Brand Equity

The way we do business has almost changed overnight. Long gone are days of lengthy credit terms and gentlemen's agreements. This month, Josef Busuttil tackles the importance of personal relations in the credit management process.

Investing in Brand Equity is becoming an effective business strategy not only to retain customers and maintain competitive advantage but also in securing sound cash flow to ensure better profit.

Doing business in a hostile commercial environment, where late payment, payment defaults, bankruptcies, increase in operational cost, and most negative economic omens effecting us from abroad are the order of the day, firms should employ strategies by which they can build differentiated brand equity.

Aaker (1995) contends that brand equity has four main constituents, which include brand awareness; brand identity, brand loyalty and perceived quality.

Brand equity results in better awareness of the product and services offered by firm, strong associations to the brand by the customer, high perception of good quality products and a unique customer service. Hence, it increases customer loyalty and encourages customers to pay on time or as agreed, in order to sustain the mutual business relationship that exists between the two parties.

> "Credit does not come for free. Money costs money"

Therefore, if a firm wants to invest in brand equity, it is necessary to convince its prospective and existing customers that it offers the better, if not the best solutions that may be available in the market.

This entails that the firm should be customer-focused and employs a customer-oriented attitude by:

- Understanding the needs and expectations of customers
- Communicating with customers - this includes listening to what the customers have to say
- Striving to meet, if not exceed, customers' expectations

But, isn't it the responsibility of the manufacturing department to ensure that the firm produces the best products? Isn't it the job of the marketing team to promote effectively the products with customers? Isn't it the responsibility of the sales people to convince customers to buy from us and not from our competitors? Is there an opportunity for the credit function to assist in building brand equity?

The answer to all of these questions is **'Yes'**.

Every employee, irrespective of the function or department s/he works in, should contribute wholeheartedly to build this brand equity.And the credit team is by no means an exception – In fact, I strongly argue that the credit people have a lot to contribute in this regard.

One should keep in mind that the credit practitioners are the ones who are in direct contact with customers from beginning up to the very end of business transactions. Therefore, it is the employees who can foster mutual trust, which is much valued, between the customers and the firm. Hence, the credit team can be instrumental in building the good image and the desired unique reputation in the market.

Nevertheless, people working in the field of credit management are generally those who actively want to contribute to building brand equity, and must therefore ensure that the service they provide to customers is both **Relevant** and **Defensible** in order to differentiate it from that of the competition.

1. Relevant - The credit practitioners should always keep in mind that what they do is relevant to both their customers and to the firm they are working for.

This entails the credit practitioners to get to know their customers better and understand their needs and expectations. It also requires taking proactive credit decisions to ensure sound cash flow and secure long-term profit. Nevertheless, the internal processes and procedures should also be customer-focused.

An effective business tool that may assist firms to understand their customers better is market segmentation and this exercise should not be limited to only the marketing team but should include the credit people, since the input of the latter surely helps in identifying the most profitable target segments and niches.

Being relevant also entails the credit practitioners to evaluate the opportunity cost of granting credit. Credit does not come for free. Money costs money. The firm has to budget appropriately and have the necessary funds to grant credit. Hence, it is required to turn credit risk into credit rewards.

2. Defensible –A firm cannot sustain its brand equity and maintain competitive advantage if it lacks barriers to replication because its success will simply be duplicated by competitors. This is where the credit function has another major role to play.

The credit function is a people's function and every person relates differently with others. Therefore, the way the credit personnel communicate and deal with their customers differ from that of their competitors and this is a form of defensible differentiation.

> "The credit function is a people's function and every person relates differently with others"

Therefore, the credit practitioners should be trained and skilled to be flexible in meeting customers' needs and expectations. They should provide good customer service by which they help the firm to create a defensible image and reputation in the eyes of the customers.

It is people and people-driven processes that are the real source of building brand equity and sustaining competitive advantage – this is the reason why the credit function has an important role to play in today's commercial world. In today's business world, more weight should be given to the credit team and more investment in credit staff training is surely required. ■

Josef Busuttil is the Director General at the Malta Association of Credit Management (MACM). www.macm.org.mt