

Developing Global Brands

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It is the year 2010 in a post-WTO world, a report datelined Colombo hits the headlines: Ceylon Tea, latest victim of Globalization. It reads, "Last Wednesday distraught tea traders assembled at the Chamber of Commerce in Colombo, Sri Lanka for the last time, ending a centuries old tradition which saw the rise and fall of a great industry. Ceylon Tea, once celebrated by Royals and Peasants alike from Canada and the US to Japan and Russia, is no more. Severe competition from more efficient producers Vietnam, Kenya, Indonesia and China sealed the coffin of this once formidable industry....."

The way Sri Lanka and her tea industry are operating today, that headline is a certainty, maybe not in 2010, but most definitely before 2015. With this industry providing direct employment to over 500,000 workers and being a major source of revenue for Sri Lanka, we cannot permit even the remotest possibility of that being the case. The solution is branding. Repositioning the industry, and leading a paradigm change as the theme of this Conference advocates.

Like most significant tasks, this will not be an easy one. Before we get on with the job we need to address the most prominent obstacle – that of convincing the stakeholders. Brand Marketing ranks as one of the most misunderstood concepts in the sphere of business. Most people recognise the value of a brand, but rarely understand that it is not simply a tool of business but an all encompassing business orientation. Most appreciate the benefits a brand can bring, but fail to see that the brand is not simply a function of the Marketing Department, but a manifestation of their business as a whole. Branding therefore does not merely imply that any company can recruit a marketer and start from tomorrow. Branding requires that every aspect of that business from manufacturing practice to process flows, quality control to R&D, attitude to expectation, need to be fundamentally re-oriented to meet the challenges of brand marketing.

There is no roadmap to the development of a global brand since every product and every brand should be unique in most aspects. There are some learnings though from our own experience through Dilmah Tea, and from other brands, which may illuminate the way for potential brand marketers. Let us ex-

plore the rationale for branding, how to make the transition, why make the effort at all? Let us look at the ingredients of a brand and a strategic approach to developing a brand.

The transition from commodity to brand could be one of the most difficult experiences a business could undergo. Essentially, any company with the vision and determination to go through this process would be making its customers, its competitors. Ingredient branding is the only exception to this since that would entail a strategy of adding value through branding to an ingredient which may continue to be sold through the same channels.

In the 1970s, my father Merrill J Fernando, decided that he would try his hand at branding. Logically he consulted the brokers and importers he worked with as a successful bulk tea trader and sought their assistance in offering a value added product to their clients. His UK broker called his agent after the meeting and told him never to send him back. His Australian broker lectured him on why the third world should attempt to do more than what it was meant to – supply raw material. He lost over half his hard-won clients but he persevered, and his brand, first a company-brand as a quality private label packer and then as Dilmah, Finest Ceylon Tea, grew. There is no easy way around this process. The comfort I can offer you if you do take this route is that, with a well considered Strategic Marketing Plan, every step will be cast on stone. Each positive consumer experience of your brand is an investment in the creation of your brand asset.

Consider one of the most successful transitions from commodity to brand. Ten years ago, as you took your seat at a restaurant or café, the waiter would unquestioningly fill your glass with water – from the tap and serve it free. Today, from Colombo to Colorado, any upscale restaurant will present diners with several brands of mineral or spring water at a price rivalling Pepsi or Tea. In supermarkets, the mineral water category is amongst the ten fastest growing, and as you will observe in any Western supermarket, it occupies several metres more shelf space than tea. In 2001 this category grew 19.4%, and in 2002 even with a bad European Summer it grew 9%. A C Nielsen reports that out of 90 categories reviewed globally, only 9 grew more than 10%. Bottled water is on the Top 5 Globally. In 2001 the bottled water category was worth US\$15 billion.

The value of branding for water is evident in that value addition has skyrocketed, branded mineral water sales have grown as consumers have been treated to speciality and flavoured mineral waters. Those brands that have succeeded are able to fight off the competition that the profitability of the category is creating. For those brands that succeed, the security of survival, profit and growth opportunities are certain.

