

Kellogg Rural Leadership Programme

Building a Brand in the Rural Service Sector

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INTRODUCTION

The rural service industry comprises of five distinct areas of service that are specifically focused on the primary sector. These areas include suppliers, professionals, brokers, contractors and some farm businesses. The level of competition ranges within and between these areas is generally determined by the demand for the service. As such, there tends to be more participants and competition in the areas of high demand.

The rural community tends to be more insular than in the city. It is a relatively tight network and word gets round pretty fast, particularly if a service provider is doing a bad job. For this reason a rural service providers' performance can be under more scrutiny than in other more highly populated markets. Customer satisfaction is predominantly based on service quality, rather than the quality of the product being sold because product quality is fairly equal in a competitive service market. In general farmers tend to be more selective and careful in choosing who they do business with and are loyal and support companies and individuals that have served them well.

Given the nature of the rural sector it is more important to develop a brand that focuses on service and building strong relationships than in a non rural business environment.

From my research I haven't been able to find information that focuses directly on building brands in the rural service industry. In order to complete a paper in this area I have firstly outlined in general why building a brand is important, and the key areas of business management required to maintain a successful brand. I have then focused on why the service industry is different, and the key areas of importance in rural servicing based on my experience and conducting my own market research. Lastly I have outlined five successful rural service companies outlining the strengths of their brands.

BUILDING A BRAND FOR SUCCESS

The main reason to build a brand is to ensure that a business can be clearly differentiated in the market to assist in adding value. The branding terminology originates from cattle farmers approach to identifying their cattle from the neighbours with a mark or brand.

A successful brand is "an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely". Furthermore, its success results from being able to sustain these added values in the face of competition with the brand making the service more difficult to emulate, and it also provides a reference point to enhance and lengthen customer relationships.

Benefits of good branding include:

- Secure customer relationships through brand recognition
- Increased business value (goodwill)
- Guaranteed future income streams and assistance in customer loyalty

Good branding is a result of a coherent marketing approach which uses all elements of the marketing mix to create a perception in a customers mind about the product or service. It is therefore important to focus on the output or delivery required in the marketing effort to create the brand image being sort before developing the marketing plan. The development of strong brands can also provide additional leverage in terms of brand extension into new products and price premiums e.g. Kellogg's has been quoted as saying "The only discounts available are those shown on our price list, and all those discounts relate to quantity bought and to prompt payment. There is no possibility of special deals."

There are eight areas in building successful brands

1. Brand as a sign of ownership - shows who has developed and marketed the product and where it comes from.
2. Brand as a differentiating device - enables consumers to choose a product or service because they perceive it as adding more value than the competition.
3. Brand as a functional device - so that functional capability can be communicated to enable the consumer to understand the specific unique benefits of the service i.e. quality, reliability & relationship.
4. Brand as a symbolic device - consumers can perceive significant badge value in a brand which enables them to communicate something about themselves e.g. emotion & status of Banking with Westpac as opposed to another Bank because of the level of service they provide.
5. Brand as a risk reducer - consumers will generally rely on proven or reputable brands rather than risk wasting money on buying something new. It is therefore important for businesses developing new brands in competitive markets to minimise or alley potential concerns consumers may have by developing a promotional campaign accordingly.

6. Brand as a short hand device - establishing a brand may require producing large amounts of information for the consumer, but once a brand is successfully established it is a shorthand device or point of reference by which consumers can recall from memory sufficient brand information to make a decision. It is important when developing brands not to overburden the market with information but to limit information to maximise the impact of the message.
7. Brand as a strategic device - this should be done by auditing the assets that constitute the brand, evaluating the forces affecting the future of the brand by understanding the added value of the brand, and after assessing these factors a decision can be made to best position the brand in the future, in order to protect it and maximise returns.
8. Brand as a legal device - if a trademark has been effectively registered; the service provider has a legally protected right to an exclusive brand name. This enables it to establish a unique identity that can be reinforced through marketing efforts increasing the opportunity of repeat business.

KEY ATTRIBUTES OF SUCCESSFUL BRANDING

Really successful companies adopt a holistic perspective by regarding their brands as strategic devices. They analyse the forces that can influence the profitability of their brand, identify a position for their brand that concentrates on the brands unique advantages, and focuses the businesses resources to sustain the brands competitive advantage or point of difference. Brand success is when consumers perceive that it costs less to buy from your company than competing brands offering similar benefits, i.e. "cost driven brands" and/or when the service you have for sale has unique benefits which offset your premium prices, i.e. "value added brands". Further, the brand has the customer believing that it is effective, meets their emotional needs and is a low risk purchase because of the experience they have had with it.

The factors that influence the profitability of brands are:

Environment – By actively seeking and adapting to markets with the right characteristics businesses can more successfully utilise resources to nurture a profitable brand.

Memorable – Brands win the mind of consumers because they are distinctive and stand out as having relevant added values. Communicating a brand's added values well is an essential component to long term success, and the communication strategy needs to be carefully devised. However, a brand could be scoring well on awareness, but if consumers abhor its brashness it will not succeed. Excluding commercial advertising, added value and point of difference can be effectively communicated from the business itself through its' location, quality of staff, price, and how relevant the product or service is.

Advertising – Most leading brands are committed to significant advertising spends to maintain awareness. For those brands differentiating themselves primarily through their unique image, advertising is invaluable, particularly in new business development. Sustained advertising is important as it builds up "a stock" of brand goodwill in customers' minds. Advertising is like applying farm fertiliser, in that, when advertising stops initially there is a small drop off for a period, but then a rapid decline.

