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Can brand power survive on its own steam?

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In the first part of this article published in these columns earllier this week, the author outlined six of the ten reasons he attributes for the decline of branding as we know it. These include the value seeking behaviour of the consumer, the proliferation of brands, rising retailer power, declining television audiences, emergence of e-commerce and mass customisation. In this, the second and concluding part of the article, he examines the remaining four trends.

THE seventh trend points to the move away from the traditional `Brand Management' to `Category Management'. The multinationals have realised that individual brands are not essential, but the company will need to maximise the sale of a category as a whole. The category manager responsible for toilet soaps will look after the sale of all toilet soap brands of a company and liaison with the retailers to ensure product availability and report the customers' (retailers') reactions back to the manufacturing department.

The eighth trend is the emergence of a hyperactive media. However, the image built over a long period of time may get demolished overnight by a news-hungry media. On June 14th 1999, Coca-Cola's soft drinks were banned in Belgium as more than 100 people suffered nausea, headache and diarrhoea. Luxembourg and France followed suit with the company voluntarily withdrawing from The Netherlands. In the same way, the negative word of mouth spreads much faster through the Net which could break even established brands.

The ninth trend is brand building without mass media advertising. There is another school of thought that believes that brand building is strategic in nature and the top management should be involved in the same. But again, the advertising route to brand building is not seen as the favoured route. There is a new breed of companies like The Body Shop which got their brands built without spending a pie on advertising. Brand image gets registered in the minds of the consumers based on the relationship the company has with its customers.

Relationship building is a two-way process with care and concern for mutual interests. Contrary to this, a brand image thrives on the knowledge-gap of the consumers and helps marketers charge a premium that is directly proportional to the ignorance of the customers. Whereas relationships are built on fair dealings and educating the customers where knowledge gaps exist rather than exploiting it. Firm relationships are more durable than the fancy brand image built in the air.

The tenth trend is the commoditisation of products. The loss of brand power can be seen in many product categories when the patents expire or the technology becomes easily available to a large number of manufacturers. Consider the case of any new drug, for example, Viagra. Currently, Pfizer is able to charge a premium price, as it is the sole proprietary owner of the formula for the drug. Sooner or later substitute products or even superior formulations will emerge. Once a number of formulations become available, automatically the prices will start falling. Generic brands will also start appearing on the market. It is at this time, that the product will become a commodity and the so called `brand magic' will cease to work and the brand can no longer charge a premium price.

Basically, people patronise a brand as a risk reduction strategy. When a customer is not competent enough to evaluate the quality of a product and the differences in the brands that are available in the market are many, customers will tend to stick to known and popular brands. When all the products offer more or less the same quality then the choice should automatically depend on price and availability in convenient outlets. We see this happening in a number of product categories, such as toiletries, biscuits, hot beverages and so on.

In the case of high-priced items, proliferation of models by competitors is a clear indication that the category is moving towards commoditisation. It clearly shows that the consumers for that product category have evolved to such a stage where they do not want to settle for the leading brand; but they would choose that model which comes closest to their requirement. Here again the choice does not depend on the brand image, but on the value offered by the product. Ultimately, it should lead to customisation of products to suit individual requirements.

This is not to suggest that marketers do away with branding. What is being questioned is the notion that a good brand can compensate for other shortcomings in the product and competitive pressures. Once customers get educated, then the market dynamics changes. People do associate products with leading brands, like Sony for television, Casio for calculators, Tiger Balm for pain relievers, IBM for computers and so on. However, this mind-share does not translate into market share; otherwise these brands should command close to 80 per cent market share in their respective product categories. Brands are needed for identification, but the fundamentals have to be good to get customers to buy the products. As the product gets closer to the commodity stage, customisation and value for money are the two factors that can help.

(Concluded)

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