

# The Future of Brands

A Chapter from *Brands and Branding*  
An Economist Book

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The future of brands is inextricably linked to the future of business. In fact, the future of brands is the future of business if it is to be about sustainable wealth creation. Further, because of the interaction of brands with society, and since so many socially influential brands are in the not-for-profit sector, the future of brands is also inextricably linked to the future of society.

This chapter examines some future trends and predictions, both in business and in broader society, and looks at how brands may affect and be affected by those changes. It also explores the categories and countries that seem likely to yield some of the world's greatest brands in the future, and makes observations on what brands of all kinds will need to do to be successful.

But first, it may be useful to recap the main themes and arguments outlined in previous chapters:

**Every brand needs a strong creative idea to bring it to life through visual and verbal identity. This creative process needs not only innovation and imagination, but also the courage and conviction to carry it through.**

- Branding has been in existence for hundreds of years and has developed into a modern concept that can be applied to anything from products and services to companies, not-for-profit concerns and even countries.
- Well-managed brands have extraordinary economic value and are the most effective and efficient creators of sustainable wealth. Understanding the value of a brand, and how to create more value, is essential management information.
- Brands can also have a critical social importance and benefit in both developed and developing countries. This applies as much to commercial brands as not-for-profit organizations.
- Most of the world's greatest brands today are American owned, largely because of America's free political, commercial and social systems. But the knowledge and practice of what creates great brands can be (and is now being) applied around the world.
- Every brand, if it is to be successful, needs a clear positioning, expressed through name, identity and all aspects of products, services and behavior. For corporate effectiveness and efficiency, the brand and its positioning should be used as a clear managing framework for portfolio management and business unit relationships.
- Increasingly, brands require a distinctive customer experience in the round. Indeed, increasingly a brand is that experience, not least through the behavior of its people. The brand should be the central organizing principle for everyone and then everything.
- Every brand needs a strong creative idea to bring it to life through visual and verbal identity. This creative process needs not only innovation and imagination, but also the courage and conviction to carry it through.
- The strongest brand communications may work at the levels of information, fame creation and by creating (often unconscious) associations. Those elements that are harder to measure and justify are no less important; in fact, they are often the most important elements.
- Public relations for brands will succeed only if they are based on the brand promise and the internal reality of the company. People have become increasingly sceptical, and in a 24-hour news culture, organisations have nowhere to hide, either inside or outside.

**Brands need better and socially broader measures of success. Corporate social responsibility should be about genuinely solving problems, not just about brand reputation management.**

- If a company is going to invest in a brand long-term, it must give its identifiable distinctive features adequate legal protection, and it must enforce that protection vigorously, increasingly on a global basis.
- Leading global brands can, and should, help the wider public understand the benefits of globalization and free trade. But they can do this only if they open up, behave well and collectively educate about their benefits. They must also ensure they continue to innovate.
- Brands need better and socially broader measures of success. Corporate social responsibility should be about genuinely solving problems, not just about brand reputation management.
- Asia shows every sign of becoming a global brand generator, not only in terms of cost advantage in manufactured product brands, but also because of its heritage in areas such as personalized services and holistic health.
- In a globalized world, nations need to compete with each other for the world's attention and wealth. Active and conscious nation branding can help them do this, and at its best, it can be argued, it presents an opportunity to redistribute the world's wealth more fairly in the future.

If the last theme in particular makes anyone baulk, it is worth remembering the importance that China is attaching to growing its branded commodities as its way forward in the world and “so as to benefit the world's people”. While many Western nations are fashionably wringing their hands about the nature of capitalism, and about brands as their highest profile manifestation, developing nations are coming to see branded businesses, and indeed their own images, as their opportunity for development and more stable wealth and economic control.

Whether it is ironic or not, Western consumers' constant search for novelty and authenticity may also help ensure that the newer economies have an interested audience for their propositions.

But before reflecting on whether and how the main themes of this book may be carried forward in the future – and before speculating on the provenance of the world's most successful brands of the future it is worth considering the broader future context.

## The future thing

The future certainly isn't what it used to be, but nevertheless a recent article by Martin Rees, the Astronomer Royal, made rather depressing reading.<sup>2</sup> The opening line was:

*“I think that the odds are no better than 50-50 that our present civilization on earth will survive to the end of the century.”*

He puts this down to the potential for maverick misuse of science and / or weapons of mass destruction. In the meantime, of course, there is always the possibility of super-volcanoes or asteroid hits.

