

# **The Marketing of Leather and Leather Goods in Difficult and Changing Times**

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I am delighted to be here with you this afternoon. My associations with the African continent are not as great as I would like but I do have interesting memories of the work done by Booth and Co International, of which I was a director for some years, and of the continued work here of Pittards plc, for whom I was the Group Marketing Director up until 1994.

This afternoon I will be defining for you how I see the subject of marketing and its current and potential implementation in the leather industry. I will try and demonstrate how I believe true marketing differs from the glitzy approach we hear so often described as marketing in the leather industry. Most of all I come with questions that you need to answer for your own businesses.

The leather industry is a confusing industry. Questions of whether you are raw material driven or customer lead are not easy to answer. What business a tanner is really in and what products and services a tanner really provides to customers are not as easily defined as might at first seem. I will cover a wide range of topics, many of which deserve a lecture on their own. I hope that much of the value to you will be in the dialogue we can have during the discussion period and in the thinking you do beyond that.

## **L2K**

You may have heard about Y2K, the year 2000 problem. Let me introduce you to L2K. The current and developing leather problem.

For the last fifty years world leather supply has risen year on year less than demand. This is a scenario that we all recognise should lead to success. It should have been fifty years in which the leather industry flourished, investment increased, modernisation advanced, and technology accelerated creating even more opportunity and prosperity.

## **Fifty Years of Turmoil in the Leather Industry**

So why, when we reach the new millennium, will we be looking back on this last half-century with so much pain? Let us look at a quick history.

First much of the industry in Northern Europe and much of North America has been wiped out. Southern Europe did very well for a time and you will remember Santa Croce in the Sixties and Seventies. But by the eighties even in Italy tanners had to grit their

teeth and hang on, and throughout this time Spain has gone through a series of roller coaster years, each time coming up with fewer tanners surviving.

For a while Korea and Taiwan looked as though they could buck the trend, but tanners in those countries would not say so now. And even India, rich in raw material, has not been able to avoid the problems arising from environmental issues. And the Japanese tanners? Well they have been miserable all the time I have known them, even with quite a lot of government protection.

So as we look around the world we see a very cyclical story, some good years, but far more terrible years for the global leather industry. An industry manned by individuals who have a peculiar attachment to, a belief that the leather industry is special, and with a variety of reasons not to escape into something more stable and prosperous. I know, I am one of them.

Now you might say here that I am being unfair and provocative.

Well, I do not mind if I am being somewhat provocative. I am hoping for a stimulating session as we go through this afternoon, and I am hoping to coax you all into a long debate: one that will go far beyond this room and into the corridors over the next few days. Certainly I will make myself available during that time for discussion and consultation.

But even if you do think I am being unfair, may I ask you just to reconsider what a time the leather industry has really had. Certainly the leather industry retains many companies, great companies that have more than matched the prosperity of their peers in other industries. Just as it is true that globally, volume of output of leather continues to steadily increase.

Nevertheless the turmoil we have seen, the tumultuous change, the roller coaster economics, the loss of many famous names in all continents - Barrow Hepburn and Gale, Booth International, both in the UK, Feuer in the US, Irish Leathers, Roser in Germany - is not the expected outcome of an industry whose product is desired by all consumers.

Now, what has all this to do with marketing? You have come to hear about the magic of marketing and all the tricks you can use to ensure that your products always sell, and always sell at above market prices? That clever advert that will make all the difference, the neat bit of PR generated editorial, the well placed tag - ah yes, the well placed tag.....

### **We thought we were marketing, but we were just pretending**

So here let me present to you two thoughts:

1. Over the last fifty years the leather industry has failed to consider and apply the fundamental principles of marketing.

2. Secondly the industry has confused true marketing with the glamorous front end. It has considered advertising, colour cards, public relations, and especially the hangtag as marketing itself rather than marketing tools. It has ignored market analysis, the research and fundamental business analysis.

One consequence of this has been the continued development of capacity in the industry, far beyond that needed to tan all the hides and skins available in the world, far beyond the steady but low growth in raw material supply. Today, this over-capacity is most frequently estimated at 130-140%, but at Lineapelle last week knowledgeable observers were only willing to accept figures between 160% and 200%. Massive overcapacity. Furthermore tanners have been slow to assess the markets they are in, and reluctant to analyse their own core competencies, and often been unable to marry the two. Cut costs, work harder not smarter, and wait for better times has been the approach. Maybe produce a glossy brochure and if it doesn't make all the difference blame marketing.

