

2011 Global Brand Letter

from Stanley Moss

“Always behave as if nothing had happened, no matter what has happened.” – **Arnold Bennett**

“Find any reason.” – **Marketing slogan painted on Goan wall**

I'm late this year in writing to you, and I probably need some quantitative easing. From December through March I circled the globe in a cloud of WikiLeaks fallout. B of A, MasterCard, Visa, eBay and PayPal had long ceased to process contribution payments to what some hoped were bold, righteous revolutionaries. Apple banned an online donation app in response to the disclosures by the aspiring journalistic entity. I went to Milan to look at muddled new visual branding for WikiLeaks by a Netherlands-based design company working for free in a grand gesture of anti-monetizing. Words I wrote in December were obsolete by February. By the end of March a new term, The Arab Spring, had emerged.

I began to wonder if **brands mimic the cycles of life**: they incubate, are born, rise and die. And then new brands are created. I ponder the strange ramifications of all the games with which we are so distracted. In Ancient Rome, games were staged to pacify the population.

update on last year's hot topics

Upstarts

Economists now predict a bubble of risk for **emerging markets** as investors rush in. They simply can't say when the crash occurs. Capital inflow peaks often precede crises.

The IHT's annual luxury conference heads to São Paulo in November 2011, a telling indicator of where the smart money is placing its bets. Suzy Menkes asked, "Who is not drawn, in the current chilly financial climate, to a place where ... a steaming economy and an opulent upper class combine to create an enthusiasm – rarely now seen in the western world – for fine goods... [and] explosive growth is guaranteed..." With 62% of its population under 29, **Brazil** is the perfect consumer laboratory for youth brands. Youth culture is world culture.

Then there's the run-up to the Olympics. Even the legendary Pelé has voiced his concerns that facilities won't be ready. The Commonwealth Games in Delhi all over again?

Early in 2010, the Brazilian investment firm 3G Capital struck a deal to buy Burger King for about \$4 billion. Another Brazilian firm, JBS tried to offer \$12.5 billion for Sara Lee, hoping to score attractive assets like the coffee business, growing brands in Western Europe and Brazil. No transaction occurred, due to disputes over sale price since the brand carries so much debt. A consortium of companies upped the ante successfully blocking the deal.

Unprecedented prosperity has **China** experiencing a boom in domestic and outbound tourism. These could be the same folks supporting a massive trade in endangered animals in Asia, consuming bear bile, tiger paws, rhino horns. Blame it on the rising middle class. China makes 80% of counterfeit goods globally, last yearly estimate (2007) \$250 billion. It's more than just handbags. Also critical components like brake pads, everyday consumer goods like toothpaste, music, movies, games, software, aircraft engine parts, ball bearings, pharmaceuticals, electronics. China's policing of the Internet for pornography or political

content raises questions why it doesn't do the same for sites that offer pirated or counterfeit goods. Shut down those guys and you affect China's counterfeit industry, which employs millions of workers, distributors, shop clerks. It's so huge and corrupt that authorities routinely tip off shops about impending raids. Triads in China deeply involved. China also plays its part in international distribution networks. You may be looking at what claims to be a Canadian pharmacy, when in fact the drugs are manufactured in India, the site is run out of China and your payment is going to another group in Russia. "Nothing sells like replicas," says a counterfeit bag dealer.

Some years ago after they helped China build its Great Firewall, Cisco was presented with an innovation award by the US State Department. Shanghai-based Li-Ning sport shoes has a 5-year plan to establish its brand in the USA, going toe-to-toe with Nike, possible candidate for a comparable accolade in the Middle Kingdom?

"La vérité, l'âpre vérité." ("The truth, the harsh truth.") – **Georges Danton**

China and Asia are the leading growth markets for Chateau Haut-Brion. China ordered Airbus aircraft valued at \$15 billion. Club Med is managing a huge expansion in China, presently the company's second biggest market outside France. Renault, previously navigating morale problems and suicides, fired three execs and filed suit against two of them, at first rumored to be over transfer of electric car and battery technology to Chinese companies. The French eventually backed down, citing their own internal troubles, paying off the disabused execs.