At the other extreme, Watts Wacker, an American futurist, made it part of his working philosophy to encourage organizations to develop “500-year” plans. This was meant to be symbolic rather than literal, but does rather stretch the point.

Steering a slightly less radical course either way, it was interesting to consider a range of predictions for the year 2025, drawn from various think tanks and futurists.<sup>3</sup> These included market wars over ice on the moon; widespread designer babies; a truly pregnant man; a derelict Silicon Valley, overtaken by technologies such as quantum, optical and DNA computers; and one that would bring Rees's doomsday scenario rather closer – widespread cyber-terrorism.

**It is obviously important to try to understand general trends and possibilities in scientific, economic and social terms if we are to plan and adapt brand futures, whether for new or for existing brands. Even the strongest brands today can get stuck in a complacent time warp, overtaken by new and baggage-free competitors.**

You only have to look at a random selection of sci-fi films and futurology books to understand the dangers of publishing-specific predictions. Even as recently as the mid-1990s, Nicholas Negroponte was reportedly predicting that by the year 2000, more people would be entertaining themselves on the Internet than watching TV networks. We shall see whether Toshitada Doi, president of Sony's Digital Creatures Laboratory, is right in saying that robots will eclipse PCs in product growth world-wide within 30 years (or even within 10–15 years).<sup>4</sup> However, as Alvin Toffler says in his introduction to *Future Shock*,

*"The inability to speak with precision and certainty about the future is no excuse for silence."<sup>5</sup>*

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## **Future brand issues**

From past trends, the odds might seem in favor of the top brands today still being up there in 25 years' time. As the introduction to this book pointed out, over half of the 50 most valuable brands have been around for more than 50 years. However, it is difficult to see how past performance will give quite so much reassurance in the face of the extraordinary changes we are likely to see in world power and economics in the next 10 years.

The most successful technology and telecommunications brands have already shown how quickly they can progress if they read and act on consumer and business trends in the right way (look at Microsoft, Nokia and Intel). Their challenge is to maintain their position and sustain their value.

To do this, they will have to continue to innovate and, critically, to deepen and extend their brand relationships with customers well beyond the level of technological prowess. For long-term value, brands need emotional as well as technological appeal. Indeed, they will have to invest in their brand as their major sustainable competitive advantage.

It is not unreasonable, for instance, to imagine that a new killer application will emerge from somewhere like Bangalore in the near future. Nor is it unreasonable to suppose that the service and branding skills required to build that proposition into a sustainable brand will have developed to such a degree in India itself that global brand status is within reach. What is more, the "skill cost" difference between India and America or Europe, which has already seen global organizations such as Citibank and GE outsourcing their services to the subcontinent, means that price differentials will make their brands even more attractive.

For comparison, look at the wages differential around the world: in 2003, the minimum wage per hour was \$5.15 in the United States and £4.20 in the UK; equivalent wages were 18 pence (29 cents) in China and 7 pence (11 cents) in India<sup>6</sup>. As far as service expertise is concerned, a recent study by Deloitte Research concluded that in the next five years, 2 million jobs in Western financial institutions will be moved overseas, which means that around \$356 billion worth of financial services activity will move away from first-world economies. Established brands will indeed have to continue to leverage their trust and heritage, even while the core of their own service offering is on a passage to India to cut costs and satisfy Wall Street and the city. To take up the opportunity properly, however, India will need to work on its nation branding in terms of reliability of infrastructure and the taint of corruption. With 1.3 billion consumers, China is the world's biggest potential consumer market.

It is currently difficult to attend a conference on world trade and financial issues without speakers speculating on the extraordinary impact China is having and will continue to have. A study by the Engineering Employers' Federation in the UK<sup>7</sup> suggested that one-third of manufacturing firms were considering shifting production to China. A vivid case study is Hornby, a venerable British company, manufacturer of classic toy train sets, owner of the Scalextric brand and recently brought back to fame by the Hogwarts Express featured in the Harry Potter films. In speaking about the advantages of moving production to China, the CEO says:

*"The strain on the bottom line began to ease immediately. We were able to use the savings to increase the quality and details of the models so that sales began to pick up."*

Essentially, the company retained just the designers and managers at its UK head office in Margate, reducing the head count from 550 to 130, even though some observers were sceptical of the long-term viability of separating innovation and production.