### **Marketing has to Originate Deep Inside a Business**

Marketing, true marketing, is nothing if it does not come from the soul of the product. Marketing has to be embedded deep into the core of the business, closely aligned with the direction and the detail of all product development.

During the last fifty years, while the leather industry has been changing so rapidly, yet in some regards not fast enough, we have also seen the birth and the growth of marketing as a management science. This has led to a spawning of specialist businesses supposedly able to do your marketing for you. These include advertising agencies, public relations agencies, brand specialists and the like. These are not bad businesses as such, many are very excellent, and most of you will use one or more as a normal part of your business. But they are very dangerous. Let me quote a British inventor and industrialist, James Dyson, to explain my point:

"When marketing began to emerge as a separate and identifiable skill, some time in the fifties, it quickly came to be considered as a distinct managerial area, and ultimately the area around which all others should gather to determine their movements. This was fine, for marketing was still something that began inside of the factory and was a process that continued all the way to the consumer, and kept producer and user in delicate harmony. But then it started to move away from its roots. Marketing became more portable, agencies sprang up that did nothing else, and gradually, and inevitably, marketing and advertising became detached from design and production".

Everywhere I travel within the leather industry I meet senior people who sincerely believe that marketing is only about branding, advertising, trade shows, and promotional literature. They hire marketing staff who they put in some distance office, who work hard and are well intentioned but who know little about the product, and have restricted contact with production and development.

### **The Product Life Cycle**

Those of you here who are involved in marketing will know about Theodore Legitt's life cycles<sup>1</sup>. His paper transformed the concept our ideas by creating a structure inside which we could analyse the state of our products in terms of introduction, growth, maturity and decline. It is recognised today that to understand marketing requires an understanding of product life cycles.

If we look at the leather industry in general terms where does it stand? Where would we put some of our categories?

Sole leather: would you argue that it has been in decline for about fifty years?

Saddlery: I don't think you could argue other than that this has been in decline since the introduction of the motor car, say 75 years. Perhaps longer as the railroad and the bicycle had its effect

Parchment: in decline since the 14th century Leather bottles: in decline since the invention of glass

Dress gloves: a century of maturity followed by fifty years of decline accelerated by the introduction of heaters in motor cars

Chamois: ceased as a gloving material at the turn of the century, and is now restricted to drying and polishing. Under heavy pressure from substitutes for four decades

Footwear: overall growth rates shoe maturity, with some segments having declined or terminated like ski boots, and anything for above the snow line, for many types of trainers, ladies and cheaper footwear

Clothing: mature, and complex as the premium end is a matter of fashion, and for some tanners even the commodity end has been dependent on fashion in Eastern China. And please note that China shows the fastest ever product life cycles for consumer products. Many consumer items are displaying total life cycles of five years and under.

So that cursory glance leaves us only with upholstery and leathers goods which have been showing more life. But my guess is that if you begin to separate out the segments you will find high levels of maturity even there. The two measures to be used are growth and volume, and the style of the communications used in the market.

I would therefore suggest to you that you have to work on your marketing on the basis that we are at a mature stage in the life cycle, and most of the markets our customers work in are equally mature. Indeed many segments of the leather industry are in clear decline and reduced to niche opportunities only.

### **Marketing in a Mature Market**

Mature markets display distinct characteristics. The most obvious is that the product becomes a commodity, and in any commodity market the prime differentiator is price. This is very true for most leather. To change these companies must work in two areas - superior product and strong marketing.

When looking at product you need to go beyond just the leather itself and include the total package that your customer buys when working with you. If you apply to this the quality of communication, reliability of delivery, consistency of quality I would say that until a few years ago the leather industry was offering an exceedingly poor product. Indeed it was so poor that leather buyers were afraid to purchase a differentiated product from a single source. Problems of delivery, quality, and arguments over grading just made it too risky. This has greatly improved industry wide in the last five years but even now there is an underlying assumption in just too many sales which seems to say: "we will try our best, but if we fail it will be because of the raw material, and of course that is not our fault". It is not an excuse that goes down well in a shoe shop or a motor car show room.

