

2010 Global Brand Letter

from Stanley Moss

“Everything that deceives can be said to enchant.” –**Plato**

“That is the beauty of branding: brutalized, used like an instrument, it turns against its creator.” –**Pierre d’Huy**

We invest such hope in brands, infusing them with high expectations that no entity short of a deity could meet. We want our brands to behave like gods. We ask our brands to live up to their promises, act sustainably, be responsive and constant, tell the truth, be accommodating, service-driven, transparent, reasonable, economic, culturally sensitive, prescient. We want to dialogue with them, have a conversation, pursue a relationship, expect them to listen when we rage, restore us when things go wrong, and apologise as we show them the door. Thus we place brands into the realm of immortals, seeking an unrealistic perfection in the institutions which we work so hard to build. It’s the brand professional’s dilemma, where the thresholds of idealism stand. With oversight a given, CSR an expected component of any brand, and the speed at which reputations can be lost, what’s a brand to do? It’s particularly troubling when marketers talk about powering old prejudices. Those are the practices that got us into so much trouble in gratification-world, encouraged the banks to venture our money in a grossly cavalier manner and market us into record consumer debt. While brands need to stand for contentment and fulfillment, they also need to stand for clear thought and responsible behavior. The next time you bite into a bar of chocolate, sip a cup of coffee, try to decide whether to buy a new iPad, watch Fox News, sign a 2-year contract with Vodafone, make a deposit at Citibank or splash on some Terre d’Hermès, are you going ask yourself what deeper meanings the gesture supports? It all comes down to the soul-searching question, What does adopting this brand really say about me?

update on last year’s hot topics

Emerging economies

It’s all big-bigger-biggest numbers in **China**. Mercedes-Benz agreed to pay up to \$100 million for naming rights to a new sports stadium in Shanghai, the first time they have done this outside Germany, part of a collaboration with NBA’s huge push there. China’s population of wealthy individuals with more than \$1 million in investable assets surpassed that of Britain in 2008. In the UK, ultra-wealthy Chinese shoppers now outspend their Russian and Arab counterparts.

China has world’s largest population of internet users yet makes fewer online transactions than in America. Many Chinese resisted purchasing online, wary about scams and faulty merchandise. Alibaba launched AliPay, who hold the money in escrow until after the buyer has received the item and confirmed they are satisfied with it. 200 million registered users, doing around \$150 million a day in transactions.

But for all the rosy economic reports, China is as well a succession of bad-news stories. Take for example, dysprosium and terbium extraction. China does serious environmental damage with this “rare earth mining,” which accounts for 99% of the world’s production. Sustainability alert! These are critical materials for wind turbine technology, and alternative energies. More than half the shipments are smuggled, illegal, unregulated, in an industry dominated by murderous criminal gangs. It sounds like the ore in the movie *Avatar*, right? Unobtainium. After China rolled out new measures to limit citizens’ ability to set up personal web sites or to use hundreds of Internet entertainment services, Google got seriously hacked and now says it can’t operate there: they won’t even guarantee “basic service” in the Middle Kingdom.

Oreo is on the fast track to becoming the world's most regionally sensitive cookie brand. Last year sales grew 30% outside the USA. Kraft already sells baked goods in **Russia**, cookies named for Communist heroes. Now they're considering selling Oreos there. For the Chinese market Kraft created Oreo wafers that are "smaller and less sweet than the traditional version." A new take on cookie-based profiling.

Career-savvy women are the movers and shakers behind **India's** transitional society. The new age Indian is acquisitive, brand-conscious and wants the best. The reality is that India still has fewer wealthy consumers than Ireland. Mercenary marketers claim it's not about informing a new consciousness, more about powering old prejudices.

Brasil scored the Olympics, and a week later drug gangs shot down a police helicopter over the *favelas* in Rio. The government responded with a paltry \$60 million pledge for additional security for the games. It won't go far. There must be some deep correlation: *Avatar's* most important overseas markets turn out to be **Russia** and **Brasil**.

Zegna says China will be its biggest market by the end of 2010. **Australia** and **Latin America** are regarded as "less mature luxury markets." Top manager at Zegna believes luxury's new frontier is **Africa**.

Mickey goes to Shanghai

We're in the thick of an Asian theme-park boomlet. Singapore is getting a new Universal park, Malaysia getting Legoland, a \$465 million upgrade planned for HK Disney. A bleak near-term picture elsewhere worldwide. Six Flags filed for bankruptcy protection, DubaiLand project was supposed to include Paramount, Marvel and Dreamworks, now halted. Japan has an aging population and stagnant economy, with most theme park attendance flat or down. Disney typically relies on the creation of new Disney TV channels to promote its brand abroad, but China's limits on foreign media have made that impossible. The go-ahead for the new Shanghai park did not come with concessions from China on the television front. Analysts believe approval probably came from the prospect of massive job creation. About 300 million potential customers live within two hours of the park site, which is between the city's airport and downtown.