One other thing Hornby's CEO outlined was his view of the fate of the company had he not moved production: "Hornby would have closed, or been taken over by a Chinese company, if we hadn't moved." This was no idle boast in the light of the case of Haier. Almost 20 years ago the Qingdao Refrigerator Plant bought the production-line technology from Liberhaier, a German company, and used this as the basis for its brand name. As noted in the previous chapter, Haier is now the world's second-biggest refrigerator brand. How much of this is to do with the borrowed belief among some buyers that they are of German origin is debatable.

This kind of false provenance, whether real or assumed, is hardly a new idea. In the electronic goods category alone, it has been customary for UK electrical retailers to give their own-label products Japanese-sounding names, as this would give better quality associations than British-manufactured electrical goods. Think also of Haagen-Dazs, Estée Lauder, Hugo Boss and Sony as brands with a name at odds with the real country of origin and ownership. Clearly, although provenance, and authenticity in that provenance, is important in such categories as luxury and cars, so much depends on how the brands are built and managed. Many of the world's most valuable brands now transcend their country of origin. A Chinese company such as Legend computers will need all these world-class branding skills if its global ambitions are to be realized. As we have discussed before, its ambitions to become the world's biggest PC manufacturer within 10 years will not necessarily make it the world's most valuable PC brand. However, there is a particularly strong Asian brand case study that may serve to inspire them for the future.

Samsung, from South Korea, is one of the most spectacular global brand success stories of recent years. From a brand value of just under \$2.5 billion in 1997, it grew to almost \$11 billion in 2003, and seems likely to continue its success. It is the reason for its success that is of interest here. In the mid-1990s, Samsung's managers realized that they would be on the commodity and low-price road to perdition if they did not develop their own brand. They saw a real opportunity in the digital platform, invested heavily in premium-quality innovation and R&D and, most telling of all, invested in their own brand rather than be condemned to the uncertainty of OEM<sup>8</sup> status indefinitely. They built brand awareness around the world, and resolved to use their brand value (rather than just straight financials) as a key

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performance measure. As the company's president and CEO said at the time:

*"Competing successfully in the 21st century will require more than just outstanding product and quality functions. Intangibles such as corporate and brand image will be crucial factors for achieving a competitive edge."*

This concern for other measures, and ways of measuring performance to ensure that everyone in a company continues to build brand value rather than trading on it, is perhaps something that more Western companies, particularly publicly quoted companies, and the equity markets need to reflect on.

Brand America may appear to have taken a series of body blows in the early years of the 21st century. However, while it might be true to say that there are slightly fewer American-owned brands in the top 100 today compared with a few years ago, this is as much to do with market changes and self-inflicted corporate wounds as American heritage. More than 60 percent of the world's most valuable brands are still American-owned. Despite opinion polls and anti-American demonstrations, consumers can be radical at the research questionnaire and reactionary at the checkout.

However, other countries are beginning to learn the global brand game, and companies such as Coca-Cola and Nike will need to keep on reflecting their sensitivity to local cultures and habits in their management and marketing approaches. It is interesting that, whereas for the past 50 years America itself has been a strong brand, standing for freedom and lifestyle aspiration, increasing familiarity and the spread of democracy have meant that these previously magical qualities have lost their cachet. American-owned brands will have to work that much harder on more imaginative positionings, operations and communications for their brands if they are to withstand the challenge from all comers.

An interesting battle of retail brands and operating philosophies is potentially emerging between the mighty Wal-Mart and Tesco, a UK-based retailer. In many ways, Wal-Mart is the archetypal American business success story. It has in Sam Walton a founder with a distinctive home-cooked philosophy, with a strong service and moral ethic, and a zealous evangelism for giving people American-style life opportunities.

Wal-Mart's expansion internationally has been cautious so far, as has its behavior around its purchase and management of the Asda brand in the UK. While the retail giant has made a simple philosophy of low prices and genuine customer service work well in the United States, and has made much of its respect for employees, there are perhaps lessons to be learned from the innovation, own-brand building and customer relationship management of the best UK grocery retailers. There are several margin-point differences between the average grocery retail businesses in the UK and those in America.

