

2017 Global Brand Letter Summer Edition

from SMoss

“It’s when you look for meaning that you get confused.” - Charles Bukowski

You’re hired. Your inexperience and inauthenticity impress me. You’re an ill-mannered, mismeasured, whitelisted, narcissistic, entertainingly obese loser. You sustain a narrative of vulgarity, ridicule and contempt. At such a low cost for entry, why won’t you give up your personal data to become my new friend? Sad!

Update on last year’s hot topics

“If you do business with a dog, kindly call him Sir.” - merchant’s proverb from old Aleppo

Place Branding

Consider walking into the movies ten minutes late in **China**. Cinemas have been ordered to play one of four government issued videos promoting socialist core values before every screening. Get there on time and you could catch Angelababy, Jackie Chan, Kris Wu or Li Bingbing advocating a healthy, uplifting environment for mainstream opinion. None of the messages mentions the popular entertainment gossip blogs shut down recently by well-meaning cyberspace regulators, whose job is to help realize the Chinese dream.

Might want to saunter tardily into the cinema in **India**, too, where last year moviegoers were arrested for refusing to stand for the national anthem as required by a Supreme Court ruling.

Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum regards **Dubai**’s new proprietary font as an important step toward elevating the country’s global business profile. The oil-rich Emirate reaches out to the world with it, at least that is what marketers, brand-spinners and type designers intend for you to believe. It’s not clear how the modernist font reflects the heritage and culture of the 46-year old UAE, though it’s justified as a powerful tool for self-expression. Instances where it can’t be used: news media, censored to remove criticism of government or the royal families; the HuffPost’s blocked Arabic language website.

The harsh slopes of **Mt. Everest** are even less forgiving after reports of increasing thefts of oxygen bottles from high camps. Thieves break into tents and steal oxygen, food and even cooking gas. Foreign climbers and sherpas are concerned because bad guys then resell them. Inexperienced climbers ill-prepared to face life-threatening situations contribute to the problem. Supply and demand rules the thriving market down at the base camp.

“It’s a goat on a bridge eating a flaming rug pulled from a collapsing sand castle!” - NYTimes, about ACA repeal

Privacy and Security

Hyper-localization helped kill **YikYak**, a now-defunct anonymous messaging app which became associated with bullying, discriminatory speech and threats of violence. At one time the community-monitored platform had 2m users. By the time of shutdown in March 2017 only

264,000 remained. A Federal complaint charged two universities in Virginia with failing to protect students from it, lack of responsiveness and inability to control its devastating hate speech. The app's role is considered central, since the company is named 51 times in a 35-page complaint. The universities requested Yik Yak place a virtual fence around their campuses to disable the app, an order later expanded to middle and high schools nationwide after multiple threats and evacuations. Yik Yak added filters to no avail. People went home for the summer, got bored and stopped using it. One of the darlings of tech start-ups, it raised \$73 million in 2014, later valued at \$400m. By 2017 it was selling off its intellectual property to a mobile company for \$1m. One student's assessment of the app speaks ominous subtext: "I thought it was funny."

Spyware from Israeli cyberarms manufacturer **NSO Group** is sold exclusively to governments with an explicit agreement that it only be used to investigate criminals and terrorists. The technology is meant solely for the agency where it is installed. Yet mysteriously it came to be used against some of Mexico's most outspoken critics, a leading human rights lawyer, journalists, anti-corruption activists and their families. All found themselves targeted by *advanced spyware* which invited them to click on a broken link that would provide unfettered access to their cellphones. It's clear that the highly-personalized hacking attempts were designed to inspire fear. The product, called Pegasus, infiltrates smartphones and exploits little-known vulnerabilities, allowing the hacker to monitor every detail of a person's cellular life. The software does not leave behind the hacker's individual fingerprints and NSO says it cannot determine who is behind specific hacking attempts. The company sets its pricing based on the total number of surveillance targets. First you pay a \$500k installation fee; to spy on 10 iPhone users, an additional \$650k is added. Mexico's purchase was \$80m. With corruption endemic, no one in Mexico ever asks for permission. A local judge charged one victim with excessive use of freedom of speech.

