

Branding and its role for SMEs

History of Branding

Brands were developed as far back as the 19th century. With the centralisation and factory production of packaged goods, such as soap and washing powder, factories started to 'brand' their containers, in the same way something is branded, like animals, to denote ownership and/or source of the product.

In the beginning consolidation of local production into centralised factories provided demand for the factory outputs. But as these factories became efficient at mass-production, where were their growth opportunities going to come from? It quickly became apparent that generic packaging did not offer any differentiation. Why would a consumer choose soap powder from factory A over factory B? There was no reason to do so. Moreover, there was still local production of products available, so a consumer was likely to stick with the local products as it was always what they had done; they trusted the products to deliver so why change.

The manufacturers needed to convince the consumer that they could trust their products just as much as any locally produced ones. US manufacturers were amongst the first to start branding their products, such as Campbell soup, Aunt Jemima, and Quaker Oats. Other brands of that era include Uncle Ben's rice and Kellogg's breakfast cereal.

At the start of the 20th century, J Walter Thompson (advertising agency) published a house advertisement explaining trademark advertising. This was an early commercial explanation of what we now know as branding. Companies soon adopted slogans, mascots, and jingles which began to appear on radio and early television.

The Power of Branding

The term "soap opera" was coined by the American press in the 1930s to denote the extraordinarily popular genre of serialised domestic radio dramas. The "soap" in soap opera alluded to their sponsorship by manufacturers of household cleaning products, such as Proctor and Gamble. By the 1940s, manufacturers began to recognise the way in which consumers were developing relationships with their brands in a psychological sense. From there, manufacturers quickly learned to associate other kinds of brand values, such as youthfulness, fun or luxury, with their products. This began the practice we now know as branding, where it is felt that consumers buy the brand instead of the product.

Nowadays companies can determine their brand's true economic worth so much so that Phillip Morris purchased Kraft for six times what the company was worth on paper as it was felt that what they really purchased was its brand.

Choosing Brands

In the 21st century we are well-educated in the process of choosing brands as consumers. There are many theories regarding the way consumers select brands, however, we all face a complex world and we have limited time and resources to make our purchasing decisions. In general, we, as consumers seek small amounts of information in order to make a purchase. You make choose to fly BA over another airline, not because of cost, but because of familiarity and national pride. So the corporate identity of any company is associated with the consumer need for the goods or service and it must fulfil some expectations on the part of the consumer. The brand is the communication platform with the consumer and as such can build a relationship with the consumer.

Brand Consistency

Ratner's, the jewellery chain, had experienced rapid growth and in the early 1990's, enjoyed 31% of the jewellery market. With a clear vision about having the lowest priced jewellery to appeal to a young audience, Ratner's made all efforts to manage its value chain and portfolio of brands to achieve this brand vision. It set its sights on becoming a fashion leader and it could respond quickly to fashion trends. So it was a successful and well thought through commercial model and branding proposition, until in 1991,

Gerald Ratner made in his, now infamous, comment that his sherry decanter, retailing at £4.95, was 'crap'. The media coverage was mostly negative and this may have affected the brand portfolio as goodwill of the consumer has been eroded, many believe because of this unfortunate comment. Brands do provide a guiding framework as to how a company can achieve a competitive advantage. However, brands communicate with the consumer through their logo, packaging, TV, radio, internet and, of course, public speaking engagements. As this example illustrates, all communication with the consumer needs to be consistent as it is the brand that has the relationship with the consumer. It also illustrates that successful brands rely on their management and employees to deliver the brand promise.

SMEs and Branding

Branding is some fluffy, showy, nice-to-have. It is mostly based on psychology and market research and its ultimate proof of success is in sales, profit and revenue generation. Products and services have to match what consumer wants or needs otherwise they fail to deliver. Branding clearly states what the customer benefits are instead of just physical details about the products or services. Bird's Eye doesn't just sell a variety of frozen food products found in most supermarkets, they sell quality, freshness and convenience.

So by developing a robust brand, a company can get a competitive advantage as the brand's role is to satisfy particular benefits which the consumer sees as satisfying their own particular needs and wants. If a consumer applies this logic to Coca-cola, IBM, Microsoft, Nokia, Disney to name a few, so then why would the consumer not apply the same thinking process to a buying decision from a SME? Some SMEs do apply branding principles to their business, however, many do not. In times of recession, where cost efficiencies and all other sort of efficiencies have been exhausted, it is not time the SMEs get ahead of their competition now and to prepare themselves for the economic recovery by becoming a powerful brand?

Author: Moira Russell Issued: 21/10/2009



Lifexpression is a leading personal branding and image consultancy based in London.

Website: www.lifexpression.co.uk

Email: discover-youridealsself@lifexpression.co.uk

Tel: +44 (0)207 569 6889

Fax: +44 (0)207 569 6889