Marketing Restrictions: The implications for brands, consumers, and economies

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What are Marketing Restrictions?

- Any regulations upon legal products relating to expression of brand identity and promotion to customers

- Marketing restrictions include:
  - Rules around **advertising**
  - Imposition of **targeted taxation**
  - **Health warnings**
  - Interference in **visual branding**
  - **Plain packaging**

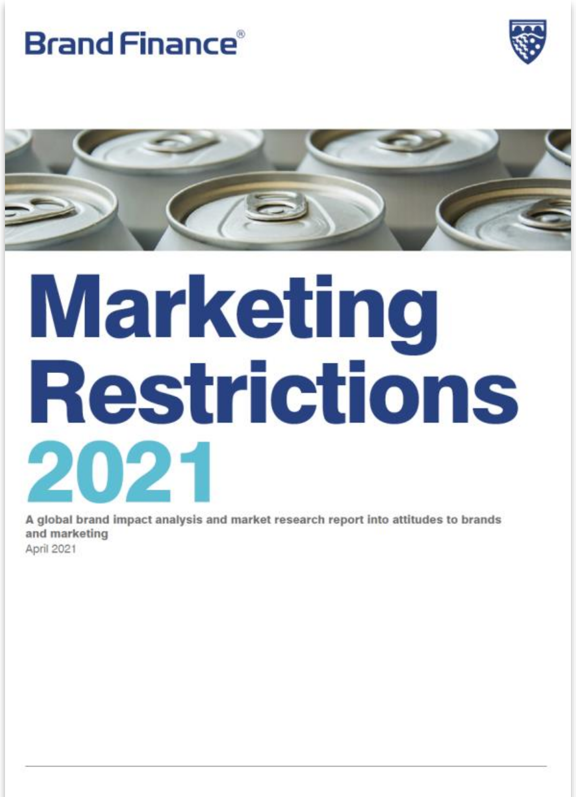
A Deep Dive into Plain Packaging & Marketing Restrictions

Plain Packaging 2017 & 2019

- Brand Finance has previously published two reports analysing the potential impact of introducing plain packaging across specific FMCG categories.