Meanwhile, China and **India** pledged to increase trade to \$100 billion a year, but probably not in broadcast media. India's already addicted to reality TV, 700 million mobile phone subscribers vote on talent show winners. Vodafone has backed off despoiling the landscape with its logos, while competitor Airtel rushed in, capitalizing on the economies of *cognitive fluency*, borrowing a trick from the playbook of Louis Vuitton's repeat LV pattern, hijacking Vodafone's visual brand by recklessly plastering its similar redesigned red signature on any available surface. Investors are shunning India after the Commonwealth Games and fallout over telecom licenses sold at bargain prices to bribe-payers.

and the moribund

In 1991, economists were predicting that **Japan** would overtake the USA as the world's largest economy by 2010. Prior to the earthquake, tsunami and nuclear crisis, after a generation of deflation and extreme debt burden, living standards were crumbling along with Japan's economy. A symptom: "microhouses", tiny homes on miniscule plots of land were all the rage, symbolic of a dark, subdued vision for the future. The luxury category evaporated. A pervasive pessimism had taken hold, especially among the young, who were regarded as a generation of consumption-haters living in a time of collapsed demand, consumers refusing to consume, corporations holding back on investments and banks sitting on cash. By the time this group hit their 60s their frugality was expected to cost the Japanese economy \$420bn. Oddly, hope has returned to Japanese youth. Many unemployed grads have moved into the relief effort, volunteering their time. The unexpected byproduct of tragedy is a rebirth of optimism and sense of purpose.

Fewer than 2 million people use Facebook in Japan.

“Toil, envy, want, the patron, and the jail.” –**Dr. Johnson, on the poet’s life**

Oh, most inglorious quantification

Thus far, 5.2 million volumes have been digitized for the Google Books project, 500 billion words. You can now browse cultural trends throughout history as recorded in print, analyze cultural influences statistically. A Harvard post-doc has done research to demonstrate how vast digital databases can transform our understanding of language, culture and the flow of ideas. Research guys, take note: here’s a new way to measure the endurance of fame, track celebrity. They’ve already figured out that notoriety rises and fades twice as fast as it did 100 years ago, an answer derived by surveying verb use, changes in grammar, evolution of language. Heretofore there’s been resistance to quantitative analysis in some corners of the humanities, but it turns out Andy Warhol was right.

Show me the money

News Corp attracted 105,000 paying customers for web versions of The Times and Sunday Times of London, despite first estimating that site visits would drop by 90%. Initially the visits fell by only 42%, then 93%, far short of publishers’ hopes that it might someday replace dwindling print ad revenue. The Financial Times attracted 189,000 paying customers for its web site, which uses a metered model limiting number of free articles before more charges kick in. In April 2011 the NYTimes did the same. The IHT is giving away its iPad app, but not for long. Regional papers are developing **hyperlocal sites**, aggregating from small-traffic locally-based news stations. Visits are increasing tenfold, but still not profitable. Another cost-saving measure: automated **news-generating algorithms**, no human writers needed.

The hottest, fastest ebooks growth category in the USA is **romance novels**. Might be a clue for the news media: boost online revenues with more stories about stereotypes, true love and triumphant heroic behavior.

“A likely impossibility is always preferable to an unconvincing possibility.” –**Aristotle, on tragedy**

Social media

Twitter chugs onward, the ultimate in disposable media. By the end of July, the 20 billionth tweet had posted. It took four years to reach the 10 billionth tweet, less than 5 months to double it. Charlie Sheen set a new world record in 2011, gaining 1 million tweet followers in a single day.

Last August, outgoing **Google** boss Eric Schmidt told the WSJ he feared people did not understand the consequences of having so much information about themselves online. He suggested people may need to change their names in order to escape their previous online activity. “We know roughly who you are, roughly what you care about, roughly who your friends are.”

