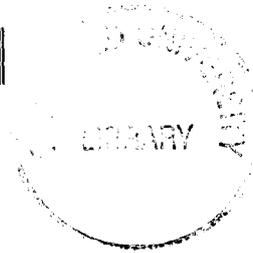




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SWP 22/88 WHAT DO WE UNDERSTAND BY BRANDS ?

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INTRODUCTION

In an era of increasing multiple retailer dominance in the UK (Segal-Horn 1987) questions are being raised about the future of brands (eg Leahy 1987). With the shift in the balance of power from brands' manufacturers to multiple retailers (Henley Centre for Forecasting 1982) Marketing Managers are becoming more aware of the importance of understanding the competitive tiers in the market place. Yet analysis appears to be based upon imprecise terminology of the competitive tiers (Bullmore 1984) with the inherent danger of communication confusion (Martell 1986) and badly conceived marketing strategies. This paper is concerned with clarifying branding terminology. A review of the evolving competitive tiers is presented along with a critique of the plethora of definitions on branding and recommendations are made for consistent terminology and definitions.

THE EMERGENCE OF MANUFACTURERS' BRANDS

The evolution of the competitive tiers can best be appreciated by looking at the packaged grocery sector. In the early half of the nineteenth century it was common for groceries to be sold as commodity items (Jefferys 1954). Household groceries were normally produced by small manufacturers supplying a locally confined market and consequently the quality of similar products varied by retailer, who in many instances blended several suppliers produce. As Britain adjusted to the industrialisation of society, so consumer goods manufacturers saw sales opportunities from the rapid rise of urban growth and the widening of markets through improved transportation. At the same time though, the widening separation between producer and consumer led to the increasing importance of wholesalers. Manufacturers produced according to wholesalers' stipulations, who, in turn, were able to dictate terms and strongly influence the product range of the retailer. As an indication of the importance of wholesalers, Jefferys (1954) estimates that by 1900, wholesalers were the main suppliers of the independent retailers who accounted for 87-90% of retail sales.

Increasing investment in production facilities made some manufacturers anxious about their reliance on wholesalers as the main distributors of their products. During the second half of the nineteenth century some of the larger manufacturers (eg Cadbury) started to affix a "brand" name to their product, advertising to consumers and appointing their own sales personnel to deal directly with larger retailers. Manufacturers strove to increase the consistency and quality of their products, making them more recognisable through attractive packaging that no longer

served the sole purpose of protection. Increased advertising was no longer used to protect the manufacturer's production investment, but was used instead to promote growth of this new competitive tier. With manufacturers able to exercise legally backed control over prices, more manufacturers turned to marketing their goods in this manner. Thus, in an era of manufacturer dominance lasting from around 1900 to the early 1960's (Watkins 1986), a competitive tier of products historically referred to as brands (or national brands, manufacturer brands or advertised brands), dominated the majority of consumer goods.

THE INTRODUCTION OF A SECOND TIER - "OWN LABELS"

Jefferys (1974) estimated that around the 1870's multiple retailers emerged in the UK. Their growth paralleled the increasing presence of branded goods but due to resale price maintenance they were unable to compete with each other on the price of branded goods. Initially they relied primarily upon services as the main competitive edge to increase store traffic, but then introduced their own range of items to compete with manufacturers' brands. This second competitive tier, "own labels" (also referred to as private label, store brand, house brand, own brand) was initially produced by the retailers themselves (Lennon 1974). The degree of retailer production was limited by the complexity of the items and the significant costs of production facilities. It therefore became increasingly common for multiple retailers to commission established manufacturers to produce their own label items, which were packed to the retailer's specification.

With the increasing importance of multiple retailers, some independent retailers sought refuge during the 1950's by joining together and collaborating with specific wholesalers in symbol/voluntary groups. One consequence of this allegiance was the introduction of symbol/voluntary own labels, designed to compete against own labels from the multiples.

By 1965 own labels accounted for approximately 10% of packaged grocery sales (Martell 1986). With the successful trial of self-service supermarkets (Fulop 1964) and the profit opportunity of economies of sales (King 1970), multiple retailers grew in importance, to the extent that by 1984, the top 4 grocery multiple retailers accounted for 41% of packaged grocery sales (Office of Fair Trading 1985). With own labels offering retailers better margins than brands (Simmons and Meredith 1983), multiple retailers put more resources behind their own labels and by 1985 they accounted for 26% of packaged grocery sales (Euromonitor 1986).

THE ADVENT OF A THIRD TIER - GENERICS

In 1976 Carrefour in France launched a range of groceries ("produits libres"), promoted as brand free products which was soon followed by other retailers in the UK eg Fine Fare's Yellow Labels, Argyll's BASICS, Tesco's Value Lines (McGoldrick 1984). While this new tier was termed "generics", the reality was that this competitive tier was not positioned as a distinct, commodity range, but instead had strong similarities with retailers own labels (Allan 1981). While generics were supposed to offer consumers a real alternative to brands or own labels, insufficient consideration was given to the "no frills" approach and consumers perceived generics as an extension of the own label concept, rather than as a distinct tier (de Chernatony 1987).

