

2012 Global Brand Letter

from Stanley Moss

“The time to buy is when blood is running in the streets.” – Baron Nathan Rothschild (1777-1836)

“Don't you DARE take the name of Texas in vain.” – Sponge Bob

Once brands lose sight of the customer, the game changes. Brand professionals need to remember their role as advocates. This year the dialogue centers on the experience, and how to keep customers connected. The dilemma concerns the ethic of consumption. Haven't we had enough? We are still caught up in the vicious enterprise of contentment aligned with the retail experience. Co-creation carries an implied aspect of narcissistic seduction. Have we forgotten the discussion about de-growth? The notion of consequence: old models of growth and profit ignore the pressing issues of waste and cultural egocentrism. I'm still waiting to hear scenarios of less.

update on last year's hot topics

“When facts change, I change my opinion. What do you do, sir?” – John Maynard Keynes

Upstarts

Apple suspended iPhone4 sales in **China** after organized scalpers hired minions of rural workers to stand in line at retail stores to purchase the new device. Riots ensued and arrests followed. Counterfeit Apple stores appeared in Kunming, China; even the employees thought they were working for Apple, whose lawyers along with Chinese authorities forced the bogus boutiques to shut their doors. Foxcomm suffered the scrutiny of fair trade activists, employee insurrection and abundant bad press. China's foray bidding on rare earths mining in Greenland caught the media's attention. A messy murder trial coincided with revelations about how corrupt national politics is, especially stinging at a time of leadership succession. Anti-Japan demonstrations fueled by dispute over contested islands. And factories are shutting in the face of slowing growth. It hasn't stopped Dreamworks from pushing into the Chinese market, or James Cameron to establish his 3D ventures there. But the obstacles to doing business in the Middle Kingdom remain both cultural and structural.

Ambivalence, thy name is **India**. Dramatic wealth-creation and a burgeoning middle class meant 20% growth in the luxury segment in 2011. Signature perfumes, name initials on t-shirts, personally monogrammed watch faces and handbags were all the rage, as if personalization had not been a part of local culture before. But the growth rate has fallen, with the state borrowing too much, inflation high, all in the face of ingrained graft, corruption and red tape. There's still no popular consensus, endless feuding and overlapping bureaucracies overseeing a growing population of more than 1.3 billion. Things that work in India are independent or bypass the state. Feeble growth projected for the next 3-5 years.

A 3-piece punk girl band called Pussy Riot kept **Russia** in the headlines, focusing attention on the redistribution of wealth to a small group of oligarchs, political repression and the clampdown on free speech.

Booming **Brazil** parties on below the equator, with a vibrant economy, a prime lab for new product creation. 70% of the 200 million population is under 26 years of age, the next generation of global consumers. A shortage of skilled labor motivated the state to launch a program which sends 100,000 students to study abroad. For the present, a stable government presides over the economic powerhouse, and life is a *carnaval* in the land of the future.

“When people say it’s not about money, it’s about money.” – H. L. Mencken

and the moribund

In the **UK**, purple-shirted brand enforcement police deployed out over London during the Olympics, mandated to ferret out ambush marketing of the IOC brand. They sought instances where businesses trod on the exclusive rights of official patrons like Adidas, McDonalds, Coke and BP, who had paid over \$2.1 billion in sponsorship money. Of course there were unenforceable near-violations. Nike’s ad campaign featured sporting heroics in other Londons throughout the world and Dr. Dre sent unsanctioned headsets to athletes who tweeted about the product during the games. By far the most inventive workaround was a London formalwear shop who proudly advertised in their windows **Lodnon 2102 Oimplycs**, and a 5-square knockoff of the signature ring configuration. The losers were the butcher, whose sausage rings, and the baker, whose bagel rings were cited. Thankfully, no candlestick maker violations reported.

Aux barricades

After a year of activity by the **Occupy** movement, search engines report increased interest in terminology about human rights and democracy. Words and groupings with “inequality” and “struggle” get more inquiries. **Julian Assange** moved in at Ecuador’s London embassy, seeking political asylum, relieving boredom by sharing tea and cakes with a succession of celebrity guests. The **FBI** shut down Megaupload as New Zealand busted self-styled “Baron IP” **Kim Dotcom** and seized \$50 million in assets, servers and 18 domain names.

“I like to entice people to make mistakes.” – Rajat Verma

Take a tablet and call me in the morning

In late October Microsoft will launch Surface, an ultra-thin touch-sensitive laptop, challenging market leader iPad, which has significantly purloined sales from low-end desktop computers. This in the face of HP’s tablet failure (slower than your mobile phone, 7 weeks on the market, then withdrawn) and Samsung’s Galaxy (brand confusion and sloppy app consciousness). Can a skinny laptop running Windows 8 with a touchscreen do the job better than Apple’s cash cow (\$6.6bn quarterly revenue)? Windows only earned \$4.6bn last quarter. The bonus opportunity: a share of the billion phone and tablet downloads already sold in 2012.