P&G plots for new markets

It's the McElroy memo all over again, but with a colonialist twist. In order to meet re-org targets, P&G needs to add around a half million new customers every day for the next five years, outside their traditional markets. To do so they hope to attract new customers in places like Nigeria, India and Somalia. Rivals Unilever and Colgate have established presences in these markets, such a foothold that they are known as "walled cities" in the FMCG industry. But P&G believes there is room for competition. While they don't expect \$110 a year per capita, like US consumers spend, they hope for levels like Mexico's \$20 a year. Currently China is at less than \$3 a year, so do the math. But, wait- customers in emerging markets have little money to spend. P&G will have to crack the intricacies of distribution, and adjust their products into smaller and cheaper sizes. One interesting metric is holding the cost of a 2-use shampoo packet to less than the cost of an egg. Other products they are "educating" the market for: disposable nappies, but only for the night so families can get a good night's sleep or for use during family outings; and feminine hygiene products to reduce stress and provide greater comfort, enabling girls to study better. Not a peep about landfills or biodegradability.

The luxury category

Christian Lacroix was placed under protection from creditors in June. Hadn't made a profit for 22 years. Downsized staff from 120 to 11, closed down haute couture and prêt à porter, but held onto accessories and fragrance licenses. A **luxury licensing boom in progress**, especially in specialist or peripheral categories such as kid clothes, swimwear or accessories. Hard luxury products like watches and jewelry had slumping sales. Arnaud said philanthropy is a growing focus of **LVMH**.

Demand for **Hermès** handbags stayed constant. Does Hermès manipulate the alligator skin market? In the mid 1990s the luxury brand began buying tanneries and in the last few years has become the largest player in the exotic skins business. Bought aggressively from the alligator farmers in Florida, recently at prices far lower than the past. Rival tanneries accuse Hermès of hoarding, forcing other fashion houses to pay premium prices. Nobody mentioning anything about the environmental damage tanneries cause.

Zegna recrafting their brand, aiming at a new demographic of under 30s. They will stick with menswear, more stable, has more loyal customers. **Burberry** launched a social networking website to encourage people to share their own trench coat stories. Plaid has its own registered trademark. "Our differentiator," says CEO. People are wearing **fragrance** less today than previously. A bright spot was fragrance priced at \$100 or more, where sales grew. Perfumers now position "noses" as stars of their brands.

Galactic Space Resort says it is on-track to accept guests in first **microgravity hotel** in 2012. Rack rate: €3 million, for a three-night stay. The single pod will orbit 450km above earth, capacity: 4 guests and 2 astronaut pilots. What, no concierge? Those pilots are going to need training in guest service. Luxury is hard.

Rolls Royce sales grew in 2008. The company is introducing the Ghost, designed to sell higher volume, "less formal than the Phantom and a bit more dynamic," which translates "cheaper", at a price point of €200-250K. Of 8000 select prospects who showed interest, 85% were names new to the brand.

"If a word is worth a coin, silence is worth two." –**The Talmud**

Unbranding

Last year I commented on Vodafone's rampant brand pollution in India, and the criticism stands. But elsewhere in the world companies like Coca-Cola, luxury names, youth and hospitality brands are exploring avenues of greater discretion in their visual presentation. Starbucks took away its logos in their Seattle Capital Hill store, rebranding it like a Mom and Pop coffee place. They'll try anything to preserve their premium image as competitors like McD chip away at market share.

Sayonara

Edward T. Hall, who pioneered the study of nonverbal communication between members of different ethnic groups, died in August. He developed a cultural model that emphasized the importance of nonverbal signals and modes of awareness over explicit messages, all interesting ideas for brand professionals to ponder. He looked at cultural attitudes toward space and time as part of the informal realm of communication. "*The Hidden Dimension*" (1966) examined cultural meanings of architecture in a discipline he called proxemics, a kind of proto-place-branding theory. He also explored the use of time as a form of communication, a technique which marketers employ.

Amir Pnueli died in November. He was a computer scientist who applied Arthur Prior's theories of temporal logic, propositions qualified in terms of time, into computer modeling techniques. Prior's work explored "tense logic," to evaluate statements whose truthfulness changes over time. Sounds suspiciously like marketing claims, doesn't it?

"On the internet, nobody knows you are a dog." -**Anonymous axiom**

Adios, traditional media

News organizations remain stymied about **how to charge for news online**. One publisher comments "we haven't reached an inflection point in attitude." For the time being their position is vague to cautious as they search for ways to cut costs. Various media labs are now testing algorithms that assemble facts into narratives that deliver information, **no writers required**. Career journalists beware.