Strong marketing in the leather industry is complicated by the industry being so fragmented, and companies being just too small to be able to succeed with a meaningful branding campaign. Some trade branding is quite possible, but consumer branding only in tiny segments such as chamois. And anyway, trying to brand a poor product makes you memorable for the wrong reasons.

So my summary at this stage would be that we are in a very mature market, with generally speaking a poor product, selling an essentially undifferentiated product, with a fragmented industry lacking the critical mass to do a great deal about it. Where do we go from here?

### **The Tanning Industry is Involved in Business to Business Marketing**

In looking at the roll of marketing in most businesses we must start by recognising that there is a complete channel from manufacturer to consumer, and that beyond the tannery there is still a long channel to the final consumer. Inside that channel distinct elements exist, sometimes hidden in vertical integration, sometimes split out as the industry segments horizontally. This channel from raw material to tanner can include pickler, tanner, currier, designer, maker, marketers, retailers as well as a number of important gatekeepers such as consultants, resourcers and buyers. Some of these, as with my own company FootJoy, can be very widely dispersed geographically. We have shoe factories in China and the USA, a glove factory in Thailand, an HQ in the USA with a dispersed core management including myself based in the Europe. Brands such as Nike may be "virtual" corporations and sub-contract all their manufacture. You need to understand that channel fully and be clear who is the channel captain and where the decisions are made.

For the tanner two elements of importance emerge from this analysis. First of these is that the marketing being done is business to business marketing.

Marketing in the minds of many observers, and sadly quite a few practitioners, is often viewed as being about all those things that relate to consumer product branding.

In consumer product branding, though, one major element is that the buyer is passive. Not so in business to business marketing.

In business to business marketing both buyer and seller are active. In addition the relationship is often long term, and frequently has to do with the continuous supply of components and raw material<sup>4</sup>.

Also, partly because of these long-term businesses often adapt their buying and selling to suit each other. This means not just the article itself but areas like grading and selection, product development, who holds inventory, who tests products - not just how these things are done, but where and when they are carried out.

Business to business marketing is distinctly different from consumer marketing. It seems obvious but is often overlooked by marketers and those who have hired them. There are some other quite important elements in business to business, and these include uncertainties, relationships and technology.

Let us start with technology. While I am primarily talking about the technology that is inherent in the leather, it is important that we consider the concept of technology in business with a much wider definition. Clayton Christensen recently neatly defined technology as "the processes by which an organisation transforms labour, capital, materials and information into products and services of greater value"<sup>2</sup>.

All firms have technologies, and technologies go beyond manufacturing to cover managerial, distribution and other areas. Technologies can also be subdivided into process technology - knowing how to make something or provide a service, and product technology - which is more related to knowing about the ingredients and being able to make great products from them.

Some understanding of these concepts of technology are important in strategic marketing as you must spend time examining your own capabilities and deciding what your real skills are. The word "core competencies" is much over-used, but that does not invalidate the task of working them out. This is an area of critical importance for marketing. Marketing needs to be at the heart of this analysis to marry the market place with the capabilities of the business.

This leads me to the second aspect of selling in to a channel. That is the realisation of the importance of all the relationships in business to business to business studies, not just those vertically found beyond the tannery door. It is so important that the Industrial Marketing and Purchasing Group<sup>4</sup> were set up with the sole function of examining this subject. I have leaned heavily on their expertise and publications in preparing this paper. Effectively the channel that I elaborated about earlier becomes a network, and even simple business networks display high levels of complexity.

In looking at the network in which you work you must consider your suppliers and your customers, and look at how the most vital inter-relationships affect you. You must assess all the technologies in your network and work out which ones are essential to your business and where in the network they really are located.

Now evidence of the last few decades would confirm that the creation and exploitation of technology has shown the greatest success when it has worked at the interface between businesses. The big technological successes have been born out of collaboration. So choosing your partners carefully and developing the correct sort of relationship with them is important.