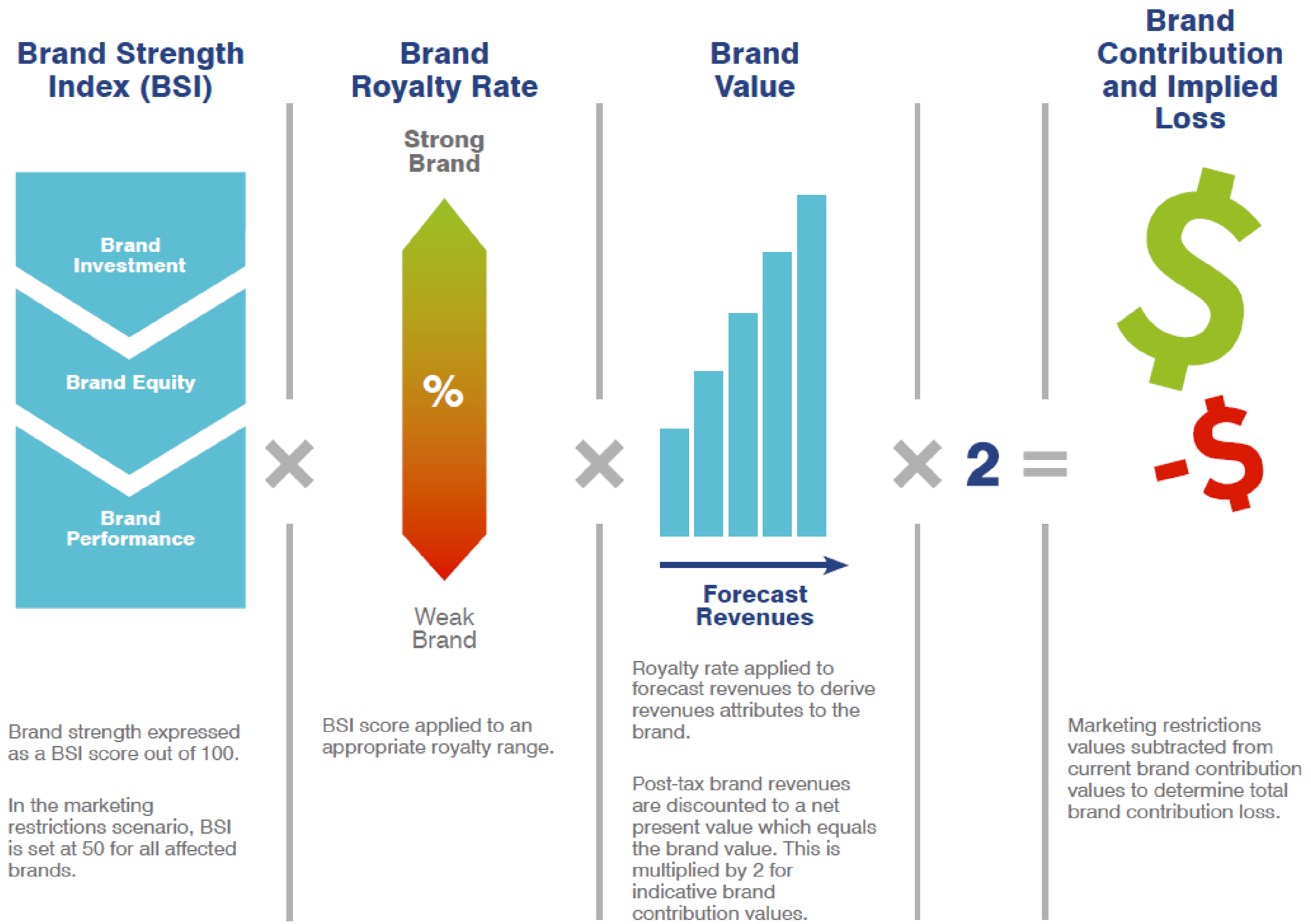
Marketing Restrictions 2021

- Taking our analysis one step further to understand the wider implications of marketing restrictions for brands, consumers, and economies.
  - Financial impact analysis building on the previous Plain Packaging reports
  - Global quantitative and qualitative research on attitudes to brands and marketing restrictions



Brand Impact Analysis Methodology

We analysed the impact to both brand contribution and enterprise value across alcohol, confectionery, savoury snacks, and sugary drinks brands in the absence of certain branding elements as a result of wider marketing restrictions



Marketing Restrictions: The Damage to Brands

Alcohol, confectionary, savoury snacks, sugary drinks industries worldwide could lose nearly half a trillion dollars

- The implied **brand contribution loss** across the endangered industries globally can result in a whopping **US$521 billion damage to enterprise values**

- Alcohol companies like AB InBev, Diageo, Heineken, Pernod Ricard, and Treasury Wine Estates would see **100% of their revenue exposed**