Lured by the affordability of e-marketing, seduced by the explosion of social media, and looking to cut costs, **smaller firms fled traditional direct mail marketing**. US consumers received about 5.2 billion pieces of direct mail in the 3rd quarter of 2009, down from 7.1 billion in the prior year. Some companies saw precipitous drops in business, and had to return to snail mail to recover. Customers said they missed the letters, especially the ones which contained humorous illustrations.

The US market for **online advertising** is now estimated at \$29 billion. AOL abandoning subscription-based service, migrating to advertising-supported digital media company. Time Warner, who divested AOL, are crafting strategies to deal with consumers now using digital sources for news and entertainment. Ad brokers target online display ads aimed at audiences selected for other characteristics than age or income. Now they troll **personality traits**.

Vibe Magazine, which folded under a pile of debt last May planned a relaunch as a print quarterly. New owners InterMedia Partners distributed 300,000 copies, half their prior circulation guarantee. New owner says they can "imagine many ways in which the brand can exist and be monetized outside its print heritage." **Esquire's** December augmented reality cover featured Robert Downey Jr. and a bunch of letters flying off the cover. Not sure anybody noticed. **Vanity Fair Italia's** print edition is growing in a down market. It's Condé Nast International's biggest magazine in terms of revenue. Uses big photography layouts both original and drawn from archives, and content repurposed from American Vogue, W and GQ. Weekly format, abbreviated mix of news briefs, estimated reading time 6-14 minutes per longest article. **Lisbon** has a new print newspaper, nicknamed **I**, short for *infomação*. Looks more like a traditional magazine than a newspaper, and puts the most thought-provoking and analytical writing first. Paid circulation of 16,500 in a population of 10 million. The strategy is to build relevance for the brand in the shortest time, and eventually expand the name into other media, the first projected brand extension to be a web site.

Movies outperforming DVDs

Flicks now outpace disks as studios eye a shrinking DVD income stream. They place their hopes on 3-D and mass-market blockbusters. *Avatar* passed \$1 billion in ticket sales in the second week of January, with two-thirds of its receipts from abroad. France has an *amour fou* for the new technology, with the most 3-D screens in Europe. *Libération* recently declared James Cameron "galaxy's eco-warrior."

More brilliant ideas from the dinosaurs

Abandonment Tracker Pro alerts a subscribing web store when a visitor puts an item in a shopping cart or begins an application, and then doesn't complete it. Enables an action called "**remarketing**", where visitor gets a follow-up email or pop-up asking [sic] "Oops, was there a problem?" It may increase sales, or alternately irritate customers who never come back again. No way to measure.

Pepsi announced it won't advertise its drinks in next year's Super Bowl, ending a 23-year run. Launching "Pepsi Refresh Program", aimed at directing \$20 million for projects people create to "refresh" communities.

mailorama.fr dreamed up an inspired promotional stunt to promote their brand: a red double-decker bus would drive around Paris throwing cash from the windows. Locations were communicated via promotional buzz on the web. A crowd estimated at 7000 assembled at one location, mostly residents from tough suburbs, poor students, homeless men. Surprise, a riot ensued, police were called in to restore order. Arrests, beatings, damage to property. Company wouldn't answer calls, and later issued a statement saying it was sorry things had gotten out of hand. Donated the €100,000 budgeted for the event to a local charity.

It's no longer who you are

Twitter introducing "geolocation" allowing users to include a precise location with each tweet, thus enabling search limit by location. Users suggested the idea. Little companies are popping up, measuring 'buzz' by surveying where trendsetters go. People leave '**data shadows**' behind as they move through cities.

Yousef Tuquan Tuquan quotable at the World Brand Congress in Mumbai last November: "What the 50-year old marketing manager knows doesn't matter." "The media is no longer in charge." "Advertising doesn't need the media anymore." "The conversation is going on with or without you."

