

The Debating Group



A Parliamentary forum for Marketing Debate

Are global brands at the mercy of the consumer?

“If we don’t like the brand – price, style, quality, service – or if we don’t like the company behind the brand, because of the way it behaves, all we need to do is buy the alternative.... companies and their brands are totally at our mercy”. These were the words of Wally Olins CBE, Chairman of The Branding Consultancy, speaking in support of the motion ‘Global brands are at the mercy of consumers’ at the Debating Group debate held at the House of Commons on 25 March 2002. The debate was sponsored by the UK Chapter of The International Advertising Association and chaired by Baroness Detta O’Cathain OBE.

Wally Olins quoted an article in *The Guardian* in which the author attributed power and influence to companies that they sometimes *claim* they have. From time to time, he suggested – when things are going well – some companies think they have them, but in reality they do not possess them at all. Anybody who has ever worked very closely with very large companies knows this. ‘I usually find that the closer I get to a company, however impressive on the outside, the less I admire it when I get inside, and often the more I like it and sympathise with it.... companies are just like human beings – they intrigue, they fight, they have loyalties – competition between countries and divisions – and they get on with it’.

Externally, they are sometimes arrogant (but never for long), they are sometimes greedy, sometimes timid, often both at the same time, frequently bemused, bewildered and hurt. Wally Olins cited Monsanto and the great GM debate which was continually mismanaged. “So much for the power of corporate PR”, he commented. Afterwards, every supermarket was stuffed with organic products, not because of the Government, food manufacturers or retailers, but because of consumers. “Companies are full of ideas most of which they can’t implement, battered by events, wildly opportunistic and excellent at post-rationalising and making it up as they go along...in fact just like the rest of us”.

Going on to talk of brands, Wally Olins pointed out that not all brands are successful all the time. Brands fail because people get fed up with them, or they go out of fashion, or people think they don’t perform well – Gap, Levis & M & S are good examples. It also happens the other way round. In the 1970s the Range Rover was launched as a semi-agricultural vehicle. It has now become a luxury brand. The brand is entirely controlled and managed by the customer with the poor old manufacturer struggling to keep up. Mane ’n Tail is another example of the customer deciding on the position of the brand. This was a veterinary product sold for grooming horses’ mane’s and tails. Young women started using the brand on themselves and it became a popular shampoo.

There is one truth about brands and that is that most people, most of the time, love them.

Wally Olins continued “You either take the contemptuous, dismissive view of human nature espoused by the anti-globalisers, Monbiot, Pilger, Klein and so on, who believe that people are foolish, lazy, stupid, greedy, gullible and readily exploitable and have to be protected, or you take a more positive optimistic, democratic view of human nature...People in the longer term can be trusted to act out of an intelligent or intuitive understanding of their own best interests. People, particularly commercially and culturally, are not that gullible, they are not easily manipulated or cheated”.

He conceded that companies and their brands want monopoly power and that brands attempt to manipulate and dominate, but nobody forces anybody to do anything. There are plenty of competitors and plenty of options.

Wally Olins believes that companies are becoming increasingly sensitive to public opinion. “It doesn’t do any harm to remind the really big companies that we are in charge”. He concluded “Long live Seattle and the anti-globalist movement – it keeps us capitalists and globalisers on our toes”.

Accountability

Opposing the motion, Deborah Doane, Head of Corporate Accountability, The New Economic Foundation, (a not-for-profit think tank) cited three reasons for so doing: the motion implies a well-functioning market; brands are bullies; and they are anything but accountable.

A well-functioning market assumes perfect information, choice and rational actors. However, there is a huge gap between what people say they will do, and what they really do. Only 18% of consumers act on an ethical basis, although 89% *intend* to do so. It also implies that information is available on products. How much is there, in fact, to allow us to make an informed decision about companies?

The definition of a bully is ‘to force one’s ways aggressively or by intimidation’. Deborah Doane believes that brands do not help the little guy; they do not offer safety and security... they threaten, rather than encourage competition and engage in predatory practices. An example is Starbucks, which cluster their shops in areas where there are already other cafés, even though this might result in short-term losses, as a way eventually to force others out. Cereal makers have also been alleged to introduce so many brands of cereal there is no room for new entrants. Most beers in the UK are owned by a small handful of producers. 100 years ago there were 6,000 breweries in the UK, in 1939 less than a thousand. In 1997 we saw the emergence of the Big Three brewers: Whitbread, Bass and Scottish & Newcastle. Large brands purchase front-line shelf space. The chains, (also big brands) charge companies for shelf space and small producers, such as Fair Trade producers, cannot afford these prices.

However, consumers say they want local producers. There is a revival in Farmers’ Markets. But we do not have options when big brands subsume local brands.

Deborah Doane pointed out that brands are unaccountable – they hide behind a chameleon face that is anything but accountable. We assume that big brands are vulnerable. But how much information do we really have? How are the goods produced overseas? According to Deborah Doane brands protect the rich consumer, but not necessarily the poor worker.

Brands are chameleons. They reshape themselves eg Monsanto hived off all but its agri-food business under a new name Pharmacia. When brands fail, they can duck behind another façade.

“Brands behave more like a protection racket or exclusive club. They reinforce inequality by paying the members of the club more, while excluding others. This is illustrated by large earnings to shareholders and exorbitantly high amounts paid for advertising, at the same time as paying low working wages”.

The result is that winner takes all. When a brand reaches a certain level of recognition, people opt for it, regardless of whether or not it is the best product. Microsoft is an example at the extreme end: the transaction costs of opting out of Microsoft are too high. Consumers end up with fewer products from which to choose, paying a higher price for less choice.