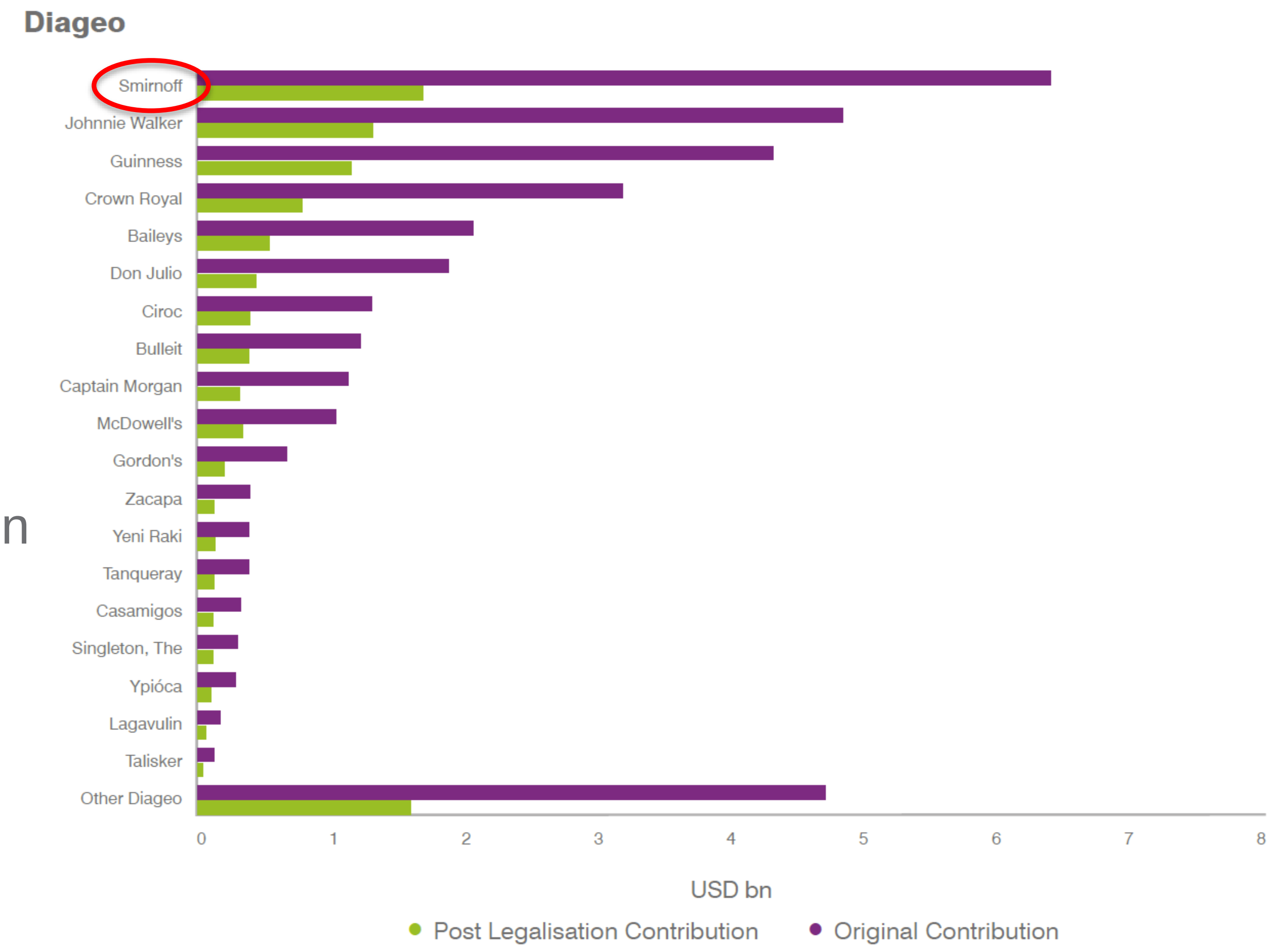
Case Study: Diageo & Smirnoff

Smirnoff stands to lose US$4.7 billion in brand contribution

- Diageo's portfolio has **100% revenue exposure** to marketing restrictions

- Full portfolio could lose **US$24.9 billion**, amounting to **71.6% of the entire value that Diageo's brands contribute to the business** – the highest proportion among all companies analysed

- **Smirnoff worst-hit** in Diageo's portfolio



Market Research Methodology – CMOs

13 CMOs interviewed who are currently or were recently overseeing brand marketing in leading organisations in the sectors covered by this report (FMCG, alcohol, casual dining, cars, gambling).

What do CMOs think?

- **Brands give back** to the society and the economy and **need to be protected**
- **Regulation must be proportionate**
- **Demand-regulating** or -restricting measures could be appropriate on occasion
- **Protection of vulnerable consumers** – especially children – is appropriate and necessary
- CMOs' main gripe is that much **regulation is developed without clear evidence** of the purpose and likely outcomes
- On the whole, CMOs **favour self-regulation** as far as possible
- One CMO notes the **increasing digitisation** of the economy is an **enabler** to the **illicit** trade - a fake website is much easier to build than an entire product supply chain. Brands are a force to counter this. **Established brands** have a **commercial incentive** to **stamp** out the illicit trade

"Whether it's environmental concerns, labour practices, renewable energy...we should leave the world in a better place as a result of our brand, not worse."

Doug Place
CMO, Nando's – Africa, Middle East, South Asia

"People expect brands to take a stance, but we also have duties to go beyond just communication. We invest a significant amount of money in charities, to give back to our communities. If the trend is to restrict more and more, we won't be able to do so and that is a shame."

Philippe Stadnik
Deputy CMO, Moët Hennessy

"There is the need to tell the story of the good that we as a business can do - the impact on unemployment and on the landscape of sustainability. This has never been more important."