"Castigat ridendo mores." (One corrects morals by laughing.) - Jean de Santeul

The Web

Talk about *hubris*, the CEO of **AlphaBay**, formerly an illicit online marketplace selling everything from heroin to stolen identities, got trapped by an email sent from his own password recovery scheme. Goaded during a police scam designed to take down the largest dark net marketplace in history, he bragged about newly-acquired wealth, status, his web of offshore arrangements with Swiss, Cypriot, Thai and Liechtenstein institutions, multiple luxury vehicles, real estate in Thailand and Cyprus. In a vote of low confidence, the remainder of his fortune was kept in a combination of different cryptocurrencies. During the same event, the cops took down the Tor network, locking 200,000 users out of their accounts, preventing access to millions of dollars worth of digital money. Business fled to **Hansa**, the dark web's second favored marketplace.

The incursions originated in the Ukraine months ago. Now begins the financial winter of our discontent. **Global cyber attacks of malware** hit major commercial brands where it hurts the most. Mendelez had a case of indigestion with disruptions to shipping and invoices; Reckitt Benckiser slashed growth figures; Moller-Maresk saw cargo stuck at its ports in Benin, Colombia, Lebanon, Sudan and Syria; DLA Piper couldn't access emails and documents; WPP experienced massive employee data theft; the TNT unit of FedEx isn't back to normal. Experts see no hope of recovering infected systems, though the true purpose of the attacks is abundantly clear: devastation, not monetary gain.

There are now over 1 bn videos on YouTube. Consumers watch more than 1bn hours every day, and 400 hours of new content get uploaded every minute, the digital Library of Alexandria. Anticipating hell, **Google** trained systems to keep copyrighted content and porn off YouTube, since most of revenue still comes from advertising. Thus arrived a crisis when Coca-Cola, P&G and Wal-Mart started seeing their ads next to racist, anti-Semitic or terrorist videos. Google had to reassure AT&T, Johnson & Johnson, and Unilever that everything was fine, we're all fine here. So first: blame it on people. Google decided that the ads in question appeared because of *human error* in setting safety levels. This didn't discount the fact that brands inadvertently funded extremists through automated advertising. Next, engineers realized computer models did not understand *context* or grasp the nuances of what makes certain videos objectionable. Google now simplifies how advertisers can exclude specific sites, and fine tune the content to avoid the dreaded sexually suggestive or sensational/bizarre. Brilliant solution: analyze every image frame by frame, digest what is being said, then institute human-verified examples of what is safe and what is not.

"If your mother says she loves you, check it out." - journalist's admonition

Advertising

Chase downsized online advertising from 400,000 to 5,000 websites per month after their ads started popping up next to toxic content. Once they pulled ads from YouTube, the company saw little change in the cost of impressions or visibility, and hasn't seen any deterioration on performance metrics. This ushers in an era of skepticism about the value of programmatic advertising and automated tools. Trillions of ad impressions are for sale each day, with an impression generally counted each time an ad is shown. People are targeted based on groups and browsing habits. Instead, JPMorgan has instituted *whitelisting*, a program of preapproving sites. An intern then manually clicks on each of these addresses to make certain that the sites were safe for company advertising. The upshot: at some point, a human needs to take a look.

Fierce competition in the lucrative cross-disciplinary fashion territory known as **elevated concert merch**. The category includes trend-driven product creation, design, manufacture and distribution of branded products. Players aspire to success at Disney/Star Wars level. Special collections linked to specific cultural events, limited in availability, get sold in pop-up shops or ground zero retailers where demand and urgency percolate. Different collections are offered at each distribution point, necessitating nimble merchandising of exclusive items, all stoked by buzz built around the artist or entertainment. Providing a means for individuation is key to perpetuating customer's desire. If there's no *-yawn-* experience tied into this, value perception goes kablooey. Artists who drive the most retail traffic: Run-DMC, Red Hot Chili Peppers, the Ramones. The estates of Prince, Beatles, Tupac license their images. Younger artists produce more exclusive, high-priced pieces and capsule collections. The hottest subcategory is *reselling* culture. Items that consumers can afford and easily access drive a lucrative secondary business in stores like Kohl's, which require constant replenishment. But they only want it if it's *-sigh-* authentic.