This perceptual fining would help explain why, by 1987, all the multiple retailers in the UK had withdrawn their generics. But during the early 1980's a generics metamorphosis occurred, lead ironically by Fine Fare with its Pack Your Own range. Returning almost to the situation in the 1850's, consumers scoop produce from barrels, weighing and packing the goods themselves. Gateway have expanded their Pack Your Own department (The Grocer 1987a) and several specialist retailers dedicated to selling true generics (eg Food Factory, Weigh and Save, Pick n' Pack) are becoming more common. (The Grocer 1987b).

The changing nature of the competitive tiers (eg the increasing quality levels of own labels, cut backs in brand investment, relaunching of "generics") make it increasingly more important for Marketing Management to use terminology based on widely accepted definitions that describes the competitive tiers. Ramsay's (1983) comment that "the distinction between the manufacturer's brand and the retailer's brand (and even no-name generics) has become outdated" (p 560) shows the importance of developing up-to-date, precise terminology.

PRECISION IN BRANDING TERMINOLOGY

Schutte (1969) showed the extent of confusion that existed over branding terminology and made recommendations for developing standard terminology and definitions. His wise suggestions do not appear to have been widely disseminated since an examination of the marketing literature shows that there are still a plethora of terms and definitions and as Bullmore (1984) noted, people give too little thought to brand terminology.

Schutte's suggestion was that branding terminology is of value if it satisfies four criteria, ie

- any terminology should be descriptive of the marketing process or activity
- the terminology should be of use to marketers who seek to conceptualise and abstract the various processes of marketing
- it should enable all persons involved in the decision making process, regardless of their functional specialism, to use the same terminology with the same definitions
- it should be applicable in all product categories and industries.

In today's marketing environment, to talk about brands and own labels is to be vague and confusing. Brands are not the sole domain of the manufacturer - distributors have been investigating considerable resources in their own house brands (eg Liebling 1985) and to continue referring to these as own labels or private labels or retailer labels is to ignore the reality of the market place. Under Schutte's criteria, the term own label is not descriptive of the distributor's marketing activity, particularly since distributors have devised a coherent strategy based upon far more than just the label! As evidence of this Hurst (1985) observed

".....the pressure comes not so much from a low price, low quality own-brand product as from an own-brand product formulated to be the equal of the brand, packaged in a distinctive house style, given equal or superior in-store positioning, and still, despite all this, at a price advantage". (p 396)

The marketing of brands is undertaken both by manufacturers and distributors (eg Saatchi and Saatchi 1983; Randall 1985) and therefore to talk about "brands" is to introduce uncertainty in communication. More information is conveyed by the terms "manufacturer's brand" and "distributor's brand" since this clarifies who has instigated the branding activity and these terms also describe the marketing process. The wider expression "distributor" is used in recognition of this activity being undertaken by wholesalers (eg Nurdin and Peacock's Happy Shopper, Booker's Family Choice) and symbol/voluntary groups (eg Spar). It is recommended to marketers that they recognise the branding work being undertaken by distributors (Caulkin 1987) and acknowledge this (along with the increasing status of this competitive tier) by using the terminology "distributors' brands" and "manufacturers' brands". To encourage the use of such terminology, the next section of this paper clarifies what is understood by these terms.

THE MEANING OF "MANUFACTURER'S BRAND"

There is evidence from the Oxford English Dictionary (Murray et al 1933) of the term brand originating from the older meaning "to mark indelibly as proof of ownership as a sign of quality or for any other purpose" and as early as 1923 Copeland narrowly saw the prime role of brands as being identifying devices. Branding encompasses more than just differentiating between competing items (Hancock 1983), yet several widely read marketing textbooks (Kotler 1984; Evans and Berman 1982; Cravens and Woodruff 1986; Gross and Peterson 1987) still adhere to the myopic perspective of the American Marketing Association Committee on Definitions (1960) view that a brand is

"a name, term, symbol or design, or a combination of them that is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (p8).

As Jones (1986) observed, because of the rise of distributors, manufacturers lost some contact with consumers. They wisely used their brand names not only to distinguish themselves but also to guarantee consistent quality and other consumer relevant added values. The definitions previously considered are consequently regarded as being incomplete. Furthermore, the American Marketing Association (1960) definition is of little help in distinguishing between the manufacturer's and the distributor's brand. Davis (1986) took this argument a stage further by observing that if a brand "has distinctive connotations of an attribute, or attributes, real or perceived, that are valued by a defined set of consumers" (p45) then again we are still unable to distinguish between manufacturers' and distributors' brands. Likewise, Jones's (1986) view of a brand ("provides functional benefits plus added values that some consumers value enough to buy" p8) does not enable one to differentiate between the manufacturer's and distributor's brand.

