

Taking Account of brands

- where industry and EU policy makers agree

Innovation
for Consumers,
Growth
for Europe



AIM® BRAND
EXPO
2006

Solvay Library,
Brussels
26 & 27 April 06

<http://www.aim.be>

Commission ready to support branding

Günter Verheugen, the European Commissioner for Industry and Enterprise, is ready to discuss how modern industrial policy can support European branding. Responding to an initiative from European CEOs of more than 30 leading consumer goods manufacturers, Mr. Verheugen said the Commission was aware that European brands not only benefited consumers but were also of major importance for innovation and growth in Europe.

He added that a dialogue with industry should cover in particular three areas – better regulation, intellectual property, and access to markets. It could be launched as a “discussion group” bringing together industry, Member States and the Commission along the lines of similar initiatives in other sectors, such as mechanical engineering.

“The strengthened dialogue is particularly important for the implementation of the new industrial policy of the EU,” he said.

Detailed awareness

The Commissioner revealed a detailed awareness of the benefits of brands and branding in a speech opening a *Brands Expo* recently organised by AIM in Brussels.



The Commissioner was presented at the Expo with a Memorandum, *Taking Account of Brands* setting out the CEOs' request for more account to be taken of the interests of brands in framing European industrial policies and regulations. The CEOs reminded the Commission of the important role brands play in generating employment and growth in Europe and said this could be even greater "if an integrated and coherent approach were adopted to policies affecting brands."

They asked the Commission to make a study of the investment, innovation and consumer benefits of brands to the European economy and to investigate how an integrated approach to industrial policy could strengthen the branding process.

Brands are a success story

In his reply, the Commissioner declared that "European brands are a success story." And he was concerned to ensure that this success story does not come to an end.

"From a global perspective, European brands are under threat, said Mr. Verheugen who referred to a recent ranking of the most valuable worldwide brands. "The first *European* brand (Nokia), appears at place 14. And only three European brands (two from the telecommunications sector and one of the automotive sector) are ranked amongst the top 20," he added.

Brands linked to innovation

"I would like to argue that brands are inextricably linked with innovation, which is essential to meet the challenges of globalisation and in order to re-gain competitiveness and economic growth in Europe."



***"The Commission is aware that European brands are of major importance for innovation and growth in Europe and of benefit for consumers. Therefore, brands will need to be looked at more closely when implementing a "modern industrial policy"-
Günter Verheugen vice-president European Commission.***

“Without successful branding, investment and innovation very often do not pay off: indeed, it has been established that the value added from innovation in branded markets is twice as high as in non-branded markets,” according to the Commissioner.

Brands are accountable

He went on to observe that “brands are a crucial tool to hold industry accountable and to create, maintain and enhance trust in its products.”

“This holds particularly true for the consumer goods industry and for the consumer’s trust in the safety of products placed on the EU market: a brand is an important incentive for companies to maintain high standards of quality and safety which is of direct benefit for European consumers.”



EU Customs seized over 100 million fake items at our external borders in just one year. Counterfeiting is everything branding is not. There is no innovation, creativity, development: there is only deception and theft.

“This accountability does not only relate to the safety and quality of products, but extends to other areas. Examples include environmental aspects, animal welfare and corporate social responsibility. I therefore believe that brands will

continue to be a crucial tool to enhance and strengthen industry accountability.”

Next steps

The brands industry will now seek to establish a Policy Dialogue on brands following the Commissioner’s vision of a “discussion group” bringing together industry, Member States and the Commission. The industry will respond to the Commissioner’s invitation to “make our views known in a constructive and timely manner.”

The CEOs’ memorandum

The presentation of the Memorandum to Commissioner Verheugen was made at the opening of an exhibition in the Solvay Library Brussels designed to demonstrate the benefits of brands and their contribution to the European economy.

According to the memorandum, the importance of branding to the EU economy and to consumer welfare is illustrated and underlined by the following facts:

- 48% of European exports are upmarket branded goods.
- Annual communications and advertising expenditure in Europe on brands of €174 billion benefits media as well as sport, arts and entertainment.
- The value added from investment in R&D in branded markets is double that in non-branded markets - a major driver of innovation and growth.
- The world’s top 100 companies value their brands at €830,000,000,000. This gives a powerful incentive to protect

reputations through corporate responsibility and consumer protection.

- In Germany alone, the branded goods industry employs 1.6 million and contributes a further 1.6 million jobs via upstream goods and services.



Demonstrating the benefits



“No European economy can do without brands. No European consumer would want to do without them and no European policymaker should unwittingly put them at risk,” said Lars Olofsson, outgoing president AIM.

Thanks

AIM thanks both the 35 CEOs who signed the memorandum and the companies who took time and resources to contribute to the success of the Brands Expo 2006:

**Coca-Cola
Colgate
Ferrero
Henkel
Kraft
L’Oréal
Nestlé
P&G
Unilever**

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