

Branding in Canada

A series of four white papers

Issue 1 – Where are the Great Canadian Brands?

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Introduction

Branding as a management discipline is increasingly recognized. The benefits of superior branding are understood and those seeking competitive advantage rely on branding principles and management systems for better business performance. Interbrand has been a brand innovator since 1974 and understands through extensive experience that the science and art of branding comprise nuances and regional subtleties that must be respected to create and manage leading brands.

When examining branding, the usual suspects tend to get mentioned time and again. Starbucks, Nike and Coca-Cola seem to appear in almost every study, paper and article. Certainly there are lessons to be learned from these best practice brands, however, templates simply do not work in branding. Branding is the discipline of differentiation – so in essence, each brand must find its own way.

This is extremely relevant for Canadian brands. Interbrand has prepared a series of four white papers to explore Branding in Canada. This first paper in the series examines the absence of Canadian brands on the global stage.

The Best Global Brands

BusinessWeek and Interbrand publish the annual Best Global Brands, a ranking of the world's most valuable brands based on a proprietary valuation model. The ranking is a detailed analysis of how much of each product's sales is driven by the brand name, weighted for such other factors as market leadership, stability and the ability to cross national borders. To qualify, the brands must have sales greater than US\$1 billion. They also have to be global in nature, meaning they must derive at least a third of their sales from outside their home countries and have significant distribution throughout the Americas, Europe and Asia. Finally, they must have publicly available marketing and financial data.

The World's Most Valuable Brands

Rank	Brand	2003 Brand Value
		(billions)
1	Coca-Cola	70.45
2	Microsoft	65.17
3	IBM	51.77
4	General Electric	42.34
5	Intel	31.11
6	Nokia	29.44
7	Disney	28.04
8	McDonald's	24.70
9	Marlboro	22.18
10	Mercedes	21.37

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley
Source: *BusinessWeek*, August 4, 2003

Coca-Cola topped the list with a 2003 brand valuation of US\$70.5 billion, while Jack Daniels took the last spot with a valuation of US\$1.6 billion (a potent cocktail to be sure). Samsung was the big winner with a 31 percent gain in brand value, while Reuters experienced a negative 28 percent swing.

The brand country of origin is very revealing. Of the top brands, 62 are from the US, 38 are from various other countries, and *zero* are from Canada (the US has eight of the top ten spots). This is the seventh year Interbrand has produced the ranking and the seventh year Canadian brands have been absent. Because of this non-showing, Interbrand has received significant interest regarding the lack of Canadian presence. And it makes sense to investigate this situation by first examining the practice of successful American brands to understand their dominance.

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Lessons from America

Canada is definitely unique but there are some interesting practices from our neighbours. American brands lead through a combination of smart brand management and sheer luck. American brands are born and nurtured in the world's largest and most eclectic economy, offering a huge advantage. By the time they venture overseas, issues of quality, consistency and logistics have largely been resolved. And many of these brands have been in the global marketplace for so long that few consumers can say with any certainty where they originated.

At the same time, American marketers have worked hard to imbue their products with American values that are still attractive. "I think the core values of Levi's – democracy, freedom, independence – certainly are viewed as the best of America and its virtues," says Levi Strauss & Co. CEO Philip A. Marineau, whose brand still struggles at home but is coveted in markets such as Asia.

Far more importantly, US marketers have learned to weave their products into the local culture by hiring local managers and adapting everything from packaging to serving sizes to flavours to the local market. Thus, McDonald's Corp. sells aloo tikka in Bombay, teriyaki burgers in Tokyo, the flat-bread McArabia in Amman, and kosher McNuggets in Tel Aviv.

For other brands, however, victory overseas means adhering strictly to the formulas that propelled them to the top in the US. Take Dell Inc., which added 12 percent in brand value this year, to \$10.4 billion. It has strived to replicate exactly the model that made it famous at home. That means mass customization, direct-to-the-buyer sales and fast turnaround.

