

No more thick and thin – Brands need to evolve to remain relevant for today’s consumers

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OPINION

Summary based on Sarina de Beer’s market opinion
at the annual Icon Brands event in Johannesburg, July 2014.

Sarina de Beer, managing director at leading market research company Ask Afrika, said at the annual Icon Brands event in Johannesburg that it is astonishing that more than 8 000 brands are measured and only 31 brands meet the criteria and end up becoming an Icon brand. Many brands, despite having brilliant ideas, have missed the mark in a very competitive landscape. This is often because the consumer is not their focal point. De Beer said that to achieve Icon brand status, brands should not only be liked, but should be consumed by South Africans regularly and loyally. Icon brands are relevant and penetrate all demographics in SA. But this year’s survey showed a decline in loyalty ratings.

“Loyalty towards a brand, as we previously knew it, does not exist anymore. Consumers have a polygamous loyalty, and brands might try their best to maintain loyalty to consumers. In the food industry, loyalty to brands has declined across the board. Furthermore, there is also a decline in the drinks category, especially alcoholic drinks, as well as in the communications and financial services categories,” said De Beer.

The research found subscription markets, such as cellphone contracts, are also declining. Consumers no longer have only one bank –

they tend to have multiple bank accounts and SIM cards. “Many consumers could not tell us their main cellular provider. When taking expenditure into account, we are sometimes even wrong with our predictions of with which cellular provider is our main provider,” said De Beer.

ICON STATUS IS RELEVANT ACROSS A WIDE SPECTRUM OF CONSUMERS

There are five main drivers that steer brands to iconic status. Firstly, iconic brands generate critical mass. This means they are available and accessible to diverse platforms in South Africa. They also have strong appeal. These brands penetrate all socioeconomic strata of SA and are found in almost every household.

“These brands also have zero complacency. This means they tick the four Ps – product, place, price and promotions – while realising that marketing is about so much more than just the four Ps. Furthermore, they manage to create some kind of affinity and there is an emotional connect established between the consumer and the brand,” De Beer said.

Lastly, these brands have diverse ranges of products. Without such extensive ranges they

would not be as successful and relevant throughout SA.

ICON BRANDS OF THE PAST FIVE YEARS

When looking at Icon brands in the past five years, the consistency of the winners is astonishing. “We are unified by our palates to a large extent, and over the past five years the food category has delivered winners. This is because of consistent and relevant use by consumers. They are in South African households and they are affordable. Seven out of the 10 Icon brands this year are home-grown brands. Often as South Africans we tend to think that overseas brands are better, but this shows we have world class within our borders,” she added. De Beer said most brands have deteriorated and to think Icon brands have to be heritage brands is an enormous mistake. This year’s awards reveal that South Africans will not by default choose and celebrate only heritage brands, but are open to new brands that offer something interesting but relevant as well.

When looking at the Icon Brands, the fast food and restaurants were most successful. As South Africans we were more loyal to them and they cut through the demographic.

SOCIAL MEDIA AND PERFORMANCE

The top Icon brands perform relatively well against social media. Of the top 10 Icon brands, eight are active on social media platforms. Combined these top 10 brands have more than 600 000 people in SA with whom they actively engage daily. Icon brands typically have official pages on most social media platforms. Where the brand doesn’t have a page, the holding company has one.

Nokia and Robertsons perform best when you consider the number of followers they have on various platforms, the engagement they receive from consumers, and the perception of how these engagements are handled (Cerebra).

WINNING HEARTS

De Beer said that innovation is one of the major trends this year. There is a significant decline in support of big brands. Consumers

are more open to new brands – brands they don’t know as well as private-label brands.

“A few years ago we said it is a cheaper brand, people won’t buy the cheaper brand, but more and more we find that consumers are buying private-label brands with retailers that they respect. Private labels are gaining respect and consumers are open to using them because they are entrenched in big retailers that are trusted.”