Following criticisms over inappropriate and distasteful behavior not in line with the festival's brand during their 2016 event, the 64 year-old **Cannes Lions** instituted new restrictions on super yachts where the alleged debauchery habitually occurs. Singling out the excess of celebration at parties like those of the Daily Mail, event owners struck a deal with city authorities

to privatise part of the harbor to better focus on the *dignity and style* that reflects the advertising industry. A-list celebrities used to help mad men promote causes and brands. Now that multinationals like P&G have slashed their ad budgets, agencies confront the growing power of technology groups like Google and FB. The category suffers under a sharp decline in print revenues. The newest zombie flick elevator pitch: indigent flesh-eating movie star aimlessly wanders the Côte d'Azur boardwalk in search of recognition.

“Since we are not yet fully comfortable with the idea that people from the next village are as human as ourselves, it is presumptuous in the extreme to suppose we could ever look at sociable, tool-making creatures who are from other evolutionary paths and see not beasts but brothers, not rivals but fellow pilgrims journeying to the shrine of intelligence. The difference is not in the creature judged, but in the creature judging.” - Demosthenes

Celebrity

Attention George Clooney and friends: a group of entrepreneurs have figured out how to get as famous as you. These average folk decided to have videographers film large swaths of their daily life, work, travels, lunches, even subway commutes, which then get posted on FB and Instagram. They become stars, motivational speakers and part-time life coaches. They dispense advice and speak enthusiastically about whatever they have been paid to hustle. **A regular person** can reach a half million people per month and make some big bucks. One site gets 40 million views a month. Problem is, it removes much of the humanity from the conversation. The star's life becomes neutered content, the hollowness of meaninglessness in a cold and unfeeling world. You can't simply hire a videographer - you're going to need a growth hacker, media strategist and analytics expert. The more vulnerable you are, the more you will build trust and a real community of people who will follow you. You will need to become impervious to posts which call you fat, or make sexual comments. Have patience. In about five years everyone will be talking that way. By then you will be on to a new career.

“Safety under any circumstances is an illusion.” - Leonora Carrington

Leadership

In 1999, GE's CEO **Jack Welch** was regarded as the most influential manager of the 20th century. Hardly anyone considers Welch, now 81, a role model any longer. What went wrong? Welch had benefited from the growth of financial services in the American economy and specifically the growth of GE Capital. With the arrival of the financial crisis, the division had no competitive advantage in financial services, yet was contributing 60% of profits. The task of cleanup fell to Welch's hand-picked successor, Jeffrey R. Immelt. He inherited a highly inflated stock price and never figured out how to create value through growth. 18 years later he stepped down from the role, an unmitigated highly-compensated disaster for shareholders. Immelt repudiated the Welch model. He got rid of NBC Universal and GE Capital. At one point Buffett had to step in with a \$3bn rescue. GE remained a broad conglomerate, where by definition you're not specialized, overly-complex, aspiring to growth through acquisitions. It's increasingly harder to be a conglomerate today. Rivals Honeywell and United Technologies remain focused on industrial production. Welch never realized that few of the world's conglomerates are superstars, because they're not nimble and adaptable. These days a start-up has the power to destroy your business.

“Instead of this absurd division into sexes, they ought to class people as static and dynamic.” - Evelyn Waugh

Trends

Analysts cannot accept the weakness of data in the face of the obvious. Take, for example, the reported global drop in sector **productivity**. A ⅔ decline in banking, telecoms, energy, management consultancy, legal and accounting services hints at the world of the future, where parts of the service sector are not just ill-measured but completely mismeasured as they drift into obscurity. The story is identical in advanced economies and emerging nations. We don't need to accustom ourselves to a world of slower productivity growth, simply get over the end of jobs the robots render obsolete.