Deborah Doane stressed the importance of transparency. “We have to scrutinise monopolies. Who is pulling the strings?” She believes that it is companies, not consumers.

Leadership

Seconding the motion, Rita Clifton, Chief Executive, Interbrands, pointed out that anybody who has a problem with a wealth-creating world will have a problem with the motion, because brands do create power and wealth. However, they have to be earned: wealth and power can disappear overnight. Brands are ultimately accountable institutions. If companies make products that people like, why shouldn't they grow, prosper and be powerful? If brands become bullies, they will soon be cut down to size. They can be voted out immediately. They are at the mercy of consumers. Companies are often forced to act from a commercially short-term perspective by their customers. Supermarkets responded to consumers' needs in providing organic produce.

She went on to question the alternatives to brands. What do people like Naomi Klein want to happen? How would a no logo society work? The notion of brands can just as easily be applied to services, charities and football clubs as to products – the Red Cross, Oxfam and NSPCC are brands, although this is not picked up in the ‘devils and saints’ debates about brands.

Rita Clifton suggested that the term re-branding' contributes to the confused image of brands. There is a great deal of critical press coverage attached to corporate name changes. However, very few companies would take on rebranding without conducting research among consumers.

Brands are absolutely beholden to their customers.

The characteristics of a great brand are clarity, consistency and leadership. This means that brands have to be very good at what they do. They lead expectations about values and also make social contributions. Brands are sustainable wealth creators and can be seen as ultimately accountable institutions. They are at the mercy of their shareholders and this is the best incentive companies can have to behave well. Brands succeed because people want them.

She concluded “My experience is that most people in business are trying to do the right thing. But they are absolutely at the mercy of consumers”.

Maslow's hierarchy

Seconding the opposition, Simon Anholt, Chairman of Earthspeak, used the analogy of self-storage to illustrate that people have more and more 'stuff'. They cannot stop buying. They have got off the bottom of Maslow's pyramid of wants and needs. Brands are the mechanism by which people's sense of need has affected their position on the pyramid. Brands enable companies to charge money for satisfying high needs – happiness, tranquillity and pleasure. But no 'thing' can do this and so things are consigned to self-storage depots.

Simon Anholt pointed out that we are all barraged by messages. Brands have to pay more and more for attention and they are adept at getting the attention of the consumer. They do this in four ways: by amusing, entertaining, appalling, and informing them.

However, consumers have become hardened. If they listened to every commercial message, they would go mad. They have become adept at filtering out messages. Indeed, according to Simon Anholt, they have become jaded and battle-worn and are indifferent to more powerful, important messages which cannot compete with commercial ones.

He argued that brands are the enemies of culture: we create great beauty, not for profit, but because we believe in what we do. Great culture is often about subtle effects and brands wear down people's sensibilities. He concluded "Brands do more than threaten culture and the consumer. They threaten civilisation itself".

Debate from the floor

For the motion:

- The consumer is a free agent. The speaker felt he had been made a fool of by Sunny Delight. He will not go back to the brand.
- A company that is in tune with its customers should never be in conflict with them. We have only ourselves to blame if we are not in tune with them. Consumers soon spot a scoundrel. Responsibility is now part of mainstream company culture: sustainable development influences investment. Some spokespeople for consumers have power without accountability and responsibility. The accountability of a large company like Shell is a vital part of a healthy business world.
 - There are also predatory brands in the charity market.
 - Brands go in and out of fashion and consumers have the power to make them successful.
 - There is no compulsion to buy. Most of the world's most valuable brands are over 70 years' old. We all have choices and brands give us these choices. We buy products and services, not brands, but brands give us choices about them.
 - In the US brands buy their space on supermarket shelves, but if the consumer does not buy, the brand is taken off the shelf. The consumer has the choice and the brand is at the mercy of the consumer;
 - Do we want to go back to 70 years ago when there was a lack of brands and a lack of R & D on products? Brands are our protection. If a brand delivers something that is wrong, the consumer will revolt. Without brands we would not have production capacity. If we want world growth, we need Research & Development which is supported by brands. Brands are good things but they *are* at the mercy of the consumer.
 - The anti-brand, anti-globalisation faction does not accept that almost all products are better than they used to be eg cars, TVs. People have more choice. Companies are working harder to create good brands because they know the customer has choice.
 - Organisations behave like human beings. They do make mistakes, but they are held to account because of them.
 - Consumers do have a choice; they decide with their wallets.
 - The faceless, brandless commodity is not good for the consumer.

- The development of brands in the third world led to greater wealth for poor communities. Brands are not anti third world.
- Companies are a lot more altruistic than you think. If you let customers down, you won't have a business.

Against the motion

- It is impossible to buy cigarettes or beer without stating the brand you want. Retailers have a problem accepting that you don't know the brand.
- In terms of organic foods, the consumer has not much power over brands.

Summing-up

Summing up for the opposition Deborah Doane argued that big global companies should be accountable and that power and monopolies should be limited. She made a plea for more transparency, for unpacking the intangible asset base. "We want brands to be at the mercy of consumers. At the moment they are not".

Summing up for the opposition Wally Olins conceded that companies act primarily for shareholder value. They aim to make as much profit as possible.

"But", he pointed out, "if you don't like it you don't have to buy. There are plenty of malpractices in business, but we must see that legislators deal with these. Brands will do as they are told provided we are not too lazy to tell them".

The result

The motion was carried by a show of hands.

Next Debate

The next debate will take place on Monday 20th May, sponsored by the Direct Marketing Association. The motion is "My right to know matters more than your right to privacy." Details from Debating Group Secretary, Doreen Blythe - Tel: 020 8994 9177 – dblythe@varinternational.com www.debatinggroup.org.uk