While some of this difference is down to the dominant position of major retail chains in the UK, it is also because of their success in building their own brand values, and using their own-brand products and services to sustain their quality image, rather than just being price fighters against manufacturer brands. Tesco is now not only the UK's number one retailer and one of its most respected companies, it is also the world's largest online grocer, and its joint venture with iVillage.com has created the largest women's online destination in the world. Out of the 10 countries in which it operates, Tesco is currently market leader in six. Its stated core purpose, to "create value for customers to earn their lifetime loyalty," has driven its ability to extend its brand well beyond grocery into banking, health care and mobile telephony. It is a brand that is trusted by people in whatever area it is operating.

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This ability of a strong brand to transcend categories, and to be trusted by consumers in whichever category it chooses to involve itself, would seem to be an important property of the world's greatest brands in the future. In a hyper-competitive, over-communicated and complicated world, people will increasingly want and need to simplify their purchases and time management. What is more, in a blurring physical and virtual world, any brand will have the ability to be a powerful medium and a power retailer – if only in virtual space.

Trusted brands provide ideal navigation for consumers across sectors, and as the strongest will be able to leap into categories without having a previous product or service track record, no brand will be sacred in its marketplace anymore. Although it has its financial challenges, the Virgin brand is another good example of this leaping ability. It has a strong vision and values around being people's champion, innovative and irreverent, and through popular support has managed to transcend markets from airlines to cosmetics, from financial services to mobile telephony, from soft to hard drinks and many more.

The issue of category-defying life brands is also relevant when looking at those new or growth categories that would seem most likely to produce strong brand growth in the future. These include:

- health and well-being, including more holistic and organic lifestyles;
- leisure, entertainment and “new adventure” experiences;
- physical and emotional security;
- services for a new generation of the “new old” (a critical trend in industrialized countries);
- lifelong education;
- information and lifestyle management (relevant to the prediction of Sony's “personal robots”);
- biotechnology and genetics.

These areas could yield entirely new global brands in the future; it may well be that the most valuable brand in the next 25 years has not been invented yet. However, it is equally possible that an existing, trusted brand may extend or cross into these new areas. As part of this, the blurring of the online and offline worlds (a distinction that is already barely recognized by global teenagers) will mean that any brand can become powerful both as a medium and as a retailer, virtual or otherwise.

Current product-based brands will find it harder than service or retail brands to deepen and broaden their relationships with their audiences. This is not just because they are having to invest so much of their marketing support in retail distribution, rather than spending it on consumer communication. It is also because in their current form, they lack the ability to control the total customer experience, and so engage their audiences as fully as they would like. Chapter 6 of this book highlights the increasing importance of experience in building brands, and we should expect to see in the future many more “manu-retailers”: product-based brand companies developing their own retail experiences and direct relationships with their consumers, both offline and online.

Unilever's experiment with “myhome”, a home cleaning and laundry service, was interesting in its extension of Persil and Cif as service brands. Although it did not progress beyond its test market, it nevertheless demonstrated the company's interest in developing core brands beyond the product form. To facilitate this process of concentration on resources, innovation and investment behind its most successful brands, Unilever has been culling its smaller and weaker brands in recent years, either selling them or dropping them. As other conglomerates have been doing the same, an interesting possibility is on the cards.

Not only will we continue to see further brand consolidation and corporate musical chairs, but some of the brands that are being sold off could end up in the newer economies, fired up by entrepreneurial spirit and a new angle for selling. Think of Haier many times over.

Other areas of brand activity that are likely to increase in the future are co-branding (for example, Sony Ericsson) and celebrity branding (as in current examples like David Beckham and Jennifer Lopez). The challenge for the former is to generate clarity about the joint brand proposition (never easy in partnership), and for the latter, to identify how to generate long-term sustainable value after the flush of celebrity fades.

It is also interesting as a trend that major corporations such as Mars and Estée Lauder have either launched or acquired brands that feel like explicit social enterprises, and have allowed them to operate with no obvious brand connection with the corporate owner. Mars acquired Seeds of Change in 1997; it had been launched in 1989, with a stated purpose of preserving biodiversity and sustainable development. Estée Lauder later acquired Aveda, a brand connecting “beauty, environment and well-being.” At a conference shortly afterwards, Leonard Lauder said that Estée Lauder itself was committed to phasing out synthetics entirely, following the lead of Aveda. Using new ventures of this kind as operating test-beds for new business principles indicates that major corporations recognize that business may have to be conceived and conducted in rather different ways in the future.