This is not only applicable to South Africa. Only 33% of US consumers still trust big brands and new, unknown brands have more consumer approval. To a large extent, this is driven by social media. But higher standards are set for heritage brands. One example is the new Australian toilet paper brand called Who Gives a Crap. This brand has shown that heritage brands often come with baggage compared with new brands. Brands that communicate this successfully are leaner and cleaner – they are more flexible and it is easier for them to move forward.

“Did you know that 40% of the global population does not have access to toilets? Who Gives a Crap donates 50% of its net profit to setting up and building toilets globally. Also, it uses only recycled paper to produce toilet paper. They manage to stand for something and to create smiles and conversations around toilet paper,” said De Beer.

South Africa has its own clean-slate brands, one of which is Gautrain. Although there was initial apprehension, its appeal has grown significantly. Clean-slate brands have broad appeal and make themselves universally relevant. They are authentic and congruent in how they relate to people. Clean-slate brands stand out from the pack – they have fresh ideas and modern, relevant values.

“However, you don’t have to be a new brand to be a clean-slate brand. One such brand is Mugg & Bean. Consumers keep returning for its famous bottomless coffee that keeps conversation alive for hours. Also, Coke introduces new things regularly, and Robertsons introduced MasterChef, which has nudged us closer to being a nation of foodies. “Consumers also ask more from an innovation

perspective. Bill Gates' idea of 'innovating to zero' bears much relevance for incumbent brands. The aim is not to reduce a challenge or problem but to wipe it out – we don't want crime or carbon emissions to be reduced, we want it to be eliminated to zero," said De Beer.

THE LOCAL CONTEXT

Even though there has been much to celebrate in South Africa during the past few years, there is still significant discontent. Despite standard of living improving notably for millions of citizens since 1994, our unemployment levels are still high and there is still a sizeable proportion of the population that has been excluded from upward social mobility. Social discontent is also a very regular phenomenon in our country; and this is one of the things that make South Africans prone to escapism.

According to the British brand Sainsbury's report titled *The Rise of New-Fashioned Values*: "As the world headed into recession most people were betting the credit crunch would lead to a values crunch. But the opposite has happened. Rather than seeing economic constraints cause a cutback in values, we have seen it drive an increased appetite for them. By having to put more thought into what they buy, consumers are taking a greater – not lesser – account of what personally matters to them." (Justin King, CEO of Sainsbury)

South Africans are focused on being good, and can be defined as either utopians or virtuous. Utopians are there for the community, whereas virtuous are more self-orientated. On the whole, though, South Africans are becoming increasingly more utopian.

HAPPINESS IS A VERB

Between 2012 and 2014, South Africans became happier. In 2012 53.4% of us indicated that we were happy with our lives. In 2014, 55.6% said they were happy. We cannot be too excited about this upward trend because there is still a large number of South Africans that are unhappy and this has a direct impact on how brands are perceived. Happiness affects brands and how consumers engage with them.

"When ranking the industries, the research showed that the top industries – such as restaurants, fast food, drinks and retail food – are linked to consumers' pleasure principles. Family is becoming increasingly important to us. "Behind them are industries connecting people. Industries indicating quality of life – such as pet foods, financial services and DIY and gardening – are in third position, and the health, personal care and household appliance industries are in fourth," said De Beer.

TECHNOLOGY IS TAKING RETAIL TO NEW LEVEL

With the growth of online shopping, and now with mobile wallets, you don't have to carry cash. De Beer said: "We are also seeing more pop-up stores, such as spazas and shebeens, that create convenience and access. Brands can tailor themselves to better meet consumers' needs and wants. Modern retail accounts for 60% of transactions in South Africa, with a considerable 40% of the retail economy taking place in the informal sector. Also, urban growth is still informal and uncontrolled. This poses the question: Does your brand translate well across the divide, and does your brand speak to townships and the informal settlements?"

"A lot of companies make the mistake of advertising on billboards by using long text in a European context, and we are not sensitive to the dynamic we find within this market," De Beer said.

