

Potential For Brand Marketing in the Leather Sector

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Introduction

When I first began my preparation and research for this afternoon's discussion, looking afresh at the leather industry's current marketing activity, I had a fairly clear idea of what I planned to say. As it turned out the results have adjusted certain of my opinions and consequently you might find what follows to be quite challenging. Some controversial issues have arisen which I hope will lead to a stimulating discussion.

Brands have been with us for a long time. They have developed great strength out of the power of television, and grew enormously in prominence in the eighties. What we were seeing at that time was a focus on the personality of brands. With consumers feeling comfortable about their earning potential spending was strong and brands featured strongly. A lasting impression of the power of Brands was created.

So much so that everyone began to think that if they could create a unique personality for their brand they would be rich and famous. Now that the nineties offers a much more difficult economic climate and a much more critical consumer life is not that simple.

Brands

It is perhaps ironic that in its basic form a brand was a large mark burnt into the hide of cattle for easy identification: but this definition by David Ogilvy serves better to cover the elements which go along with making up a brand.

"A brand is the intangible sum of a product's attributes: its name, packaging and price, its history, reputation and the way it's advertised. A brand is also defined by consumers' impressions of the people who use it, as well as their own experience"

A brand is really everything that you do and represents both the way you see yourself and the way others see you. It is a way to increase customer loyalty and most of all to achieve differentiation.

In looking at what I see as areas for potential for branding in the leather industry I want you to recognise that one can Brand a lot more than just a product or a company. Areas as diverse as a country, a sports club, even a trade association can properly develop into a brand. In many parts of the world we are currently watching Taiwan brand itself as a manufacturer of quality under the slogan "Its very well made in Taiwan" and in the UK

we are seeing the emergence of sports clubs - most notably the soccer club Manchester United - as fully fledged brands.

This means that it is possible to look at Branding in the leather industry in a number of different ways and after sharing some thoughts with you on the leather industry I will outline a number of different approaches and their elements.

A consumer oriented brand is generally easier to articulate than a component brand like leather. In our leather industry the idiosyncrasies and business to business aspects make straightforward branding harder, and in my own mind I would say that no one in the leather industry has yet effectively capitalised on proactive brand management.

The Leather Industry

For all my working life the leather industry has suffered from chronic overcapacity. You here today should be closer to the real numbers but figures of between 30 and 40 per cent over capacity to tan the hides and skins available in the world have been consistently quoted. There are just too many tanners competing for both raw material and customers.

Alongside this you have a very varied raw material spread all over the world. Obtaining regular consistent supplies of steady quality raw material is not easy. Nor is switching raw material, even inside a category, so this has led to what you might call a very geographically dispersed industry with a significant proportion of tanners handling rawstock from distant parts of the globe. The increasing trend towards geographical dispersion tends to create less of a focus on Brand activities at a time when I would argue that more emphasis is needed.

As a leather technician of the Leeds School I have always found leather technology fascinating. That does not make it easy. As a small under-researched industry the technology remains only partially understood. That means that if your plant and equipment is old and varied, your power and water supply irregular and inefficient, and your technologists cantankerous and temperamental your quality and your predictability are very much at risk.

This is a serious situation since no amount of branding can cover a flawed product. Whatever position you want to have in the market it is futile and a waste of money to spend time branding a poor quality product.

While leather making is technically difficult on the other hand there is another clearly definable technical trend which must affect the way you consider developing your brand. That is the fact that the chemical supply companies to the leather sector have made great strides in the last three decades in building products which are advanced and not too difficult to use. Even more important they have understood the importance of offering customer support and service, anywhere in the world. So if you build a modern factory with good standardised equipment you can obtain relatively easily the capability to make some of the best technical and characterful leathers. This high level of technological

globalisation means that leadership based on technology is likely to be short lived. Again this emphasises the need for differentiation through branding.

The more you look strategically at what is happening in the leather industry the more you are forced towards this need for branding. There are a number of ways of developing a brand and a number of useful tools to think of using.

Generic Promotion

I first represented the UK at one of these ICT meetings in the early mid seventies, in Argentina. I remember listening in those days to heated debates about generic branding for the leather sector. Generic marketing involves promoting leather itself as a product. So as tanners you would be branding your core product in the way the Woolmark campaign has done for wool and the way the Cotton Council has done for cotton.

Despite all these discussions no long-standing or meaningful campaign has ever materialised for the leather industry.

