

BRAND | BLUEPRINT

OUTSOURCING YOUR BRAND

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Outsourcing Your Brand

Companies may think that they are outsourcing to foreign countries in order to remain competitive. But in so doing, they are also outsourcing their brands.

Moreover, it is one thing for service companies to outsource their brand to call centers, it is quite another for product companies to outsource their brand to foreign manufacturers.

Yesterday it was Colgate. Tomorrow, it will be other brands that we trust. Today, we hear and read about Mattel.

So what is going to happen in the toy category? It has been said that there are over 10,000 toy factories in China, almost all working for export, producing some 80% of the world's toys. Mattel is believed to manufacture its products in about 3,000 factories across China.

To be sure, Mattel and its numerous brands have been diluted. But the factories that make toys for Mattel have the same workers and the same suppliers and the same level of regulation as those of the factories that make products for all of the other toy manufacturers doing business in China.

And will the negative attributes that are associated with Mattel today infect all of the other brands in the entire category?

The answer lies, in great part, with the consumer. Will parents become concerned that the toys that are in their children's rooms are dangerous to their health? They already have.

What kind of brand experience will parents be having in their homes when they have to take the many dangerous toys away from their children? No parent will forget having done it.

For this coming Christmas, and beyond, will consumers be able to tell by looking at a toy and its labeling whether it has been made in China? But it doesn't matter since parents know that eight out of every ten toys on the retailer's shelf are made in China

And what about the retailers that sell these products? Will Wal*Mart risk their brand by associating it with Mattel or with the Made in China Brand? For the time being at least, that is not too likely.

So the Made in China Brand now conjures up negative associations. Do lower prices mean lower quality? As consumers, we know this to be true. We have always known this to be true. We get what we pay for.

So the Made in America Brand, with its higher costs of goods and manufacturing, its regulation and transparency, may be well worth the premium price. In fact, their pricing may now be perceived by the consumer as a very fair price for 'peace of mind'.

So what are the Mattels of the world to do? They must protect their brands from further dilution by recalling their products. The largest brands in any category have no choice. They have too much invested in their brands. They also have angry share holders and angrier parents. It has been reported that Johnson & Johnson spent over 100 million dollars to save the Tylenol Brand.

The smaller toy brands in the category can be retired – and the faster the better. These companies can then launch new brands, perhaps Green Brands or Made in America Brands capitalizing on the lost market share of their larger competitor and the change in consumer's perceptions and purchasing behaviors.

Those brands that are in the middle, neither large nor small, are in the death zone. They can't afford the cost of recall and they can't bear the cost of retirement.

Perhaps the biggest lesson for all senior executives is that they must protect and nurture their brands. And those who do will, at the end of the day, be the leaders in their category.

About the Authors

Messrs. Levinson, Benson, and Allison are principals of Brand Blueprint, a Brand Consultancy located in Boston, MA. Their key areas of expertise include, respectively, brand positioning, brand strategy and visual expression.

CEOs, CMOs and other marketing leaders turn to Brand Blueprint when they seek to reposition, fortify or simply update their brand.

Collectively, Brand Blueprint principals have over sixty years of experience advising category-leading brands such as Allstate, Bose, DeBeers, Disney, General Electric, Gillette, JP Morgan/Chase, Pitney Bowes, Rolls Royce, Seagram and Staples.

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