

BRAND SECURITY

In elections people choose who will govern them, just as on the high street people choose what they wish to buy. In both instances, time and time again, they opt for branded products. Brands fulfil many functions, from acting as guarantors of quality to driving forward innovation. The UK benefits from hosting many of the world's leading brand manufacturers, including GlaxoSmithKline, Dyson, BP, Diageo, Burberry, Royal Doulton, Reckitt Benckiser and Land Rover.

The value of any brand lies in its reputation. If over time a brand establishes a good reputation – if it meets or exceeds people's expectations – then the business is likely to do well. If a brand develops a poor reputation – if it lets people down – then the business will fail. Consumers hold brands brutally accountable.

In addition to serving the specific needs of consumers, brands also make a far broader contribution. They represent an important mechanism by which governments can achieve key policy objectives, from boosting national competitiveness to enhancing working conditions.

INNOVATION

Brand manufacturers are the original artists of the corporate world. They innovate,

THE VALUE OF BRANDS

- Brands are an indicator of quality for consumers and a source of innovation for the market.
- The UK is home to a large range of important brands and its economy depends on them.
- UK and European governments should take stronger action to protect brands from the threat of counterfeiting.

try new things, sometimes fail – but ultimately come up with new products and services that become the preferred choice for consumers. Manufacturers of commodity or own-label products, on the other hand, are more akin to copy artists. They tend to copy what others do, sometimes very well, but this does not drive innovation or open up new areas of endeavour.

In this era of globalisation, nations can either compete on the basis of raw price or they can innovate and move up the value

chain. If it is accepted that the UK should focus on the high-quality, added value end of the market to compete in the global economy, then brands have an essential role to play. They drive the innovation that provides the opportunities to achieve exactly this combination of quality and value.

EMPOWERING CONSUMERS

Brands have been described as 'the first piece of consumer protection'. The direct accountability brands have to consumers means that they have an overwhelming financial interest in safeguarding quality and protecting consumers. If a brand tarnishes its reputation by failing to live up to consumers' expectations, it can take years to recover. People will vote with their wallets. While regulation has an important role to play in protecting consumers – there needs to be a 'bottom line' – enlightened self-interest is a powerful force and should be encouraged. ►

A BRANDS manifesto

Ruth Orchard, Anti-Counterfeiting Group, and John Noble, British Brands Group, explain the value of brands to the UK economy and argue that more needs to be done by government to protect them.



If a brand's reputation is tarnished, it can take years to recover consumer confidence



BRAND SECURITY

A SIX-POINT PLAN FOR UK BRANDS

1 It remains too easy for companies to mislead consumers. In most media, misleading claims over a product's performance may be challenged. However, a company can make the same claim with impunity on the actual packaging of its product. Measures are required to prevent this abuse.

2 Counterfeiting harms consumers, business and the economy, and funds other serious organised crime. The new Intellectual Property (IP) Crime Group, led by the Patent Office, promises to deliver a coordinated national strategy.

- More cooperation is needed between the various enforcement agencies (trading standards, customs and police).
- Closer liaison and information sharing between enforcement agencies and legitimate businesses is required.
- Trading standards departments require better resources (confiscations under the Proceeds of Crime Act could make IP enforcement self-financing).

5 Where the legal position is clear, brand owners should be able to bring enforcement actions before the civil courts. This reduces the onus on enforcement authorities while increasing levels of consumer protection, an approach already adopted in other EU countries.

3 Remaining barriers to an effective single European market must be tackled to ensure the full benefits are achieved.

4 The vital role of commercial communication needs formal recognition. If in exceptional circumstances restrictions are considered necessary to achieve policy goals, proper safeguards are required, including clear, measurable objectives and regular reviews (possibly every three years) to ensure that objectives are still relevant and being met.

6 Retailers provide an essential route to market for brands. In the case of the larger chains, brand owners are dependent on them, giving those chains significant power, which, if abused (by imposing unfair terms or transferring commercial risk), impedes investment, crushes innovation and diminishes consumer choice. Abuses of 'buyer power' must be tackled as robustly as abuses of 'seller power' (using a dominant position to impose unfair terms on consumers).

BRAND SECURITY

Brands empower consumers. In the first instance, brands provide consumers with choice and diversity, the very fundamentals of 'consumer power'. Brands also help to ensure that consumers have a range of retail outlets from which to buy them.

In particular, branded products promote choice on the high street by helping small (usually local) convenience stores to stay in existence. A feature of such stores is their heavy reliance on branded products to enable them to attract business – consumers recognise and trust the products. Without brands in their sales armoury, convenience stores and corner shops would find it even more difficult to compete.

A feature of branded goods is that they are available everywhere. Consumers can buy the same washing powder in Cardiff as they can in California. Coca-Cola's ambition in 1923 to be 'within an arm's reach of desire' holds true for brands today as they seek to deliver convenience by being where consumers wish to buy them. They are not restricted to particular chains of shops.

Second, brands provide consumers with an important yardstick by which to compare rival shops and retail outlets.

KEY FACTS

Brand manufacturing in the UK economy accounts for:

- £50bn of gross output
- 400,000 jobs
- Exports of about £6bn a year
- 14 per cent of UK manufacturing

Source: Brands, innovation and growth, **British Brands**, 2004

from laptop computers to chocolate bars. People rely on a product's reputation – its brand – to make an informed purchasing decision.

COMPETITIVE MARKETS

Competitive markets, as well as being essential to a vibrant economy, are also fundamental to empowering consumers. Competition between different suppliers to win business gives consumers the ultimate power. Over and above promoting choice, in all its forms, on the high street, brands promote healthy competition by being 'different', while seeking to identify and meet the latent needs of consumers. It is this differentiation that promotes choice, competition and innovation.

'INNOVATION DISTINGUISHES A LEADER AND THE FOLLOWER.'

Steve Jobs, Apple Computers

Brands do not just promote competition on the basis of price, important though this is. They also promote competition on the basis of quality and the product's user-friendliness. Competition on both price and quality leads to greater competitive vigour and greater benefits for consumers.

RESPONSIBLE BUSINESS

Brands' dependence on their reputation affects not only the products they sell, but also how they act as corporate citizens. If a brand goes about its business in a way that is out of line with public opinion, it will be punished quickly by consumer pressure.

Evidence of consumer pressure affecting company behaviour is widespread: many household-name sports goods manufacturers changed their purchasing policies when alerted to practices in developing countries; DIY brands now concentrate on selling products made from sustainable materials; food brands are concerned about the conditions under which their raw materials are

produced. The examples are endless, but the bottom line is that such change is brought about primarily because branded-goods manufacturers care about their reputation.

TACKLING CRIME

It is estimated that counterfeit goods account for 5–7 per cent of world trade, costing the global economy \$1,000bn each year. This illegal trade is also a stronghold of organised crime. The scale and impact of today's counterfeiting is unprecedented, due to the rise of brands' popularity and value, the high profits for criminals (with low risk and penalties if caught) and the ease of replication with today's technology. Cheap, powerful computers, linked with embroidering machines, can reproduce virtually any design, logo or label.

Brands contribute much to the economic and social fabric of the UK. But there is more they could do. The challenge is to support an environment in which brands can deliver the greatest possible contribution to consumers, society and the economy.

The British Brands Group and Anti-Counterfeiting Group propose a six-point action plan to help create the optimum climate for brands (see page 13). Government has the opportunity to put consumers first, promote choice and diversity, champion innovation and strengthen economic growth by helping to create the right environment for brands – one of vigorous competition and well-informed consumers, where innovation is encouraged and investment risk rewarded. **pci**

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