And in the leather channel where so many of our tanners sell to companies who own little or none of their own manufacturing capacity we have precise evidence of the increasing proportion of products which are now externally purchased. In 1985 in the UK that figure was 35%, in 1995 it was 50%, and in 2005 it is expected to be 75-85% <sup>3</sup>.

Where the technology lies in the tanning industry is a matter of some fascination. During my career in the leather industry I have been fortunate enough to study in the Procter Department at the University of Leeds, named after Professor Procter, and to have worked in Edward and James Richardson where he had his laboratory. I was also Chairman and Managing Director of Turney Brothers of Nottingham where John Turney Wood did so much work on the discovery of enzymatic bates at the beginning of this century.

My point here is that historically tanning was a very regional industry, and local technologies were famous. Oak bark in the UK, alum in Greece, hemlock in North America. As we moved into the nineteenth century the speed of technological change accelerated and the development of new technologies took place mainly in the laboratories of the world's leading tanneries.

But as we turned the century it became clear that the research requirements for fundamental development was too complex for continuation in the tannery itself, and this research transferred to the chemical supply industry who had greater resources and could spread their development costs over sales to the whole industry.

The development skills of tanners inside their own tanneries steadily moved towards developments more related to seasonal ranges, and to the application of chemical cocktails of existing and supplier provided technologies to make new leathers. Since touch, feel, colour, and texture became increasingly important in a fashion conscious world this was quite a fair division of development. As the twentieth century moved on, the makers of leather chemicals have actually increased their offer to tanners, as they are increasingly better organised to supply fashion oriented advice to tanneries that mostly leave this entire area to a small team of overloaded technical staff.

Some of you in the audience will say this is nothing new. You will remember that for many years US tanneries provided desks and lockers for leather chemical suppliers' technical staff.

Tanners recognised even twenty and more years ago that important technology which they needed was best obtained externally.

I would not know how to measure this numerically, but it clearly demonstrates that the leather industry has been steadily increasing its bought in technology all this century. Tanners have focused on improving their process technology, but now acquire most of their product technology from their chemical suppliers. Even the pre-eminence of Santa Croce in the seventies was more about application than fundamental technologies - about the clever use of prints, with natural wax and polish effects, of cationic grounds to help overcome low grain yet leave the leather with its natural beauty. This gave the Santa Croce tanner the capability to create leadership fashion leathers out of raw material often condemned by others as low grade or reject.

**"No organisation has the internal technologies and competencies to cope with the requirements of the end user." (Ford)**

Those of you have been to Santa Croce, that famous centre of tanning near Florence, will know that the hundreds of tanneries there live in very close proximity to their chemical suppliers and that there is a constant dialogue. The Santa Croce tanners used that proximity and had the supply trade fully understanding their objectives and working closely with them to achieve it time and again.

In a Mature Market Marketing is wasted without Innovation, unless you want to Compete on Price Alone

It is likely that there are those present today who day makes a pickle, a wet blue, or a crust which is essentially a commodity. For those people often the most important issue is access to raw material, and this is a process technology that is very important for the industry. But even for some of them and certainly for all others you need to offer a lot more than just that. If you are manufacturing in an expensive location where you are unlikely to actually be able to compete on price, you will need more still. In these circumstances innovation is vital. And to innovate you have to collaborate.

### **You have to Collaborate to Innovate**

In Santa Croce, where I worked for a few years in the early seventies, there was huge collaboration with suppliers, but I was even more struck by the collaboration and cooperation, which took place with customers. Around Santa Croce was a sizable shoe industry, and in Florence a most important leather goods industry. Every day I watched as they discussed and argued what new leathers were needed and how new ideas could be fitted in to the finished product. And often the meetings and the long lunches would include all three parties, tanner, chemical supplier and leather goods maker. The network

of relationships to which I was referring to earlier was alive and prospering in the Tuscan hills thirty years ago.

We have had chrome tanning for a hundred years now. How long do you think it will be before it is replaced by something better? More important where and how will the idea come from?