Frazer Thompson
CEO, Chapel Down

Market Research Methodology – General Public

Over 6,000 respondents surveyed across 12 countries

An **online survey**…

…conducted among **6,337 adults**…

...aged **18-75**…

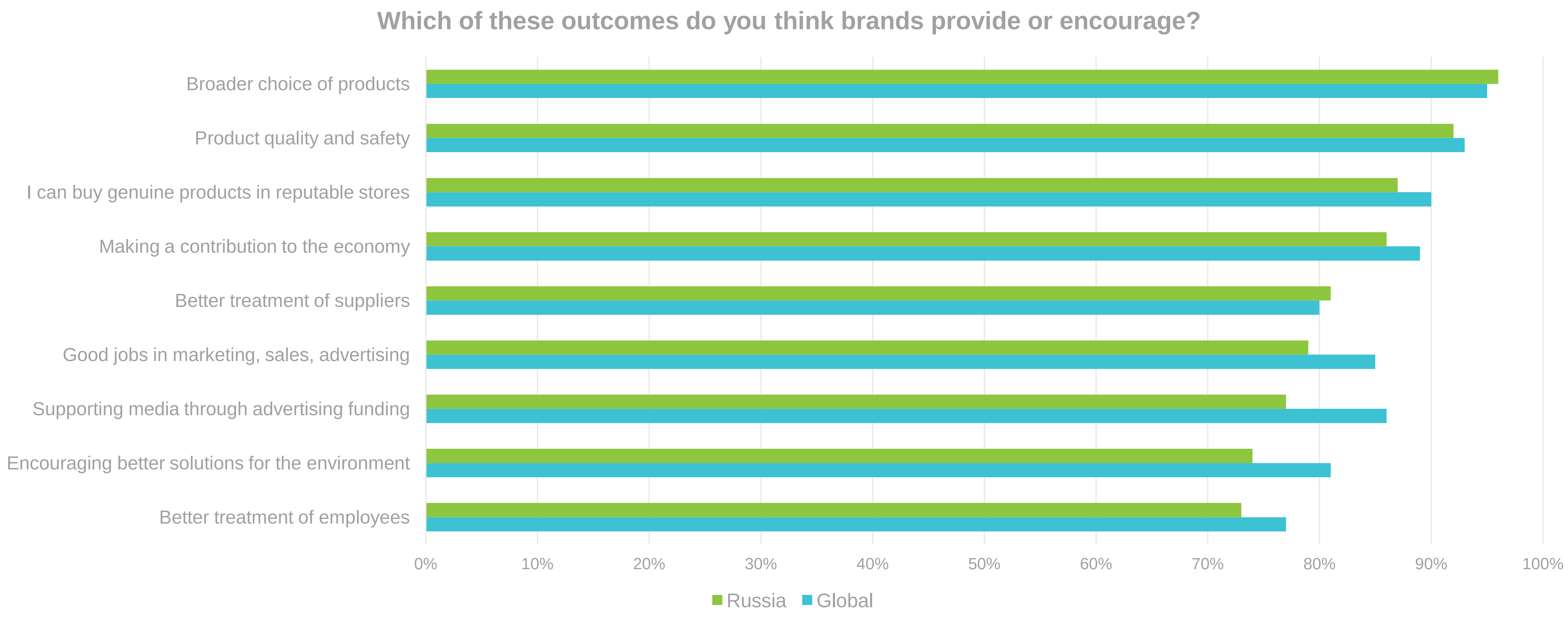
…across **12 countries**…

...whom we asked **their opinions** on **brands** and **marketing**.

Country	Sample Size	Country	Sample Size
BRAZIL	556	RUSSIA	629
CHINA	541	SOUTH AFRICA	503
FRANCE	524	SPAIN	503
MALAYSIA	514	UAE	504
PHILIPPINES	531	UK	502
POLAND	511	USA	519