Marketers lost interest in **MySpace**, much as Rupert Murdoch did when he got distracted buying the *Wall Street Journal* and discontinued regular visits to their office downstairs. An eloquent death knell tolled when the January 12 *New York Times* referred to MySpace as “a slightly tawdry online backwater”. It mattered not that the website was redesigned to focus on entertainment for Gen Y people 13 to 35 years old, constantly updating, focusing on luring active users with virtual badges in a rewards-driven scenario. The concept was to recapture a position in social entertainment, act as a niche player, capitalize on long staying power. With a pithy 120 million users primarily listening to music and sharing info and opinions, ad spending was still projected to decline to 60% of prior year, a trifling \$300 million. MySpace ads reach about 24% of US online users (Facebook reaches 62%, with ad

revenue expected to soar to \$2 billion in the same time period.) MySpace even hired a former Facebook exec, who left after a disappointing 10 months. Murdoch is banking on the low start-up cost of his iPad venture, *The Daily*, to capture a chunk of revenue from the popular Apple platform.

Harrisburg University of Science and Technology, an 800-student college in Pennsylvania, declared a temporary **blackout** of social media on campus, blocking Twitter and Facebook. Incredibly, respondents reported better classroom concentration during the weeklong ban.

Brilliant new business idea: look up before you hook up. For a fee, a clutch of start-up services will prescreen people you meet over the net before you disclose any sensitive personal information to them.

First touted as season's hottest movie, people lost interest in "The Social Network" and it underperformed at the domestic box office and failed to ignite in the national mind. Still swept the Golden Globes, an industry award usually acknowledging profitability rather than quality.

"We have a policy of ambiguity." –**Mossad, re 2010 Dubai hit squad caught on surveillance video**

Celebrity

Johnny Depp and **Angelina Jolie**, considered among Hollywood's most bankable stars, saw their film "The Tourist" fizzle on release, earning about \$17 million box office the first week. The film cost \$175 million to make and market. Sony Pictures Entertainment acknowledged soft sales but expect substantially stronger overseas theatrical reception. Break-even predicted after DVD sales and broadcast licensing.

Yet, it's largely an ambiguous process trying to quantify star power. There are too many ratings systems in play, and they indicate sharply differing results. Most address only awareness and affinity. The info vendors suggest faster polling results, but that's flash-in-the-pan thinking and might not be reliable. Other research pundits propose wider polling of attributes like buzz and media attention, but they only survey media junkies. And online polls may be unrepresentative because only a select group opts in.

Belated congratulations to **Jim Morrison**, pardoned posthumously by Florida clemency board for 1967 indecent exposure charge.

Who gets more Google hits than Barack Obama? **Justin Bieber**. Adolescent girls flocked to his new 3D concert movie, a career launched by YouTube posts. The kid had a hard trip to Israel; he just wanted to sing but he kept getting roped into political agendas and he mostly stayed in his hotel room ducking the world's pushiest paparazzi.

Who's the biggest instant celebrity-creator in the USA, who concurrently influences your soft drink preference? Look in the direction of News Corp. *XFactor* is sponsored by Pepsi, *American Idol* is sponsored by Coke, both Fox reality TV shows emanating from the same producers. And Piers Morgan, taking over Larry King's slot, was judge on *America's Got Talent*. Connect the dots and it spells **Rupert Murdoch** guiding your FMCG brand affinities.

“Wherefore wealth, if not to purchase pleasure?” –**John Blake White, 1812**

The luxury category

Rolls Royce sold 2711 cars in 2010, sales up 171%. If Asia is so hot for luxury sales, then why does the USA remain the brand's #1 market? Established dealership base, largest community of loyal owners willing to trade up, and launch of Rolls' newest 'affordable' model.

Ferrari holds to its classy routine for new vehicle delivery. Once the purchase is a done deal the buyer's measurements are taken for custom seats. Months later, when the car is ready to be collected, the proud owner attends a private reception at the plant in Maranello, Italy. All the workers from the assembly team line up, there's a ceremonial transfer of keys, confetti gets tossed, the factory doors are thrown open and the happy driver cruises the car out onto a private track for the first spin.

When **Richemont** acquired commerce site Net-A-Porter for half a billion dollars, nobody blinked. The site gets 4 million visitors a month. It's no secret that fancy shoes, diamond rings, cars, eyewear are now actively sold online.

