

Branding a Dot-Com. . . Without the Dot-Com

By Lynn B. Upshaw

Today the world's most valuable brands are truly global and brand owners are recognising that to have less brands can lead to more sales. Not an oxymoron, simply a recognition that to focus on your main brands should be more rewarding. According to Interbrand's latest global brand table, one sector that performed particularly well is the luxury goods market. A reason for this is that whilst the wealthy will always seek out and own status symbols, many luxury brands whilst maintaining their standing have in addition positioned themselves to appeal to the top end of the mainstream market. As a result the likes of Gucci and Louis Vuitton have developed more affordable ranges, whilst still keeping the vast majority of their range out of reach.

But what is a luxury brand? To some it's an object of desire, sometimes aspirational, sometimes almost lustful. It will be financially expensive, perhaps self indulgent and certainly not indispensable. It says: 'I've done it,' but that's crass. Sometimes it's a physical statement as with a luxury car or an exquisite watch, pen or piece of jewelry. Or as the Richemont annual report defines it: "A luxury product is both an object and a catalyst for thought ... the aim of a luxury brand is to awaken, desire and pleasure."

From the most valuable brands league table in 2000 the top luxury brands are: ranked 37, Louis Vuitton (\$US 4.076m); 44, Chanel (\$US 3.143m); 48, Moët & Chandon (\$US 2804m); and 50, Rolex (\$US 2423m) - testimony indeed to the fact that luxury brands continue to be sought after, producing satisfied consumers to whom price is totally irrelevant. How often have you heard someone say: "We are the Rolls-Royce of ..."? There is no doubt that to many that Rolls-Royce represents the ultimate in luxury, making a statement since 1904 that has been unique when it comes to status, but also illustrating that ownership of a major brand is no guarantee of financial success. The last few years have seen many luxury marques bought by the highest bidder with Ford (owners of Jaguar, Aston Martin, Volvo and Land Rover) and Volkswagen (owners of Rolls Royce, Porsche and Audi) leading the charge. There are not many unique brands that can remain independent today, although BMW and Harley Davidson remain fiercely so.

By definition a brand has a superior status to a commodity, with the result that anyone who manufactures or grows commodities needs to get into branding quickly. Otherwise you get locked into the world of lowest price, high volumes and low margins - a world getting increasingly cut throat as we work in the new "connected" economy. As US research group Gartner points out: "E-business is more than just e-commerce. It is using the Internet to create connections..." whether B2B or B2C. At Interbrand we like to say: "Creating a brand will result in building a relationship with customers that secures future earnings by engendering customer loyalty at a premium price". Put another way by gold marketer Sarah da Vanzo, now at Anglo Gold, she sees commodities as "ingredients" and South Africa as a major supplier. The challenge is to create brands.

"Concise Communicator" Clive Simkins draws attention to the importance of projecting the correct image, and the overriding power of perception as in the world of gold. "Made in South Africa" is a very poor cousin to "Made in Switzerland," even though the former is virgin gold whilst the latter is likely to be a potpourri. Whilst in the past "Made in South Africa" would have been a pejorative, today, certainly in the world of gold and other precious metals, it should not.

In the world of fashion “Made in France” used to be all that was needed to guarantee success. Today, it is not enough.

De Beers is to many the company synonymous with diamonds. Much money has been spent building the image of diamonds and the current marketing spent is steady at around US\$ 200 million (R1.4 billion). Although De Beers has roots going back to the 1880's, only a few years ago I was told “officially” that the group had no need for brands and branding. In fact, only in the last 18 months or so has De Beers has started toying with the idea to “brand” diamonds by lasering the logo onto stones. A quick call around to some of the top jewelers and they will tell you that:

- a) It is 99.9% impossible to buy a De Beers diamond
- b) We were asked why we would want to, as a diamond is a diamond.
- c) We were told that yes, we could be supplied with a certificate stating colour, grade, etc., but not country of origin.
- d) We were told repeatedly that it is impossible to state the source of a finished stone, which highlights the difficulties guaranteeing a stone is not a ‘blood diamond.’”

Arguably the diamond business is one of the most mysterious, with the Johannesburg office of De Beers refusing to collaborate in the preparation of this article. Local companies need to realise that a “no comment” is no longer the end of the matter. As a top local mining analyst put it rather succinctly: “De Beers is a bit like a golfer who has a great back swing but doesn't want to hit the ball, let alone follow through.”

