Critical Analysis Report For Pumpkin Patch

To Brand or Not To Brand
The No-brand Argument

BSNS 7454 Strategic Brand Management
Assignment One
Paul McLaughlin 1389355
## Contents Page

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Company background</td>
<td>4</td>
</tr>
<tr>
<td>Pumpkin Patch today</td>
<td>4</td>
</tr>
<tr>
<td>The Chinese Market; Potential issues for Pumpkin Patch</td>
<td>5</td>
</tr>
<tr>
<td>What is a brand &amp; what is a no-brand</td>
<td>9</td>
</tr>
<tr>
<td>A brand described</td>
<td>10</td>
</tr>
<tr>
<td>A no-brand described</td>
<td>11</td>
</tr>
<tr>
<td>No-brand consumers or anti-brand activists</td>
<td>12</td>
</tr>
<tr>
<td>Pro-brand consumers or corporate greed</td>
<td>14</td>
</tr>
<tr>
<td>Examples of global branding success stories</td>
<td>16</td>
</tr>
<tr>
<td>Brand versus no-brand summary</td>
<td>18</td>
</tr>
<tr>
<td>Framework models for global branding success</td>
<td>19</td>
</tr>
<tr>
<td>Recommendations</td>
<td>20</td>
</tr>
<tr>
<td>References</td>
<td>21</td>
</tr>
</tbody>
</table>
Executive Summary

The report has been commissioned by ‘Pumpkin Patch’ who wishes to analyse and understand ethical issues surrounding the manufacturing of their goods in China.

This assignment seeks to understand both sides of an argument, for and against branding in order provide a report with recommendations for a New Zealand company seeks to grow its business globally.

Recommendations for Pumpkin Patch are detailed in this report as per the brief below;

1. Identify new target market brand perceptions
2. Undertake qualitative research on new markets needs
3. Ensure relationship strategy matches Pumpkin Patches core values of quality branded infant clothing
4. License multiple countries for strategic outsourcing of its manufacturing, insulating the company from the ethical and economic effects of China

These recommendations are intended to assist in developing a platform to investigate new market potential before company investment. In doing so, Pumpkin Patch can qualify the market potential and develop strategies for long term success.
Introduction

The globalisation of brands and international trade has bought about an increasing freedom of choice to consumers when selecting brands. The public now has nearly infinite choices in the products they buy, the items they consume and the services they use.

The consumer is barraged countless amounts of branding and imagery every day. The resulting effects on the consumer are that they are influenced by the marketing of brands and the brand marketing strategies in one way or another.

Large companies can now make huge profits by globalising their brand, yet companies with little known brands and even ‘no-brands’ can command loyalty of their consumers that large companies strive for. Why is this?

As Pumpkin Patch’s clothes are currently made in China they need to formulate an entry strategy for the brand into globalised markets. The issue of manufacturing goods in China has obvious cost benefits in the competitive marketplace however a social and ethical risk exists with the potential to damage to the brand image (Keller, 2008).

If a company is to enter a new market, a better understanding of the sociocultural issues and ethical issues can help to increase its brand equity. In doing so, a company can locally customise the brand values while developing a globalised brand across different cultural ideas.
Company Background

Pumpkin Patch are the leading specialist branded clothing retailer in New Zealand and Australia. It was started in 1990 by Sally Synnott who, after identifying a gap in the market, started a mail order company focussed on offering design-driven kidswear (Pumpkin Patch, 2012). The company has since grown to over 200 stores throughout Australiasia. The unique product offering of Pumpkin Patch’s branded childrens clothing has been key to its success.

The gap in the market Sally Synnott identified was of new products entering existing markets. The fullfilment of the then niche market resulted in rapid growth and drove the company to its current success. The company has built its brand equity on manufacturing and retailing quality designer clothing for children.

Today, the functional operations of the company are retail driven. Location is essential as most Pumpkin Patch stores are located in high foot traffic shopping malls or centres with high exposure. The company also has online e-tailing which offers incentive discounts. The stores, like the online operations are clearly segmented into girls and boys and then further departmentalised into age groups. Recently the brand has expanded its product portfolio into maternity clothing. While extending its product diversity with maternity clothing, Pumpkin Patch has also exposed the brand to new competition.

Pumpkin Patch Today

Pumpkin Patch recently posted a $32 million dollar loss in year-end trading ending Jan 31st 2012. This was a direct result of exiting the UK and US markets. In a statement for Pumpkin Patch they are quoted:

“Until long-term brand strategies are finalised for the market the company is increasing its online activity and utilising its extensive customer database to target existing retail customers who can no longer purchase direct” (Business Desk, 2012).
This statement outlines Pumpkin Patch’s intent to re-enter the lucrative US market.