Another area to mention for brand growth is the non-governmental organisation (NGO) sector. When national governments, for whatever reasons, cannot or choose not to act, non-governmental and not-for-profit organisations can play the role

of guardian brands. A recent example is the role Oxfam has played in the developing-world coffee crisis, where coffee farmers in the poorest countries are facing falling prices and new levels of poverty. In a 2002 report, Oxfam demanded that the multinational companies involved in coffee purchasing and marketing demonstrate a “long-term commitment to ethical purchasing.”<sup>9</sup> In the future, raising funds will be as much of a challenge for such organisations as it has always been. To avoid the danger of appearing compromised by expedient corporate partnerships, they should perhaps think more about selling or licensing their intellectual property about best practices in ethical processes and measurement.

## Further brand management considerations

In maximizing and sustaining the value of brands in the future there needs to be more focus on:

- **Understanding the value and value drivers of a brand.** As can be seen from the Samsung case, a focus on brand value and measuring performance on the basis of the brand value added can build momentum and create sustainable growth. It is also crucial management information for mergers, acquisitions and divestments, which will continue in the future as markets shake out and consolidate. Few mergers currently deliver long-term shareholder value, largely because of overemphasis on financials and practical operations. Greater focus on brand value would help mergers succeed as well as generating real organic growth.
- **Clarity of brand positioning.** Clarity of vision, values and positioning overall are often given insufficient attention in practice. The majority of corporate and brand visions are interchangeable, bland and viewed with cynicism. In an over-communicated world, lack of clarity will substantially

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reduce effectiveness and efficiency, and complex brand and sub-brand structures without a real audience rationale will reduce this still further. Clarity of strategy is also one of the leading criteria by which companies are judged.

- **Brands as total experiences, and as central organizing principles, rather than just products and logos.** The success of experience-based brands at building deeper customer relationships at the expense of solely product-based brands argues strongly for every brand to think about its total chain of experience – from visual identity to advertising, product, packaging, PR, in-store environment – and increasingly round-the-clock presence and availability online. Technology will provide the opportunity to build an even-greater sensory experience into brands through touch, smell and sound. Whatever emerges, distinctive value can and will need to be added at every stage of the experience, or at the very least, not lost.
- **More compelling and more imaginative expressions of a brand's identity and brand communications.** Senior executives may not feel entirely comfortable in this area, but the ability to break through brand proliferation and communications clutter depends on imaginative and innovative creative expression. In the developed world, audiences are knowledgeable and savvy about marketing, and will increasingly edit out communications that they find boring or irritating. Imagination will need to be applied not just to the creative message, but also to the medium. Product placements in editorial and appropriate sponsorship of events, programs and computer games will become more important. In particular, young people around the world have high expectations from brands, and are increasingly difficult to reach and satisfy.

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- **The need for internal and external operations to be aligned – and transparent.** In an all-seeing digital world, and in a sharper business environment where employees at all levels can be ambassadors or saboteurs for the company's reputation, there really will be no hiding places any more. Organizations will have no choice but to be transparent in their dealings and fulfil their promises, or to have transparency forced on them. On a more positive note, numerous studies have confirmed that investment in a company's employees, and their good treatment, translates into significantly better customer satisfaction. Customer satisfaction and loyalty are, and will be, the drivers of long-term sustainable brand value.
- **Rigorous legal protection around the world.** It is estimated that 9 percent of world trade is counterfeited.<sup>10</sup> Although international law is increasingly being upheld, even in the previous counterfeiting capitals of the world, it is likely that while there are still brands to copy, there will be willing makers and buyers of copies. Brand owners must use the full weight of the law, quickly and publicly, to prevent value loss and degradation. Brand valuation, which can demonstrate how much economic loss might be attributed to passing off, is an effective way of supporting cases such as these.
- **Corporate social responsibility as a core corporate responsibility.** Corporate social responsibility (CSR) seems to be an overused buzz term in too many organizations today, and a whole new industry has grown up around it. Although good intentions may be there, all too often organizations look at CSR as an insurance policy, or a more sophisticated form of cause-related marketing, rather than as core to their operations.