Leaders – Leading brands tend to be more profitable than followers because they were there first, and may have controlling positions in the market as a consequence. Customers also tend to be more confident in dealing with leaders because of their reputation. Leaders also tend to attract higher quality employees which helps maintain a competitive edge. For these reasons leaders are normally larger and have lower costs because of efficiencies created through having economies of scale, and they are more profitable.

Quality – Having a brand that consumers perceive to be of superior quality, will enable price premium's and lower promotional costs. It is still important to use the extra revenue on R&D investment to sustain the quality positioning for future earnings. Developing a quality driven culture within the organisation is key.

BRAND PLANNING

Brand planning is an important but time consuming activity, which, if undertaken in a thorough manner involving company-wide discussion, will result in a clear vision about how resources can be employed to sustain the brand's differential advantage. Many businesses underestimate how important brand planning is to capture business potential. By not preparing well-documented strategic branding plans businesses can create their own obstacles to success.

Poor planning can compromise potential brand equity. Brand equity consists of differential attributes underpinning a brand which give increased value to a businesses balance sheet. Brand value is based on its' current strength measured by its esteem and familiarity and its' potential for growth based on its' relevance and its ability to differentiate itself.

Brands succeed because marketers have a good appreciation of the assets constituting their brand. They invest and protect these attributes or points of difference to sustain this value and maintain customer loyalty. A key point of difference that needs to be identified at the outset as part of the business vision, are its core values. Marketing plans should be considered against core values at all stages in the business lifecycle so that the core values are built on and not diminished.

To create or maintain a successful brand ongoing analysis of the brand and its components that create added value, should be undertaken, so that the brand can be correctly positioned in the market. The strength of the brand is often determined by how well these components have been interlinked and businesses need to consider how their brands component values are synergistically interlinked to form a more powerful whole i.e. taking a holistic approach to branding.

A service brand has to be based on a clear competitive position, which has to be derived from the corporate strategy. Only when the brands positioning and benefits have been communicated to staff, who understand it and have been trained, and are therefore capable and confident in delivering the brands promise, should these be communicated to consumers.

When planning you need to understand the consumer's rational and emotional process in choosing a brand. Consumers will undertake a rational process in considering the practical issues about the brands functional capabilities and personality; forming both an emotional and functional view about the brand, and its ability to meet their needs. This aspect is particularly important in the service industry as competing brands are often very similar in

terms of their functional capabilities and the brand that comes closest to matching or enhancing the consumers self concept will be chosen.

In developing a brand market behaviour needs to be understood. Consumers normally rely on a few pieces of selective information to choose a brand. Market research and the level of involvement in making a buying decision are determined by how important the decision is, and the brand choices available. There are four key areas in making a buying decision, these are price, time, reputation and advise. By understanding this buying process marketers identify how marketing resources are best employed.

It is extremely important to make it as easy as possible for consumers to choose your brand. Too much information about your business isn't helpful as it can confuse potential consumers. Consumers look for clues and the most sought after clue is the presence of a brand and the recall of previous positive experiences. Of all the marketing variables it is the brand name which receives the most attention, as this is the key influencer in a consumers' perception of quality. However, when a consumer has little brand experience the brand name will have low predictive and confidence values, and thus more clues will be sought, usually price followed by other clues. All the clues or bits of information create a picture or impression of the brand. The task facing a marketer is to facilitate the way consumers' process information so that a positive impression of the brand can be created through advertising. By understanding this process good marketing can reinforce the positive attributes of the brand as well as the brand itself to create the right brand impact and customer perception.

Brands succeed because people recognise and value their personalities. They have presence both physically in terms of availability and psychologically in terms of awareness. Success can create considerable value or brand equity, hence the importance in positioning and marketing the brand well through an appropriate level of planning and marketing at the outset.

KEY AREAS OF BUSINESS DEVELOPMENT REQUIRED TO SUPPORT AND MAINTAIN A SUCCESSFUL BRAND

BUSINESS PLANNING

Successful businesses plan in order to understand and minimise risk. Unsuccessful businesses don't plan to fail; they fail to plan.

Planning should be carried out for all or some of the following reasons:

- To clarify thoughts on the business operation
- To provide a "road-map" or direction for the business to follow
- As a means of writing down and communicating ideas to others
- To bring ideas together in a workable scheme
- To reinforce confidence in their plans

The business environment is constantly changing and the speed of change will determine how regularly plans need to be reviewed and updated. Plans allow a successful business to make sound judgements to question whether objectives are being met, and to revise plans and redirect as required.

STRATEGIC RESOURCES

The quality of resources will determine the level of competitive advantage a business has and how sustainable this competitive advantage is. A sustainable competitive advantage is created when businesses possess and employ the following resources and capabilities:

- Valuable because they exploit some environmental opportunity
- Rare in the sense that there are not enough for all competitors
- Hard to copy so that competitors cannot merely duplicate them
- Non-substitutable with other resources

A business that controls scarce and unique resources will have a competitive advantage. To fully capture this advantage management needs to focus on the following six types of resources:

- 1. Physical Resources** are the tangible property the business uses in service and administration. These include the business's location, plant and equipment. Location is very often the physical resource that provides the most competitive advantage.

2. Reputational Resources are the perceptions that people in the business environment have of the company. Reputation exists at the product and service level as brand loyalty. There are eight areas that determine a business reputation and these are;

- a. quality of management
- b. use of business assets
- c. financial soundness
- d. value as an investment
- e. quality of products and services
- f. Innovativeness
- g. ability to attract, develop and retain top people
- h. extent of community and environmental responsibility

Of the above product and service quality, management integrity and financial soundness are considered to be the most important reputational resources.

