column

The Collaborative Approach to Building Retail Brands

BRANDS DELIVER MUCH SUPERIOR RESULTS COMPARED TO ANY OTHER ASSET A COMPANY MAY INVEST IN, YET MANY BUSINESSES HESITATE IN INVESTING A SERIOUS AMOUNT OF MONEY IN BRAND BUILDING. WHY DON'T THEY POOL RESOURCES AND FOLLOW A COLLABORATIVE MODEL?

By Harminder Sahni

The virtues of having a powerful brand in the market are fairly well understood by almost all professionals – be it from the theoretical learning at management schools, or from the practical experience of having benefited from strong brands during one's own career at some point in life, or from observing some other companies taking away more than their fair share of the market from the competitors.

We all have witnessed the runaway success of global brands like Zara, Coca-Cola and, obviously, Apple. However, despite the universal acceptance of the fact that brands deliver much superior results compared to any other asset a company may invest in, we still see many businesses hesitating in investing a serious amount of money in brand building. To me the brands are one of the longest-term bets a business can place. Any short-term view on investing in brands leads to negative returns, frustrated management, disillusioned promoters, and disenchanted consumers.

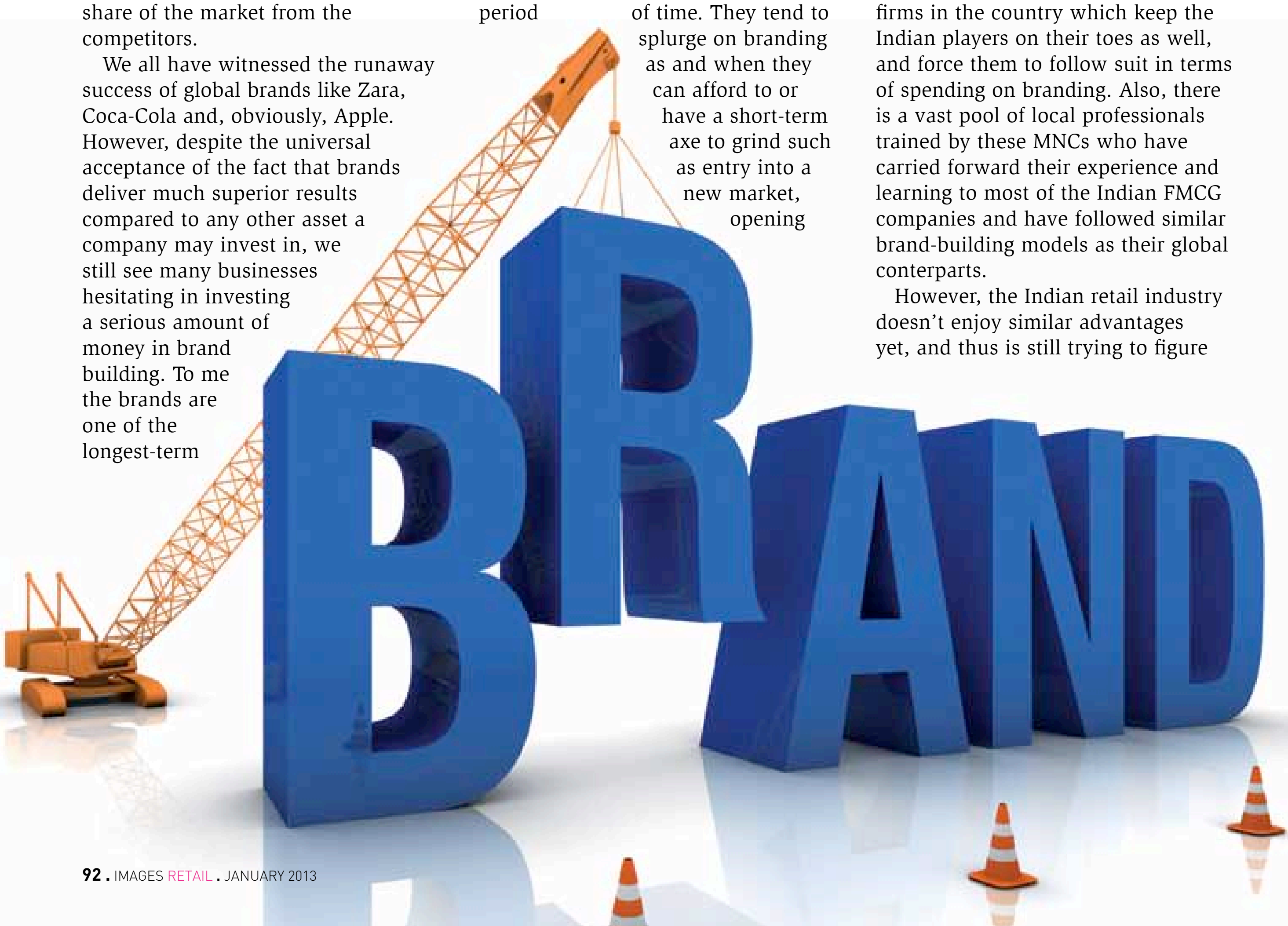
LOW BRAND SPEND

One of the major reasons for the many failed attempts by companies to build brands is the lack of consistent nurturing through smart and regular investments over a period of time. They tend to splurge on branding as and when they can afford to or have a short-term axe to grind such as entry into a new market, opening a new store or a corporate objective such as an IPO.

I have confronted a few brand owners and managers to understand the gap between their understanding of branding and their actual actions or lack of them on the ground. The most common reason given by most of them was the lack of a proper correlation between money spent on branding and the end results achieved.

In case of FMCG brands, there are by now fairly well-established norms of brand-related expenses and, thus, the issue is not so complicated. This may be because of the presence of a large number of multinational FMCG firms in the country which keep the Indian players on their toes as well, and force them to follow suit in terms of spending on branding. Also, there is a vast pool of local professionals trained by these MNCs who have carried forward their experience and learning to most of the Indian FMCG companies and have followed similar brand-building models as their global conterparts.

However, the Indian retail industry doesn't enjoy similar advantages yet, and thus is still trying to figure



out ways and means to address the hugely important issue of branding. Moreover, retail is a far more stingy business compared to the FMCG sector in which the margins are extremely high and leave brand managers with a lot of branding budgets to play around with. But still, all these reasons cannot explain the acute lack of branding efforts that we see from Indian retailers even when the market is very competitive and branding can be a powerful tool for them to gain an edge.

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POOLING RESOURCES

