

Brands and Economic Development in Mauritius

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The country must venture off the beaten track. The challenge is in seizing opportunities, being creative and developing innovative products for internal and external markets.

“A new bank forces us all to re-examine our credentials, our levels of service, our standards, our performance in this highly competitive and unforgiving world,” said Professor Rundheersing Bheenick, Governor of the Bank of Mauritius, in a recent speech, which heaped praise on the efficiency of markets in rewarding enterprise (l’express, September 3).

He continued: “I heard recently of a case where someone wanted to open a new account with a large sum of money – one established bank proposed one week to complete the procedures... while a new bank, just a couple of yards up the road, did it on the spot within five minutes. Such is the nature of the market – continued renewal. An upstart can take on a giant... and win.”

Well, I am glad that the customer with the large sum of money was able to find a suitable home for his or her investment and I trust that the level of interest obtained was a good one. In this case, the customer clearly made a decision on the basis of levels and efficiency of service available from two banks on the same stretch of road. But this isn’t a typical case; most people, particularly when it comes to investing their money, stick with what is familiar.

And I’m not at all convinced by the Governor’s claim that “quality of service” by itself is the key to success and that its delivery will enable a new entrant to overturn the dominant position of a market leader – particularly in a mature market like the personal banking sector in Mauritius (the business and offshore banking sectors are a different matter, of course).

Don’t get me wrong: if a market is undeveloped and competition is weak, an upstart can take on a giant and win, but where a market is developed and competition is strong it is virtually impossible for a small competitor to overtake larger rivals, unless the latter make some very serious errors over a long period of time. What a new entrant can do, however, is create and dominate a new category (of which more later).

But I found it strange that the Governor did not mention the significance of brands because his speech was given to mark the rebranding of the South East Asian Bank Ltd as Bramer Banking Corporation Ltd. I think I can guess why. Most people, including bankers, don’t think brands are that important. They think that it’s essential to get the quality of products and services right first and that branding and marketing are secondary issues or add-ons. I used to think this way too but I now realise that it is (or should be) the other way round.

Let me give you an example from my experience as a banking customer in the UK. When I was at university in the North of England, I opened an account with Lloyds Bank. Why Lloyds? Well, first and foremost, because it wasn’t Barclays which had a tarnished reputation because of its long-standing association with the apartheid regime in South Africa. But I would have been quite happy opening an account with any of the

other three banks with national networks – Midland (now HSBC), National Westminster (now NatWest) or Royal Bank of Scotland (now RBS).

The truth is that I chose the particular branch of Lloyds because it was a stone's throw away from the university campus and it was easy to get to (and opposite the sandwich shop). In my mind, therefore, apart from Barclays, a branch of any of the remaining three of the "Big Four" banks would have been acceptable. As far as I was concerned, it wasn't a big deal which one I signed up with.

A few years later, however, I moved back to London which meant that I needed to open a new bank account. This also coincided with the launch of First Direct, the UK's first telephone bank. The bank's parent company was the Midland but it was a stand-alone brand and the vast majority of people (unless they read the financial pages) would not have realized the connection.

But the thing that caught my and thousands of others' imagination (although if I am honest it was still a difficult decision to leave Lloyds) was how different First Direct was in the banking sector; it had an appealing name and was cleverly marketed at a young audience – the use of the lower case in its title was highly innovative at the time. It was also possible to call the bank at any time of the day or night, 365 days a year to switch money between accounts, arrange overdrafts and foreign exchange or even a mortgage.

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Great service, I agree. But here's the point – apart from a few insomniacs the number of people who have actually rang the bank in the small hours must be tiny (I know I haven't). However, the fact that you could speak to someone at 3 o'clock in the morning was highly innovative – it defined the brand and made a great PR story.

But note that the "upstart" didn't attempt to take on the "Big Four" banks head on – it would have been completely pulverised if it had taken that route – but used a classic "flanking" strategy as prescribed by US marketing guru, Al Ries, in order to establish a novel position within the market.

Since then, of course, many UK banks have launched telephone services attached to their normal branch networks all of which replicate to a greater or lesser extent First Direct's services. These businesses may even give better customer service than First Direct for all I know. But none of them have managed to catch up with First Direct which now dominates telephone banking in the UK and has over 1.2 million customers.

Why? The answer is because First Direct was the first brand in its category and it retains first-mover advantage (although how it will fare as more banking services move to the Internet is an interesting question). Indeed, in many ways First Direct represents an object lesson in how to establish a highly successful

business in a mature market. But there is no way that it will ever become a market leader in the UK or international personal banking sector (and it shouldn't try to either). It is a niche player.

A niche player

But there is an additional lesson here related to the significance of successful brands in general economic development. Leaving aside the oil and gas producers the most powerful economies in the world – the USA, Britain, France, Germany and Japan – are those which have control of a significant number of nationally and internationally recognised brands. Think of Apple, Google and Microsoft (US); BMW, Hugo Boss and Mercedes-Benz (Germany); Chanel, L'Oreal and Louis Vuitton (France); HSBC, Marks & Spencer and Tesco (Britain); and Honda, Sony and Toyota (Japan), for example.

The significance of all this for Mauritius' development is that because it can no longer rely on income from sugar, textiles and tourism (and there's only so much coastal land that can be sold to rich foreigners) it either has to attract world-class brands – products or services – to its shores which is the path that the Republic of Ireland has trod very successfully in recent years (although this runs the serious risk of economic and political decision-making being removed from the hands of democratically elected politicians) or it has to develop its own brands in new national and international categories (or a combination of the two options) in order to leverage growth and stay in the game.

In some ways, Mauritius has an advantage over many countries like Britain, France, Germany and the US which are tied to the old world order. Its long-standing cultural and political ties with Africa and especially China and India mean that it has the opportunity to take advantage of the new opportunities afforded by the shift in economic power from West to East and elsewhere.

It is already obvious that the consumption patterns in these emerging markets will not simply duplicate those in Europe and North America but will reflect the complexities and dynamics of the social and cultural hierarchies of the various countries which have created them.

So undoubtedly there are opportunities in the new world economy for Mauritius. But this will require cultural creativity of a high order. Not easy of course but not impossible – particularly, if the government is prepared to invest heavily in the education of its young people.

Unfortunately, good service and products while necessary – in banking or any other sector – are not sufficient to generate growth. Instead, the focus of Mauritians needs to be redirected towards the development of exciting and innovative brands for both the domestic and global markets.

Source: lexpress.mu