3. Organisational Resources include the businesses structures, routines and systems used for information generation, reporting, decision making and planning. A combination of these resources that allows a business to operate quickly and efficiently can provide a competitive advantage. The combination mix is normally determined by what lifecycle stage the business is at. Depending on where a firm is in its lifecycle, certain resources are more vital than others. For example, human capital and experience tend to be more important early on while organisational resources tend to dominate later in the business lifecycle.

4. Financial Resources represent money, assets and borrowing capacity. Whilst it is necessary to have financial resources to operate they are not a key reason for success. Capable financial management that enables the best use of resource to obtain a competitive advantage

5. Intellectual and Human Resources includes the knowledge, training and experience of the business leader and his team and the judgement, insight, creativity, vision and intelligence of the individual team members. Together this is often referred to as the human capital of a business.

6. Technological Resources differ from intellectual resources in that they are physically attached to the business. They are made up of processes and systems, and may include research and development facilities, and testing and quality control technologies. The knowledge created is protected by trademarks, copyrights and licenses.

THE BUSINESS TEAM

A business is successful because of the resources, capabilities and strategies of its leader and its key people. These people's psychological, sociological, and demographic characteristics

coupled with their personal experience, knowledge, education and training are the accumulated human resources that contribute to the business. Successful operators and business leaders recognise their resources, capabilities and they either up-skill or employ people with the required skills.

Business leaders and successful entrepreneurs normally rely on a network of business people and professional business advisers. These contacts are personal resources that help them acquire additional resources they do not possess, and need to successfully run the business and this is critical in a changing business environment. The old adage that “who you know” and “who knows you” is true in that this network can be a very valuable resource in business development.

NETWORKING

Successful business leaders are normally good networkers as they appreciate that networking gives them access to resources without having to control those resources. This minimises the potential risk of ownership and keeps overheads down. The ability to build quality business relationships and leverage off these can be an incredibly valuable resource as it will invariably create opportunities for the business. The value of the networks that individuals within an organisation possess is referred to as “relationship capital”, which is a measure not of what people know but rather who the organisation members know, and information those people possess and can provide the organisation.

Networks will provide information about the business environment and enable business leaders to build a reputation in an industry. They can be a source of a sustainable competitive advantage because of the development of valuable personal relationships for selling product, developing new products and markets and procuring resources i.e. capital.

Networks can be extended beyond personal relationships to more formal business to business relationships that contain more diversity. These relationships are more instrumental and based less on trust. There can be many indirect associations in an extended network, and as a consequence the relationships are not usually close, but encompass a wider network that can provide information about opportunities, locations and potential markets. An example of an extended network is the appointment of an independent outside director who can provide invaluable checks on the business leader’s decisions, and possible mistakes. By complementing the leaders’ information base, offering an objective view and a fresh perspective can change the course of a ventures strategy.

Other examples are alliances and joint ventures to reduce resource cost or improve marketing and pricing, such as:

- a. Collusion between competitors to operate as a cartel prevents competing against each other and enables collective purchasing of resources to reduce cost and improve efficiencies.
- b. Forming business groups with non-competing firm's, to establish advantageous buying and selling conditions. By doing this these businesses are collectively creating the same trade advantages larger individual organisations are establishing through vertical integration but with less risk.

- c. Franchising is another way of expanding a business in new geographic locations by leveraging off third party capital but maintaining control of the brand.

LEADERSHIP

Leadership can be described as the effective management of available resource to implement business strategy

A business leader has three leadership roles to play when successfully running a business - these are a/ organisational leader, b/ architect of the organisational purpose and c/ personnel leader. Good leadership requires all these roles to be working effectively at once:

- a. Organisational leadership is the selection of a management team that works well together. The key to effective leadership in this area is choosing people with complementary skills and getting them to work well together by blending their skills and expertise to ensure an effective management team that is highly productive. In effective teams, leadership will often be shared, depending on the knowledge and skill of the individuals in the team. The team member best equipped to deal with the task at hand will likely take temporary leadership of the group.
- b. As an architect of organisational purpose the business leader serves as analyst and strategist to determine what goals, objectives and direction the business will pursue.
- c. As personnel leader the leader is a model for behaviour in the organisation and is the individual to whom people look to for leadership about what is right and wrong for the organisation. The leader creates the climate and the culture for the workplace and openly models ethical standards of the business.

The performance of a business will vary depending on the quality of resource employed in the management team. A top management team will leverage off the positive business relationships within the team and their own external networks.

Whilst recruiting a top management team is important, maintaining a top management team is even more important. To do this the management team must be good at five key areas; these are goal setting, providing a set of norms and values, creating effective roles within the team, communication and the selection of leadership within the team.

Agreement within the management team on what the organisations goals should be is positively related to business performance. Over time, because of a good understanding of the business leadership's strategy and vision, the management team will develop its own goals and objectives and this is essential to enable the team to create its own identity and sense of mission.

Norms represent the teams shared standards for behaviour, and values represent its desired outcomes. The most important of these norms and values are:

- Cohesion: the understanding that when the team gains, each individual member gains
- Teamwork: the acknowledgement that collective activities and accomplishments can surpass what any individual can achieve on his or her own
- Fairness: acceptance that rewards and recognition are based on the contributions of individuals to the teams' efforts and success.