“I think of it as a well-known twin brother.” – Steven P. Jobs, on celebrity

Three years ago nobody had heard of her

Wonder how she has done it? A draconian brand strategy, micromanaging the details. Social media? Shorter posts, constant status updates, lots of photos, a more inclusive and welcoming posture than rival Rihanna. Confessional letters written in a personal tone and revealing home videos. New album title? Insists that media run it in all-caps. New fragrance, expected to earn \$100 million in the first year? Ads suggest if you splash

it on, men will be climbing all over you. Accused of wearing fur? “For the press and such who are writing about whether my fur is real or not, please don’t forget to credit the designer HERMÈS.” Polaroid endorsement deal? Oh, that was so last year.

The luxury category

Valentino’s valiant attempt at a virtual museum didn’t go down well with critics, who found the slow-loading site, clunky and old media-like, lacking the vitality which internet tools can deliver. It was seen as more of an archive than an experience.

Private jet travel recovered, but not because of disposable income or prestige. Busy executives are booking short hops to circumvent inconvenient connections to secondary cities. The commercial schedule is grossly inefficient to people whose time is more valuable than money.

Missoni made a brilliant partnership with **Target**, whose servers crashed from unanticipated demand on the first day that product was available. People waited in line at big city stores, and shelves emptied in 24 hours. A total win, introducing millions of new customers from the world of mass-market exposed to the idea of limited edition goods, a huge rise in visibility, and improved brand perception for the American retailer.

Louis Vuitton acquired an 18th century mansion in Grasse to house their fragrance creator, in anticipation of re-entering the perfume market. Luxury guru Philippe Mihailovich observed that they “bought themselves an instant heritage for any new creations they will launch.”

trendseekers alerts

The dinosaur

It’s the Internet, stupid. Or more accurately, the stupid Internet, its own worst enemy. As the marketplace hungers for a real-time web, developers struggle to update archaic technology that wasn’t built to support mobile or video, especially new gaming which eats over 90% of all bandwidth. The kicker: it’s leaky, meaning the very platform which has changed your life seriously compromises your privacy and security.

Never the twain

The greatest dilemma for online businesses is to reconcile with the offline universe. And vice versa. Etailers begin to explore the click and brick concept. Amazon, eBay and Google have opened storefronts, to leverage human interaction in more intimate levels of engagement than possible online. It’s evidence of a renewed focus on personal relationships with customers.

Trading on feelings

Customer Experience Management (CEM) strategies promote intimacy between brands and shoppers. Brands now rush to re-establish bonds with their customer base.

GoDaddy, a web domain registry, uses hot girls as its signature marketing device. Its founder does a video blog surrounded by skimpily-clad babes, who also appear in its ad campaign. The strategy did not appear to adversely affect a \$2.25 billion IPO. Nor did reports of the CEO big-game-hunting endangered species in Africa, after which the company claimed an uptick in sales.

Google Chrome's new ad campaign doesn't focus on product or features, it's all about emotions. After testing a dozen commercial spots on the Internet, Google ran the ad that had the most views, not "likes".

Touching immortality

Google's latest perks extend into the afterlife for 34,000 qualifying employees. Die on the job and your spouse receives 50% of your annual income for the next decade, all stock vested immediately, and kids get \$1000 a month until age 19. A backhanded strategy to improve retention and performance, increase happiness, creativity and productivity. And please, nobody mention the upcoming anti-trust suit the Justice Department is mounting.

"Fuck Google. Ask me." – t-shirt worn by Parisian youth in Gare du Nord, October 2011

Social irony

In the face of increased mobile user consumption, **Facebook** had no revenue strategy, effectively killing Farmville, a hugely popular casual game. Their much-touted IPO turned into a free fall, from an opening price of \$40/share, crashing to a low of \$17.55/share since May. Analysts say the share price could go as low as \$10. Confidence ebbs when people stop believing the story. Triple-digit growth of users is history, and Wall Street's hope for "a paradigm-breaking" value perception evaporated. The majority of users are women, who make more posts and uploads, and show higher rates of participation.

A Facebook addicts rehab support group launched its own page, after which it received 3,000 "likes".

Yelp posts are seen to help small businesses, but to decrease revenue in chain restaurants, an important advertiser category.

"If I am a legend, then why am I so lonely?" – attributed to Judy Garland

Reputation crushed

Oblivious to the passionate discussion on all sides concerning customer experience, PayPal suffered the consequences following an imbroglio over a violin valued at \$2500. Seller shipped the WWII era heirloom to buyer in Canada. Buyer didn't like the product, claimed it was counterfeit. Often violins are of dodgy provenance, dubious labeling. It's illegal to ship counterfeit goods, so PayPal ordered buyer to destroy the disputed item and provide evidence of it. Insisted seller refund the money to buyer. Seller lost the product and the sale, buyer got a refund but not the item they wanted, and the only winner appeared to be PayPal. Until the media heard about it. Ten months later the unsatisfying not-transaction still comes up on web searches.