The evidence suggests that it will be discovered, nurtured, and exploited in a collaborative channel, which will include a chemical company, a tanner, and a customer. It will be developed in a relationship, and be exploited in a relationship. Not unlike the new "green leather" going into the upholstery of certain automobiles. When the initial gem of an idea to fully replace chrome will arise I do not know. I am convinced, though, that in the current evolution of the industrial structure the tanner is tending to make himself the least important person in the channel. Generally speaking, and I do emphasise the general nature of these comments, for there are some very fine exceptions, tanners appear content to live by adequate but not exceptional process technology which they are happy to apply to essentially commodity articles. In a market where there is so much overcapacity tanners leave themselves deservedly vulnerable to being turned into low cost contract units.

So much technology now lies with the chemical suppliers that technical differentiation is very hard for the tanners. Leather chemical companies have globalised rapidly, and disperse new technologies quickly. This means that they tend to push the industry towards a commodity position. This can only be changed to the tanners' advantage if you work with them and use them to help you create the new products.

I think there are two trends emerging in all this which we need to be aware of. Firstly it is inevitable, and is already happening, that chemical supply companies will develop increasing contacts with the major brands. It is common in the garment industry and we see it in our small way even in FootJoy.

The concept here is that these complex relationships allow an interaction amongst parties so that all of those involved can increase their knowledge. It does mean that boundaries between companies will change. Your warehouse might partly move to your customer's factory, part of your customer's testing laboratory might move into your own tannery.

Inevitably, the question of intellectual property rights becomes very complicated.

The second issue which arises is much harder to deal with, and the answer for the leather industry is much less obvious. I would like to introduce and discuss it nearer the end of this talk.

### **The FootJoy Sta-Sof Glove - collaboration at work**

We at FootJoy benefit from a number of collaborative ventures, which link consumer groups, the golf professionals, some University Departments, with supplies of leather,

synthetics, golf shoe spikes and other components. A good number of the items we have developed are the subject of patents around the world, as knowledge is an increasingly valuable element in all that we do.

In our glove business, which currently has a market share world wide of about 35%, we began our best-known collaboration with the British tanner, Pittards. Pittards had an advanced water-resistant material that they had developed for military uses and believed they could exploit it in other areas, but lacked a vehicle with which to do so. FootJoy had been interested in entering the golf glove business but needed a point of technical innovation to make it worthwhile. The golf glove market was apparently mature, the glove was a low-grade commodity, a staple purchase for the consumer, and in such a market a trusted brand like FootJoy would be likely to do well if they could offer a good innovative product.

This was around 1980: nearly twenty years ago. Both partners had their superior product. And it was at that moment that you consider marketing. The 10 per cent of the marketing iceberg that shows above the water line became very important. The market need was recognised for a product, which did not harden and become difficult to use after just a few wears. So, as a typical example of the early stages of the life cycle, advertising and promotion were used to establish the category, this new "Sta-Sof" segment, in the consumer mind. It was a premium sector, from a renowned brand name, promising new levels of performance.

As we moved to the second stage advertising and all marketing communication was based on establishing differentiation in selling product features. It was at this stage that heavy emphasis is put on the "stay soft" and dry features.

Stage three followed quickly and can be recognised in marketing terms from a change from selling the features to selling the benefits that those features give rise to. A change from "this golf ball has a two-piece construction and a surlyn cover" to "this ball gives you greater distance off the tee."

And when you start to sell the emotion, the "Just Do It" factor, you are indicating a market moving into its mature stage.

This cycle ran through the eighties and the glove grew to be the number one selling golf glove in the world. Since then the golf market has itself matured, which normally lead to market consolidation and a strengthening of the position of the major brands. This has happened.

At the same time this ongoing collaboration allowed Pittards to improve and perfect the leather, so that by 1984 it really was an outstanding article. FootJoy were able to make a successful push for a dominant market share truly knowing we had the best product by a long way. It also allowed Pittards to adapt and cascade the technology through other sectors of their business.

Let me take a moment to summarise. In the leather market great new products do not guarantee prosperity, but without them you will struggle. To develop such new products you will need collaboration, true partnerships. To understand where and how they fit into your business you need to understand all the relationships which are important to your business, at both the input and output levels. You must understand who provides what in terms of innovation and technology in this relation and fit the whole together to match what you see as your core skills.

Now you can say you are truly involved in strategic marketing.

### **A mature market does not mean a static market**

As I said earlier this total marketing strategy is something you have to look at regularly. Things change, people change, business cultures change, and most of all needs and uncertainties change.