- Integrity: honesty and the highest standards of ethical behaviour
- Tolerance for risk: the willingness to be innovative and to accept ambiguous situations
- Tolerance for failure: the willingness to accept that innovation and ambiguous situations sometimes leads to failure
- Long term commitment: The obligation to promote the business
- Commitment to value creation: The recognition that personal wealth is a result how valuable the business is as an ongoing, growing and profitable organisation.

PEOPLE

The most successful service providers have the right people in the right jobs. The rural service industry is a people business. If the sales representatives are well liked they do well, providing the product they have for sale is as good as the competition, and providing the company they work for doesn't have a bad reputation.

Businesses with everything else going for them can easily fail because they have the wrong people in the wrong places. A positive company culture is important; this is derived by having the right allocation of human resource and mix of people. People issues to consider:

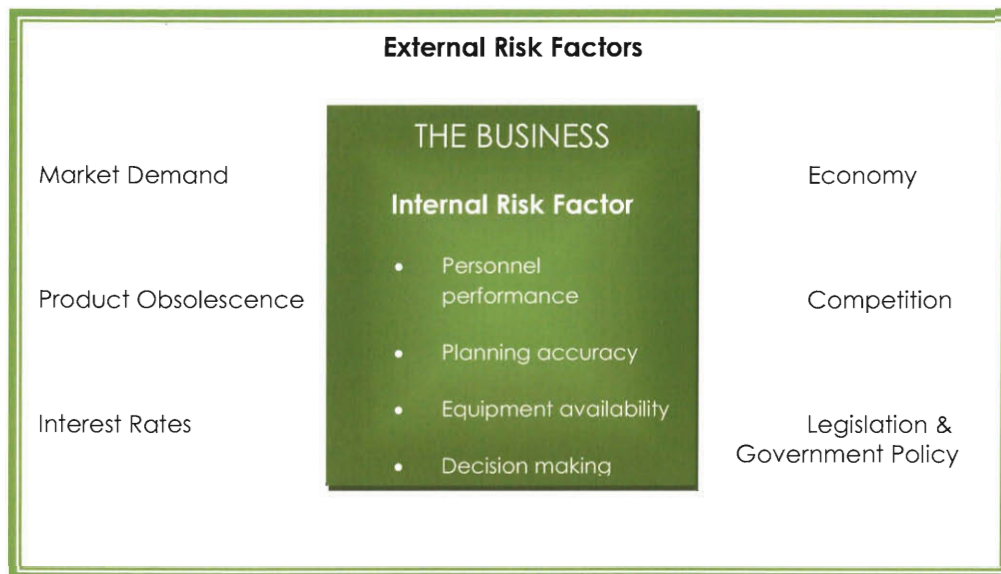
- Ownership of the business
- Organisation structure
- Quality of recruitment and remuneration
- Job responsibilities
- Necessary skills
- Directors and their roles

Because the rural service industry thrives on close business servicing relationships it is critical to employ people that have empathy and good understanding of the industry. It is important to employ people that understand what good service is and can deliver quality service on an ongoing basis by being consistent, trustworthy and acting with integrity.

UNDERSTANDING RISK AND MONITORING EXTERNAL TRENDS

Business risk is the ever present possibility of losing money, assets, friends and reputation. The level of risk in business depends on where the business is in the business life cycle and a combination of external and internal risk factors that may face the business.

Risks Affecting Business



One or more of these risk factors will be present at any given time. As these factors increase the greater the risk the business is faced with and the more management input is required to mitigate these risks. The amount of influence management can exert over external risk factors is limited. However, internal factors can be significantly influenced by management.

Successful businesses manage external trends that they are confronted with. Although it can be argued that some business risk factors can be influenced, for the most part they are out of the control of most businesses. It is important that and changes to external factors are constantly monitored. Only in this way can a business ensure it is acting appropriately in the times. The threats or constraints imposed by the external environment are those inherent in any competitive marketplace. Successful business can protect against, and overcome these by developing strategies that exploit the businesses resources. To keep abreast of current trends business leaders will likely be involved in the following activities:

- ✓ Read the business page in the newspaper
- ✓ Subscribe to their industry magazines
- ✓ Be involved in their industry groups and associations
- ✓ Meet regularly with their advisers i.e. directors, accountant, bank manager, lawyer and consultants, pressing them for information that is important to the business and seek guidance in areas of weakness.

SERVICE BRANDING

Branding enables a service to be augmented through creative marketing to give added values that satisfy social and psychological needs. Surrounding brands with an aura or personality can also be advantageous. If done well it will give consumers far greater confidence in using the brand. Brands make image statements and so consumers will often choose brands that portray an image they are comfortable with. When faced with competing brands consumers will make a choice based on emotional differences, because in most competitive markets the functional differences of what's available is narrowing.

Giving symbolic meaning to a brand can assist in creating a "brand personality". This can be done by using visual representations to create meaning, this is especially important in the service sector when no tangible product is available e.g. the National Bank of New Zealand using the horse to symbolise it as "the thoroughbred of Banks". People will often relate to brands by the image they portray and will often choose a brand because it matches or enhances their own self image. Choices will also be made based on what other people might think.

Along with brand personality, brand values combine to create an image of what a brand stands for.

To prevent services being seen as a commodity, businesses can differentiate themselves through added value. From a consumers perspective added values are those values that are relevant, appreciated and over and above the functional role of the product. In creating a successful brand these values need to be very clearly differentiated to a point where the consumer perceives that they are unique. This unique point of difference could be either superior service, or products the competition does not have. A businesses added value can be promoted through advertising and marketing using images and symbols to create a brand personality.

