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BRANDING IN THE CHEMICAL INDUSTRY TODAY – A SNAPSHOT

Looking back over the past few decades, chemical companies have generally been very slow in adopting good branding practices and there has been a reluctance to accept brands and branding as valuable, powerful tools. Whilst every chemical company necessarily has a ‘corporate brand’, and most have at least some sub-brands, only a very few have made a good job of building and managing their brands overall, and the majority have not paid any great attention to branding or taken it particularly seriously – and many have largely dismissed it as ‘not relevant here’.

Nevertheless in most chemical companies there are examples of good branding practice. In a few cases the corporate brand has been managed consistently and effectively for many years, and there are also some extremely well-established and powerful product range brands; elsewhere, there are many less well-known brands which have been carefully thought-through and well managed. As an aside, these examples demonstrate that brands and branding do work in the chemical sector and with chemical products.

However even in those companies where there are examples of good brand practice, the general approach can often best be described as “patchy”. The good examples are usually the result of the efforts of a few people rather than evidence of a corporate-wide understanding and acceptance of branding, and they can contrast quite markedly with practices elsewhere in the same companies.

Types Of Brand

Underlying many discussions about brands is an assumption that they are all the same. This is incorrect, and a frequent cause of misunderstanding. Whilst there are overlaps, corporate brands and product range brands perform quite different functions, they work in different ways, the issues and problems typically associated with them are very different, and consequently the methods for managing them effectively and for deriving maximum value from them are also different.

A common third type of brand sits between these, namely subsidiary, divisional or strategic business unit (SBU) brands. In many respects these are similar to the corporate brand – they perform much the same function – but there is a specific set of issues associated with them. By far the most common reason why companies have subsidiary/divisional/SBU names which are different from their corporate name is that they have grown by acquisition, and for one reason or another have not substituted acquired companies’ names with their own. Whether and how acquired brands should be replaced by the acquirer’s is a complex and quite separate topic.

Roles Of Brands

The role many people perceive brands as performing is the external one with customers – customers recognise the brand, associate a set of characteristics with it and so purchase the company's products in preference to other companies' products. A brand's ability to do this is generally referred to as 'brand equity'.

Unfortunately this view is overly simplistic, and underpins much of the scepticism of brands which exists in many parts of the chemical sector.

Firstly, brands can have considerable equity in industrial markets – but how they actually work can vary enormously depending on the product-market in question and on the strategy pursued by the company. Sadly, how they work is often poorly understood and consequently many opportunities for building and exploiting brand equity have been missed.

Secondly, it is often forgotten that a company communicates with an array of 'audiences' besides customers – in particular, with its shareholders and the financial community, its employees, its suppliers, and, if it operates major production sites, local communities. Some chemical companies also recognise the end consumers of their products as an important audience, even though separated from them by downstream manufacturers (their immediate customers), distributors and retailers. The corporate brand plays a pivotal role in communicating with all these audiences.

Thirdly, there are two other important roles of brands, which are often not appreciated:

- Firstly, chemical companies' views on the need for a strong, consistent corporate culture vary widely – but those that are committed to building and sustaining a vibrant and positive culture mostly recognise that a corporate brand with clearly defined values is the cornerstone of this.

- Well-structured product range brands which are co-ordinated world-wide can give the organisation tremendous control over its global operations and global business performance, without unnecessarily limiting the autonomy, flexibility and local responsiveness of far-distant operating units, and without inhibiting their entrepreneurialism.

Responsibility For The Corporate Brand

Responsibility has traditionally resided with the Head of Corporate Communications, with his or her Department looking after external corporate communication and the 'Corporate Identity' (essentially, the visual representation of the name and company logo and the rules and regulations governing where and how the brand can be used).

The understanding of the corporate brand which Corporate Communications executives possess is often very good, occasionally excellent – and frequently far surpasses the above basic responsibilities. In the past, they have often felt themselves to be 'voices in the wilderness' with respect to their efforts to maximise the value the company was extracting from its corporate brand. Even today, many acknowledge there remains a fair degree of cynicism amongst senior managers and executives about branding. And no matter how knowledgeable about and committed to building the corporate brand a few people in Corporate Communications are, if their efforts are not supported on a day-to-day basis by others around the company, the corporate brand can never achieve its full potential.

Interestingly, responsibilities have recently been expanded quite dramatically in a few chemical companies, as CEO's and main boards have begun to appreciate the wider importance and potential of the corporate brand. In several, Corporate Communications has gained responsibility for defining, driving and supporting a common corporate culture; and in a couple, also for the development and installation of good brand planning and management throughout the corporation.

Responsibility For Product Range Brands

Whilst most chemical companies do have product range brands, the majority even today do not manage them proactively and as something of considerable value, so again do not realise their potential. There are two primary causes:

Firstly, in Business Units, responsibility for them typically resides with 'Product Managers', "Marketing Managers" or even "Business Stream Managers". Levels of understanding of branding amongst these managers vary widely. A few have an excellent grasp of the issues involved, indeed in relation to product range brands have practical understanding and experience beyond that of communications people.

Many others (probably the majority) have a sound basic understanding of branding, but this is quite narrow, being primarily based on their personal experiences. This has several implications:

- Their thinking can be rather blinkered. This is not a criticism of the individual's ability, but rather a reflection of the fact that there is no established body of thinking relating to branding.

- Successive brand situations and problems are treated independently, and the approach or 'solution' is developed from scratch. Decisions are taken by the Product Manager in conjunction with other interested parties, and can take considerable debate and several meetings, sometimes with a time-lapse of months – and there are plenty of examples of difficult brand issues being deferred for years. Again, this is not a criticism of the application or logic of the individuals involved, but reflects the absence of guidelines, either formal or informal, let alone an established 'best practice'.