This leads us to the nature of the brand. A brand is not just the logo on the pack or a great tagline that some agency created. If the product or service fails to match consumer expectation, a million dollars and the best agency in the world, can only give short term results. Branding is a response to competition and increased consumer choice, but it is also the embodiment of the business that owns it. As much as companies need brands to distinguish their product from the multitude of competitors, consumers need guidance to the brands of tea, rice, cereal etc., that confront them in supermarkets. Faced with 50 brands of tea, or 10 brands of Vitamin C, the consumer relies on a brand to identify which in his opinion offers him a rewarding experience, and that is what makes the consumer happy to pay for the product or service and come back for more. That experience might be the quality of Dilmah Tea, the price of a Maruti car, or the fact that Emirates Airline is helping poor children. The brand therefore is as beneficial to the consumer in matching preferences with product as it is for the brand owner in adding value.

That's just the easy part though, for the brand is not what a CEO or Marketing Director might desire it to be. There was a time not so long ago when a Marketer could control the image and attributes of a brand by crafting an image that would be displayed in advertising and PR. However today the brand is what the company is – the company's social consciousness, geographic location, technology, speed of action, special ingredients, credentials, mental attitude and heritage. If you were to try to deceive the consumer, you would only do so for the first purchase or until the first news report appeared on the Internet. Dilmah has built global brand equity, becoming a brand of significance in the tea category on a platform of Quality Ceylon Tea, cared for by a family with a passion for quality. If that were not the case, it would only take an internet connection and 60 seconds for the consumer to find out and change his or her image of Dilmah.

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The implications of the brand personality we aspire to create are numerous - our factory must be 'state of the art' to deliver a product matching our claims, consumer emails and letters should be personally responded to by the Founder or his family, not using CRM software but personalised in order to ensure every consumer knows that ours is a family business that values tradition, that we should be based in Sri Lanka, using Ceylon Tea and not in Vietnam for example, and that our packaging and presentation should be the best in the category.

Ultimately, it means that our product should be the finest on shelf, to justify the premium the consumer pays, deliver the rewarding experience the consumer expects and make our communication credible. The consumer is intelligent, resourceful and aware - and that is fundamental to any branding strategy for at the end of the day it is the consumer who owns a brand. The consumer dictates success or failure and unless the brand is totally responsive to his or her preferences, there can be no customer.

In 1999, Interbrand coined the term brand iceberg. I cannot imagine a more appropriate analogy for what a brand is. In water, more than 75% of the mass of an iceberg is hidden, but that hidden mass is what makes the 25% protrude outward. In the same way, most of the mass of any successful brand is intangible - consisting of factors like the company HR policy, its technology, its Knowledge Management capability, its Quality Assurance, Processes, Internal Communication, Management, Social and environmental responsibility, Vision, Commitment and Brand value. These make up the hidden mass that supports the more tangible aspects of a brand in the form of logo, advertising, product, brand-name etc.

What emerges from all this is that a brand is a means for a company to differentiate itself and its product, command an added value by distinguishing itself from its competition. However this is not an easy task and requires total involvement in the principle of the brand from worker to CEO. Lets construct a virtual brand that one day might emerge in Sri Lanka from a category that is currently heavily commoditised.

Southern Spice

The Original Ceylon Cinnamon

Sri Lanka offers what is undoubtedly the best quality Cinnamon in the world - yet, the industry is under-developed in terms of value

addition. The recorded history of Cinnamon in Sri Lanka goes back to the 13th Century when an Arab, Kazwini mentions Ceylon Cinnamon in AD 1275. During the Dutch period of Ceylon, since 1656 the Dutch East India Company saw the potential in the Cinnamon industry and monopolised it, eventually supplying all of Europe with around 400,000 pounds of Ceylon Cinnamon. Cinnamon was more valuable than gold.