An added value strategy needs to include market research to enable the business to identify what customers see as a relevant point of difference. Adding value is considered worthwhile only if the target market sees it as relevant and noticeably different, and the customer perceives it as having a value over an equivalent product or service, if there is one.

The most frequent error businesses make is using the brand name as a differentiating device but losing sight of all the components that the brand represents. Successful added value branding needs to take a holistic approach by putting all these components together. This process starts with the vision for the brand i.e. what the brand stands for, and what it's functional and status or expressive values are. Binding together and harmonising these three types of values is the brands vision.

Building a brand in the service industry requires a business to focus on creating opportunities to gain a sustainable competitive advantage by providing quality service and solutions, or innovating the way business is done with customers to create greater convenience. By differentiating service in this way a higher level of customer satisfaction can be provided.

A strong service brand is essential in a competitive market and the importance of service delivery compounds with business size as customers will often engage several people. This increases the chance of receiving conflicting messages, or service hitches and the potential

for a breakdown in service quality. As customers see a brand as a set of differentiated perceptions its strength depends on the extent to which these perceptions are consistent, positive and shared by all customers. A successful brand is normally the result of a sustained marketing effort to shape consumers perception of the brand so that the target audience will think of the brand in positive terms.

It is more difficult to build a brand in the service industry as consumers have no tangible attributes to assess brand. It is harder to communicate the values of a service brand, and because of this, service businesses run the risk of being perceived as a commodity. An effective route to convey the values of a service brand is through the way a company does things - the company culture - as this acts as a key communicator of values. This means that a brand personality cannot just be communicated by press or television advertisement, it also depends very much on everyone in the company, from the CEO down. Therefore, brand building needs to be undertaken by everyone in the organisation so that the style of interaction with customers can be blueprinted and a businesses DNA established. It is important that all employees deliver service in a way that is consistent with the brand promise and the recruitment and training strategy needs to be undertaken accordingly.

Service can also be defined as a performance. Marketing a performance is different than marketing a manufactured product as services cannot be felt, tasted, touched or seen in the same way as goods, however there are some tangible components which help consumers evaluate service. The more difficult it is for consumers to evaluate service, the more they rely on any available clues or physical reference points for reassurance, from service quality through tangible elements such as business size, reputation, location. In addition to this, appearance through corporate logos, uniforms and physical facilities and the environment created by office décor, music and reception can have a major influence on which company to deal with. A combination of these tangible clues along with the behaviour of staff will create an impression or a perceived level of risk in dealing with the business. With a brand that is high in credence values there needs to be a strong message of trust. In an attempt to overcome the intangible nature of a service brand, marketers can put a lot of emphasis on the company as a brand, particularly in the financial services sector, as this is one way of making the service more tangible. In addition to this, physical reference points can be used to create a more tangible service and these need to be consistent and appealing to both the target market and employees. It also needs to be clearly understood why each one of these tangible elements add value to the service brand. An example of this is Westpac's sponsorship of the Rescue Helicopter which associates Westpac's support in all areas of the community including isolated areas like the rural community where it is needed most.

In a rural service industry brand decisions can be made at a more emotional level and this is why service quality is the key point of difference. In addition to tangibles mentioned earlier, there are four other core dimensions of service quality are:

1. Reliability: the ability of staff to perform the promised service dependably and accurately
2. Responsiveness: the willingness of staff to help consumers and provide prompt service
3. Assurance: the knowledge and courtesy of staff and their ability to inspire trust and confidence
4. Empathy: the caring, individualized attention provided to consumers

Other areas that influence quality of service from a customers' perspective are:

Consistency of quality – When customers come into contact with staff they will make an assessment of service quality in line with their expectations.

Customer Involvement – Consumers are normally actively involved in the service delivery and it is therefore important they understand the role they play so that service delivery is given the best chance of success and providing the customer with a good experience. Examples include internet banking being user friendly & secure, or understanding the service expectation in a merchandise store with some customers preferring to be left and others wanting help in making a purchase.

Simultaneous production and consumption – Unlike products most services are consumed while they are produced and the customer is provided with an experience if engaged in the process and this provides an opportunity to influence the customer.

Service process – Starting process, then reassuring, informing, explaining and establishing the service priority

Heterogeneity - All staff delivering the same standard of service in line with an agreed service strategy, dress code and style.

Consumer to consumer contact - Contact with other customers can have a major impact on brand. The old adage is a happy customer will tell 1 person and an unhappy customer will tell 10 people. Therefore customers need to be in the right service channel with the expected level of service delivery

Relationship marketing to build a brand - Financial incentives such as retailer loyalty cards providing discounts or Bank loan discounts for business contribution. Client hosting to create social bonds and taking a personal interest in the customer builds the relationship.

