High growth a brand new challenge

By Reg Lascaris

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South African brands have outlived apartheid, survived low and no growth in the '80s and withstood globalisation - but are they ready for prosperity?

High growth of 6% or more each year is the long-term aim of government. President Mbeki has deployed a task team to explore ways of sustaining GDP growth at levels that will erode unemployment. GDP growth at an annual average of 4.2% is projected for the next three years. Government is confident inflation will stay low over the same period.

Government's shrewd management of the economy throws down an implicit challenge to business... You've spent 10 years getting lean and mean, but are you smart and nimble enough for rapid expansion?

Entirely new scenarios open up in a high-growth, low-inflation era. On the surface it seems macro-economic positives are good for everyone. It's not quite as easy as that. High growth creates opportunity for some brands and catastrophe for others.

Few of today's senior executives have operated in a big-growth economy. Their coping skills will be scrutinised as never before.

The last time growth of this magnitude was achieved was the 1960s.

From 1960 to 1968, South Africa achieved economic growth of 5.6% a year and 'suffered' inflation of 1%-4.2%, with CPI averaging 2.4%. Interest rates hovered between 6½% and 8½%. The rand shed just 1% of its value against the dollar.

It sounds like a dream come true, and it was... for some.

At the start of the 1960s, South Africans bought their groceries from mom-and-pop shops or, if they were well-to-do, had the goods delivered. By the end of the decade, the chances were they preferred a new-fangled type of retailing called supermarket shopping. Many traditional High Street retailers closed down.

Pick 'n Pay launched in 1967 with four small stores. A year later, it listed on the JSE. The business did not exist 40 years ago. Today, it is a huge player in the retail industry.

Even in the supposedly stodgy world of financial services, new entrants made big inroads.

In 1960, hardly anyone had heard of a small start-up called Liberty Life. By 1962 it was listed on the JSE and assets topped R1 million. Two years after that its premium income was running at R1 million p.a. and climbing. Today, Liberty is a financial sector giant while dozens of supposedly established insurers from the 1960s have been gobbled up.

If you were a car-owner in 1960, there was a good chance you were driving a Chevy or at any rate an American or British marque. By the end of the decade, car brands from Germany and Japan had entered the market. Old favourites were in full retreat.

As consumers acquire wealth, they develop an appetite for new experiences and products. The flipside of this coin is the tendency to move away from the habits of previous generations.

This explains the double-edged nature of brand-building in a high-growth era. Some new brands prosper. Some old ones catch the new mood, re-invent themselves and go on from strength to strength. However, some mouldy oldies lose the plot and go into rapid decline. Some new brands over-reach themselves and also hit the skids.

The good times tell us which companies invested in research, product development, training and talent acquisition and retention in the bad times, and which companies simply pared costs to the bone.

In theory, the tide of new prosperity should float every 'ship' in the harbour. In fact, some brands sink without trace because they just can't cope with the waves created by disruptive and innovative competitors.

There are countless international examples...

PlayStation was launched at a time when Sony meant 'Walkman' to every consumer under 20. Walkman sales were booming. It would have been easy to rest on Walkman's laurels. Instead, Sony launched PlayStation and captured an entirely new market.

Apple did something similar. The sexy iMac PC range came out in 1998 at the top of the techno-boom. Sticking strictly to the PC space seemed the sensible thing to do. Instead, Apple went into the music business with the 2001 launch of iPod. It took another risk in 2003 by launching iTunes Music Stores, a venue for downloading music on to iPod at a time when music downloads were the subject of countless law suits.

The point is; the times were already good for Sony and Apple yet they still disrupted the norm by launching new brands. This is in line with the highly successful 'Disruption' philosophy championed by one of the world's leading advertising agency groups, TBWA.

The message? You don't just let the good times roll. Instead, you roll out new brands and fresh thinking to create a relationship with new consumers who benefit from the new prosperity.

Here in South Africa, we should also look out for brand extension and innovation by strongly capitalised companies which see an opportunity for total industry leadership. Expect innovation from go-ahead financial service brands and players in the cellular telephony space. We should also watch for feverish activity in the tourism industry. A new type of package tour tourist is coming to South Africa - are our tourism brands ready to react?

Already, the aspirations of a new middle class are changing the face of local retailing. This middle class will continue to grow and will drive brand success in almost every market.

Domestic manufacturers who survive Chinese competition will go on to create quality products that warrant a premium price, locally and internationally. Our fashion and jewellery designers have the opportunity to build a strong local base underpinned by rising domestic prosperity while seeking a world market.

So, enjoy the upswing, but spare a thought for those brands which miss their chance and choke on growth. Just don't let it be you!

ABOUT REG LASCARIS

Reg Lascaris is chairman of the Worldwide Disruption Consultancy and regional director of the international advertising agency group, TBWA Worldwide, covering Africa, Middle East and Eastern Mediterranean.

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