Strangest co-branding of the year: **DKNY** and **Veuve Cliquot** partnering in boots.

Arnaut hopes to win his bid for **Hermès** by a war of attrition, but his purchase of **Bulgari** slid through effortlessly. The Italian jewelry brand, languishing for years, already shows improved profits from LVMH's vast category expertise.

Want to spend the night at the **Château de Versailles**? A luxury renovation of the Hôtel du Grand Contrôle into a 23-room boutique property is in progress. Cost for a night: a paltry €600, plus every room has a view of l'Orangerie.

PPR divested of Conforama a midmarket furniture brand. They are hovering around Burberry, currently valued at \$1.5 billion, who reported strong improvement in quarterly earnings owing to excellent growth in –surprise- Asia. PPR already owns Gucci, Balenciaga, Golf Warehouse, Puma. It's part of Pinault/Artemis' aggressive strategy to refocus brand in the luxury, sports and lifestyle sectors. PPR bought Volcom in April 2011, adding the established and irreverent youth boardsports brand to its portfolio.

trendseekers alerts

Au revoir

Benoit Mandelbrot left his body in October. He coined the term “fractal” to refer to a new class of mathematical shapes whose uneven contours could mimic the irregularities found in nature. He used the geometry of fractals to explain how galaxies cluster, how wheat prices change over time, how mammalian brains fold as they grow. He said he preferred to ‘stimulate the field by making bold and crazy conjectures,’ then move on before his claims had been verified. And see ya later, baby, to **Robert B. Parker** who penned over 20 volumes about Spenser (“spelled like the poet”) a tough-talking Boston private eye and perpetual softie with perhaps the most annoying girlfriend in contemporary literature. He always tells you what he is wearing, cooking and eating. Parker extended the brand to movies, young adult novels and a hit television series. Gazillions of copies in print.

Now it's graphics.

Mobile, location and photo may have been VC's favorite buzz words last year, but with increasing numbers of gamers using mobile devices, **the visual performance of chips** is

suddenly of greatest interest. According to some forecasts, video will account for about 90% of all consumer internet traffic by 2013.

Cognitive fluency. Say it thrice.

There's new validation that the myth of eyeballs is no myth at all. Scientists now begin to understand the extent with which fluency guides our thinking, even when we don't know it is at work. When your agency tells you they can guarantee number of visual impressions, Facebook friends, clickthroughs, it's true the technique works. You will get noticed. But at what cost to the landscape or the manipulation of the unwitting in the interest of selling product? If growth is all you care about, then go ahead. Despoil the landscape, pummel people into mindless submission, but don't forget to tell them how much you care about wellbeing, sustainability and preserving the beauty of planet earth.

All a big game

Whole lotta playing going on, including the birth of a new category, **casual gaming**, which you're supposed to do while you wait in line at the bank, sit in the doctor's office, or fidget on a bus bench, a typical session lasting less than 15 minutes. The hot commodity includes Angry Birds, soon to be seen everywhere on licensed products like stuffed toys, a film, every possible digital venue. Nobody noticed the reference to a metaphorical war between Avian Flu and Swine Flu. 50 million downloads later, Rovio, the Finnish manufacturer, says people around the world rack up 200 million minutes of game play every day.

Two influence peddlers bought into the category: Google acquired Slide, a gaming firm; Disney released "Classic Mickey" game, an artful failure with glaring interface problems, while offering up "Tron Legacy", a remake of their 1982 video game flick.

Redken created "Busy Scissors" a hairstyling and simulation game for the Nintendo Wii, aimed at girls 8 to 16. Designed to make women want to go to the salon again instead of buying products for home use. The product underperformed because it didn't have a social networking component. "Fate of the World" enabled you to save or destroy the planet, using climate prediction models, with change achieved by applying policies. Players can take the authoritarian route, or darker options like sending secret agents to overthrow recalcitrant governments, surreptitiously adding contraceptives to the water supply of nations resistant to birth control, even release a genetically engineered virus to crash the world population. It only proves human beings have a natural fascination with destruction and chaos, validated by the eagerly awaited "Call of Duty Black Ops". It garnered \$650 million in sales in its first five days of release, after development costs of less than \$30 million.