Market planners can climb aboard early on a major brand and product-creation indicator. By 2060 **Muslim** mothers are projected to give birth to 232 million babies, about 6m more than their Christian counterparts! It's both a geographic and demographic opportunity. The Christian population is relatively old. The Muslim population is relatively young, concentrated in regions with high fertility rates. The territory of the future turns out to be Sub-Saharan Africa, where a growing share of both populations will reside.

AI

Frustrated because communicating became time-consuming and difficult, **Cosabella** replaced its digital ad agency with an AI platform named Albert. The helpful robot immediately tripled ROI and significantly increased customer base, prompting insiders to say they would never have a human do this kind of work again. Albert's first test was identifying and converting high-value audience. He was allowed to autonomously execute Cosabella's digital marketing efforts and dramatically improved return on ad spend, overall website sessions, new users, yielded more transactions, then boosted social media revenue share and conversions on FB. Albert has the uncanny ability to detect *fatigue*, when click rates are going down and interactions are dropping. No need to give Albert a set creative focus. Once he's optimized your campaigns he'll make his own, creating micro-segments of men and women based on micro-patterns. Albert doesn't think about people in the same way we think about people. He optimises as he goes along. Marketers tend to set audience parameters too rigidly. Give Albert the freedom to test and experiment and he can find droves of potential customers you have missed. His sexiest trick: analyse keywords used by competitors. He's obsessively neat, doesn't nap, he's fiercely efficient, and he never gets into a screaming fight with his boyfriend and loses focus.

“Biography lends to death a new terror.” - Oscar Wilde

Exeunt

The man singlehandedly responsible for putting the pretender in the White House in 2016, **Chuck Barris**, finally got booted off stage. He created a category of television shows which made a spectacle of contestant's vulnerability and romantic yearnings. The Dating Game forced the winner to choose a date from among three unseen members of the opposite sex; The Newlywed Game put compatibility to the test. But it was The Gong Show which made a lasting impression on American culture and brought ridicule and contempt to the forefront. Mr. Barris acted as the brash, irritating host who presided over a parade of no-talents. Critics complained about its crassness and cruelty, but Barris knew there was a large audience for lowbrow. At one point the show attracted 78% of viewers 18 to 49. A man of multiple talents, he wrote the pop song “Palisades Park.” Late in his career Barris authored novels. In the semi-autobiographical

Confessions of a Dangerous Mind, later made into a movie, he claimed to be CIA assassin, an assertion which the spy agency vehemently denied.

Inventor of the world's only self-cleaning house, **Francis Gabe** threw in the towel. Incensed by woman's chronic lot, which she referred to as a nerve-twanging bore, she toured the country with a working scale model of her home and became something of an international cult figure. Seated under an umbrella indoors in her pad, she could press a button that activated a sprinkler in the ceiling. Surfaces were covered with marine varnish or clear acrylic resin, upholstery was made from a waterproof fabric she invented. Runoff channeled outside and through her doghouse where her dog was washed. She had strategies for laundry, and her sink, toilet and bathtub were self-cleaning. Known as a person very difficult to get along with she kept a series of snarling Great Danes who held visitors at bay while she did yard work in the nude. After troubles with maintaining her patent, it lapsed in 2002 and was never renewed.

Mark Hawthorne, who abandoned writing features for the NYTimes Real Estate section, got disdained for the last time. He left Gotham in 1969, and later became a beloved and respected citizen of Berkeley, where he lived for decades on the streets. He went by many names - Berkeley Baby, Sparky, Pesto, Hate Man. He wore skirts. He firmly believed trust can only be established if people admit what separates them. He thought negative emotions are true and real, while positive feelings are intrinsically hypocritical. He'd be greeted by "I hate you," and answer, "I hate you too." Hawthorne did not call himself homeless, saying he did not aspire to be housed. Characterized thusly he would respond, "If I didn't want a BMW, would you say I was BMW-less?"