What have we got to build our brand? A first class product, a strong and authentic heritage for this product and an unique claim that would make Ceylon Cinnamon distinct from all others in the form of our own species, *Cinnamomum zeylanicum*. This form of Cinnamon can claim to be the original. That is a large part of the iceberg. Strong spice brands do exist in Europe and the US but all of them focus on the brand as a generally good quality provider of spices. McCormick, global category leader, positions itself as 'The taste you can trust,' and its Cinnamon product does not have any really distinctive features apart from the strength of the brand.

Lets look at whether Southern Spice should be developed at all. The negatives first -

1. Development of a brand in a highly competitive supermarket and ingredient category is expensive and requires time both in developing the infrastructure or the intangibles of the brand, and in communicating with the consumer.
2. The Cinnamon industry in Sri Lanka is under-developed to an extent where cost of production is high and availability limited. Significant changes would be required in the manufacturing process, quality control, labour practices, research and agricultural practices to prepare the product for branding.
3. The strength of global brands like McCormicks and supermarkets own label Spice ranges make the development of Ceylon Spice a difficult process.
4. Sri Lanka is the largest exporter of Cinnamon in the world today. Why worry?

And the positives -

1. Current exports are primarily in bulk for packing and branding overseas. In this form there is no product differentiation and lower cost producers like India and Indonesia are eroding Sri Lankan share of Cinnamon.
2. Cassia, a Cinnamon substitute is on average half the cost of the real thing, and is growing in popularity whilst consumers are oblivious to this change. Unless consumers become more aware of Cinnamon and add it to their perceived preferences, Cassia will

usurp the role of Cinnamon and Ceylon will lose an opportunity.

3. The very strength of the global brands and the fact that these brands source their spices from the least expensive origins in the interest of profit and not quality, suggest that without significant evolution in the business model, *Cinnamomum zeylanicum* would either disappear as these brands move to lower cost suppliers or substitutes, or Ceylon Cinnamon may just remain a localised commodity.
4. The existence of the Alba form of Ceylon Cinnamon, which is of excellent quality, and the fact that a handful of smallholders have shown that by following prudent agricultural and harvesting practices, yield and product quality can be outstanding, suggests that Southern Spice can genuinely offer the consumer a distinctive product, simultaneously addressing the need to develop a premium for the Ceylon Spice Industry.
5. The project is an adman's dream - a genuinely excellent product, with a legendary history rooted in the time of the Renaissance, when explorers valiantly travelled to distant lands in search of exotic products. A product that is still harvested in a time honoured tradition, with peelers of specific caste just as it is described in Pharmacographia, in 1536. This aspect more than fulfils the authenticity and heritage aspects of a brand iceberg. In a period when consumers are questioning the relevance of products, the romantic, social and quality history of Southern Spice gives enormous credence to the brand.
6. The Consumer loves Cinnamon. Usage is growing from the Cinnamon powder on your Cappuccino at Starbucks to the Cinnamon Gummy bears from the Confectionery Industry. Imagine enhancing the consumers enjoyment and simultaneously benefiting our industry by offering not just a hint of Cinnamon with their Cappuccino, but a sprinkling of Imperial Ceylon Cinnamon, the spice once relished by kings and desired by every European, now back in its original and organic form. The potential to grow the Cinnamon segment with innovative marketing is enormous and untapped.

The list goes on. Fundamentally though, it is clear that with competition from other, more efficient Cinnamon growers like India, Indonesia, and a Cinnamon substitute, Cassia, Sri Lanka needs to make its Cinnamon product distinctive to survive. If properly managed, this will have the benefits of helping Cinnamon growers to command a premium and

offset the higher cost of production whilst also gaining for Sri Lanka an asset in the form of a brand which can act as a catalyst to the development of an industry and grow into a strong global brand. There are two aspects to this exercise since it is not only the Southern Spice brand that will derive the benefits of an industry and brand development programme for Ceylon Cinnamon, but also potentially the entire Original Ceylon Cinnamon sector.