My belief is that the leather industry needs to brand generically but will never do it. The reasons:

- you are too geographically fragmented and see yourselves as having different goals in almost every region
- too many areas of the leather industry have precarious financials so are afraid to make the commitment needed
- there are too many family businesses or family business mentalities that delight in living in the past
- you see the leather market as too diverse
- you are too preoccupied with your raw material

There is a role though for branding of leather on a generic basis to deal with selected objectives. These include:

- to elevate the product as the material of choice for elegance, comfort, health, and performance. You have been letting the product image slip over the last ten years.
- to reposition leather to ensure that it does not become identified as a cheap commodity and show it as an integral part of daily life; as indispensable. The plastics industry has worked hard in this way to remove the cheap substitute image and replace it with one of creative necessity.
- to deal with specific issues: and there are some which I feel you really are facing as you go forward into the next millennium:
 - synthetics are improving fast and getting smart in a metaphorical and real way. They are likely to encroach into more areas of traditional leather use

- in some markets the environmental anti leather and vegetarian lobby are getting strong and influential. If you read the pages of the World Wide Web you will soon see what I mean. This is the domain of the better off and the young, yet no one from the leather industry is responding.
- there is a growing perceived advantage of some of the new artificial materials in the clothing sector, following after the trend of Goretex, and Sympatex all creating higher visibility than leather.

It has often been said that generic branding of leather can only generate rises in the price of raw material. If the campaign is well thought out and its objectives clear I do not subscribe to this argument.

Sectoral Promotion

Sectoral promotion involves creating an affiliation by sector that would allow you to do some joint activities. For example the tanners in the upholstery sector might band together to generate a category campaign. This sort of approach might help overcome some of the concerns that arise from the industry being so highly fragmented and consequently so competitive that unity becomes impossible.

Sectoral branding can be utilised to create a seal of approval further setting members of the group apart from their leather and non-leather competitors.

Regional

This is an area already well exploited in the leather industry by such countries as Spain, Italy and the United States. The common ground tends to be fashion and style, building on a perception related to the history and heritage of the countries concerned. I would be more excited by a proactive process of Brand management by countries themselves; and I see a real need for countries such as India and China to take an interest in this process.

Of course if meaningful common ground can be found there is no reason why the sectoral and regional cannot be mixed and matched. I have had some limited experience in this regard and been involved in regional examination for common ground in the chamois and clothing sectors. This has involved looking at the potential for clothing leather tanners from Europe who all work in the high fashion or high quality end of the market using similar raw material considering the feasibility of developing a broader band of customer understanding of the special qualities of their leather.

Company

The generic and sectoral type of approaches offer real branding opportunities which are potentially more important than the leather industry has been willing to accept, given the small scale of most of the individual businesses, and the consequent lack of critical mass needed to achieve long term impact. Nevertheless most branding activity in the leather industry will be at the company level and this we need to study in more depth.

With leather we are dealing with a component, and branding in this situation is known as ingredient branding. As a Scotsman I can legitimately compare leather to the salt in your porridge, an absolutely essential ingredient to achieve an edible product.

We have many famous names now exploiting their brand as an ingredient brand with Intel, Pilkington, Nutrasweet, and BASF as obvious well recognised examples. Goretex and Vibram are the best known names in the leather consuming sector.

Going direct to the public in the way Intel has done is an expensive and sometimes tricky approach. It is important to understand how consumer branding and industry to industry branding differ and yet overlap. In thinking of this process you should visualise a brand as a tree which grows and develops over a long time.

As a component operator the tanner is selling into an extended chain through to the consumer, passing manufacturers, marketing and distribution operations, through the retailers to the final consumer. There are all sorts of influential people in the channel which may be a fully vertically organised integrated structure but is more often today a mix of strategic alliances of one sort or another controlled by a virtual organisation which might own very little of the operations - often focusing only on the design and distribution.

I have often listened in to discussions that implied that a few hang tags is what branding is all about supported by one or two well placed advertisements.

That overlooks the fact that you have to sell to the whole channel that I have just outlined plus consultants, technicians, designers, resourcers, and the trade press. This is a long and expensive process, but trying to skip direct to the consumer is even more expensive.. A 30 sec TV advert rarely costs less than \$400,000 to make and even a relatively insignificant magazine ad lost amidst the myriad pages of today's consumer magazines will cost you \$50,000 to \$100,000 a time.

The Elements

The hang tag strategy which has become so popular is one which is very flawed. Supposedly a hang tag is the differentiator at the point of sale. At that moment the consumer has decided to buy his shoes or gloves and there is not enough space to create an emotional bond or to explain the product. Tagging if not used as part of a well planned branding strategy is a waste of dollars, and indeed tags are now tending to contribute to the commoditisation of materials.

A brand is something you have to pull the consumer into. Using a tagging policy exclusively is not a pull technique. You need to impact the consumer, and the channel, much earlier.

So I would recommend that you ignore the idea of jumping straight to the consumer with non-affordable and non-achievable branding strategies. Accept branding as a long term

building process aiming for better retention, better top of mind, and better customer perception of quality and value. So start at the bottom with an industry to industry approach and work the brand reputation and personality towards the consumer in the same way as the water wicks up to the top of your leather.