The first redheaded Miss America, a political activist named **Venus Ramey**, left for the big pageant in the sky. After her 1944 win she became disenchanted. Handlers denied her phone calls from her family, and pushed her toward product promotion tours. Instead she championed women's rights, voting rights and sold \$5m in War Bonds. Later she moved to Mexico, ran for state and local office, operated a Christmas tree farm, unsuccessfully sued the federal government on behalf of aggrieved tobacco farmers, declared herself a write-in candidate in the 2000 Presidential election. In 2007 at age 82 she shot out the tires of trespassers trying to pilfer scrap metal from her farm. She disapproved of artificial tanning, dental bonding, hairpieces, fake eyelashes, false fingernails, padded busts and hips and bobbed noses.

His kids ordered his tombstone when he was 110, and it sat unused in the garden for another 36 years. **Sodimedjo** finally loosed this mortal coil, having outlasted four wives, 10 siblings and all of his children. He is called the longest living human ever at 146 years old. A heavy smoker until the last, the Central Javan centenarian cited *patience* as key to a long life.

"Whoever washes an ass's head loses both his time and soap." - old Spanish proverb

Epiphanies

Customers could care less whether **Amazon** is hugely profitable, they only care if it is making their lives easier. With the purchase of **Whole Foods** the hipsters from Seattle run the risk of becoming too big, and less of a charming disrupter in an antiquated marketplace. Amazon has rapidly monopolized online retail, locking in customers and ensuring they don't shop anywhere else. Bezos built the company on embracing risk, ignoring obvious moves, imagining what customers want before they want it. The company tries to think in decades, not quarters. Only

success counts. It's a fiercely experimental culture which has disrupted entertainment, technology and retail. Now it gets its grimy hands on the food supply.

The emoticons said it all when **Bonobos**, the web-based men's clothing line announced on FB that they had sold themselves to the devil, Wal-Mart. Cute little reductive millennial signets registered anger, shock, and sadness. Laughter significantly outnumbered likes. Loyal consumers wouldn't countenance their brand joining an organization perceived as destructive, unethical and cheap. The CEO's statement of contrition turned out to be all about him, and strategic PR blunders failed to speak to the sensibilities of the traditional audience. Affiliation with Walmart's troubled brand alienated the core customer, tarnishing perception of quality. The brand ethos of responsibility, caring and integrity evaporated. Walmart stands to benefit from the acquisition, since Bonobos brings the expertise to Amazon-ize, but the market remained unconvinced. Walmart stock plunged after the announcement.

Even though attendance declined at 13 of 14 Disney theme parks, people waited in line for 4 hours in the steamy heat to board **Avatar rides** at **California Disneyland**. Gate figures rarely decrease, and the parent brand has experienced outstanding annual growth. The parks often reach capacity. Disney raises prices in peak periods by upwards of 20%. The biggest declines came from overseas - terrorism fears, bad weather, fewer tourists coming from Mainland China. Disney's not troubled and continues to invest in Unobtainium mining. The Shanghai park alone attracted 139m visitors last year. Snapping at Avatar's heels is Universal's Harry Potter franchise, which remains a top competitor.

JAB made a valiant 8-year effort to build a viable luxury group to compete with LVMH Vuitton, Richemont and Kering. Didn't work. They're now in a shift away from luxury goods, relegating the category to noncore. The **Jimmy Choo** brand was put up for sale, bought by Michael Kors. JAB is buying up F&Bs like Krispy Kreme, Peet's, Panera. Their strategy shift clearly indicates the desire of consumers to spend money on *-sigh-* experience, instead of handbags.

Locus Corp. a South Korean film studio was compelled to make explanations at Cannes about their animated film *Red Shoes and the Seven Dwarfs*. An overweight Snow White becomes tall and thin when she wears a pair of magical red shoes. A controversial billboard fomented social media outrage which contested why it was ok to tell kids being fat is ugly. The movie trailer had other sleazy issues: two of seven dwarfs sneak into Snow White's home, apparently in pursuit of her shoes, hide under a table. When she comes home they watch excitedly as she slips out of her dress, but recoil after she removes the shoes and turns into heavier version of herself. The company apologized, ended the ad campaign, and issued a politically correct robotically generated statement explaining the cartoon was designed to challenge social prejudices by emphasizing the importance of inner beauty.