The question is, how can retailers build powerful and long-lasting brands that will differentiate them from the competition and allow them to deliver better performance than their peers, thus helping their bottomline?

For this, I am suggesting a model of collaborative approach towards building a retail brand in India. This model is based on the premise that whenever there are many stakeholders in an area, each with limited resources that fall below the critical mass, the best approach is to pool in resources to attain escape velocity and thus ensure that all participants gain from each other's contribution.

So, to begin with, let us list down all the possible collaborators in a retail value chain. I can think of the following: (i) the brands that sell through retail; (ii) the retailer hmself; (iii) the malls where retailers open their stores; (iv) brands offering complimentary categories to the same target customer set; (v) retailers who offer complimentary services to the same customer set; and (vi) finally, a credit or debit card issuing company that facilitates payment.

For example, for Shoppers Stop, the possible collaborators would be Arrow (shirt and trousers brand), the Ambience Malls, Clarks Shoes, Nike, Madonna Hair Salon and Axis Bank. If all these brands can be brought under a single strategic umbrella, there is a clear advantage for all.

There have been some attempts to do something similar through co-branded credit cards and some loyalty programmes such as iMint and now Payback. Most of the times, these programmes have been based on traditional thinking about CRM, in which only the points earned and redeemed are used as a parameter to evaluate performance of the programme.

However, what I am suggesting is less to do with the instant or short-term gratification for either the customer (of having received a discount or a freebie) or for the brand (of having achieved a bit more sales). The idea is to use every touch point with the consumers as an opportunity to add some incremental elements to build and further enhance the brand equity.

THE COMBINED POWER OF BRANDS

A consumer shopping at Shoppers Stop should feel the power of all the brands every single time he/she touches any one of them. A model like this will require thinking innovatively to come up with ideas that will cut across and connect all interactions into single fulfilling experience.

To make the collaborative approach a success, all these brands need to work together to come up with periodic plans and agenda with clear-cut roles and responsibilities defined for each partner. Logically speaking, the retailer is the most obvious choice to be the anchor of such a programme and should take the lead to build the model as well to implement the plans.

The retailer is the final touch point that a consumer interacts with while purchasing things, and thus is the most suitable to coordinate this scheme effectively. While such collaborative models may be difficult to initiate in the country, I do believe that the rewards will certainly be worth the effort. In addition, they will also create quite a high entry barrier for other players that will be difficult to surmount. Also, the collaborative approach to brand building will give a long-term differentiating advantage to all the participants, ensuring a win-win siutation for all.

ABOUT THE AUTHOR

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