To be price competitive meant that Pumpkin Patch’s began manufactured clothing in China in 1991 (McIntyre, 2011) While the move to China had cost benefits for Pumpkin Patch, in some markets it was seen as brand misrepresentation, against its values of high quality children’s clothing and resulted customer deflection and unsatisfactory US and UK sales.

The rising cost of cotton in China has meant that the cost of goods has risen 37% in six months to Jan 2012 which exceeded the growth in sales. For Pumpkin Patch this has meant a substantial increase in costs, eroding margins and therefore reducing advertising and marketing budgets stifling growth. Pumpkin Patch has not insulated itself from the potential impacts of fluctuating demand and the varying costs by moving manufacturing solely to China.

Since January 2012 Pumpkin Patch has recovered from its loss in earnings and is again returning positive revenues. Since exiting the UK and US markets, they have pursued other global markets to in search of growth and confirmed channel partners for brand lines in Mexico and the Middle East.

The Chinese Market; Potential issues for Pumpkin Patch

China has become an exporting powerhouse that has seen its economy boom over the past 40 years.

“China’s gross domestic product (GDP), on average advanced by 9.3 per cent each year from 1978-2000” (Gao, 2003).

It is this growth and expansion in the Chinese economy that has seen it become the biggest exporter of textiles and garments in the world (Hinkleman, 2005).
Pumpkin Patch must protect themselves from potentially brand damaging effects that can happen as a result of China outsourced manufacturing. Key points for Pumpkin Patch to consider are highlighted below;

1. Exploited workforce

China’s economic strength can be attributed to the large labour work force which manufacture goods at competitive rates; this is due to low pay rates for both the semi-skilled and highly skilled workforce. It is the cost benefits that attracted global organisations to outsource manufacturing to China. It is this low cost competition that has led to the Chinese workforce exploitation.

“The average weekly wage for a person living in the urban areas is $US 6.43”
(Hinkleman, 2005).

If the ethics of brands are not demonstrated in the ethics of company practice and workforce, it is likely that negative associations can be made by the consumer. Pumpkin Patch must have in place a relationship strategy that reflects its brand values.

2. Anti-brand movements

The anti-brand movement is a collective of people globally that focus on large share organisations which choose to manufacture high priced items in developing countries. China, India and Brazil are all examples of low cost, low wage countries. The anti-brand movement targets companies who use exploited workforces because the selling cost of the goods does not represent a fair and representative wage for the people involved in manufacturing of the goods.
For clothing and textile retail and e-tailers, the anti-brand movement targets their competitive business models. If the price of manufacturing goods were to be higher, margins would be lower reducing the ability for organisations to be competitive and market their brand therefore reducing their brand awareness, exposure and limiting growth.

Pumpkin Patch’s brand could be severely damaged if it was exposed to be using exploited Chinese labour. An auditing process of its supply chain can ensure an ethical, fair and representative wage is paid to suppliers, labour workforce and its staff.

3. **Rising costs**

The rising cost of manufacturing goods locally has forced companies such as Macpac to strategically outsource its manufacturing. As a result of outsourcing the manufacturing of their products, Macpac remained competitive and kept their brand values.

The Chinese market has provided for Pumpkin Patch low manufacturing costs. With the recent rise in cotton costs in China, this has had a direct effect on the bottom line, causing substantial losses, however the Chinese market has been competitive in the past, but will in remain competitive in the future?

Part of the recommended solutions for Pumpkin Patch is to consider strategic outsourcing of its manufacturing as Macpac has successfully done however, do so in multiple markets. If the manufacturing is spread over different countries, damaging economic effects experienced by one country will be lessened against the company.
4. Manufacturing quality

Companies choosing to manufacture offshore can choose one of two methods. A company can licence manufacturing rights of its products such as Coca-Cola who uses Coca-Cola Amatil NZ Ltd for the production of their beverage products. Alternatively, they can choose to own and operate their own factories. While owning and operating facilities overseas gives tighter brand and quality control, it comes at a higher cost than that of fixed cost third party subcontracting. Subcontracting to the Chinese market has highlighted quality concerns and the cost of regulating and auditing 3rd party manufacturers is high.