Ingredient branding illustrates the value of the brand in an indisputable manner. One of the first examples was NutraSweet artificial sweetener. Many of us chose Canderel as our brand of choice since it had the assurance of containing NutraSweet. That brand was promoted using PR, research etc., and that gave it an enormous edge over other products with the same attributes, since consumers looked for the NutraSweet logo on their sweetener.

In an altogether different industry – Information Technology - 12 years ago a small sticker started appearing on many of our computers – it said 'Intel Inside' and was accompanied by a marketing campaign through PR, print and television. Until then, our decision to purchase a computer was based on the brand of PC and its technical characteristics, but this campaign made an anonymous piece of silicon a key aspect of our purchasing decision, as important as the processor speed was, 'Is it Intel?'

At that time Intel was the leader in processors, but they saw a future where competition would intensify and crafted a brand that today places them head and shoulders above any other processor manufacturer. AMD, Via Technologies, SiS (Silicon Integrated Systems) all of which have similar technologies, have significantly less ability than Intel to compete, less ability to command the 30%+ premium that Intel chips enjoy with PC makers and have no lasting asset that could help them in case of a major industry shift. Having built a strong brand, Intel is today extending their brand from processors to chipsets, networking components and flash memory.

Similarly, building awareness of Ceylon Cinnamon directly with the consumer would give spice brands like McCormick a compelling reason to use our product. Like the 'Intel Inside logo' on an IBM PC, our logo – for example 'Imperial Ceylon Cinnamon, spice of Royalty for Seven Centuries' – could help Sri Lanka carve out greater value. If the target consumer is aware of the attributes of The Original Ceylon Cinnamon, he will desire the

product. Eventually your Latte will be garnished with Imperial Ceylon Cinnamon, and your desert Sorbet contain Imperial Ceylon Cinnamon.

As an example, in Dilmah's first export market, Australia, the strong growth of the brand generated tremendous awareness of Ceylon Tea. Dilmah sponsored journalist tours to Sri Lanka, made PR campaigns about the quality and heritage of Ceylon, used images of Ceylon prominently in its advertising and renewed awareness amongst the older age groups about Ceylon Tea. This created demand for Ceylon Tea amongst a certain consumer group. Noting this trend and the rapid growth of Dilmah, the category leader launched 'Royal Ceylon Tea,' in complete reversal of their strategy of eliminating any association with origin by blending their teas. Effectively, by communicating the benefits of Ceylon Tea to consumers directly, Dilmah made it necessary for other brands in the category to launch their own Pure Ceylon Tea products.

Every brand and category needs specific and well considered elements in its marketing mix. A detailed plan for Southern Spice is beyond the scope of this discussion, although I would like to make some observations on the possible strategy. Many of us fear branding because of the cost implications – whilst there can be no compromise on quality, and the social aspects of the product, the brand marketing campaign need not extend to the \$7 billion that Intel has spent on its brand.

Remember the press needs extremes to make the headlines. So we read of Bill Gates, Larry Ellison, Richard Branson and the billionaires who have bet big and won big. But what of the small players – Costa Rica's Best Coffee Inc., which sells its coffee for \$1.50 a pound to 15,000 US coffee shops, compared to the 50c fellow exporters get for their coffee. Closer to home, Anselm Perera, founder of Mlesna Tea's products appears on Gourmet and Gift shops around the world, usually at much higher prices than equivalent teas. It's all relative and you suit your brand objectives and marketing plan to your product, your budget and your expectations.

Lets look at a few options :

- The Cinnamon industry does not have large cash reserves to fund a big budget campaign for the original Ceylon Cinnamon, nor can Government dole out millions of dollars for this purpose. These are factors most brand owners face. Michael Dell of Dell computers started in his University dorm room, my father started sitting on tea chests in a room provided by a friend. Imperial Ceylon Cinnamon could be marketed first to Colombo hotels, explaining to chefs in a seminar the

story of Ceylon Spice and why Southern Spice is unique. The aspects of natural product, quality control, handpicking and hand selection would be important, and chiefly of course the product delivery in terms of taste.