CHOOSING A RURAL SERVICE BRAND

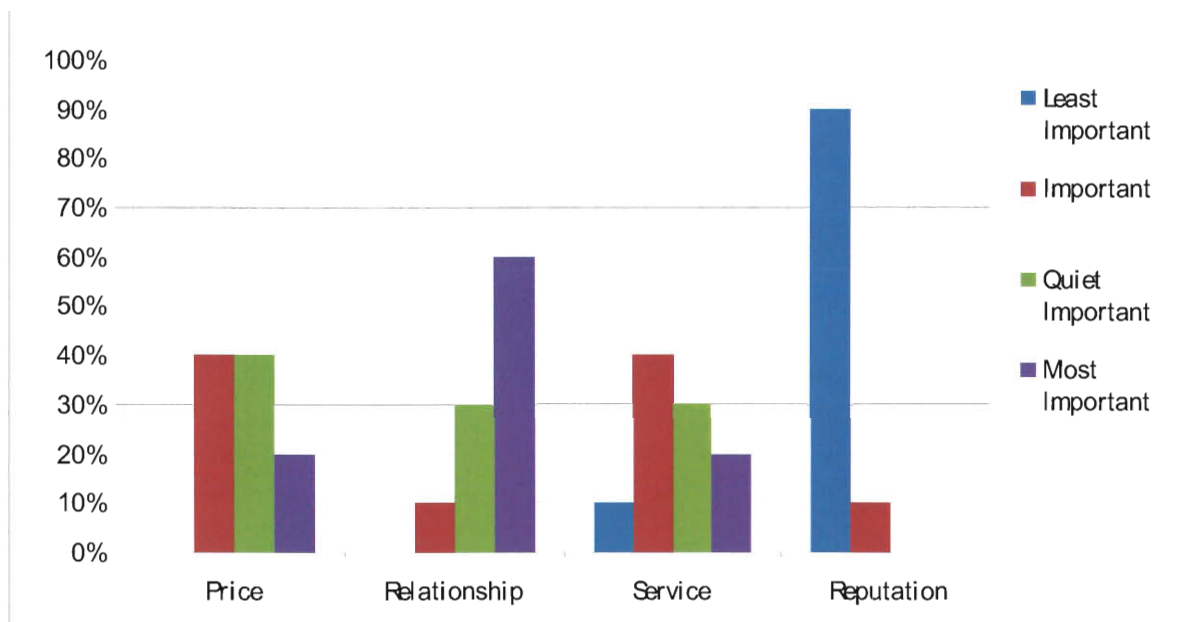
The rural market is serviced both by co-operatives and commercial business all competing for market share with their own unique point of difference. In this section I will outline the results of a survey I have completed outlining what farmers see as important when making a decision on who they deal with. The survey was firstly carried out to establish what farmers felt was important when dealing with rural service providers and then these were rated in order of importance to establish where service resource was best invested.

Four key areas were identified as being important when making a decision on which company to deal with and these were as follows:

- Reputation based on history of service
- Relationship based on who you deal with at the company
- Service delivery and backup service systems outside the relationship managers control
- Price based on how competitive the company is.

In a quantitative survey of ten large scale agribusinesses these four areas were ranked in order of importance from least important to most important. A survey rating score of four being most important, down to one being least important. The results were as follows

INDIVIDUAL SERVICE CATEGORY RATINGS



The survey shows the following results for each category

PRICE

Of the ten people surveyed nobody rated price as the least important factor in choosing a company to deal with. 20% of people rated it most important and 40% rated it as the second and third most important consideration.

RELATIONSHIP

60% of those surveyed felt that the quality of relationship they had with the company was the most important factor. Nobody considered it as least important. 30% rated it as second most important and 10% rated it as third most important.

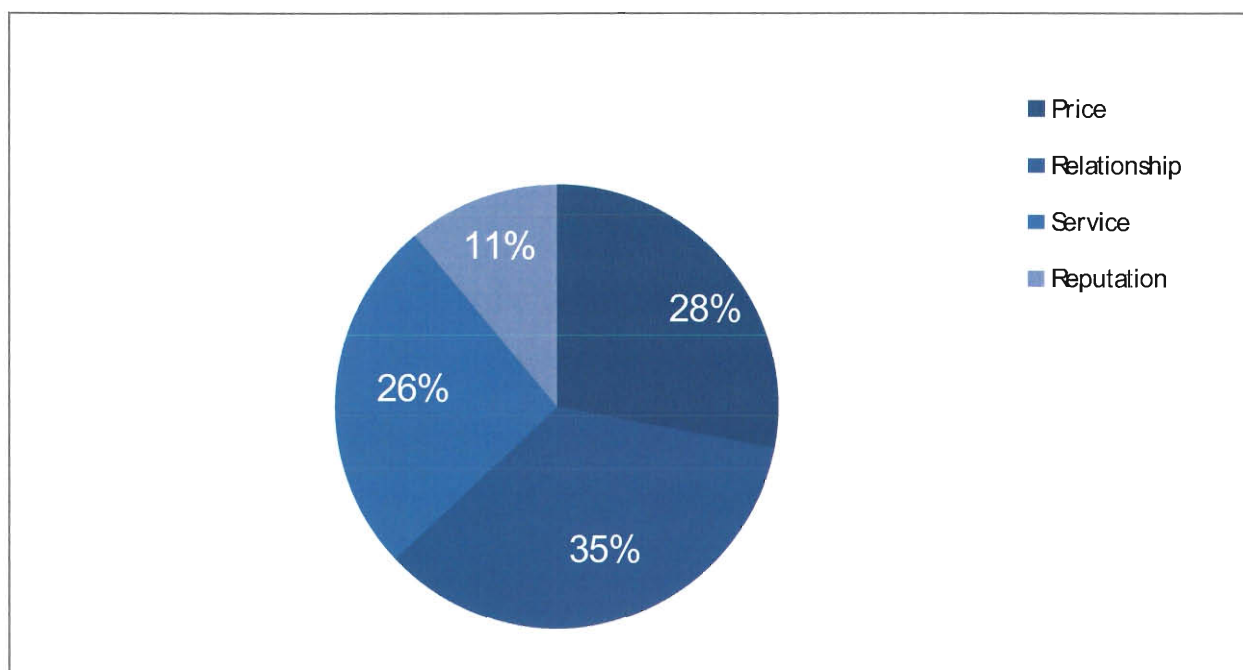
SERVICE

Of those surveyed 10% rated service as least important because they felt that their relationship manager could fix any service problems. 40% rated service as third most important, 30% as second most important and 20% as most important.