In the spaza landscape, a significant number of shops are not locally owned, and many foreign-owned shops offer interest-free credit on essential products. According to this year's Icon Brand survey a staggering 55% of township residents do their shopping at spaza shops, and nearly a quarter of them have no personal income. The residents buy broadly within their communities and purchase from a wide repertoire of stores. Consumers who shop at spazas are 10% more likely to buy Coca-Cola, 20% more likely to buy Kiwi and 20% more likely to buy ProNutro.

SEGMENTATION

There is various integrated segmentation in the consumer market, but to tap into it, you really need to understand your consumer.

“A lot of our stereotypes have changed. It is important not to allow our own stereotyping to cloud how we perceive a consumer. We need to be cognisant that roles have evolved. Demographic shifts and household dynamics have been redefined. When general shopping is taken into account, 57% of males agree that they enjoy any form of shopping. Therefore, retail therapy is no longer a ladies-only thing. Males are embracing the softer things in life and we have to be careful about our own stereotypes and belief systems. Even brands’ best intentions could have a big impact and taint a product.”

THE IMPLICATIONS OF 2014 RESEARCH

In summary, customer loyalty continues to decrease and will only decrease further in future. Consumers are losing trust, they are expecting more and they are looking for external validation. They won’t judge your brand only on what they think, but also what their peers or an external party thinks.

“We have to have value-driven strategies. We need to know what we stand for as a brand and we need to live it authentically and congruently.”

“We still find ourselves in a harsh political and economic reality. Consumers are asking for more from a corporate social investment perspective. It is important to find the opportunity that works for citizens and not just consumers. Recognise consumers in the context we live in daily and recognise that they are more than just consumers,” De Beer said.

The days of persuasion are long gone, and brands need to earn commitment by continuously reinventing themselves.

“We are living more fluid lives, which places pressure on convenience and accessibility. Brands should recognise that their competitors are not only the obvious ones.”

“We shop and pay differently. The challenge is to connect successfully with our consumers. It is about the simplicity of messages to make transactions as simple as possible, and always creating accessibility.”

Forty percent of the retail industry is in the shadow economy. These stores aren’t owned by South Africans, so brands need to ask: “How do we communicate and create local strategies that work for local consumers in foreign-owned shops?”

“Stereotypes are becoming increasingly irrelevant. Brands should check their beliefs. Consideration should be given to intent versus impact, and you should know your customer as a citizen,” she said.

ABOUT THE ASK AFRIKA GROUP

Over a period of almost two decades, Ask Afrika Group has grown to be the largest independent South African market research company. The company focuses on local relevance, benchmarked against the global context. Ask Afrika is a member of WIN/Gallup International. Apart from its large South African footprint, Ask Afrika also operates in a dozen African continental territories.

Ask Afrika Group is well known for delivering strategic and large scale field projects and for creating benchmarks for industry. With regards to service excellence Ask Afrika Group is the preferred research partner across industries to co-craft customer service strategies through meaningful research methodologies across the value chain and customer service touch points.

The Ask Afrika Group’s exclusive product suite includes the Ask Afrika Orange Index®, the Trust Barometer™, Radio Moods™, Ask Afrika Icon Brands™, Township, the Digital Barometer, the Lite Data Collection, the Behavioural Sciences Package and Gateway. Ask Afrika is proud of its exceptional service delivery, with offices based in Pretoria and Stellenbosch. For more information please visit the website: www.askafrika.co.za.

SARINA DE BEER

Sarina de Beer is Managing Director at Ask Afrika. She boasts two Masters degrees - one in Psychology, and one in Research Psychology. She started her career as a lecturer at the University of Pretoria, where a driving

ambition was born to become a respected researcher.

This drive flourished at Ask Afrika where she managed to create a synergy between business consulting and research. Sarina has successfully blurred the lines between research and the consultation of business-driven clients to ensure that they derive commercial value from research.

Her business exposure lies across a range of industries and she has a passion for identifying social trends that impact brand expectations in the financial-services sector and the media industry.



Source: The focus group, 2013.