



Intellectual Property Awareness Network

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# **Topic Brief 11**

## **The importance of branding to the UK economy**

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# The importance of branding to the UK economy

## What is a brand?

There are many definitions of 'brand'. Generally today a brand is understood to be a reputational asset which has been developed over time so as to embrace a set of values and attributes, resulting in a powerfully held set of beliefs by the consumer. In essence, brands rest in the minds of individuals and their strength and influence lies in inspiring the collective buying behaviour of those individuals. A product, service or company may become a strong brand if it is relevant and meaningful to its audience, both rationally and emotionally, as well as distinct from other competitors. Brands depend on intellectual property rights (trade marks, designs and copyright in particular) to stand out from the crowd. Some rely on patents to underpin their superior performance.

## The importance of branding

Brands play a crucial role in a number of important dimensions:

**To the consumer** – Consumers love brands, whether it is their favourite Kellogg's cereal, Green & Black chocolate, Apple tablet or Nike trainers. Companies invest significantly to ensure their products lead in terms of both quality and performance, and they back that superior performance with guarantees. The result inspires high levels of confidence and loyalty amongst consumers. Branded companies also constantly strive to meet consumers' needs better. The end result for the consumer is wider choice, higher quality products and, through competition, better value.

**To society** – A strong reputation lies at the heart of any strong brand. That means companies must not only provide excellent products, they must behave in line with society's expectations. Branding is therefore a force for responsible business. Branded innovations have also changed the way we live and work – consider how Monday washday has changed into an unattended cycle of a washing machine and dryer.

**To companies** – Brands are a significant source of value for companies, in some cases well exceeding 50% of the market capitalisation of the company. Brands are often a company's most valuable asset.

To the economy – The benefits of brands go beyond simple rivalry to deliver significant benefits to the economy as a whole, as identified by Westminster Business School. They:

- provide a surety that new products, ventures or markets are “safe” for consumers;
- support the quicker adoption of new technologies and ways of living and working;
- align business with society, allowing firms to offset side effects of consumption;
- provide a means of regulating large global firms with extensive influence;
- provide a spur to innovation as companies strive to maintain their reputational asset; and
- enhance the reputation of British products and services abroad, supporting exports.

Meanwhile research by the IPO identified a positive correlation between firms that register trade marks (an essential building block for brands) and: higher productivity, higher levels of employment; higher wages; greater benefits to households; and higher growth.

An alternative view is that branding is about:

- marketing smoke and mirrors (this would be to deny the functional benefits and superior performance of brands);
- charging consumers more (though some brand reputations are based on low price such as Primark and Ryanair); and
- creating barriers to entry (although it is consumer preference and aversion to risk that reduces switching, as they do not wish to purchase an inferior product).

## Comment

Companies and financial markets understand the significant value of branding and those companies able to sustain their reputations over the long term often reap significant rewards. Consumers also understand brands (though the concept may be alien to most) and use them in making choices. They will have their favourites where no substitute will do. The wider economic role of branding (e.g. innovation, growth, jobs and global competitiveness) is less well understood although that is changing.

## Suggested further reading:

- Trade Mark Incentives – Intellectual Property Office, 2011<sup>96</sup>
- Brands: Reputation and Image in the Global Marketplace – World IP Organisation, 2013
- Valuing brands in the UK economy Westminster Business School, 2008<sup>97</sup>
- Are brands good for Britain? - Tim Ambler, London Business School, Brands Lecture, 2000<sup>98</sup>
- Posh Spice and Persil - Jeremy Bullmore, WPP Group, Brands Lecture, 2001<sup>99</sup>

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96 <http://www.ipo.gov.uk/ipresearch-tmincentives-full-201107.pdf>

97 <http://www.britishbrandsgroup.org.uk/upload/File/WBS%20VoB%20128.pdf>

98 <http://www.britishbrandsgroup.org.uk/upload/File/Lecture-1.pdf>

99 <http://www.britishbrandsgroup.org.uk/upload/File/Lecture-2.pdf>