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Branding is not a strategy

Tony Manning

In this age of hostile competition, quality is rapidly becoming a taken-for-granted factor in products and services, and price is the differentiator in almost every sector. The greatest threat to any firm is that the "value" it boasts about today looks like everyone else's in the blink of an eye, so it cuts prices, turns its own offerings into commodities, squeezes its margins and sends profits flying out the window.

Walk down Fifth Avenue in New York City, and you'll be struck by the sameness of stuff on show in shop windows. It's the same in London's Oxford Street, in Sandton City or any other major shopping centre in the world.

The cars that drive by also look the same. Restaurants copy each other. So do banks, airlines, computer companies and accounting firms. As fast as one player in an industry finds an innovative edge, so do others latch on and add to customers' confusion. And to make things even worse, "best practices" rapidly hop from industry to industry. Everyone, it seems, is benchmarking against everyone else, swiping the same ideas, buying everything from basic research to final production from the same contract suppliers – and speeding to market with identical offerings.

The only answer to this dilemma, we're told, is branding. After all, brands are bullet proof. Customers love them – and will pay a premium for them. They let you fight off lower-cost competitors. And they may be one of the few sustainable competitive advantages you can build.

Branding is not a new idea, but it certainly has become a hot one. Suddenly everyone is talking about it. Senior executives make speeches about the importance of "our brands." Every promotional effort is apparently "building the brand." So marketing directors get a sympathetic hearing when they demand money for "branding activities." Measuring "brand equity" has become big business. And lowly brand managers have clout that the average human resources executive can only dream about.

But what's all this fuss about? Are brands really worth all they're cracked up to be? Does branding warrant the time and attention it gets?

Make no mistake, some of what we're hearing on this topic today is very valuable. But a lot of it is just plain bullshit.

Advertising agencies naturally hype the importance of brands. That, after all, is how they make money. So they're quick to criticise "short-sighted" clients who shift budgets to below-the-line promotions or public relations. "These idiots want immediate sales," they say, "but don't realise that what they're doing will cost them in the long run. They're committing suicide."

But are they?

The folks sounding this alarm are all too often youngsters with no experience at all of business, and whose only knowledge of the long run is what they've heard their parents or some other old fogeys say about it. They profess to be experts on consumer behaviour, but base their views on their *own* shopping habits (which they don't understand) or on what they imagine they see in the people closest to them: family, friends, or maybe a few people in their immediate social group.

In some cases, they might be able to bolster their arguments with "solid" consumer research. But can you really believe what's in those thick reports? The evidence says no.

For all the "science" applied to understanding consumer behaviour, this remains a murky and mysterious area. The rate of product failures is as high as ever, despite the fact that marketers spend fortunes trying to lessen the risks. They test their offerings, they test their promises, and they conduct extensive market and competitor analyses – yet they still get it wrong more often than they get it right.

Only a handful of new products and services gain traction in the market, gain share, produce profits and become brands. But note the order of their progress. They are not *born* as brands; *they get there over time*. And many activities contribute to that status.

When Daimler-Chrysler did a deal with Swatch, the Swiss watchmaker, to produce the tiny Smart car, the move was widely applauded as a visionary step. Daimler-Chrysler is a big name. The Swatch watch brand is a powerful one. As a recipe to reach a new market, this one looked like a winner. But sales have been disappointing.

The "brand builders" behind the Smart project did a good job of creating awareness. But the complex business system in which they are a small cog just hasn't moved enough cars. And that, after all, is what business is about.

Just a few years ago, Richemont, the luxury goods company ran into trouble. The firm owns some sensational brands – including Mont Blanc, Cartier, Panerai, Dunhill, and Pink – but couldn't turn them to profit.

Or take Sony. What a brand! A lead player in the electronics arena for decades. And then along came … Samsung ... and Apple's iPod music player … and BenQ, with cheap TVs … and ….

It remains to be seen whether the Smart name will ever amount to money in the bank. It never will if the managers responsible for it try to "brand" their way through the slump. As Carlos Goshn showed in his astonishing revival of Nissan, growth requires attention to *every* aspect of a business, not just making more noise in the marketplace.

Johann Rupert turned Richemont around by attending to the basics. He cut costs, launched new products, streamlined distribution, and much more. (Oh, and he also kept investing in advertising and PR.)

Sony now has a Westerner as CEO. There, too, the revival process is bound to involve everything the firm does, and the way it does everything. There just is no other way to compete.

Branding is clearly a critical competitive activity. But it is just one of many. So it merits serious attention, but also needs to be kept in perspective.

Brands are as valuable and durable as the businesses that underpin them. No more, and no less. They reflect partly what's there – and largely what customers choose to *believe* is there. They are both reality and fantasy, substance and fluff.

Ronald Revson got it right when he observed many years ago that perfume was "hope in a bottle." But it's not enough for a perfume maker to promise women, "Use this, and you'll wind up in the sack with a rich and handsome prince." Nor does it help to throw more and more money at the promise. Someone has to do the mundane work of concocting the smell, sourcing and mixing chemicals, controlling processes, managing stock, filling the distribution channel, managing finances, administering a zillion details, and much else.

Branding is a seductive idea. Every firm must make a difference that matters to customers, and should make sure they know about it. But a brand is a bundle of perceptions in customers' minds, which is shaped by a whole bunch of activities, by many people, often in a whole lot of places.

There is no way on earth to guarantee success in business. Brand building won't do it. The best anyone can do in today's turbulent environment is build an organisation that keeps trying against the odds, that gets the basics right, and that never confuses fluff with substance.

Tony Manning is an author and independent strategy consultant. He can be contacted at www.tonymanning.com

Tony Manning/***Strategist***
CONSULTANT IN COMPETITIVE STRATEGY AND CHANGE MANAGEMENT
PO Box 750 Morningside 2057 South Africa
Phone 27 11 884 2635
Fax 27 11 884 6006
Cell phone 27 82 800 5862
E-mail strategist@tonymanning.com
Website www.tonymanning.com

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