Winners in the leather category will be the ones who invest up front. Studies done at the Harvard Business School indicate that share of voice does tend to equal share of market. In simple terms share of voice is a measure of what proportion of advertising and press comment you are achieving compared to your competitors. So do not pretend that this can be done for nothing. Most important is to be able to maintain a consistent spend over many years. You do have a problem that most tanners are small businesses working in niche markets so even a relatively small sum of expenditure can be a high percentage of turnover. But building an industrial brand need not be back breaking cost wise. Be clear what sort of company you are, what your objectives are, and then decide an affordable long term financial commitment to support them.

Consistency of message is vital. This means everyone in your organisation must be educated to understand the aims and the process. All your actions must be in line with the message you wish to convey. Mission statements, tag lines, price, positioning, packaging, product, trade stands, all your communication elements must be reinforcing one another. This must be done as a key element in your strategy. Regularly tanners relegate marketing to a low level service function, using either people with inadequate skills to handle the bigger picture or if they have those skills not allowing them to be used.

To establish a good communication strategy I have always found Public Relations a very cost effective place to start. It is often misunderstood as traditional business managers see it only as a cheap way to get editorial. It is much more than that. It should help you hone and simplify your message. It should help you move that message about inside as well as outside your own organisation. It forces you to put on paper all the activities, large and small, that you are involved in and in so doing you can watch the evolution of your messages and highlight any discontinuity. Public relations is also very good at making you examine who is your brand audience and educate that audience. Are you targeting leather buyers or designers? Do you want to be picked out by the marketing people in your target customers? Or are you a price producer wanting to build a reputation around service and delivery?

Public Relations does, of course, also work to get you a lot of good editorial more cheaply than advertising. In our industry, though, trade advertising is not hugely expensive, and one can run a single or a series of campaigns at very reasonable costs. You do have to invest in good creative and a quality of advert which fits your image.

Outside of the leather and shoe trade magazines expense starts to rise but advertising with a small budget can be a lot of fun if your management will allow you to be experimental and creative. Ingredient brands cannot ignore the World Wide Web, and radio and selected out door sites should not be overlooked.

So as you write your communications manual and you have decided your point of differentiation, your pricing policy, your logo and how it should look you have understood that through your total presentation you will establish a personality for your brand. This is just as valid for a low cost producer in the third world competing essentially on price as it is for a high cost manufacturer looking for a premium position.

For both the process of measuring is vital. It continues to astonish me how many companies believe they know all about their customers and will respond with immediacy to every question based on purely anecdotal evidence. Firstly most tanners romance their product, and that makes them bad listeners. Secondly most customers do not tell you the whole truth in face to face meetings. So money spent on external research of existing and target customers attitudes is always money well spent. It need not be costly, but it should be done regularly. You will find most of your customers to be appreciative and willing to talk very openly on the phone or face to face with your researcher. You will learn a lot.

So these are some of the available tools with which you can start building your brand. As time passes, and as the water wicks up from your immediate customer towards the retail and the final consumer, the mix of allocation will need to be changed.

The Leather Sector

The idiosyncrasies of the leather industry do make some tanners worried about the viability of long term branding.

It is very easy to ossify the process of marketing into one apparently successful formula: to believe that because things went well one year that is the correct mix for all time. The reality is that things change quickly and you must keep re-examining the channels, the brand audience and the elements needed to address this changing environment while still keeping the brand fresh.

For instance how do you retain core values when the nature of the business creates lower quality? Your customers cannot have a clear vision about what your brand represents if your sub-brands and product names become so complex that they lose their ability to be understood and explained. Effectively they become inconsistent with the core value of the brand.

So low quality becomes a sub-branding issue. Some tanners have dealt with it by branding more by product name than by company name, to avoid confusing the market..

We have indicated our belief that for all but a very few technology will commoditise globally in our industry. This puts emphasise on the personality piece of the equation. On a larger scale the battles between Coke and Pepsi and Nike and Reebok are largely ones of personality.

If we are looking at an industry in which over the next twenty years there is going to be market consolidation the survivors will be those who have done the best job in investing

in actively managing their brand. This is a time when tanners need to be differentiating themselves more than ever.

Can I couple this with a final thought that Brand Management does not happen by accident. You need to unlock the keys to work out how to be a successful company.

You will have to invest to understand future trends, to learn how to manage strategic alliances, and all the other like trends which are challenging us as we look forward..

I have always found the leather industry exciting. There probably has never been a more interesting and challenging time.

Michael Redwood

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Reading:

1. The Real Power of Brands, Stuart Cramer
2. World Class Brands, Chris Macrae