Momentum lost

The reservoir of goodwill Netflix built with their \$1 million crowdsourcing prize brought a better search and recommendation algorithm. Then it all went zap! in a matter of a month. A million subscribers defected after the DVD-by-mail rental business announced a price increase and the concurrent launch of 'Quikster', a streaming sub-brand with a confusing add-on pricing offer. "We became a symbol of the evil, greedy corporation," CEO Reed Hasting said. "Then we faced a reputational hit that created significantly more cancellations than we anticipated." By August the share price had plummeted, even as streaming subscriber numbers grew.

Au revoir

Jack LaLanne, who singlehandedly invented the health food and exercise craze in the USA, did his final reps; he swam handcuffed to Alcatraz every year on his birthday into his eighties. **Madame Nhu**, an Evita-like dragon lady of the Vietnam War, went to the great re-education camp in the sky after 40 years of luxurious exile. **Eva Zeisel**, famous for Jetson-style atomic age ceramics and dinnerware, set her last table. **Kodak** faded away, a heritage name who never quite processed how the digital imaging revolution developed. In its final chapter, **Barnes & Noble** was murdered by Amazons.

the following touchpoints to debate and discussion for the coming year

“You are free to do anything, as long as it involves shopping.” – Slavoj Žižek

Just wave your handheld at it

More than half US customers own smartphones. eBay predicts \$10 billion a year in mobile transactions by end of 2013. Starbucks and Square partnered on integrated mobile transactions which are simple, fast, focused on the customer (meaning extensive data capture), on a massive scale. They hope to create a compelling, safe experience for shoppers. People always choose convenience and don't realize the cost of privacy, yet security remains a critical concern. Luckily, the market will be fragmented for the next 2 years, as the real shakedown of adoption, demand and technology occurs.

“They do not know it, but they are doing it.” – Karl Marx, *Das Capital*

Cyberinsecurity

The elephant in the room is called cyberattacks. Sony had 100 million customer accounts compromised in 2011 at a cost of \$200 million, followed by 58 class action suits. You know it's serious when Deloitte & Fowler say that social media risks are “on par with financial risks.” Companies can be decimated by breaches of confidentiality, fast-spreading malicious rumors, financial disclosures. Insurance against these kind of threats now a growth category, fertile markets for policies which cover the twin risks of privacy and security.

News from the offplanet

Privatization knows its priorities. SpaceX, a commercial enterprise, carried ice cream to the International Space Station on their Dragon vehicle's maiden flight. Also ported 2000 lbs. of other critical supplies. The company will soon deliver room-temperature astronauts in a 4-seat passenger capsule.

Please stay away

Too early for place re-branding: Syria, Libya, Yemen, Venezuela, Haiti, North Korea

“You said you were a mushroom, now jump into the basket.” – Russian proverb

Terminology and concepts entering the mainstream

Fetishistic disavowal - a tendency to retain a behavior or action as a hedge, even if one does not believe in it

Freemium - a risky online business strategy which involves giving away a game and then charging for the extra features

Mac Lust - compulsive need for newest generation device

Metcalf's Law - the value of a telecommunications network is proportional to the square of the number of connected users of the system

Narquitecture - the grandiose building style favored by Latin American drug barons

Nomophobia - the fear of being without a phone

Overgeneral memory - a tendency to recall past events in a broad, vague manner

Socioemotional selectivity - clinical term for defriending

What is a brand?

When I told a skeptical friend that a brand is a mythology, the remark immediately elicited resistance. I insisted, “There’s a heroic component we attach to our idea of brands, and we expect them to behave according to our personal ideals.”

Thanks to those who contributed the following definitions to the discussion:

“A brand is the intangible aspect of a tangible thing.” - Massimo Vignelli

Massimo, a legend of international graphic design, created the much-heralded NYC subway map. While graphics provide a synthetic interpretation of brand, the idea proposed here suggests abstract engagement vital to its success.

“A brand is what reduces uncertainties, generating attraction by association.”

- **Cristián Saracco**

Madrid-based Cristián leads Brand 3.0, a 10,000 member practitioner network. His idea carries the concept of community-creation as critical to clarifying the branding process.

“A brand is only as solid as the next customer engagement.” - Patrick Harris

Patrick heads thoughtengine, a London consultancy. His definition reflects a customer-centric view of branding. Without the customer, there would be no brand.

“A brand is belief.” - Tom Hulme

Tom is a Project Manager for IDEO in London. His view of a brand has to do with the idea of advocacy as paramount.

Recently I have thought about brands as imaginary compacts. A brand is created in the mind. It’s weightless and invisible, and our relationships with brands live purely in the realm of the intellectual. Thus an individual’s commitment to a brand is unilateral and exists only in a conceptual space. A brand becomes part of our unique cosmology.

More on this in the coming year.

An outstanding *fin du 2012* to all!

DiGanZi