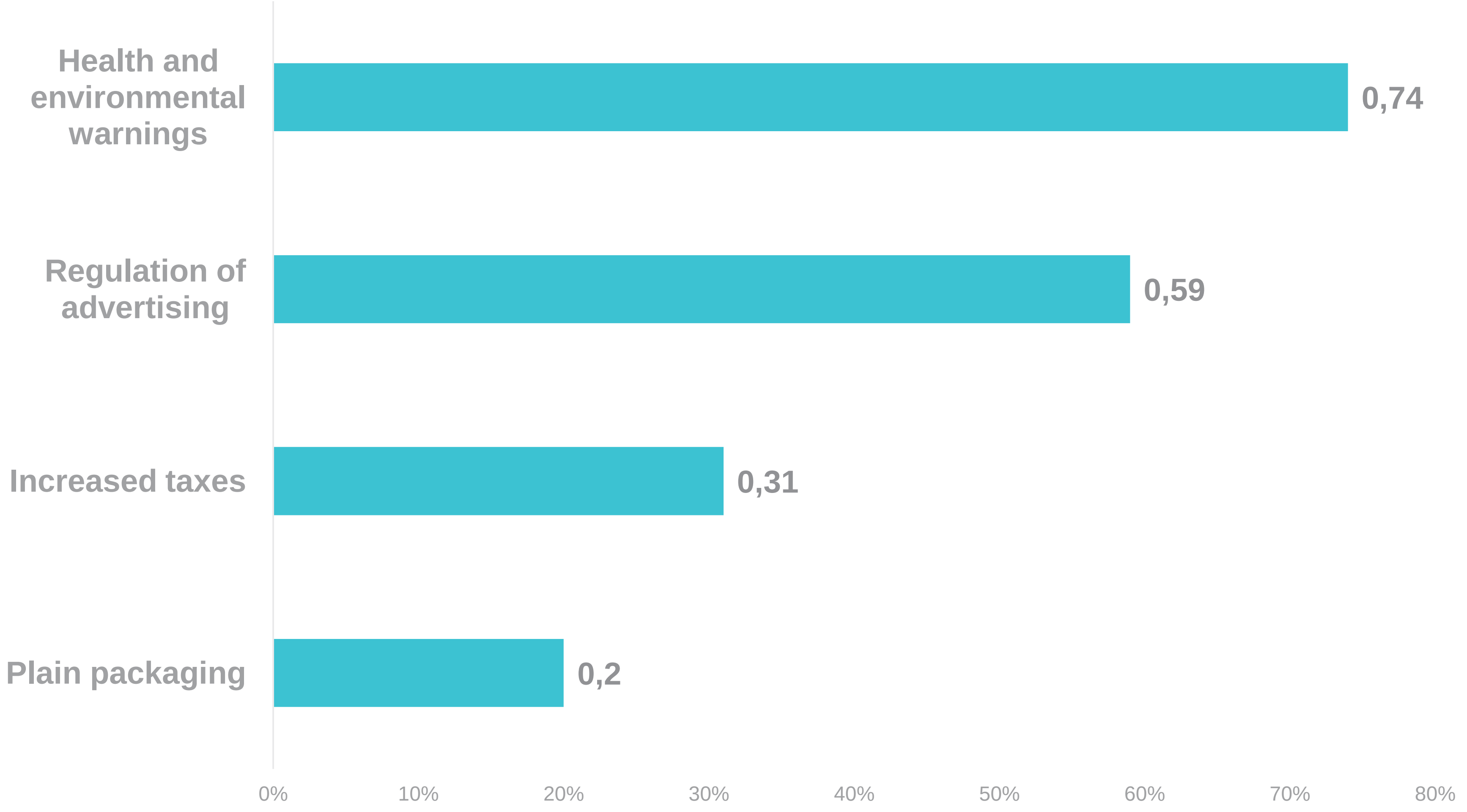
Russian Attitudes to Brands

Russians tend to have similar attitudes towards brands as the global average and understand their importance. Three areas where Russians score brands slightly lower are with regards to creating jobs in marketing, supporting the media, and encouraging green solutions.



Russian Attitudes to Marketing Restrictions

Only 20% of Russians would support the introduction of plain packaging across the categories and products asked about



Our Manifesto

Brands matter to all stakeholders

Allow brands to flourish
Governments and brand owners should work together to create an environment that stimulates creativity and growth

Protect branding and marketing
Preserve and nurture brands by supporting brand freedom and avoiding excessive regulation

Tackle illicit trade
Support legal brands by enforcing laws and prosecuting criminals involved in the creation and circulation of black-market goods

Improve intangible asset reporting standards
All companies should value and report their intangible assets, whether acquired or internally generated

Welcome consumers to engage with brands
Consumers should be inspired to interact with brands across the market and should be able to better their experience through open dialogue and feedback

Build a better, sustainable future
Brands need to embrace the responsibility bestowed upon them for advancing the environment, planet, and people

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Brand Finance is the leading brand valuation and strategy firm,
helping companies to manage their brands for improved business results.