

2013 Global Brand Letter

from SMoss

“The desk is a dangerous place from which to view the world.” –John LeCarré

“Prediction is very difficult, especially about the future.” - Niels Bohr

“I write to the vulgar, more than to the learned.” – Jonathan Swift

“A developed country is not a place where the poor have cars. It’s where the rich use public transportation.” – Mayor of Bogota

Is there such a thing as a good drone? The word means different things to Pashtuns, Amazon, or the Queen Bee. Raise your hand if you’ve seen enough selfies. I don’t want my relationship to be managed, no thank you. If the world is too grey, too slow for millennials, it may explain why teens don’t want to drive; given the option they choose texting. All but one of the old paradigms coined by *People’s* founding managing editor have turned upside down: Young isn’t better than old. Pretty isn’t better than ugly. Rich isn’t better than poor. Film stars no longer outsell television and music stars. Anything doesn’t sell better than politics. Only nothing still sells better than a dead celebrity.

update on last year’s hot topics

Upstarts

The Chinese puzzle prevails. To commemorate the 120th anniversary of his birth, a statue of **Chairman Mao** went on display in Shenzhen. The seated life-size figure is covered in gold and inlaid with gems valued at \$16.5 million, a “solemn, austere and practical” commemoration as decreed by Xi Jinping. **Killer smog and heavy haze** in China’s north and east closed highways and airports. The Ministry of Environmental Protection blamed weather conditions, motor vehicle exhaust and coal consumption. The US Embassy ordered air purifiers for all its offices. **Soil pollution** also a concern. One-sixth of China’s arable land is tainted, affected by heavy metals, mostly cadmium from industrial runoff, toxic to the food chain. **A bridge over the Pan River** collapsed during severe flooding, days after a refurbishment was completed. Five dead and seven missing. Government officials and construction managers were sentenced to prison terms related to the incident. The severest sentence was given to an official who received a \$20k bribe. **Chinese consumers** exceeded expectations on an annual Singles’ Day online event, spending more than twice what shoppers in the US bought on Cyber Monday. Big brands and Western retailers like e-commerce as a way to sell in remote areas, where few of them have brick-and-mortar stores. **Apple and China Mobile** are bringing the iPhone to the Chinese carrier, the largest wireless network in the world, also the most fickle, where market share shifts quickly. China’s **textile industry** is moving from low price exports to a time where productivity, product innovation and domestic demand are the new priorities. Companies know little about consumer expectations and even less about premium brand management and can’t yet generate market insights, understand competition or create distinctive brand identity. The challenge: tame the complexities of design, marketing and distribution. **Daniel Boulud** closed his haute cuisine Beijing restaurant after a 5-year run, citing disputes with local partners; he’s considering a new location in red hot Shanghai.

For technology startups, **India** carries much less political risk and better infrastructure than other emerging nations. Entrepreneurs confront bureaucratic hurdles in licensing and filings, and pressure for bribes. Indian tech employees are restless. Young hires often quit within three months to get a pay raise elsewhere. Oddly, there's a "lack of coolness" associated with new ventures. Indians are less eager for stock options than their counterparts in the United States. Royal Enfield, a division of Eicher, relaunched the Bullet model motorcycle, aimed at the international market, "handcrafted in Chennai."

Mr. Putin freed Khodorkovsky and Pussy Riot, signaling that **Russia** desperately needs more foreign investment to help upgrade crumbling infrastructure projects and to diversify its flagging economy. If the Sochi Olympics go smoothly, will offshore capitalists experience Volgograd amnesia?

Brasil expects to receive droves of foreign tourists around June for the **World Cup**. But Rio has only about 55,400 hotel beds to accommodate as many as 300,000 expected visitors. Residents of *favelas* are making the most of the city's acute shortage, renting out their homes to fans from around the globe, inflating already high room rates. Some World Cup construction projects like the new metro line won't be complete in time. The collapse of a stadium crane didn't help place branding, especially when a São Paulo newspaper reporter at the scene was beaten by guards and had pictures of the accident deleted from his cellphone by an Odebrecht engineer.

Despite the cacophony of protest and discord, the newest emerging economic zone may be **TIME** (Turkey Israel MidEast), where expediencies of trade, cooperation and prosperity trump fundamentalist rhetoric. Good luck, guys.

and the moribund

On Black Friday, **Americans** spent \$1.7 billion less than in 2012, traditionally the biggest shopping day of the year. Yet the DJIA and S&P 500 indexes outperformed their peak levels before the financial crisis, signaling soft recovery. Still no universal health coverage, and an embarrassing launch for the Affordable Care Act website.

Alcohol related crime in the **UK** is estimated to cost the economy £11 billion a year. Young Brits go out to get blitzed, often with violent behavior the result. Half of all violent crime in Britain is alcohol-related. Half a million estimated to be collecting food aid. Retailers and supermarkets reported a surge in the theft of high value fresh food - including meat, cheese and fresh coffee - another indicator of the economic strife.

