

The Role of Brands in a Sri Lankan Context

Brands facilitate consumer choice

Brands have many functions, but the two most crucial are, they act as guarantors of quality and the other is the ability that it has to drive innovation.

By establishing a brand, what a company does is, it begins to hold itself accountable to its consumers and other stakeholders. The value is in building reputation. If over time a brand establishes a good reputation – if it meets or exceeds people’s expectations – then the business will do well. If on the other hand it develops a poor reputation – if it lets people down – then the business will fail.

In addition to serving the specific needs of consumers, brands also make a far broader contribution at a national level. They represent an important mechanism by which governments can achieve key policy objectives, such as boosting national competitiveness, enticing foreign direct investment through the successful brands that are operating in the country. Superbrands for example, plays such a role in creating industry benchmarks, and enables the country to market its brands.

In this era of globalization, companies can either compete on the basis of price or they can innovate and move up the value chain. If it is accepted that Sri Lankan business should focus on the high quality, added value end of the market to compete in the global economy, then brands have an essential role to play. They are the core drivers of innovation that provide the opportunities to achieve exactly this combination of quality and value.

Brand manufacturers can be considered the original artists of the corporate world. They innovate, try new things, and often fail – but eventually they would come up with new products and services that become the preferred choice for consumers.

Manufacturers of commodity or own label products, on the other hand are left to fight on just a single dimension : price, which is directly related to quality, or in the case of a contract manufacturer, then it is a product specification that has to be met.

Protecting consumers and guaranteeing quality

Brands establish the initial step of consumer protection. The direct accountability brands have to consumers mean that they have an overwhelming financial interest in safeguarding quality and

protecting consumers. If a brand tarnishes its reputation by failing to live up to consumers’ expectations, it can take years to recover.

Whilst regulation has an important role to play in protecting consumers, brands play an important role through self regulation. It enforces not just consumer interest but all stakeholder interest too through the mechanisms of accountability.

Empowering the consumer

In the first instance, brands provide consumers with choice and diversity, the very fundamentals of ‘consumer power’. This is achieved by making a range of products or services available.

Branded products promote choice by helping the small convenience stores in urban and rural areas to stay in existence. A feature of such stores is their heavy reliance on branded products to enable them to attract business. Without brands in their sales portfolio, convenience stores would find it much more difficult to attract customers

A feature of branded goods is that they are available everywhere. Coca-Cola’s ambition which is to be ‘within an arm’s reach of desire’ holds true for most brands today, as they seek to deliver convenience by being where consumers buy them.

Second, brands provide consumers with an important yardstick by which to compare where they shop from. If outlets only stocked own-label or unbranded commodity products, consumers would not be in a position to compare as it will be difficult to assess the quality standard with the price. Brands allow comparisons to be made between retailers instantly, the very basis for healthy competition.

Third, brands help to cut through the clutter of claims. Few people have the time or inclination to examine and compare every technical detail of a car before they buy. Instead they rely on the brand on which the car’s reputation rests. The same is true of mobile phones to breakfast cereal, from laptop computers to chocolate bars to insurance.

Competitive markets

Competitive markets, as well as being essential to a vibrant economy, are also fundamental to empowering consumers. Competition between

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different suppliers to win business gives consumers the ultimate power to choose what they need. Over and above promoting choice, in all its forms, brands promote healthy competition by being 'different; while seeking to identify and meet the latent needs of consumers. It is this differentiation that promotes choice, competition and innovation.

Brands do not just promote competition on the basis of price, important though this is. They also promote competition on the basis of quality and the product's user-friendliness. Competition on both price and quality leads to greater competitive vigour and greater benefits for consumers.

Business and corporate social responsibility

The dependence brands have on their reputation not only affects the products they sell; it shapes how they act as corporate citizens. If a brand goes about its business in a way that is not in keeping with public opinion, it will be punished quickly by consumer pressure and falling sales.

Evidence of consumer pressure affecting company behaviour is widespread. Nike for example changed their purchasing policies when alerted to unfair manufacturing practices of their products in developing countries. Many brands now concentrate on selling products made from sustainable materials; food brands are concerned about the conditions under which their raw materials are produced. The bottom line is that such change is brought about primarily because branded goods manufacturers now need to take into consideration their wider stakeholder involvement.

Stakeholders are those individuals who are impacted by the organization in some form or another, They could include employees, the community around which the factory is built, the consumers, the investors, the suppliers, lenders, regulators and investors or shareholders. All of whom are important in building reputation.

Business to Business brands

Just as brands have a role to play in products and services which engage with the end consumer, so do those businesses that provide services to other businesses who have a reputation to protect, and stakeholders to be sensitive about.

In this context consciously building corporate reputation through the brand is a vital business management tool. Using all the learnings from conventional brand marketing, big businesses too have been managing their corporate brand.

Active stakeholder engagement and management is a key criteria for businesses. This process which is called corporate social responsibility (or CSR), is often misconstrued for philanthropic giving. Instead, it involves a structured process of stakeholder identification, active engagement, feedback and then aligning the organization to its key stakeholder requirements and needs.

This entire process requiring strategic management, is central to business sustainability and should have responsibility at the Board level.