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US corporations know that it takes more than translated slogans to win. As Jeffrey R. Immelt, chairman and CEO of General Electric (GE) Co., has noted: "We are a global company, [so] we want to present a global face to our customers." For Immelt, that has meant pushing more diversity through the ranks and, where possible, putting foreign talent into key management slots – and not just in their home countries. GE has watched its brand value increase 2 percent in 2003, to \$42.3 billion, despite a tough economy.

Great branding

The US may dominate the list of leading brands but that does not mean they will continue to – no one has the monopoly on the practices that contribute to a great brand. Canadian brands can be successful at home and internationally. They can provide great economic returns and huge competitive advantage. These are key points to keep in mind for Canadian brands.

All successful brands:

- Are based on a compelling idea. Customers enjoy brands that are both inspirational and aspirational.
- Possess a distinctive positioning and promise a unique experience.
- Represent a resolute core purpose and supporting values that guide employee behaviour to consistently deliver the unique experience.
- Act as the central organizing principle of the company, guiding decision-making and direction as to what is "on-brand" and what is "off-brand."
- Foster increased sales and capture a price premium by creating an emotional link that results in customer loyalty (selling more, more often, to more people, at a higher price).
- Attract and retain the best talent because everyone wants to work with a winner.
- Are not complacent. The brand stays relevant, credible and constantly seeks new points of differentiation.

Some Canadian differences

Canadians are known to be polite. It is inherent in our culture: we are not chest-thumpers like our closest neighbours. This is perhaps to the detriment of how we brand our corporations, products and services. Successful brands are impassioned; they aspire and inspire. So while humility is one of the strengths of our national personality, it is a weakness in the realm of branding.

Everything you do defines your brand, from the way your receptionist answers the phone, to how your product is packaged, to the service guarantees you offer, to how you reward employee behaviour. However, we find that many Canadian companies equate branding almost solely with advertising. This is a missed opportunity to create a total brand experience that builds loyalty and secures future earnings. Branding is not a logo, nor a brochure; it is a company's unique way of doing business.

Another factor influencing Canadian branding is our resource economy, where commodities have been seen to require little in the way of innovative branding and marketing, although one could argue that there is no such thing as a commodity, that anything can be differentiated. In fact, one of the principal roles of branding is to elevate commodity offerings. This should mean that Canadians are adept at getting a premium for readily available goods and services.

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Canada also suffers from a branch-plant economy (and mindset!) where brand decisions are often made somewhere else. This has had an impact on brand skill development and led to a migration of marketing and branding talent from Canada.

In working with promising Canadian brands and global players, Interbrand has discovered the following branding truths.

The best global brands:

- Have leadership at home.
- Are associated with their country of origin (and the country has brand clarity).
- Have a compelling platform that vaults them beyond their domestic borders.
- Are ever-renewing and tailored to local markets.
- Are obsessed with innovation.
- Have the CEO as the brand steward who supports the strategic management and the investment required for brand leadership.
- Make money. They secure future earnings by ensuring customer loyalty, enabling premium pricing, and creating higher stock market valuations.

Based on these points, there are several Canadian companies that, with brand focus and discipline, could make the global list. This series of white papers on Branding in Canada will explore why Canadians produce great products but not necessarily great brands. We will cover what makes branding in Canada unique, what Canadian brands must do consistently to be successful globally and what the future has in store for branding in Canada.

Interbrand's series of four white papers on Branding in Canada will be made available on March 15, June 15, September 15 and December 15. Interbrand is hosting a series of seminars in Toronto throughout 2004 on current topics in the areas of branding, marketing and sales.

For more information on the white papers, seminars or services, please contact Bev Tudhope at 416 366 7100 or e-mail btudhope@interbrand.ca.

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including brand valuation, research, strategy, naming and verbal identity, corporate identity, packaging design, retail design, internal brand communications, investor communications and digital branding tools.

We enable our clients to achieve greater success by helping them to create and manage brand value.