Some of you here may remember buying your first computer. You had little knowledge of what you required; the technology was new to you and was changing fast. You had a needs uncertainty, as you did not really know what you wanted. In these circumstances purchasers often postpone the purchase, or they seek advice from colleagues who know more of the particular subject, or they buy from trusted brands. That was precisely why IBM did so well: "No one got the sack for buying an IBM".

The next time you purchased a computer it was a little different. You knew what you wanted; indeed you were almost an expert. You understood about CD-ROM's, RAM, Hard Drives, and that some Windows were not for cleaning. You were looking for a particular specification that suited your current needs. Brand was less important. Your uncertainties had changed.

Uncertainty is a big issue in the leather by the very nature of the material. With leather we have:

- areas of defined technology where we can specify aspects with great clarity, Chrome content, fat content, lastometer and tensile strength all fall into this category
- less well defined areas for which we have no measure. These include hardness, softness, drape, tight grain. loose break, dull, bright, lacking sheen. Colour is another big area which is still very hard to define
- Emotion. In garments, in top leather goods, even in our golf gloves the leather needs something to set it apart. This mostly relates to a bundle of aspects, including touch, feel and look. It is very hard to define, and often the buyer in the shoe, garment or leather-goods factory will be the only one who understands it. But in a market where value comes from differentiation this person is the guardian of the brand, and we have to respect their determination to maintain what they see as the integrity of the product they sell.
- Grading. An area that is very hard to predict and control

So we certainly have one group of uncertainties in the leather industry that come just from having a product whose essential characteristics are hard to define, and where even with standard leathers it is hard to agree a specification that will really guarantee success in manufacture.

There is a similar range of uncertainties for sellers and these can also change. So regular and detailed audits of your business networks are essential.

So without collaboration, without innovation, without your marketing being entrenched in the design and production of your products any advertising and public relations is going to be entirely wasted.

When you do have your positioning in place, when you have collaborated and through collaboration innovated, then you can start to use these marketing tools to develop your brand.

A brand is essentially everything that you do and it 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. One of the first issues to be considered is the personality you wish to project at different levels. This effectively means that you are a brand whether you like or not, and the question arising is whether it is timely to develop that brand.

The Marketing and Branding Issue for all Africa: transaction uncertainty

Now a Brand can be 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 "It's very well made in Taiwan". In the last few years we have seen the emergence of sports clubs - most notably the soccer club Manchester United whose value has risen from \$15m to \$1000m in just ten years - as fully-fledged brands.

This is relevant for a meeting in Cape Town entitled "Meet in Africa". Here and now you do have one main issue as you choose to go down stream. For a buyer the label "Made in Africa" often identifies an uncertainty. In this instance the uncertainty the buyer has is a Transaction Uncertainty. He is likely to have fears that the product will not be delivered as promised. He will feel that timeliness, grading or quality will be compromised. This will affect the way the customer will approach the transaction, the price that will be paid, and the amount of the purchase. And remember, this uncertainty is overlaid on top of the basic uncertainty inherent in the product itself.

### **It is an error to promise and not to deliver**

Developments in Taiwan and in Japan demonstrate that it is possible to overcome such an image of poor quality and reliability. But it is a task of dedication that has to be followed consistently year in and year out, and maintained through every element of the sector.

Everyone involved in it must commit. There is no good saying you will deliver quality and failing. You need to view any brand like a bank deposit. Making errors on quality or deciding to miss years out in the campaign soon depletes the account and drives you towards negative equity. I look forward to this most important topic of "made in Africa" later this week.

Although not a regional campaign the one currently being carried out by the plastic industry in the US is a good example of what can be achieved. "Plastic is cheap, it doesn't last, it is a substitute material, and it is hard to dispose of." These are difficult attitudes to reverse. The plastic industry has addressed it through a co-operative advertising campaign, which raised consumer attitudes from a 52 to a 64 per cent favorable mark. In advertising terms this means the difference between consumer antagonism and consumer contentment.

In March of this year Plastic News reported that "once a minimal annual advertising target rating point is met, public opinion about plastic' attributes - health, safety and environmental - grows and stays positive. The simple fact is that if the plastics industry doesn't communicate for itself, about its strengths as well as its weaknesses, the antiplastic messages from its commercial and environmental competitors will continue to distort public opinion". 5

Regional branding is already well known in the leather industry, and has been best used by countries like Italy and Spain. These are heavily based on history and heritage, which other regions might feel should be less emphasised.