REPUTATION

Of the four categories 90% rated reputation as least important and 10% as quite important. The 90% rated it as not that important if the other factors particular relationship were sound.

IMPORTANCE OF EACH CATEGORY



The research data shows that of the four categories of importance when selecting rural service providers to do business with relationship, service and price are considered most important with reputation being least important. Whilst reputation came last by a relatively large percentage, it is still considered very important and should be interpreted as follows:

- Most rural service brands have a satisfactory reputation
- If the relationship, service and price are strong then reputation will follow even if there is some bad history

Relationship is considered the most important factor in the brand equation because if this is strong service and price should follow.

Price and service are a close second and third respectively. Price will always be a major factor in a purchasing decision but becomes less important if the company representative is adding value, and the service backup is efficient and user friendly. Clients will tolerate poor back-up service and price for a period, if the relationship is strong.

CLIENT RELATIONSHIP PYRAMID

The pyramid below ranks customers by volume and size and categorises them according to value and the relationship management and service quality required.

In any business segment, and rural is no exception, there are large high value clients ranging down to small low value clients, and then there are difficult clients and small clients with potential. In order to build a successful brand, the company's clients and potential clients need to be segmented in order of priority. The larger and sometimes more complex clients should be segmented into the platinum and gold category and receive key account management status and discounted pricing based on volume and quality.



A company representative best equipped to manage the relationship should be made accountable for this in order to retain the business and protect it from the competition. Businesses with potential could range from silver through to platinum, with quality of relationship management and pricing discounts at a level commensurate with the potential.

In essence the level of resource a company puts towards a client is relative to value and the quality representation to client ratio should be provided on this basis. The quality of the company representative is determined by their personality, qualifications, experience and knowledge.

The higher the client to company rep ratio, the more clients will place an importance on service systems and the brand relationship. Brand did not feature high in the survey completed on the platinum gold customers at 11%, but this increases with customers that aren't relationship managed or are more reactively managed. This is because clients who have limited access to a company rep have to rely on branch service systems and what the brand represents and the brand personality that has been created or needs to be developed.

EXAMPLES OF SUCCESSFUL RURAL BRANDS

FARMLANDS

Established in 1962 by a group of Hawke's Bay farmers in an attempt to relieve the stranglehold the stock and station companies had on the farming community, Farmlands was set up to create collective bargaining power and competition, to reduce farm input costs.

Farmland's Key Points of Difference. The first three are the key focus areas, in order of importance, to maintain customer value and a competitive advantage.

1. Range and presentation of stock with at least two good supplier brand choices for each type of stock which normally provides for a high-low price range
2. Rural staff culture based on the understanding that it is a privilege to work in a rural service business owned by farmers. The focus is on providing a first class retail experience by engaging customers and being knowledgeable to encourage customers to buy. Taking the view that customers who come into the store have a problem that needs solving and achieving a solution is the challenge that must be achieved.
3. Pricing is engineered to ensure business is sustainable and therefore cheaper to members. Farmer Card provides a 10% discount from selected retail outlets who in return get customer supply and guaranteed payment
4. Co-operative providing profit rebates back to farmers relative to throughput
5. Focus on being specialist farm retailer from clothing to fertilizer
6. Historically there has been equal marketing effort to all farmers and focus on higher margin lifestyle and pet food market rather than large scale farmers. With a recent change in focus management is now also focusing on large scale key accounts.

In summary Farmlands strive to have a product range to cater for types of rural and lifestyle customers that is professionally presented and represented by well trained and knowledgeable staff. A culture has been developed to provide a friendly and positive retail experience for all customers when they visit the store so that dealing with them is a pleasant experience. Because the focus is on good quality service Farmlands regularly selects a cross section and invites up to 30 customers to participate in a discussion group to provide feedback and ideas to improve service. The business is stable with an established and settled culture.

(J Newland, Personal communication, October 27, 2007)

PGG WRIGHTSON (PGGW)

PGGW was recently incorporated merging Pynne Gould Guinness, Wrightson, Williams and Kettle and Fruit Fed. PGGW is the largest New Zealand stock and station company being a composite of nearly all the stock firms that have previously operated in NZ.

PGGW key points of difference

1. National referral network
2. Multiple service offerings providing full farm service in all areas of agribusiness in New Zealand
3. Business development offshore
4. Economies of scale enabling strong purchasing power and the opportunity to invest in technology and supply chain rationalisation.
5. Better on farm technical support through a greater investment in training and research and development
6. Leaders in pastoral and crop productivity improvement backed by significant investment in research and development

PGGW strength is that as a national company it can add value and provide service in all areas of agribusiness. The considerable change the industry has gone through in recent times with mergers and acquisitions culminating in the formation of PGGW, has been implemented to improve efficiency and industry profitability. PGGW have recently adopted a strategy to employ District Managers to represent all areas of the business in each region to strengthen customer relationships. Efficient and innovative systems to support staff and development of well motivated, knowledgeable people that can build strong relationships in the rural service industry remain a key area that will drive success.