Japan's homeless men are willing to accept minimum wage to work on the clean-up of radioactive fallout around Fukushima. Recruiters get a bounty of \$100 a head, candidates often found sleeping in subways. On another front, office workers from companies across Japan gathered for the 50th year to compete for the title of Japan's best phone answerer in the All-**Japan** Phone-Answering Competition. The contest, dominated by women, is judged on politeness and eloquence, but also serves as a reminder of the clerical positions Japanese women - often referred to as "office ladies" - still hold.

"The feminist agenda is not about equal rights for women. It is about a socialist, anti-family political movement that encourages women to leave their husbands, kill their children, practice witchcraft, destroy capitalism and become lesbians." – Pat Robertson, from a 1992 fundraising letter

"I used to have so many opinions before I learned the facts." –Yair Lapid

Dogged by snoops

A regional court in Versailles is examining whether **IKEA** executives in France broke the law by ordering extensive personal surveillance of workers since 2002. In a case which brought to light dubious behavior, a female employee's personal data were provided to a private detective, because HR suspected she exaggerated medical claims. Eventually she was awarded nearly €60,000 in compensation. The company has publicly expressed regret that certain managers took actions that were "contrary to our values and ethics standards".

The gamification of trash, **Project BinCam**, under study in Britain and Germany, alleges to help determine if you are doing a good job of sorting recyclables. Data is collected by cameras located in your rubbish bin. Your score is computed and compared to those of other sorters via the Net. If you win, you will be rewarded with praise. Do a bad job and you risk becoming a social castoff.

Privacy laws are a muddle in the USA, with states and the Federal government often at odds. Tech companies fear some laws will harm their bottom lines, what the chief privacy counsel at Microsoft refers to as "burdensome compliance." Texas passed a bill that requires warrants for email searches. Oklahoma passed a law meant to protect the privacy of student data. At least three states proposed measures to regulate who inherits digital data, including FB passwords, when a user dies. Eight states passed laws this year limiting the use of drones. Florida is considering a draft bill that would prohibit schools from collecting biometric data to verify who gets free lunches and who gets off at which bus stop. Vermont has limited the use of data collected by license plate readers. California passed online privacy bills giving children the right to erase social media posts; making it a misdemeanor to publish identifiable nude pictures online without the subject's permission; and requiring companies to tell consumers whether they abide by "do not track" signals on web browsers. Stiff lobbying efforts stopped a bill in California requiring any business that retains a customer's personal information share a copy of that information at the customer's request, and disclose which third parties received the information.

You got gibier

Domino's makes optimum use of gamification. Visit their web site and create your own pizza; it's both a scheme for product introduction, and can be used as an ordering mechanism. You then play a game to track real-time progress of your order to delivery, and HR uses the utility as a recruitment tool. **Coca-Cola** set up interactive games between India and Pakistan, large display video terminals linking Mumbai-Karachi, where players mimic moves and gestures, finding points of commonality instead of difference.

A Bitcoin-fused

Since the Winkelvoss Twins are involved, it may be a good idea to review their history with FB. The boys are betting deep on the hot bubbling cryptocurrency **Bitcoin**, created or generated or mined -whatever- when computers solve a set of algorithms. Back in 2010 a Jacksonville, Florida software geek named Laszlo Hanyecz traded 10,000 Bitcoins, at that time worth about 0.003 cent apiece, in exchange for two Papa John's pizzas. Tab for the pies delivered: \$30. "The idea of trading them for a pizza was incredibly cool," Mr. Hanyecz recalls. Within a year the same coins were worth \$1,242.

Today they would be worth \$1.7 million. A Norwegian man who invested \$22 in the virtual currency four years ago forgot about them, until he read reports of rising value, and realized his coins were now worth \$850,000. He bought an upmarket flat in Oslo by selling a fifth of his stake. In 2013 an Australian man who ran an online "wallet service" for storing Bitcoins claimed hackers stole 4100 Bitcoins (valued at US\$1.04m) from his site, taken in two separate attacks. He said he would not report the theft to police. Bitcoin transactions are virtually impossible to trace. Some users suspected an inside job. In a radio interview the man, who used only his online name, denied being involved. "I know this doesn't mean much, but I'm sorry, and saying that I'm very sad that this has happened is an understatement. Please don't store Bitcoins on an internet-connected device, regardless if it is your own or a service's."

Orbital maneuvers

Originally intended to destabilize Iranian nuclear reactors, **Stuxnet** rocketed onto the International Space Station via infected USB drives, a digital payload unwittingly brought aboard by Russian cosmonauts. The interstellar virus dematerialized after Microsoft was jettisoned in favor of open source Linux operating systems. A fitting metaphorical lesson for the final frontier?

