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

the key ratio for brand strength is 'share of voice' – or brand promotion through advertising and marketing communications – in relation to market share. It has calculated that an increase of 10 per cent in a brand's share of voice (SOV) will result in an increase in its 'share of market' (SOM) of one per cent per year. The reverse is also true, so companies that cut their SOV spending by 10 per cent are likely to see an annual decline in market share of one per cent.

"There's huge value in a strong brand."

The research – which includes quantitative analysis of 880 case studies – concludes that it is vital to maintain investment in brand promotion in a downturn. The key findings are:

- Cutting budgets will only help defend profits in the very short term;
- Ultimately the brand will emerge weaker and much less profitable;
- It is better to maintain 'share of voice' (SOV) at or above 'share of market' (SOM) – the longer-term improvement in profitability is likely to greatly outweigh the short-term reduction;
- If other brands are cutting budgets, the longer-term benefit of maintaining SOV at or above SOM will be even greater.

"The Pavlovian response to a recession is to cut marketing and advertising expenditure to boost the bottom line," says Pringle. "But if everyone does that it's a 'zero-sum game'."

Some leading consumer brand owners, including Proctor & Gamble and Unilever, have come to the same conclusion, recently stating that they will not be cutting marketing expenditure. "The more sophisticated marketers have got it!" says Pringle. "It's actually easier to win market share in a downturn because some of your competitors will be cutting back".

While the effect of media expenditure will comfort large companies with deep pockets, it may come as a blow to SMEs with little choice but to cut costs. But there are myriad marketing and communication options available today, many of them cost-effective, which allow SMEs to compete with larger rivals.

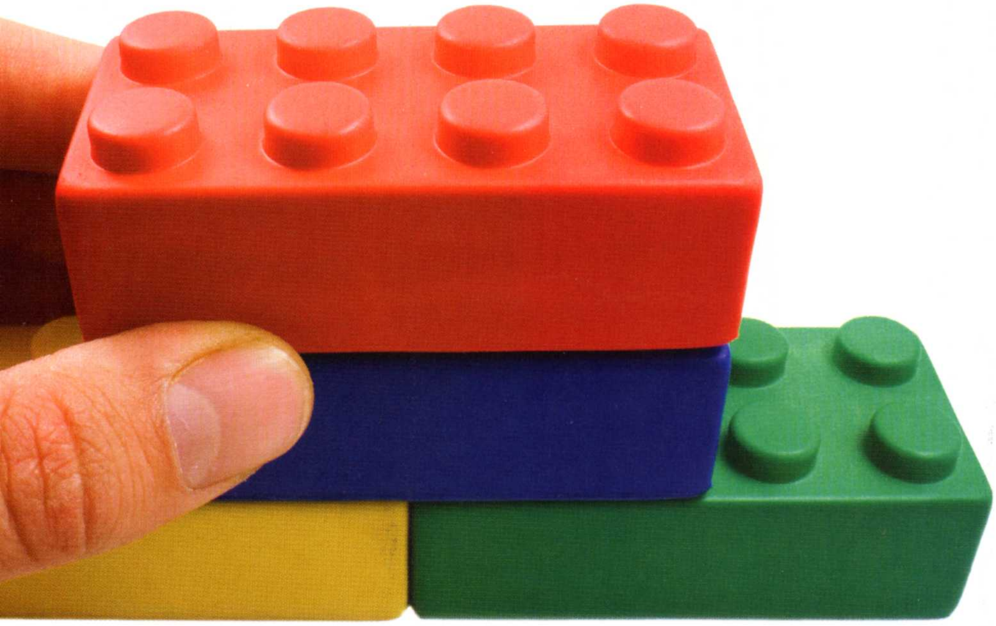
Even within television – traditionally the most broadbrush and expensive promotional medium – competition for advertising from other digital media and the advent of fragmented, multi-channel TV, has seen advertising costs plummet and well-targeted campaigns flourish.

While a new brand may require advertising – or 'above the line' spending in marketing jargon – to become known, established brands can be boosted by a host of low or no-cost 'below the line' promotional activities.

TOP 20 SUPERBRANDS

1. GOOGLE
2. MICROSOFT
3. MERCEDES-BENZ
4. BBC
5. BRITISH AIRWAYS
6. ROYAL DOULTON
7. BMW
8. BOSCH
9. NIKE
10. SONY
11. APPLE
12. DURACELL
13. JAGUAR
14. COCA-COLA
15. AA
16. LEGO
17. MARKS & SPENCER
18. THORNTONS
19. CADBURY
20. HILTON

Source: Superbrands UK (www.superbrands.uk.com)



These range from in-store events in the retail world to speaker slots at conferences for business brands. What is right for one brand won't necessarily work for others, so the brand owner must assess the options.

There is also considerable evidence that superior creative content can have a major impact on a brand's success. Here too, SMEs can gain an edge by making their brand's creative communications more relevant and engaging than their rivals.

> *"It's something people recognise and buy into – it gives them confidence."*

"It's about quality, rather than quantity," says Jonathan Cummings, Director of design agency Start Creative and formerly Marketing Director at the IoD. "The aim of a strong brand should be to achieve consistency and quality of messaging across all touchpoints in the customer journey."

Cummings says that Start, which specialises in digital solutions, is seeing clients migrate towards new media, including mobile and email marketing, backed by customer relationship management (CRM) systems. The trend is not just because of cost advantages over traditional alternatives such as press and broadcast campaigns. "Technology allows improved targeting and greater interaction," he says. "In the current climate, the savvy brands are pushing towards a deeper level of engagement with customers."

They are also making every effort to hang on to their existing customers. "There's a much stronger focus on client management to lock in existing relationships and 'squeeze the lemon'," says Andrew Hedley, a marketing consultant specialising in the professional services sector, and an IoD member.

In recent years, says Hedley, service industries have tended to undermine their brands by making great claims and then falling short of client expectations. "In the boom times they made money anyway," he says. "But you can't just go to market with big promises now. Clients are watching their discretionary spend very carefully – you need the delivery to back it up."

Hedley believes recession is an inevitable part of the economic cycle. "Bad businesses will go to the wall, but there'll be opportunities too," he says. "And smart brands will come out stronger."

IoD – A BUSINESS SUPERBRAND

As one of the UK's premier business membership organisations, the IoD is recognised as a Business Superbrand.

Superbrands, launched in 1995, operates in over 55 countries and publishes an annual list of its top 500 brands worldwide. Following an independent selection process, administered by The Centre for Brand Analysis, each brand in the top 500 is awarded 'Superbrand', 'Business Superbrand' or 'CoolBrand' status.

The IoD has been awarded the status of Business Superbrand for informing, supporting and inspiring the ambitions of individual directors, and setting the highest standards in business leadership and governance.

The IoD knows that its members are its biggest asset. Its brand guidelines put greater emphasis on directors than on the Institute, and this is reflected in the powerful and iconic IoD logo, which features a larger 'D' and smaller 'I'. With this at the forefront of its thinking, the IoD has this year been refreshing its design to bring its communications up-to-date while still reflecting its core themes of Direction, Connection and Innovation.

Its strategy is to increase engagement with members. Member communications now harness online activity, reducing the amount of direct mail. Developments such as the introduction of videocasts and regular blogs from the Director General are also bringing members closer to the Institute and encouraging two-way communication.