(H Martyn, personal communication, November 20, 2007)

RISSINGTON BREEDLINE

Rissington Breedline (RBL) sheep business has been established over the last 10 years by joining the Absolom and Ramsden family sheep studs. The strategy has been to build two sheep breeds into brands that the company can leverage off and build brand value as the business develops. The two sheep breeds are a terminal blackface composite called "Primera" and a maternal composite called "Breedline". The company is considered a leader in sheep branding and is differentiating its two sheep breeds away from the commodity market by selling an animal that is a branded product. While the company is selling its rams as a product it is also servicing the farmers in the provision of rams.

RBL's point of difference in the market

1. Large gene pool for rapid genetic gain
2. Nationwide coverage and representation
3. Use of technology assisting genetic gain and traceability through electronic ID and DNA

4. Market driven with a strategy of establishing a large scale supply contract with Marks & Spencer with lamb being processed on contract by a meat processor
5. Service culture that is promoting lamb internationally as a product and not a commodity by leveraging off the two brands e.g. traceability and social and environmental and building robust market relationships.

In summary RBL is an industry leader in developing a large genetic base throughout NZ with sufficient volume to supply traceable large even lines of stock to selected markets. This has enabled it to develop high value supply contracts with the buyers like Marks & Spencer. It is developing a brand to create value in the future.

(D. Absolum, personal communication, November 8, 2007)

BALLANCE

Ballance Agri-Nutrients Ltd was launched as a new brand in 2001; the new company is a co-operative that incorporates eight mergers of smaller fertilizer and fertilizer service companies. Its main competitor is Ravensdown and the presence of both co-operatives competing in NZ ensures operating efficiency and competitive fertiliser supply.

Ballance's key point of difference is

1. Relationship managers and field staff
2. Has focused on fertiliser manufacture and distribution and has not tried to leverage its brand and move outside its core business like Ravensdown which has developed an agricultural chemical and animal health business
3. Using stock and station for distribution and supporting them
4. The Brand symbolises infinite growth and the symbol represents NPK or a stylised clover plant
5. Branding fertiliser products like Super 10, Pasture Mag rather than selling fertilizer as a commodity
6. Ownership of the only Urea manufacturing plant in NZ can be an advantage during high oil prices internationally, as is the current situation
7. Core values based around the key areas of building long term relationships and customer satisfaction. Also acting ethically, respecting others, creating a safe working environment and promoting clean green farming environment. Sponsoring the "Ballance Farm Environment Awards"


In summary Ballance is achieving considerable success with a developing brand because unlike Ravensdown it is focused on supplying fertilizer products and good quality relationships. Ravensdown is more focused on becoming a merchant and has therefore broken all the supply relationships it had with rural supply merchants which Ballance has now picked up.


(R. Williams, personal communication, November 8, 2007)

WESTPAC

Westpac has been in NZ operating through subsidiaries since 1861 and the Westpac brand name was developed when the Bank of New South Wales and Commercial Bank of Australia merged in 1981. Westpac standing for the Western Pacific part of the globe the bank represents.

Westpac's key points of difference are as follows

1. The  symbol to leverage off.
2. Internet bank guarantee
3. Community values represented by the Halberg Trust, the Rescue Helicopter and a recognised environmentally friendly corporate.
4. Westpac values "TIA" which stands for teamwork, integrity and achievement. These represent the things that Westpac believe are important, and are the essence for what Westpac stands for as an organisation.
5. In rural, the point of difference, are the quality of the agribusiness staff and the sponsorships like the Dairy and Business Excellence Awards.

In summary banks are selling a commodity but can differentiate themselves by creating new products like guaranteed internet banking, and a brand symbol as a reference point like the Westpac  to leverage corporate values. These things are important second behind customer service relationships and effective service systems. This is because if the relationship is strong customers won't focus too much on the brand. The brand becomes more important if the relationship isn't so strong particularly with small customers with potential that aren't relationship managed, as they need to have a relationship that is nurtured through branch, internet service and advertising that promotes what the Westpac brand stands for.

EXECUTIVE SUMMARY

Building a brand in the rural service sector is no different to other business in that it is important to have a reference point or points to clearly identify what the brand stands for, and to assist in promoting a businesses point of difference that is relevant to its target market. This will assist in securing customer relationships and future income.

The brand building process needs to be well planned to be sure the key business assets providing the competitive advantage are identified at the outset and are part of the business vision and core values.

As well as capturing and promoting the brand through clever advertising, the business strategy should ensure the best resource is in place to support and promote the brand, from employment of staff, marketing, business systems through to capital. All areas of the business environment need to be working well otherwise mistakes and inefficiencies have the potential to undermine the brand.

Services are intangible which makes marketing and building a brand more difficult. All research draws a conclusion that a successful rural service brand is a consequence of promoting the businesses relevant point of difference. This added value can be promoted and advertised by creating a brand symbol as a reference point as this provides tangibility. If done well the brand will create a positive impression in the customer's mind and act as a short cut devise for what the brand represents and has to offer. Examples of five well known rural service companies are given, outlining the key points of difference that make their brands a success.

Whilst branding that creates the right perception of a business is important, the overriding factor that drives success in rural servicing are the quality of the people that work for the company, and the quality of service they provide. Research that I carried out with large scale farming relationship managed clients clearly pointed to the clients' quality of relationship with the company as the most important factor, followed closely by price then service and lastly reputation. However, from my own experience for those smaller customers who are not relationship-managed, or are more reactively managed, service systems and brand relationship is more important. Therefore unless a business is specifically focused on large scale farmers it is very important for it to have all areas of the service matrix working well so that all agribusiness can be catered for.

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