

Enlightened brand value

Building brands for good



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The & Partnership

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Brands exist as useful fictions in our world. They help businesses build rich and valuable associations around their products. They help consumers navigate the world and communicate their identity. They help markets articulate and assess the value of the intangible assets within the business.

They have been the engine that drives much of our economic growth. Creating demand, supporting innovation, justifying and defending price premiums and protecting market shares. Giving the economy a sense of predictable and profitable preference.

This means they're now an economic powerhouse for growth. Globally, there is around \$31 trillion in undisclosed value. Half of all worldwide value is intangible, and 80 percent in the S&P 500 is intangible. A large chunk of this intangible value sits in brand (the rest in a mix of other intangibles like goodwill, patents, and IP).

Changing the story

Brands are the guiding myths of our time. As Yuval Noah Harari says in *Sapiens*, "Large-scale human cooperation is based on myths, the way people co-operate can be altered by changing the myths."

But, as we face unprecedented challenges as a species and a planet, we need to evolve the direction that brands are taking us. If they are the engine, we hold the steering wheel. The past 50 or 100 years have been

about growth. Perhaps it is time that we re-tuned that, not away from growth, but towards a more holistic conception of good.

The superpower of brands lies in their ability to create additional intangible value separate to the underlying physical nature of the product. There are two ways to change your enjoyment of a product (say, Coke) – change the product (by adding or removing sugar from the recipe, for instance), or change the brand perception around it.

As we enter a time of limited resources and need to collectively make sacrifices, brands can become powerful tools to help ease that transition. In a growth world, they can make people happy to pay more for the same, or to buy more than they need. It is the engine of consumption. As we look at the challenges we face, this must shift. Brands have the power to help people be satisfied with less. To enrich a world of restrained consumption. To promote equality and happiness during challenging times.

So, what if we see a shift towards enlightened brand value? One in which brands are a tool to help ease the shift to a lower-consumption, lower-growth world? Brands that are designed not purely for consumers, but for citizens as well?

At the moment, the rhetoric of brands for good (purpose) is at odds with the economic system they operate within (driving shareholder value). The market theory hopes that consumers will vote with their feet and their wallets and make the right choice. If people want good brands, and people choose good brands, then brands will need to act good or risk missing out. This is true to an extent, but the chasm between business and brands currently doesn't enable this to happen.

However, these two can be aligned more proactively and more closely. An enlightened view of shareholder value, looking more broadly at what shareholders at large want, can help. This includes all passive shareholders through pension plans, and also future prospective shareholders. In this light, it's clear that shareholder value needs to escape the artificial quarterly reporting cycle. It should be self-evident that enlightened shareholders want sustainable growth, to protect the planet, to act ethically and treat their employees fairly.

More than just talk

And for brand purpose to become more than just a helpful signalling rhetoric, we should link it to measurable commitments and stakeholder remuneration. We've seen interesting examples of this with Unilever, where a powerful set of commitments as a publicly listed company, and as a family of brands, has helped them defend both long-term business value and do good at the same time. Brand purpose needs to use the tools of business to become more than just talk.

This may all sound idealistic or far-fetched, but there are interesting examples of brands doing good everywhere. From growing interest in B-Corps, to Eric Ries (the author of the *Lean Startup*) who has launched a Long-Term Stock Exchange, an alternative stock exchange for long-term businesses and like-minded investors.

It can be delivered through different business structures, like trusts with long-term missions, or with "Ulysses contracts", in which long-term commitments are made to long-term goals that cannot be replaced by a focus on quarterly earnings results. Or it can come about through robust, public brand commitments that are not just announced but delivered.

The good news is that the potential power of brands is still there. Used correctly they can be a powerful force for good. Brands have never mattered more. We need to ensure that our way of building and managing brands helps bring out the best in them, to ensure that they work for us on a holistic level. Purpose cannot be a sideshow tactic. We must build brands for good.