- Print and PR could be used to feature the company's efforts at social development of the caste of people who traditionally peel Cinnamon, and whose social welfare, education and medical welfare are now looked after by the company. This would be supported by a genuine commitment to this and concrete examples of upliftment, which would aid productivity as well as the workers themselves whilst helping the brand create an ethical image.
- As hotels start using the product, chefs could be commissioned to develop a recipe book of Cinnamon based drinks and foods which would be used to market the product through sampling and retail sale at the hotels. Tourists visiting Sri Lanka would take the brand back home as a souvenir of the Spice Island, and then buy refills via the Internet.
- Eventually the Cinnamon Research Institute would invite/facilitate research on Cinnamon by Ph.D students from recognised foreign universities, enabling the investigation of the potential health and other benefits of the product. These reports would be published internationally enhancing the value of Ceylon Cinnamon and spreading awareness.
- Eventually having perfected the product with chefs in Sri Lanka, having learned from consumer and trade feedback, the product could be marketed internationally. The Maldives Hilton would I am sure be interested in this product on the basis that it is used by the Colombo Hilton. The success of Cinnamon based cocktails and desserts prepared by Chefs at Sri Lankan Airlines would help market the product to other airlines. Step by step.

The initial cost of this process would be less than Rs. 500,000. The key learning here though is that creating a brand does not imply impossible budgets and with the right approach, however small, an important start would be made. Modest beginnings as a local brand would help refine the product, its packaging, marketing and create the basis for Southern Spice to extend from Colombo to Kandy, on to Nuwara Eliya, then the Maldives, to India and eventually the world. Each step creating brand value, each step irreversible.

Taking this concept to the real world, let me share with you some of our experiences with

Dilmah. My father registered his brand in 1974. The tea industry then had many parallels with the Cinnamon industry today – Ceylon Tea had a name as the finest on earth but major packers were moving to newer and cheaper origins and away from Ceylon. As industry insiders are fond of saying, every gram of Ceylon tea was sold then as it is now but at a rapidly diminishing value. The brand, which was built on quality Ceylon Tea subtly, removed the word Ceylon from the brand identity and moved to blends from several origins. Consumers were unwittingly falling prey to this strategy which was essentially motivated by the desire to increase profits.

Ceylon Tea, having been a 'price maker' for so long benefiting from very good branding, was becoming a 'price taker' losing its perceived distinctiveness amongst consumers. Africa, India and Indonesia had usurped the strength that Ceylon enjoyed in key markets like the UK, Middle East, the US and Canada since the Ceylon Tea brand had failed to maintain the strong awareness it once enjoyed.

Dilmah was launched in Australia in 1988. It promised consumers quality Ceylon Tea. When we started, my father had two IMA machines in a Maligawatte 'factory'. It was not impressive by global standards but it was clean, workers and technicians were trained and everyone ensured the product was first class. That meant that details like the covers on the fluorescent lights in the factory, the possibility of insects entering at night, the welfare of worker families, whether the ink on the packaging was lightfast – all had to be checked and double checked. He did these things personally and it did not take an army of staff, but a vision and dedication.

Within days of the 1988 Australian launch of Dilmah in Australia the category leader discounted its product to knock Dilmah off the shelves. Meanwhile, however consumers who had tasted Dilmah wrote to buyers at Coles Supermarkets welcoming the return of Ceylon Tea. This made the buyers believe in the product and help Dilmah stay on course. It also meant that whilst the major brand was cheaper than Dilmah, consumers continued to buy Dilmah. Today the brand enjoys over 12% share of total tea market in Australia and is the 3rd largest tea brand in Australia (Nielsen, 2003).