For Pumpkin Patch, a study of markets they wish to enter will evaluate customer demographics, views and beliefs. Different markets react differently to different factors and associations between brands, products and price and manufacturing location. Understanding that consumer knowledge and awareness is different in each part of the world Pumpkin Patch operate in is key to new market success.

Qualitative research for Pumpkin Patch can explore and identify perceptions before entering new markets and this will allow Pumpkin Patch to develop a strategic communication strategy to target each audience accordingly.

What is a brand & what is a no-brand?

For many consumers there becomes a tipping point when the price they are prepared to pay for goods and services exceeds their expectations.

When does a brand’s price become too expensive and how do consumers make a social choice not to support a brand which doesn’t share their values of self?
A Brand Described

A brand is more than just a product, it can be a person, product, service, organisation, movement or even an idea.

Brands build themselves by doing more than just meeting the functional needs of the consumer. Brands are important for self identification. Large share brands use awareness and familiarity to help the decision making process. Brands have the ability to gratify the needs of consumers by meeting more than the core benefits. Levels of involvement are considered when purchasing items because known brands offer lower perceived risk. For example a no-brand loaf of bread has a lower perceived risk than a no-brand flat screen television. In the case of Pumpkin Patch, parents want to see their children in quality children’s clothing. Brands are things consumers use to help define who they are and have the ability to deliver benefits far beyond the actual product.

For example, Apple has captured the hearts of consumers all over the world with their brand and in doing so have become the largest company in the world. A brand will increase an organisation’s chance of growth by distinguishing itself and creating its own identity for consumers to relate.

Brands have helped our world economies expand, companies grow and are responsible for employment all over the world. Without brands there would be no consumer choice.

Consumers like brands. Brands can build relationships with consumers when they are known to operate in an ethical and moral ways, making themselves available to pro-brand and no-brand consumers alike.
A No–brand described

A no-brand can be anything that a brand is minus the frills.

A no-brand company strategy consists of being the alternative choice to the brand or branded equivalents. Common purchases of no-brand or no-name items are the ‘store brands’ at supermarkets such as ‘No Frills’ by Progressive Enterprises. In this instance the supermarkets shelf their own no-brand product which represents a stripped back equivalent to marketed brands as ‘the’ alternative. The no-brand product meets the functional needs of the consumer without the cost of marketing built into the purchase price.

A recent study by Nielsen shows;

“Consumer perception of store brand quality is strong; nearly three-quarters of U.S. households believe store brands are a good alternative to name brands, and nearly two-thirds of households say that store brand quality is just as good as that of name brands” (Hale, 2010).

Store brands appeal is lower prices and therefore represent a lower financial risk to the consumer.

While no-brand items are increasingly common, there are instances where the consumer is not prepared to go with a no-brand item because they want benefits which a no-brand cannot deliver.

For many consumers, no-brand is an alternative choice of product stripped back to the core with no added benefits. Without brands there would be no no-brands. The fact that we have brands is the very reason there is the alternative of the no-brand. Essentially no-brands are an imitation and alternative to success. No-brand and no-brand movements are essential to challenge the large share brand practices, ethics or price keeping the marketplace honest.
No-brand consumers or anti-brand activists?

The most common image that people associate with brand activists is people picketing outside an organisation protesting against a corporation’s products or an organisations ethics.

Although correct, this image is not a fair depiction of the everyday consumer who chooses to boycott brands or buy no-brand products.

The no-brand idea is perceived differently for different products and services. While consumers may be happy to purchase no-brand items to the supermarket, they are unlikely to purchase a no-brand car or buy a house from a no-brand realtor. No-brands tend to lack credibility in consideration of items where the purchasing decision is complex and time consuming.

Muji is a company that strives to be a no-brand and in doing so has become one of the strongest retail brands in the world (Aaker, N.d).

Muji, is a Japanese retail outlet started in the 1980’s producing products that are simplistic in design and functionality. The success of Muji has enabled them to be a global organisation, with stores located throughout Japan, the United States and Airports all around the world.

The stripped-back brand of Muji has the philosophy simply stated;

“MUJI, the brand, is rational, and free of agenda, doctrine, and “isms.” The MUJI concept derives from us continuously asking, “What is best from an individual’s point of view?” (MUJI U.S.A. LIMITED, 2012).
Muji’s simplicity with its no-branding has become an example of a company that is highly successful by merely meeting the needs of consumer and established their no-brand organisation by having goods that are perceived as ‘enough’ for the consumer. Returning fair investment to shareholders and being a lower cost alternative to heavy brand competitors, Muji has built its equity on quality for less. In doing so they are an example of a successful company that has loyal relationships with no-brand consumers.