Schutte (1969) developed an approach to distinguish between the different forms of the brand by considering whether the main activity of the organisation stipulating the item's specification was either production or distribution. He viewed a manufacturer's brand as being "owned and controlled by an organization whose primary commitment is production" (p9). While this approach does attempt to distinguish between the competitive tiers, it has limitations. Firstly, this definition is too concerned with internal orientations. A particular branding route is followed to achieve objectives external to the organisation. While the strategy is based upon an internal audit, the success of the strategy is assessed against external criteria. Secondly this

definition introduces grey areas eg Marks and Spencer who have some 200 full-time food technologists (Davis 1986) and the Co-op with its own production and packaging factories.

The more descriptive expositions of the meaning of brands show that there are many elements used to distinguish brands ie product and range, services, names, packaging and promotions (King 1978; Murphy 1987). As King (1984) observed, products are made in factories and through the adding value process, consumers buy brands. Product development enables a functional entity to be sold to consumers, but by then using other elements of the marketing mix the brand is endowed with a halo of associations, ie it also has an emotional component. Gardner and Levy (1955) so clearly explain that a brand is more than the sum of the product's physical attributes. As a consequence of a well devised brand strategy a brand image evolves, which if carefully nurtured over time may be more important than the technical features of a product. Evidence of this is shown in the "blind versus branded" beer product test reported by Alison and Uhl (1964) and the brand personality of Andrex (King 1970). This idea of developing a personality through branding is stressed by Lamb (1979) who views branding as "providing a product with a personality which is so expressed as to encompass that product's uses, values, status, nature, function, stature, usefulness - everything" (p22). What Lamb overlooks though is that the branding process emanates from an organisation, but consumers are active (and not passive) in forming their own interpretations of brands (eg Meadows 1983).

In view of the previous discussion it is our belief that:

a manufacturer's brand is an added value entity conceived and primarily developed by a manufacturer for a specific group of customers and consumers, which portrays a unique, relevant and distinctive personality through the support of product development, promotional activity and an appropriate pricing and distribution strategy.

The above definition recognises that with the increasing dominance of the multiple retailers, successful brands are those that are developed on the basis of both consumer and trade research. They are designed to satisfy a particular segment of consumers by providing added values which are relevant to that segment. Furthermore, they are also targeted at a defined group of distributors, and are seen to have values of importance to the distributors (eg congruity of image, profitability, etc). Development resources are not just directed at the core product, but through the other elements of the marketing mix the product surround will have been addressed, making it more difficult for competitive copies to appear. Consumers recognise the value of

manufacturers' brands and in turn, due to the tripartite relationship, distributors normally support the recommended pricing strategy for successful manufacturer's brands.

THE MEANING OF "DISTRIBUTORS BRAND"

Definitions of distributors' brands which are based on little more than reference to the label, eg Mintel's (1982/83) view that "an own label product bears the retailers' as opposed to the manufacturers' brand name" (p79), do not clarify the marketing activity. We contend that:

a distributor brand is an added value entity, produced by or on behalf of a distributor following the distributor's specifications. It is targeted at specific consumers and portrays a unique relevant and distinctive personality which is clearly associated with the distributor and is backed by a coherent use of marketing resources.

This definition recognises that distributors brands are no longer cheap, poor quality alternatives to manufacturers' brands, but instead are positioned (and are recognised) as offering added values. The product specification is clearly defined by the distributor as is the use of other marketing resources to achieve the distributor's marketing objectives. Through carefully devised corporate communications programmes, the packaging design and the distributor brand name enable consumers to associate specific images with each distributor's brand range.

Positioned in a different manner to distributor brands, some distributors are selling true generics (eg Gateway, Food Factory, Weigh and Save). To reply upon McEnally and Hawes' (1984) view of a generic being "a distributor's brand that does not include a traditional brand name on its label" (p76) begs further clarifying questions (one of the more salient ones being what is a traditional brand name?). Our view is that -

generic groceries are items presented in a commodity form, distinguishable by their basic packaging which is functional rather than aesthetic. No promotional support is given to generics which are characterised by their low prices.

This definition of generics reflects the situation in 1988 and may need to be refined depending upon how generics evolve (if at all) in the UK.

CONCLUSION

The changing forces in the market place, particularly the growth of multiple retailers and their increased investment in their distributor brands, necessitate a revision in branding terminology. This paper has argued that it is no longer appropriate to use terms such as brands and own labels and advocates instead that Marketing Management adopt the terms manufacturers' brands and distributors' brands. This terminology acknowledges the importance of the range of products directly under distributors the control, which are no longer a cheap, down market substitute for manufacturers' brands. Definitions for these competing tiers have been proposed based upon the locus of marketing activity, rather than on an organisations functional strength.

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