- More significantly, as each situation is considered as it arises (i.e. reactively), whilst individual decisions may be carefully considered and well justified, there can be inconsistencies between successive ones, and the organisation's overall brand profile develops through a series of incremental moves.

  Put another way, whilst they may have sound brand strategies for individual products, few business units have a well-defined, integrated brand strategy for a whole business area.

- Occasionally, poor decisions are made. The chances of this are increased by the absence of established basic guidelines on brand management; and when mistakes are made, they may go unnoticed indefinitely for the same reason.

Finally, in some chemical companies even Product or Marketing Managers are not converts to the branding cause, and here 'brands' are perceived as little more than product identifiers or labels. Unfortunately, this is a self-fulfilling prophecy: if the manager believes brands can do little for the business, he or she will devote little effort to managing and building them, and they will be treated as labels – and consequently will not develop and gain value.

Secondly, as their titles suggest, their responsibilities are focused around products and markets, and by implication brands are, at best, a secondary issue. This is borne out in practice, with many Product or Marketing Managers treating branding as something of an afterthought – i.e. 'brand strategies' are essentially decisions about how products should be named and positioned.

This contrasts sharply with consumer product companies, where the title 'Brand Manager' is common. These managers have fundamentally the same job as their chemical industry counterparts – they are responsible for understanding markets and customers, ensuring products meets customers' requirements and are positioned, priced and promoted appropriately. However their work is led by brand strategy, and their first concern is the development and protection of the brand.

This is not a necessary difference between the consumer and chemical sectors – and there is a small minority of Product Managers in the chemical sector whose jobs are built around the management of a brand.

Is this just an academic distinction? Most certainly not, for in those companies where the primary focus is on products or markets, the reactive approach to brands has often resulted in:

- Either large numbers of product range 'brands', many of which have little or no real value, or, at the other extreme, many products named generically or by their chemical names.

- Anomalies in product naming – e.g. the same product named differently in different geographic territories, or the same brand positioned totally differently in different markets.

- Minimal discipline regarding the introduction of new brands and the discontinuation of old ones (i.e. on absence of formal policies and procedures associated with brand management).

Conversely, the minority of chemical companies that do place product range brands on a pedestal and structure business management around them typically have highly coherent product/market strategies which focus around building brands, which in turn have amassed very considerable brand equity.

Why Interest In Branding Has Increased

Branding is a current, live topic in the industry. Considerable effort is being made to advance the thinking surrounding it, to build strong corporate brands and to improve the overall management and co-ordination of sub-brands. Some companies have made impressive progress in the last two or three years; and whilst most acknowledge there is still considerable scope for improvement, there is at least widespread recognition of this and a commitment to making progress.

This surge in interest has been prompted by two factors in particular.

- Firstly, the tidal wave of acquisitions and restructurings which has spawned so many new corporate brands – Avecia, Cognis, Acordis, Elementis, Aventis, Rhodia, Syngenta, Clariant, Solutia, and many, many more. In parallel, many long-established corporate brands have disappeared.

- Secondly, the downgrading of the chemical sector by financial markets. In response, companies have sought to greatly improve analysts' and investors' perceptions of themselves by building new packages of messages around their corporate brand – frequently trying to reposition themselves away from 'chemicals' and into supposedly more attractive business areas.

Consequently, the corporate brand is today far higher on the corporate agenda than it was a decade ago, and that thinking about its development and management has advanced quite rapidly.

The understanding of and thinking surrounding product range brands has not moved at the same pace – which is not surprising, because the above factors largely impact on the corporate brand. Nevertheless, some companies are striving to better management and control of product range brands, and it seems likely that improvements will continue.

Barriers To Further Improvement

There is growing realisation at board level in many chemical companies that branding is important and potentially very valuable, although there are still quite considerable gaps in understanding of just how it functions, and attention is focused on the corporate brand. Staff responsible for the corporate brand usually have a good appreciation of many aspects of branding.

At SBU level, those with product range brand responsibility mostly have a fair understanding, although frequently based on personal experience; and because brands are often seen as a minor part of their responsibilities, brand strategy is developed with the absence of any overall 'master plan'. Nevertheless progress has been made and there are promising signs.

Outside of these groups, levels of understanding taper off quite rapidly. The typical perception non-marketing managers in divisions and SBU have of brands and branding can often be characterised by the following statements:

- Brands are basically names to identify products by.

- Customers know our products by name, so use these when ordering; but their decision to use them is based on technical and commercial grounds, and the brand has little impact.

- Brands are marketing tools for consumer markets – they are unimportant in chemical and chemical product markets.

- The corporate brand is the responsibility of the corporate communications people, who set rules governing its visual presentation. Product range brands are the responsibility of product managers, whose job in connection with branding is to decide what new products are going to be called, produce literature, arrange exhibitions, and perhaps place some limited trade advertisements.

Fortunately, such views are gradually changing, but they are still widespread in many chemical companies. When asked the biggest single issue regarding branding, the person with overall responsibility for branding in one of the very largest chemical companies, moreover one of those most widely recognised for its branding successes replied:

> *"The CEO is fully behind branding, and the Board are quite supportive. I believe my staff have a high level of expertise and do good work in connection with brands; and generally the marketing and communications staff within our divisions and business units are knowledgeable and positive (although some far more so than others).*
>
> *But this is a small minority in a huge organisation (many tens of thousands of employees). The vast majority still think brands have nothing to do with them, and are not relevant to their particular part of the business.*
>
> *This remains the single greatest inhibitor of the development of valuable brands in our company."*