The ‘no-brand’ strategy has become part of the recent Occupy Wall Street Movement where the issue of redefining how labour is valued and corporate greed had focussed on large globalised brands exploiting workers’ rights and using child labour (OccupyWallStreet Tech Ops., 2012).

The Occupy Wall Street movement has initiated protests throughout the world, generating mass publicity for the many causes it represents. The movement is not associated, but is supported by other ‘no-brand’ movements such as ‘Adbusters’, a global network of people producing an online social movement magazine (Adbusters Media Foundation, 2012), and ‘Anonymous Analytics’, who describe themselves as an,

“An online decentralized network of individuals focussed on the access to information, free speech and transparency” (Anonymous, 2012).

‘Anonymous’ goal is to expose companies executing poor corporate level governance and fraudulent activities.

These not for profit organisations display strong values of social conscience and consider themselves activists dedicating their time to exposing brands which do not practice the values and ethics that their brand represents. With today’s technology reach, bad PR that expose companies can potentially ruin even the strongest of brands overnight.
An example of bad PR causing a brand to collapse is the Rupert Murdoch’s owned News International tabloid paper the ‘News Of The World’. NOTW was started in 1843 and was one of the largest English language circulations in the world. The paper collapsed after a scandal involved members of its staff in illegal phone hacking. The paper was over 160 years old and the scandal that affected the brand image of NOTW brought the papers demise within weeks after the news of the scandal broke. Advertisers began to withdraw from the paper and a public outcry ensued. In an effort to prevent further damage to the parent company News International, it was deemed that the NOTW brand image was damaged beyond repair and the paper was voluntarily shut down (Lane, 2011).

When weighing up a no-brand strategy Pumpkin Patch must consider the positives and negatives of such a strategy;

**Positives**
- High relationship loyalty
- High moral and social stigma association with consumers
- Support for local communities and employment

**Negatives**
- Generally smaller organisations
- Low market awareness
- Higher cost of goods / workforce or labour
- Can be priced out of market if a monopoly situation exists

**Pro-brand consumers or corporate greed?**

One of the most popular Capitalists of all time Milton Freidman is quoted as saying;

“The social responsibility of companies is to make as much money for stockholders as possible” (Cadbury, 2006).

A bold comment back in the 1970’s, this statement is no longer strictly true.
Globalisation has created large multi-national companies with brands that export all over the world. A brand that exists in today's marketplace cannot afford the brand image of being socially irresponsible, nor can turn an unsatisfactory return to its shareholders.

The aim of all organisations is to provide the best return on investment to its shareholders while taking a more active social role, enabling business' capacity to manage the factors in the social and political environment (Von Tunzelman, 1995)

With economists encouraging the globalisation of brands and economic expansion, organisations have shifted from manufacturing goods locally to strategic outsourcing the manufacturing of goods and services overseas.

Positives and negatives for branding strategies are;

**Positives**
- High Market awareness
- High brand loyalty
- Larger market share

**Negatives**
- High cost of maintaining the brand image / exposure
- A target for anti-brand movements / attitudes
- Exchange rate variations
- Fluctuations in raw materials / labour

An example of strategic outsourcing is the many New Zealand companies who choose overseas call centres over local staffed ones. The wage paid to an organisation in a developing country to do the same job is far less than locally manned call centres.

New Zealand being a smaller and geographically isolated, relies heavily on the importation for our many consumer goods. The price to produce some goods in New Zealand is just not feasible hence items such as electronic equipment and specialty goods are all imported. New Zealand as a brand is built its image on a ‘Clean, Green’ message for Tourism New Zealand.
Tourism New Zealand’s ‘Clean, Green’ brand has seen the New Zealand tourism business boom and grow the country’s brand equity. Protecting this image is essential for the brand.

Strategic outsourcing has however, damaged brands which have not acted ethically when choosing to manufacture in China. An example of this is Nike. The strategic outsourcing of Nike’s products has lowered the price of production for their goods. While maintaining a high selling price, Nike has been able to spend more money on marketing the brand. With high paid endorsements to sports celebrities such as Tiger Woods (Nike Inc, 2012), the brand utilises its marketing budget to maximise the effects from the high exposure to global markets during televised events.

If a brand executes strategic outsourcing and supports the communities in which it chooses to operate, it can avoid unethical corporate attention. If the company executives get a fair and proportionate wage they can avoid the scrutiny of consumers and anti-brand movements. Unfortunately for brands, it is not always easy to return dividends to shareholders and avoid anti-brand criticism.