How do you keep a 100 year-old brand fresh? **Oreo puts** 40 billion cookies into the marketplace annually, in 18 countries. Engaging with consumers is a relatively recent development, and the company uses limited edition flavors as one strategy. Every year around a dozen one-of-a-kind versions get rolled out and remain in certain markets and stores, scarce by design, pop-up products with a predetermined short life. Very occasionally a flavor, like Red Velvet, proves so popular that it is upgraded to everyday status. With a line extension, your first concern is whether or not it cannibalizes your main-line product. English Breakfast Tea and three doughnut-adjacent concoctions were proffered. Watermelon, an unequivocal flop, left an unpleasant aftertaste. 2016's Swedish Fish flavor may have taken the brand a step too far. One

aficionado quipped, “We’ve lost the Platonic ideal of what an Oreo cookie is.” Lately they have turned to social media with a Create-A-Flavor contest offering a \$500k prize. PS, nowhere is the word *obesity* even whispered.

People get a neurological rush when they buy something they think is *-gasp-* authentic, like clothing made by hand. Does that translate to the yogurt category? Greek-style yogurt now accounts for a third of all yogurt sales, even though taste tests reveal that most people dislike its sour bite. Yet people thought the Hellenic-named market leader Chobani was some kind of cool. It could be biochemical, but they use less sugar than **Yoplait**, the big kahuna of yogurt culture, whose attempt at a competitive product, Yoplait Greek, failed immediately. *Oui by Yoplait* is a new homage to the company’s French roots. Yoplait looked into its own history for high-volume FMCG product inspiration, trying to find a narrative, a story behind the sale, in search of Disneyish synthetic antiquity, a fake *-sniff-* experience they could bet on. The mental picture of French farmers pouring yogurt into individual glass jars, adding ingredients, allowing it to sit for eight hours sounds downright credible. French method + French brand + French name = instant *-groan-* authenticity.

Terminology and concepts entering the mainstream in 2017

Basquiat Factor - an artificial inflation of price to affect value in the art market

Behavioral finance - business model driven by impulse purchase schemes and flash sales

Cinderella laws - South Korean and Chinese legislative proposals to protect children from playing certain games after midnight.

GAF - how the advertising industry refers to tech gods Google, Apple, Facebook, Amazon

hodl - cryptocurrency investing term meaning “hold on for dear life”

A talk show host stated she welcomed and internalised criticism that illuminated blind spots, such as her treatment of race on the air. “A really, really important process in my life has been, you know, being educated about what we now call **intersectional feminism**.”

See also: *Intersectionality*

The optics - the way in which an event or course of action is perceived by the public, typically in a political context.

Sizzle reel - a fast-paced or stylized overview video of a product or service

Smoochy Woochy Poochy - according to DEA glossary, a new term for marijuana

Sologamy - the fashionable and profitable practice of people marrying themselves

TLDR - Too Long Didn’t Read

tsundoku – Japanese term for the desire to buy more books than you can physically read in one human lifetime. Literally, *the stockpiling of books that will never be consumed*.

Zero-day - a previously undisclosed cyberware flaw that leaves computer users with zero days to fix the vulnerability

"Quintessential icon Brigitte Bardot achieved infamy with her sensuous allure." - Tabloid headline

What is a brand?

A brand ought to be your opinion, but is usually someone else's.

A brand is what others think of you, and not always what you think of yourself.

Branding is not where one voice speaks louder than all competitors; that is called marketing.

The quieter the brand, the less skeptical I am about it.

A splendid *fin de 2017* to all. See you in early 2018.

A handwritten signature in black ink that reads "SMoss". The letters are cursive and fluid, with a long, sweeping underline that extends under the 's'.

DiGanZi