The current annual report of De Beers is 140 pages long and oozes financial and mining data. But on page six there is a rather plaintive statement: “We are exploring the power of the De Beers brands,” reminding us that one swallow doesn't make a summer.

Owning mines around the world and then trying to pool these diamonds to control the sales of something like 60% of the world's rough diamond market is no mean feat, although it was 80% in 1992. However, the significance is that the Director in charge of legal and administrative matters at the Central Selling Organisation in London, Tim Capon, was recently quoted in The Economist saying: “Why limit the De Beers brand to diamonds, why not watches or handbags?” Perhaps Mr. Capon should take responsibility for a new position advertised in the UK: Key Account Consultant, Sales and Marketing, as: “De Beers needs to expand its capabilities to support new marketing programs for diamonds, and the package: over one million rands plus benefits.”

A recent article in the Financial Mail compares two deals that involved the JSE's two most valuable companies: Anglo American and Richemont. It could be argued that Anglo represents the 'old' economy of digging things out of the ground, whilst the assets in the ground last, which might only be ten to twenty years.

Richemont represents the 'new' economy where it is recognised that intangibles made up of brands and intellectual property can last for centuries. Richemont has just paid R12.9 billion for three watch companies that together produce less than 100,000 watches a year.

In fact two of the brands Richemont acquired date back to 1833 and 1845, both in the luxury goods field. Owners of brands recognise the power they have and that the potential to take them global is enormous. That's why companies pay colossal premiums - NAV is irrelevant - for top brands. On the day the Financial Mail published its article, the Investors Chronicle in London

was reminding those who still haven't got the message that intangible assets, and that includes brands and intellectual property, often treated dismissively as goodwill, increasingly make up the majority of assets of 21st century companies at the expense of the more familiar tangible ones (plant, equipment and stocks). Currently on the London Stock Exchange, the intangibles are estimated to make up 70 - 80% of the entire market capitalisation.

Arguably the two dominating figures in the world of luxury goods are Frenchman, Bernard Arnault of LVMH (Louis Vuitton, Moët Hennessy) and South Africa's own Johan Rupert with his Swiss-based Richemont.

In branding terms image, heritage and service are paramount, with the lack of the latter, despite the success of the former, being their downfall as some of the e-commerce start-ups have found. At Richemont four of their global brands, Alfred Dunhill of London (lighters, watches, pens and accessories with ingenious English design, now being extended in the field of golf fashion), Cartier (the most exquisite watches and jewelry), Baume & Mercier (watchmaking dating back to 1830 in Geneva, balancing tradition and modernity, so that your timepiece can always be unique) and Mont Blanc (not just writing instruments, but also watches, jewelry and leather goods) are distributed in South Africa. Care is taken to expand brands into new areas, but to never compete against any existing brands. Rather, compliment each other and the ability to offer their consumers the opportunity to express their own individuality. The brand experience at Richemont is seamless as all employees "live and breathe" the brand.

The front cover of the current annual reports sums it up rather neatly with the statement by John Ruskin, "Quality is never an accident, it is always the result of intelligent effort."

In South Africa we have a new pretender hoping to muscle in on the luxury market in the form of Afgem and the Tanzanite Foundation. Tanzanite is a superb blue gemstone, similar to a sapphire. It is only found in one deposit in the entire world, in Tanzania. By setting up the Tanzanite Foundation, Afgem will ensure that all stones are branded so ensuring quality and authenticity, and then they will be marketed to the rich and famous.

Another luxury product that could have started its life in South Africa are crocodile loafers, which sell at Gucci's Fifth Avenue store for a snip at \$1.800 (R12 600). If you have ever visited the crocodile farm just up the road from Old Joe's Kaia in Mpumalanga you certainly learn a lot in very authentic surroundings. Well worth the visit. Luxury goods come in many different shapes and sizes, but command huge loyalty in all corners of the world. Sitting in a Johannesburg boardroom earlier this year it was a talking point that four of the eight people round the table were using Mont Blanc pens to make notes. Controversial artist Andy Warhol also had a way with words: "Making money is art and working is art and good business is the best art of all."

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