**Examples of global branding success stories**

A New Zealand example of global branding success is Macpac. In 1973 Bruce McIntyre left school and brought a small south island brand named ‘Macpac’ and its equipment with one goal in mind;

“*Make backpacks that were better and cheaper than what else was available*”

(Macpac Ltd, 2012).
Macpac’s equipment soon became renowned for its innovation, design and leading edge technology its competitive advantage. Being locally made but used all around the world, the brand had fantastic exposure as it was trialed and performed in some of the most testing conditions on earth.

Sales were growing at 100% per annum by 1978 and export operations began in 1987 to the United Kingdom, Australia, Holland and Switzerland. In 2001 however, the decision was made to shift manufacturing of Macpac goods to Asia because of the high New Zealand dollar. It was a move required to ensure the future of the brand.

Re-establishing Macpac as having quality Asian made goods of the same high standard as before became the core objective for Bruce. Would the market view this as abandoning quality and innovation that the brand became famous for?

Fortunately for Macpac, careful selection of manufacturing partnerships ensured the core values of the brand remained and Macpac’s brand is still synonymous with quality that consumers trust in New Zealand and globally.

Another example of a New Zealand brand exporting to the world is Rakon. Rakon is a local New Zealand owned company set up in 1967 to create telecommunications and leading edge computer chips to manufactures around the world.

Rakon has consistently been developing technology equipment that has seen it become a world leader having over 50% of the world’s market share in GPS crystals (Rakon, 2010). Maintaining high quality and innovation while utilising offshore manufacturing has been key to their advantage.

Rakon is a true example of B2B global success. Their company has grown from humble beginnings to being a multi award winning brand known for high quality, high tech equipment.
Brand versus no-brand summary

In summary, no-brands have become a necessary part of the competitive marketplace. They operate alongside the known brands and compete for their share of the consumer’s wallet. Without them the market would be full of competition but lacking in conscious and global awareness. The no-brand has in itself become a brand, although no-brand distinguishes itself from traditional brand organisations, no-brand has its own image, its own self-actualisation with its consumers and competes in the same markets (Sirgy, 1986).

Brands are an integral part of consumer’s lives and form the benchmark of choice. With the globalisation of markets, opportunities have arisen for brands to capitalise on, but also to exploit. Brands now invest heavily in ethical leadership and sustainability to eliminate greed, corruption and ethical issues so that they can relate resonance with their target market and because it is good business.
Framework models for global branding success

The academic framework that best describes a model for global success is the Keller’s customer-based brand equity pyramid (Keller, 2008). The model demonstrates the stages from bottom of the pyramid where organisations create awareness of the brand, through to resonance with the brand where long term relationships exist.

If we compare the Keller brand equity to model to Maslow’s hierarchy of needs (Charbonneau, Chitty, & Stuart, 2009), we see that the peak of the pyramid for the consumer is their self-actualisation.

A brand is most successful when it creates brand resonance as it builds consumer relationships. Maslow’s theory shows a hierarchy of consumer needs that individuals strive for. When a brand has resonance that fulfils the hierarchical needs of consumer, its brand strategy has targeted its market successfully.
The heart of a brand’s strategy should be to identify and understand the target market and then develop brand tactics to build resonance with brand. Brand strategies need to suit each market they choose to enter. What works in one market may not work in another therefore, researching a target market before entering is essential.
Recommendations

In conclusion, entering global markets provides Pumpkin Patch with growth opportunities but requires a robust brand strategy. If done well, a brand will build awareness and gain market share. If done improperly it can damage a brand to the extent where it can no longer exist in the marketplace.

As mentioned earlier in this report, a statement by Pumpkin Patch outlines intent to re-enter the US market and pursue new market opportunities.

The recommendations outlined in this report for Pumpkin Patch are;

- Identify the target market perceptions and produce goods that fit the needs of the marketplace. Understanding the consumer needs will give concise direction on an entry strategy to market.

- Undertake qualitative research. This will provide answers on perceptions toward the manufacturing of goods in China.

- Ensure their relationship strategy matches its brand values by delivering quality branded clothing for the infant market. Ethical and quality issues can be eliminated through regular auditing of its manufacturing partners in China.

- License multiple countries for strategic outsourcing of its manufacturing. Using countries other than China for markets such as the US will help build its brand equity and insulate the company from economic effects such as rising cost of raw materials and currency fluctuations.
References