Thirsty for love

Coca-Cola made a splendid decision to build up the mango juice industry in Haiti after the earthquake, supporting 25,000 farmers. They missed an opportunity to send an informative message about choosing biodegradable footwear when they decorated their 2011 cans with **flip-flops**, a global pollution nightmare once discarded.

Talk about conflicted

The premise: bundle good hardware with services. **Nokia** now focuses this idea on some of the world's poorest consumers. Since 2009, 6.3 million people have signed up to pay Nokia for commodity data in India, China and Indonesia. Most of the cell phones sold there are simpler models, capable of little more than text messaging. Of the globe's 4.6 billion mobile users, two thirds live in emerging markets. Nokia is the market leader with 34% share, but must attract the next generation of upwardly mobile phone users. They need to create

tremendous brand loyalty- nobody else in the market is providing data and hardware. The partnership with Microsoft for Windows Phone 7 could add to the leverage. Concurrently, at the high end, Nokia is suing Apple, alleging 13 of its patents for touch screens were used without permission.

the following touchpoints to debate and discussion for the coming year

Altruism gene

Studies at the University of Bonn identified the difference in a single gene associated with increased willingness to donate. The gene, COMT-Val variant, contains building instructions for an enzyme which switches off certain messengers in the brain, the most well-known being dopamine. In studies, student guinea pigs donated twice as much more to hypothetical causes. Dopamine is involved in controlling social behavior, and is associated with the neuropeptide vasopressin, linked to positive emotionality. Fundraisers for NGOs, take note.

Trendy color therapy

Need a pick me up at a time when many people have had their fill of misfortune? Chili Pepper was the color of 2007, coincidentally the last year of the economic boom, plastered on clothes, cameras, toasters, chairs. Two years ago during the recession consumers were recoiling and sought traditional heritage looks. Colors went earthy, people needed relief after depressing economic news and turned to bland colors. Leatrice Eiseman, a color psychologist and director of Pantone's color institute for 25 years believes there's an innate optimism in 2011's color of the year, **Honeysuckle Pink**. She says the idea is to get consumers to say, "Oh, neat color. Maybe I need to buy those plates." Whom do you believe? In November the Color Marketing Group convened in Portland, Oregon and projected that **Honeymoon**, a warm, mustardy goldish shade of yellow would be the big color of 2011. A good time to reconsider the fuchsia sweater you just bought at GAP.

News from the offplanet

In December, **SpaceX**, a commercial enterprise, successfully launched a space capsule into orbit and recovered it on its return to Earth. The company claimed their achievement would create a paradigm shift in the U.S. launch industry and reinvigorate a sagging space economy. Elon Musk's original investment of \$100 million led to the NASA SpaceX development contract worth \$278 million. The big prize: a cargo delivery contract worth \$1.6 billion. This all happened eight years after Musk founded the company. Now the Dragon capsule is being readied to ferry U.S. astronauts to the International Space Station.

But the state of New Mexico, ravaged by debt, searches for additional private investors for their **Spaceport USA**, still under construction. A second 2-mile runway remains incomplete, original managers have been replaced and the project put on hold while the search for more money goes forward. The port was designed to handle Virgin's first suborbital flights in 2012, a thrill ride which costs \$200,000 per person and features 4 minutes of weightlessness.

Please stay away

A strange year for place branding. **Chile** rescued its miners at a cost of around \$120 million, then gained incredible nation brand value, and visibility, including high grades from economist Jeffrey Sachs for progressive economic policies. Nobody mentioned reports of genocide on Easter Island over indigenous peoples' territorial claims.

The Styria province in SE Austria, an area bordering Hungary and Slovenia, saw a mini-boom generated by 14 mayors working together to develop a hybrid business strategy called

Vulkanland. The regional project promotes local, green, self-sustaining businesses, with the help of EEC money. The unintended complication: Hardly any houses on the market, a reverse anti-branding which keeps people from moving there.