**Any brand seeking to succeed and to be most valuable in the future will need to think and behave like a leader: at the basic levels of product and service distinction, and at the more emotional levels of creativity, values and core social contribution.**

Many responsible companies produce elaborate CSR reports, including social and environmental performance. However, it is necessary to ask whether the basic principle of separate reports is the right one, or whether there should be a more integrated and central way of dealing with these issues in the future if we are going to have the kind of world we would all want. Or at least to mitigate the pessimistic scenarios of environmental destruction and terrorism breeding in areas of poverty and exclusion that we might all fear.

For those who would say, “But what has this to do with business and brands?” the fact that brands have the power to change people’s lives and indeed shape the world we live in is not a fanciful notion, but a demonstrable fact. Brands have extraordinary economic power, often transcending national governments, and are able to connect with people’s lives, behavior and purchases across borders. If there are those who say that business’s only concern should be to make a profit, then this would not only be missing the point about CSR at its basic level – that CSR, by definition, demands more than the profit motive – but also missing out on opportunities for brand leadership in the future. From more than 3,000 studies of brands around the world, leadership is the characteristic most closely correlated with the strongest long-term value.

Any brand seeking to succeed and to be most valuable in the future will need to think and behave like a leader: at the basic levels of product and service distinction, and at the more emotional levels of creativity, values and core social contribution.

## **The future of brand leadership**

It is appropriate, from time to time, for governments, businesses and indeed any organization to ask themselves what they are there for. Procter & Gamble recently restated its core purpose of improving the lives of its consumers. Samsung talks about creating superior products and services and “contributing to a better global society ... to the prosperity of people all over the world – a single human society.” The UK government published its quality of life indicators in 1999 in answer to challenges on how to create a more sustainable society.

It is easy, but probably not helpful, to be cynical about these kinds of statements. Ironically, one of the brakes to progress on environmental and social issues for companies has been a fear that their actions will be interpreted cynically. Although the stick is an important incentive for companies not to misbehave, opinion-forming media might think sometimes about the carrot of encouragement for corporations trying to do the right thing and struggling to balance the interests of shareholders, consumers and the public at large.

This balancing act also leads on to discussions about how businesses (and indeed governments) are measured and rewarded, as well as how to truly measure the wealth and well-being of society in general. A recent study by the Future Foundation concluded that the increase in wealth and possessions in the UK was poorly correlated with happiness,<sup>10</sup> and the UK government’s Sustainable Development Commission found the same in its study of prosperity.<sup>11</sup> While it is easy to sit in the wealthy West and philosophize about these things when people in developing countries are dying through lack of basic services, it does nevertheless raise questions about the goal of development. Will our prioritizing of economic success in preference to any other be as appropriate in the future, in either developed or developing countries?

There are several references to alternative, more broad-based measurement systems for business and society in this book. These would give a broader base to the priorities of CEOs and governments.

It would, of course, be better for organizations to take an active lead in setting standards in different markets. What can be termed a “leader brand” is not a brand leader in the old-fashioned sense, reflecting scale and muscle alone; rather it reflects a newer, restless and agenda-setting leadership across all areas of philosophy and operations, inside and out. Leader brands also need to take it upon themselves to explain the wider benefits of branding, and increasingly show sensitivity to local cultures, so that they continue to have licence to operate (and hopefully be welcomed) in even the most difficult parts of the world. As discussed throughout, brands can be uniting influences, and powerful social and economic developers. It is important for all brand owners and influencers to manage their brands well, and as a discernible force for good, and to ensure that they help people understand the benefits in a more informed way.

The balance of this book has been quite unashamedly “pro logo,” but there is a conditional “pro” here. Brands will continue to succeed if they deserve it, and since the future of brands is the future of sustainable business and fundamental to developments in society, it is important to us all to see that they do.

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The *Economist* book *Brands and Branding* was launched in February 2004. It is widely available at book-sellers in-store and online. Contents of *Brands and Branding*:

### Part 1: The Case for Brands

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Tom Blackett, Interbrand

#### The Financial Value of Brands

Jan Lindemann, Interbrand

#### The Social Value of Brands

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