One can also consider branding by sector - clothing, upholstery for example, or by raw material.

With leather we are dealing with a component, and branding in this situation is known as ingredient branding.

The consumer does not buy leather - he buys items made of leather, be they garment, cars, furniture or footwear. Component or ingredient branding is one of the most complex areas in which to work.

Not only are these campaigns complex, they are expensive, and since our industry is fragmented and most marketing is going to be done at the company level - since experience shows we are quite poor at pulling together - I can already hear you switching off. Nevertheless most of the elements have great relevance and need to be understood.

There have been some outstanding ingredient brand campaigns. They include companies like Intel, BASF, Gore-Tex and NutraSweet.

The common characteristics of ingredient branding are based on an attempt to confer upon their ingredient products an image of quality and trust, particularly in categories where ingredients have previously been unbranded to consumers.

Mostly reliance is placed heavily on consumer/end user demand to affect customer/manufacture demand. In most cases this pull strategy is characterised by the following:

- advertising to consumers to overcome manufacturers' skepticism or resistance to new ingredient brands
- shift to consumer relationship marketing, increased level of service and competitive pricing strategies to maintain leadership position, as competition emerges
- extensive use of co-op advertising and logo placement on end-products
- control over end-product manufacturing process (often resulting in manufacturer dissatisfaction)

Over the last decade we have seen a move back to nature. When the non-sugar sweetener NutraSweet first came to the market place in the early 1980s it had big barriers to jump as a "synthetic" material. The big drink brands shied away from it, fearful of consumer reaction, and concerned about some of the health issues that had arisen with previous products. It was somehow politically incorrect. So NutraSweet was forced to go direct to the consumers and create a pull strategy for the product by such tactics as giving away free gumballs to try and persuade consumers that the NutraSweet flavour tasted good.

This was a key element at the start of a US\$25m annual advertising and promotions campaign to "mainstream" the Brand. Added to this was another key element of \$200m worth of exposure through co-op deals with food and beverage manufacturers.

By this method NutraSweet was able to co-brand with top line products from trusted brands, and it backed this position with hefty expenditure on health studies and PR to support the value of the product to the consumer.

The campaign was successful to the extent that NutraSweet became the accepted standard, and the NutraSweet logo attained 99% consumer recognition.

It has been said that the more recent Intel campaign was inspired by the success of NutraSweet.

Intel also shows the need to be very pro-active. Intel had to push full front and centre to get the computer makers to come to the party and acknowledge and support the "Intel Inside" campaign.

In managing ingredient branding you have to do things with your customers and alongside your customers. The mix of activities is very complex, and costly if you intend to get to top of mind and stay there.

Nevertheless all of these activities in ingredient branding have relevance even if you define our target audience very tightly, or as strictly trade. Building a brand at trade level is much simpler and faster than at the consumer level.

We also have an advantage of a strong and active trade media presence in our industry, and even despite the loss of Paris, an almost too extensive array of trade fairs.

This way you can create a personality for your brand, set out an affordable campaign. Most importantly you must decide a campaign that you can afford to stick with year in and year out.

Public relations are a very effective way to prepare your message, and to work out how to express it and differentiate it. This needs to happen not only in the market place, but also within your business. It is very important that everyone in your organisation understands and commits to your branding policy. PR also helps you to decide your audience - leather buyers or designers for example. Do you actually want to attract the attention of marketing people in your target accounts, or are you primarily a price producer wanting to build a reputation around service and delivery?

After choosing the correct trade magazines - and the style of advert that suits your offering - along with the stage in the life cycle - you will find trade advertising campaigns generally affordable.

In all this you must not ignore the process of measuring. Manufacturers of all products and tanners are certainly no exception, tend to romance their products, and consequently tend to be poor listeners. External research need not be expensive and can provide essential data on your market and on trends that you may miss by being too close, too involved.

While this mix is costly if you are trying to get to the consumer, it is much less costly if your audience is limited to selected areas of the trade. As globalisation and communication increases the likelihood of commoditisation. So branding and marketing will be increasingly important for us all. Some indication of what is happening with finished goods comes from a look at the sports market.