The Arab Spring decimated tourism in **Egypt** and **Morocco**. Multiple disasters in **Japan**, natch. **Tunisia**, not going there. **Bahrain**, crossing it off the list. **Syria**, ask again next year. It makes you wonder if the fundamentalists are laundering money by secretly investing in **catastrophe bonds**.

Brand resurrection

All eyes on the marriage of Fiat and Chrysler. Let's hope the new **500** built in Mexico for the US market turns into the next PT Cruiser.

"You blocks, you stones, you worse than senseless things!" –**Shakespeare, from Julius Caesar**

Terminology and concepts entering the mainstream in 2011:

Connection technologies- digital media which allows largely unrestricted sharing of photos and information.

Degrowth- A hot new movement which challenges conventional notions of sustainability.

Dresser savings- The piles of cash that people keep at home for fear that their banks may – yet again- go bankrupt.

Grass mud horse- a mythical creature that has become a protest symbol against Internet censorship in China.

Great Firewall- China's sophisticated system which blocks large amounts of information from entering the country over the Internet.

Knightian uncertainty- the idea that there is a distinction between risks to which you can assign probabilities, and uncertainties which you just cannot fathom.

Online disinhibition effect- what happens when people alter their behavior in radical ways over the net. Anonymity increases the potential for unethical conduct.

Pay walls- revenue models erected around online digital content so that news media companies can monetize web editions.

PIIGS virus- the failure of Portugal, Ireland, Italy, Greece and Spain to use years of cheap credit and fast growth to create durable economies. The not-BRICs syndrome.

Range anxiety- The fear of running out of electricity and getting stranded because all electric cars cannot go as far as conventional ones.

Retargeting- a commercial surveillance system that follows consumers based on online browsing where a sale did not result.

Theta spikes- electrical activity in the brain indicating fatigue, often an index related to extreme information overload.

Trolling- the act of posting inflammatory, derogatory or provocative messages in public forums.

Upcycling- turning waste into products of greater value.

“Thunder occurs when clouds collide.” –Anaxagoras

What is a brand?

This year I'll share some random jottings from my own notebooks.

A brand is a crutch to adoption. My friend Patrick Harris said this during his presentation at the Medinge meeting last August. If that's the case, then a brand can sometimes act as a lever for an inadequate product or service. This implies that brands exist to support a weak case for adoption.

A brand is the voice of the future. A brand is often consumed by its past. We need to remember there's a big difference between regressive behavior and heritage values. In the commercial arena one must always look forward, over the horizon.

A brand is a polyglot. It speaks the local language. This lesson has already been learned in the emerging economies. Brands are transportable, as long as they can be understood.

A brand is how I differentiate myself from you and how I identify with you. Here is stated the fundamental ambiguity. I both express commonality and individuality with the brands I advocate.

A contrarian brand is always fresh.

No matter who else originated it, or to whom it belongs, you always say The Brand Is Me.

Thanks to those who contributed the following definitions:

“A brand is whatever creates an irrational preference for itself.” - Aditya Nath Jha

Aditya, formerly Head of Global Brand and Communication at Infosys Technology in Bangalore, is developing a new venture in the digital animation category. I like the idea of a brand as a wild catalyst to the product experience. How does a fixed commodity provoke spontaneity?

“A brand begins as a story, carrying you along with it. It lifts you away from your normal life as you buy into the vision, and later you bring back a part of the dream.” – Virginia James

Virginia is London-based Style Director for Next, an apparel brand. Fantasy and narrative are integral to our ideas concerning clothing. Virginia's vision has to do with a brand perception built around the imagination.

“A brand is a means to communicate the organization's internal truth.” – Enric Bernal

Enric is a principal at Pinea3 in Barcelona. The firm's workshop method deploys tools designed to build self-recognition and actualization.

“A brand is identity revealed” -Erika Uffindell

Erika heads Uffindell Group in London UK. Identity, by nature, is a mysterious commodity. Perhaps a brand exists to render the arcane understandable.

Recently I have thought about brands as **synthetic realities which need to be made personal**. It's all the more difficult to get close to a brand if a membrane of technology interferes. We're layers of interpretation away from the essence of the brands we build.

More on this in the coming year.

An outstanding 2011 to all!

DiGanZi