Protect and survive

In stark economic conditions, businesses that continue to invest in their brands will ultimately prosper. Tom Nash reports

Having a strong brand is important at the best of times. But in today's tough business conditions, it is even more critical. At times like this companies are most at risk of doing serious damage to their brands, by cutting costs to boost their bottom line. Experts maintain – and research backs them up – that it is in a recession that faith and investment in your brand most needs to be maintained.

In normal business conditions there is wide recognition of the value of a strong brand. This is most obviously reflected in the enthusiasm of consumers and volume of sales. But it is beneficial in many other ways. Brand value is often tangible and quantified as an asset on companies' balance sheets. It is commented on by industry analysts and appreciated by investors, driving up a company's share price and reducing the cost of capital from lenders. A strong brand will help wring the best deals out of suppliers keen to do business with top 'names' and reliable creditors. And it will help attract and retain the most talented staff.

"There's huge value in a strong brand," says Stephen Cheliotis, Chairman of UK Superbrands, Chief Executive of The Centre for Brand Analysis (TCBA) and an expert on maximising shareholder value through effective brand management.

"Your brand is unique, it sets your business apart – and it's often the most valuable asset a company can own," he says. "It's something people recognise and buy into – it gives them confidence."

Cheliotis observes that most consumer and business Superbrands (see boxes) have stood the test of time, with many around 100 years old. The two leading brands in the Superbrand index, Google and Microsoft, are relatively new technology companies, but they are the exceptions. Most leading brands have a significant heritage, maintaining leadership in their industry sectors for many decades, resilient through wars and recessions, and proving the value of long-term investment in them.

Hamish Pringle, Director General of the Institute of Practitioners in Advertising (IPA) and author of forthcoming book, *Brand Immortality*, says a strong brand represents a firm promise embedded in customers' minds – a promise of quality, reliability and continuity. "It's a promise that you'll go on fulfilling these values," says Pringle. "That's a very powerful defence in tough times, because in a downturn there's a flight to quality."

The point is well illustrated by retailers that reduce stock to cut costs in the face of falling demand. Typically they will cut some lines completely, but they will not cut brand leaders for fear of upsetting customers.

Pringle argues that consumers tend to buy from a portfolio of competing brands, rather than from a single supplier. So while there is currently some evidence of shoppers trading down – among supermarkets, for example – the movement is still largely taking place among strongly branded companies. But in the current economic climate, consumers are slimming down the brands in their portfolios – so there's pressure on companies to ensure their brands are not ejected from these groups of preferred suppliers.

Recent research by the IPA has found