The category leader has declined from 35%+ share to less than 20%. From that base, Dilmah developed to over 90 countries

around the world. In many of those countries the cost of entry for a Sri Lankan owned brand with limited resources is prohibitive and so we used a combination of our wits and hard work. In Poland, one of the toughest retail environments in the world, where Dilmah is today the most expensive tea on shelf, we started in 1991 delivering tea from the back of our distributor's Fiat. With the quality of our product behind us, we took every opportunity to take our product into consumer's homes, into hotels, motels, cafes, offices and eventually generated sufficient sales to enter supermarkets and justify their listing fees. Today that process continues.

This century is the era of opportunity for the small guy. The same global networks that help the global brands to spread their story, will also help us to take our message of quality, authenticity, history and ethics to a potential global market. The internet is as much an opportunity as it is a threat. Bill Gates, the richest man in the world is today pondering as to how he could compete with an operating system written by 21-year old student at Helsinki University, Linux Torvalds. That software, Linux is free and it is causing a revolution in the computer world by shifting the industry goalposts. Linux has 18 million users worldwide and is being adopted by industry heavyweights like IBM, Oracle, Fujitsu and Siemens in preference to Windows. The developers meet and spread the world via the Internet.

Linux shows how a complete newcomer radically changed an industry with one good idea, and an unique proposition that matched with what the customer wanted – inexpensive software. A Finn, with no money in an industry dominated by the US big business is an example of how a third world country with the best ayurvedic treatments, cinnamon, pepper, mango, garments, tea can carve a branded niche globally.

Always remember though, that it's not easy. For a brand with strong credentials and a well balanced 'iceberg' the opportunities are tremendous but for brands without commitment or vision and an imbalanced iceberg, the consumer will sink you in seconds. Witness what happened to a massive global brand like Gap, which was forced to its knees by consumers in the US when news of exploitative labour practices were revealed on the internet. The same goes for Nike, again related to ethics.

As an example consider the case of Dilmah again. On the global scale, a relatively small Sri Lankan brand, today ranked by Euromonitor the 3rd largest international brand – up there with the big boys. How and why?

Not marketing genius nor any magic by the brand owner, but simply identifying a distinct position in the market which matches consumer desires, and the product deliverable, and steadfastly moving in that direction. At a time when consumers care deeply about the quality of the products they consume, in most markets Dilmah is solely offering Ceylon Tea, unblended and consistently the same. Consumers equally want credibility for their preferred brand and Dilmah offers this in the form of a Founder and his family who care for their cup of tea with passion and dedication. Consumers demand safety and hygiene, Dilmah is the first in the tea industry to gain HACCP accreditation, a state of the art food safety standard developed by NASA. It has also received the ISO standard which is however a standard requirement today. Consumers want heritage, a story that makes their selection of a brand more satisfying – one of the hallmarks of Dilmah is Ceylon Tea, long considered the finest tea, a story peppered with tales of pioneers fighting wild beasts and jungles, lords and emperors. Consumers also want social consciousness – the pleasure of feeling good by purchasing a socially responsible product – Dilmah assists the MJF Foundation, an unit which actively assists plantation workers and the underprivileged in Sri Lanka and overseas. This unit is funded by the Founder of Dilmah.

There are no fixed set of parameters that can create a brand – it must be distinctive and it must be good, it must appeal to consumers based on what the target consumer desires in that product, and it must be everything it claims to be. Developing a brand – whether national, regional or global - can take years, and requires substantial investment. But remember that just 10 years ago, the Mineral water category did not exist, nor did the Intel brand or Harry Potter, one of the strongest brands in the world. These are not just a company's brands, they are the company and they reflect the vision, mission and total focus of these businesses. Without a strong brand, Sri Lankan industry risks losing out to competition, losing out on the opportunity to maximise the utility of the resources available to us, and ultimately failing to survive in the global economy. With strong brands Sri Lanka can assure the growth and development of entire industries by creating demand and uniquely positioning Sri Lanka as the brand to fulfil that demand.

Easier said than done I know, but for Sri Lanka branding is not just desirable, it is imperative for our survival in a global economy.