"I fear the day that technology will surpass our human interaction. The world will have a generation of idiots." – Albert Einstein

Social media

The Guardian reported that YouTube replaced FB as kids' favorite site.

Zuckerberg's hot-babe-engine morphed into the preferred web destination of Mum, Dad, Gramps and Granny. Users aged 18 to 29, citing **FB fatigue**, said they expected to spend even less time on the site in the coming year, giving thumbs down to tedious and irrelevant content.

A Twitter founder is backing a long-form blogging site called Medium, yet another platform which doesn't pay and where anyone can be a writer. Didn't anybody alert him that's already the name of **Regis Debray's** intellectual French journal about the transmission of knowledge to future generations?

Snapchat, the anti-FB, offers its users impermanence, privacy and anonymity, not to mention an easy way to send sexually suggestive photos which disappear within 10 seconds. It now processes upward of 350 million messages a day, about a six-fold increase in traffic since a year ago. Pursuing a Microsoft strategy (eat the competition), Zuckerberg offered nearly \$3 billion for the startup, which founders publicly turned down. Shortly after, FB launched Poke, a similar product which never took off. Gibson Security, a group of anonymous hackers from Australia, published a report detailing an unresolved Snapchat security vulnerability which can reveal phone numbers of users, as well as their privacy settings.

Beyoncé proved how bored she is with old school music marketing moves. When it came time to release her newest album product, she ignored radio, TV appearances, retail and brand partnerships. Instead, she simply wrote, "Surprise!" to her more than eight million Instagram followers, and put the full album up for sale on iTunes, selling 365,000 copies in the US on its first day.

High school seniors take note: **college admissions officers** now routinely visit an applicant's personal social media pages to learn more about them. 30 percent of admissions officers surveyed said they had discovered information online that had negatively affected an applicant's prospects. Guidance counselors now advise kids on how to sanitize their digital identities.

I wanna hold your handheld

Motorola's new lower-priced phone won't release in China, the biggest market for low-end phones in the world. And not because users there typically switch their handheld devices every six months. Motorola thinks Moto G will appeal to people in places like **Brazil, Chile and Peru**, where there are more than 500 million potential customers. The device features a big high-resolution screen and runs the latest Android software and apps. The phone will also be offered in Europe, then India and Southeast Asia and the United States, where Motorola bets Moto G will appeal to people who can't get a fancy smartphone, particularly **children**.

A survey found that 38% of children **under 2** had used mobile devices like iPhones, tablets, or Kindles. On average these digital kiddies spend an hour a day in front of screens - watching television, using computers, viewing DVDs, playing with mobile apps. Kids 2 to 4 can't be marketed to, but still average two hours a day. Television dominates, taking up about half of all children's screen media time. The American Academy of Pediatrics recommends that children under 2 should have no screen time. But this hasn't prevented the appearance of an expanding category of **baby apps**.

Ebooks can't turn the page

Social Books, Rethink Books, Push Pop Press, Copia, Small Demons sound familiar to you? Didn't think so. They were epubublishing start-ups who tried to harness social reading apps or multimedia and leaned on programmer capabilities rather than reader's needs. They never successfully reimagined the core experience of the book. Lamented author Peter Meyers, "We pursued distractions and called them enhancements."

How are you feeling about Big Data?

Measurement lovers say data-driven insights will soon alter the balance in how decisions are taken. Decisions of all kinds, they believe, will increasingly be formed on the basis of data and analysis rather than experience and intuition - more science and less sneaking suspicion.

"It's not true that I had nothing on. I had the radio on." -Marilyn Monroe

Celebrity

Prior to announcing his intention to retire in December, 19-year old **Justin Bieber** ushered in the next episode of his personal reality series by visiting Centauros, the most famous bordello in Rio; he stayed 3 hours, then left under a bedsheet. **James Franco**, writing in the *NYTimes*, believes that selfies are the main issue when it comes to social networking. "I try to post a selfie with a puppy, a topless selfie or a selfie with Seth Rogen, because these are all things that are generally liked." **Stefani Germanotta** went public with her fears that "sensitive, private" information may "inflict significant personal and professional harm" upon her if laid bare in someone else's lawsuit. The transparent pop star pleaded with the court to quash information that a former BF and BFF might disclose in their own battle over who discovered whom and how much revenue siphoned from her career they must redress.

trendseekers alerts

It's Rollerball

Talent agents figured out that there's no future in the increasingly troubled businesses of movies and television. The last decade has seen plummeting DVD revenues, turning the film industry, formerly a growth business, into a flat or declining enterprise. Today's focus has shifted to the more predictable world of **sports, athletic careers and events**, where athletes command contracts worth hundreds of millions of dollars. The big money will be in negotiating endorsement, licensing and media-rights deals. William Morris' \$2.3 billion offer for IMG creates a mega-agency vastly more powerful than its primary rival, puny CAA. Probably a good time to re-watch Norman Jewison's 1975 classic starring James Caan, which suddenly doesn't look so far-fetched.