### **The Sports Market**

My company, FootJoy, has been a footwear company since the mid nineteenth century, and exclusively a golf footwear company since 1955. I have described how in 1980 we launched a golf glove with the name Sta-Sof into a commodity market in which the main differentiation had been size - small, medium and large. Within three years this became the leading glove sold in the USA and within five years the leading glove sold in the world.

As time has passed the marketing techniques needed to hold and maintain that position have been adjusted but the basic rules remain. Lose product integrity and you will lose your repeat sales. Lose your brand reputation and recognition and you will lose distribution and sales. And in a golf market which is clearly mature, although the industry and Wall Street is often unwilling to admit it, the major elements for the future are scintillating new products and strong brand management.

Increasingly throughout this decade consumers have gone into shops to buy their sports goods with a specific brand in their sights. In one study figures as high as 58% per cent for sports apparel, 69% for sports footwear, and 54% for sports equipment.<sup>6</sup> The sports market is one area that powerful marketing is needed to ensure products get visibility. These are typical scenarios in a mature area.

In the marketing of sports equipment and apparel one major feature has been the use of athletes by the sports brands. This has been very successful and few sports companies would feel comfortable today if they did not have the endorsement of one or more major sports personalities in their area.

Care does need to be taken in this area as recent studies have shown that perhaps this increasingly costly activity is not all that it seems. While it has undoubtedly worked well for some the clutter today is making it harder for the brand to get its message across.

Studies over the last few years increasingly show that consumers are having difficulty in making the linkage. In the UK according to a study published late last years only 3 soccer players were meaningfully linked through to the brand that sponsors them.<sup>7</sup>

Two things need to be recognised here. Firstly that you must deal with endorsements very carefully. They are part of a branding exercise and those you chose must be compatible with the touch and feel of the brand. Success over the last two decades has closely followed those who have been true to this maxim, and where the brand spokesperson can be closely identified with the attributes of the company and their style and behavior matches its attributes.

Secondly there is evidence of a new evolution in sports marketing. Driven by the increasing dominance of larger companies (which is another indicator of a mature market), with large marketing budgets, driven by the new power of the media who with cable, satellite and digital TV have new sources of revenue to use to compete for the best fixtures, driven by the changes going on at retail. Now the big sports outlets are increasingly dominating the scene. This is leading to changes in the channel structure. Never before have the big sports clubs like Manchester United flexed their muscles as a brand and never before have the big sports associations like the Professional Golf Association wielded their power to bring more media money back into the sport. So expect to see changes in how the players earn their income, and who owns the fixtures that they play.

The underlying theme here is that in a changing world, with a mature sports market where strong marketing is needed to extend the product life cycles, and where the emotion is heavily played on, all major sports companies must utilise all their novel marketing ideas in ways that are strictly supportive of their brand's position. The Sports industry is full of famous examples where brand confusion has quickly lead to loss of market share.

So the challenge to the leather industry that comes with the coming of the new millennium is to advance the technology and give the customer and through them the consumers great products, but in doing so to add some leadership marketing alongside. Having a great product does not mean you always win. Marketing that works with individual products and categories, certainly, but also consider the benefit of a stronger marketing push for leather and leather from Africa. I have discussed the Plastics industry, and you are aware of the Cotton Council and the Wool Secretariat. Smart marketing, proactive brand management can change things; can allow you to beat the L2K problem.

I said earlier that there was one further issue arising from the consideration of technology in our business that I wanted to return to. Anyone involved in marketing leather, and trying to achieve the greatest added value for it, know that they are marketing emotion. Leather has two great roles, and one is performance and the other is beauty and emotion. That is what is involved in the purchase of so many items made in leather. But with the technology moving more and more to the chemical suppliers, and tanners being essentially left with process technologies most suited to chemists and chemical engineers, we are losing this emotional capability from our tanneries. To safeguard the future tanners must find ways to develop and retain these "emotional" skills in our tanneries.

Life is never simple. These are complicated times and I commend you to use your skills and employ the full potential of marketing to maximise your prosperity in the tanning industry.

**Michael Redwood**  
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