

The Future of Brands

Grant Foster

Today, the world's top 10 brands are reputedly worth US\$388 billion and their reach is truly global...I'm told you can even get a Big Mac at the US base in Antarctica. Fifty years ago who would have thought that the humble hamburger or coffee shop could become a global enterprise on the basis of a brand? So, what next for brands? From origins in Greek and Roman times, when pictures carved out of stone provided directions to local merchants for a largely illiterate population, brands in all their forms have played an ever increasing role in the growth of western economies, but what about the future?

Watch for 4 major shifts.



Brands as reputation

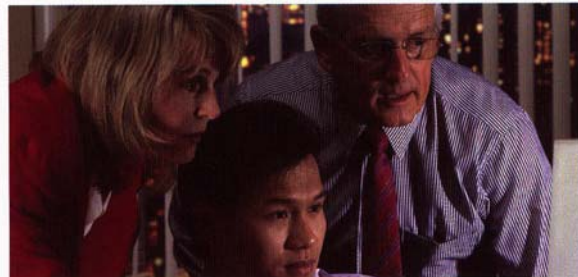
Sir Richard Branson said it... *"brand is about reputation, not products and services"*... and this is a man who should know. His Virgin empire breaks most of the commonly held rules that dictate how brands and brand extensions should be managed. Conventional wisdom dictates that we should be cautious about extending brands beyond the business and product areas in which they are widely known...and with good reason, as corporate history is littered with examples of brand extensions that resulted in failure of the new venture and damage to the original brand.

This is because the associations the brand has built in the minds of its target audiences are usually strongly linked to product and service attributes. QANTAS equals airlines, Smirnoff is vodka and Coke is soft-drink. Consumers are often reluctant to allow established brands to move beyond this...how would you feel about flying Smirnoff Airlines? Virgin, however manages all of this diversity and more. Since 1970 the Virgin brand has been extended from records to air cargo, holidays, radio, vodka, cola, clothing, mobiles, wine, energy and credit cards...even Virgin Bride, which is presumably a specialist clothing outlet.

Rather than building his brand on a product or service attribute, Branson has built Virgin on a common platform of breaking market dominance, giving consumers a fair deal and he has consistently delivered on this promise in each of his new ventures.

By building his brand on this reputation, Branson has created almost limitless opportunities to grow his business empire. As it becomes harder to differentiate brands based on product or service attributes, companies will increasingly turn to reputation as a vital element of their marketing strategy. In a recent survey of chief executives at the World Economic Forum in Davos, 77% of respondents believed reputation had become more important in the past 2 years and 24% felt it was the most important measure of success ahead of the 17% who nominated profitability.

A product can be quickly outdated or copied by a competitor. Reputations are unique, take time to build and cannot easily be replicated. They are and will increasingly be recognised as one of the few points of truly sustainable differentiation.



Brands in the boardroom

While equity markets and analysts have almost exclusively focused on financial data to assess corporate health and investment opportunities, company directors and management have in the main followed suit and left the stewardship of brands to marketing and brand managers, far removed (in the minds of many) from the hard disciplines of business management. As market leadership through product attributes or cost efficiencies becomes harder to sustain, and brand or reputation become more broadly recognised as effective weapons in the battle for winning and retaining business, brand equity will become more prominent in the minds of boards and analysts as a lead indicator of corporate health, market performance and shareholder value. Common standards of measuring brand performance and brand equity will emerge, just as they have done for measuring financial performance. The practice of auditing brand performance will become a

Among others, watch for Haier (white goods), Konka (TV's), LiNing (sports wear) Lenovo (IT) and Galanz (home appliances) who will turn Brand China into a global leader in its own right.

Of course there are many who will reject or ignore these trends because they threaten the status quo. Brands are not the common language of Australia's board rooms, where those with legal and financial backgrounds dominate and tend naturally to focus the agenda on their areas of competency. Marketers are a rare sight in most of our boardrooms. Many in advertising will reject claims that their industry needs to change and will continue to promote a "big campaign" as the natural response to a communications issue, while specialist DM and on-line agencies will promote their services in isolation, because that is how they must survive. Even China's capacity to sustain globally competitive businesses of the US, Japanese and European style will attract its sceptics.

For each of the trends identified here, we can cite examples of leading companies that have already adopted the approach we are predicting, but to date they are very much in the minority. For the rest the change will come at varying speeds. Some will adapt quickly and seamlessly while for others, it will come slowly, reluctantly and maybe painfully, but the last word is best left to W. Edwards Demming who said "change is not compulsory...neither is survival".

Grant has combined senior corporate marketing roles with an ongoing position as Adjunct Marketing Faculty with The Australian Graduate School of Management at The University of NSW.



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