"You don't understand it unless you can afford it." –Pascal Sommariba

The luxury category

Tata's effort to gain a share of the Chinese luxury car market is good news for **Jaguar** lovers. The brand launched the 2014 F-Type, its first pure two-seat sports car in 40 years. The 495-horsepower V8 growls off the starting line at \$92,895.

Neiman Marcus sold a new category of luxury experience along with a \$1.85 million 25-carat rough diamond offered in their 2013 Christmas Book. The stone comes with a trip to Africa, a comprehensive tour enabling the buyer to track its provenance from source to final cut and personalized bauble design.

Echoes of **Costa Concordia** may explain why the city of Venice finally banned those preposterous cruise ships that have been defiling the Giudecca Canal.

In an unlikely brand partnership, **Gagosian** collaborated with **Leica** to create a limited edition paint-splattered X2 camera for \$3000.

Burberry fearlessly harnessed the power of social media to promote its brand. The 156-year old company has successfully reinvented itself several times over, seeing its fastest growth in online sales. A huge effort in China taps into the world's most vibrant luxury market, using homegrown social media sites and celebrity endorsements. Never heard of Chen Kun? The Chinese heartthrob posted twice to his 48 million web followers from a Burberry menswear show. With virtual runway projections in retail outlets, unconventional promotions and iPads in the hands of every retail clerk, the brand seems to be successfully weathering the storm of new territory exploitation.

"Whatever you say, say nothing." – Seamus Heaney

Ciao ciao

World Citizen #1 **Garry Davis**, who issued passports, identity cards, birth and marriage certificates, postage stamps and currency, and periodically ran unopposed for President of the World, left for the big meeting in the sky. His parting administrative acts were sending passports to Assange and Snowden. **Lawrence G. Foster** checked out, credited with writing the definitive PR Rx on how to take a bitter pill, following the Tylenol cyanide crisis. Nods and waves to **Clifford Nass**, who determined that multi-taskers are terrible at ignoring irrelevant information, keeping it neatly organized, and at switching from one task to another. **Maxine Powell**, who directed Motown's in-house charm school during its

glory years, shimmied offstage at 98. Supreme sacrifice and yielding not to temptations, she shaped the style of legendary soul singers before stopping in the name of love.

the following touchpoints to debate and discussion for the coming year

Dognitive fluency

A researcher at the Center for Mind/Brain Sciences of the University of Trento in Italy has determined that when a dog swings its tail to the right, it signals relaxation. A wag to the left seems to induce stress. It is believed that the wagging directions might arise from automatic responses rooted in the different hemispheres of the canine brain. The Pet Product Manufacturers Association estimates \$56 billion spent on pets in the US in 2013. A new possibility for focus groups, or are we barking up the wrong tree?

Brand resurrection

Twinkies spontaneously reincarnated. Hostess Brands LLC, parent company of the favorite American junk food, saddled with a \$1.3 billion pile of debt, filed for bankruptcy when they couldn't come to terms with unions. The market experienced a sugar crash. Brand loyalty and customer demand won out. Under new management and a reorganization, 50 million of the cream-filled snack cakes zoomed back to grocery shelves in record time. Also returned from the dead: beloved Hostess sub-brands **Cup Cakes, Zingers, Ho-Hos, Do-nettes, Ding-Dongs and Sno-Balls.**

Terminology and concepts entering the mainstream in 2014:

Connection technologies- digital media allowing largely unrestricted sharing of photos
Dude-oier – to address someone in French as “Dude”

Ephemeral encryption – a system where encryption keys are generated between two users as they are communicating, and then destroyed

Hadoop – an open-source software framework being used in mood-detecting, touted as a means to exploit and monetize sentiment analysis

Hikikomori - a term used to describe the estimated 1 million Japanese young people who withdraw into their rooms

Phablet – a phone/tablet hybrid challenging conventional handsets

Regenerative medicine – Adios repair, hola grow-a-new-one

“You know when Keith disagrees. He normally pulls a knife on you.” –Ron Wood, on Keith Richards

What is a brand?

This year I question whether brands are disembodied concepts transportable between organizations. A brand is the central idea that drives an organization towards its purpose, thus it's a highly individualized entity. There is no such thing as a bad organization; only bad parents. Every interaction is an opportunity for brand value to increase. How close to the brand you are is inversely proportional to the amount of noise made by the brand. Thus quiet brands are still of interest. A brand explains an organization's existence.

Recently I have thought about brands as abstractions which explain an organization's existence.

More on this in the coming year.

An outstanding 2014 to all!

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