insight on the UK's relative performance in generating wealth through branding;
- assess the role of branding in the UK's **economic framework**, particularly in light of the new economic climate and the need to reduce reliance on the financial sector as providers of the nation's wealth;
- review the way that restricting elements crucial to branding (such as advertising and labelling) are used as **solutions to policy goals**, to ensure such solutions are evidence based, proportional and effective;
- provide an effective legislative and enforcement regime to **safeguard brand reputation**, for consumers, companies and the economy. Brands in the UK are not well protected from misappropriation⁶ and in the last ten years counterfeiting has grown into a global problem.

Conclusion

The UK possesses significant strengths in creating and building brands, with world class brand-focused companies, a reputation for innovation and creativity and a leading design and advertising industry. However this study indicates that this value is not being captured and risks being overlooked. Branding is part of the bedrock of the UK's economy and its potential to create wealth in a social context requires recognition and closer integration into Government policy. Branding is crucial to UK competitiveness and wealth generation, and can help drive the economy out of difficult times.

A full copy of the report can be found at <http://www.britishbrandsgroup.org.uk/upload/File/WBS%20VoB%20128.pdf>

³ BERR : Department for Business, Enterprise and Regulatory Reform

⁴ DIUS: Department for Innovation, Universities and Skills

⁵ DCMS : Department for Culture, Media and Sport

⁶ Gowers Review of Intellectual Property, December 2006, para 5.84