291,667 people joined Facebook in a single hour on January 2, 2010. Last October, 26 million tweets in a day were recorded. Social network participation via mobile devices will increase from 80 million in 2007 to 800 million in 2012. A study by UC San Diego reports US households collectively consumed **3.6 zettabytes** of information in 2008. (One billion trillion bytes, or a one followed by 21 zeroes) The huge increase in byte consumption is related to video games. In a single day 100,000 words cross a person's eyes and ears from various channels, web, text messages, video games. *War and Peace* is 460,000 words long. Print media is in consistent decline, but web-surfing means people are reading more than ever.

the following touchpoints to debate and discussion for the coming year

"Thank God I'm an atheist." – **Luis Buñuel**

Increasing co-creation

Hershey and **Pitney Bowes** set up customer innovation centers to capture understandings of how customers use their products. Companies aren't generally structured to access, absorb or utilize customer insights since they are organized by product, not by customer. Technology companies have been the most active in relying on others to innovate for them. Consumers often come up with ideas, then companies wait at the sidelines to see whether they have mass appeal. **Twitter** certainly outsources idea-generation to its readers. When people started referring to posts as "tweets" Twitter resisted, until mid 2009 when it finally applied

for a trademark on the term. **Kraft Australia** asked customers to propose a name for its new Vegemite product, a salty brown yeast paste mixed with cream cheese, yum. Over 3 million units sold in two weeks to a population of 22 million. The winning name, suggested by a 27-year old designer: iSnack 2.0. A wonder Apple didn't say anything. But others did, thousands of Twitter posts, a dozen Facebook groups, and a protest website. Company quickly decided the name was not worth defending, given the level of outrage. Kraft compares this to the failed 1985 New Coke launch, which ultimately served to reinforce consumer loyalty to that brand.

"All great cities are schizophrenic." –**Victor Hugo**

Where in the world, indeed.

More than 40 million fake Swiss timepieces are made every year, generating profits of around \$1 billion. "**Made in Switzerland**" has so much value that 5000 Swiss brands use their nation of origin in brand marketing, because it implies precision and quality. Now the government plans legislation that demands Swiss share of production costs must be 60% for goods to use the label "Swiss." Country brands are big ships that don't change course quickly. In a recent article Philippe Mihailovich points out that "Made in China" carries so much baggage that it would be more effective to establish "**Made in Shanghai**" as a new luxury differentiator.

"Fame sometimes defames good honourable people." –**Portugese Fado lyric**

For a change, let's talk about celebrity

US media obsessed for Warhol's designated 15 minutes over the White House gate crashers, a pair of social climbers who then tried to sell their story to the networks and tabloids. A reality TV show Dad perpetrated the balloon boy hoax, which kept the country riveted to their screens watching a home-made UFO drift across the western skies. He then tried to sell his story to the networks and the tabloids, but got arrested instead. In July the world went crazy over Michael Jackson's untimely demise, a false veneration of epic proportions. The Jackson family then sold and re-sold their story to the networks and tabloids. Do we detect pattern recognition here?

Tiger Woods used to make roughly \$100 million a year on endorsement deals, his career earnings over \$1 billion. After the crack-up Woods generated escalating negative buzz with women, who make many of the endorsed product buying decisions. Woods was golf's #1 draw and #1 television ratings driver. Tournaments where he played had 30 million more viewers than those where he did not. The economic impact of Woods' imbroglio on sponsor firms hasn't yet been calculated, though some academics rushed to try. Gillette ran more sensitive statistical tests correlated against share price performance, some of which cleared the 5% significance threshold. The final insult: Cadillac repossessed the crashed Escalade and plans to do repairs, then sell it as a "used fleet vehicle."

"The better the bad guy is, the better the film is." - **Alfred Hitchcock**

Ridley Scott in discussions with **Angelina Jolie** for role in **Gucci** biopic on Patrizia Reggiani, who plotted the murder of her ex-husband, Maurizio Gucci.

Once upon a time **Elvis**, **Marilyn Monroe**, and **James Dean** were people with brands attached to them. These days they have migrated into iconic economic entities which stand for sexuality, voluptuousness and rebellion. Society constantly hungers for heroes. In 2009, heirs of **Bruce Lee** announced the launch of a production company dedicated to promoting the actor's legacy. **Brando** trustees have filed 26 separate legal cases since 2003, initiated

by a business partnership designed to protect and manage the Brando brand-o. The major conundrum: how to find commerce in the image of a man who was wary of it.

trendseekers alerts

“It’s not a lie if you believe it.” -**Seinfeld character George Costanza**

Otaku love

A subculture is thriving in Japan, made up of men and women who indulge in real relationships with imaginary characters. It’s a subset of the obsessive fandom that has surrounded *anime*, *manga* and video games, attributable in part to the difficulty many young Japanese have in navigating modern romantic life. Fetishistic love for two-dimensional characters has earned its own slang word, *moe*. In an ideal *moe* relationship a man frees himself from the expectations of an ordinary human relationship and expresses his passion for a chosen character, without fear of being judged or rejected. One 37-year old Tokyo man goes on dates with a pillow emblazoned with a two-dimensional picture of a character, Nemu, from an X-rated version of a PC video game called *Da Capo*. She is 10, maybe 12 years old, and wears a little blue bikini and gold ribbons in her hair. “When I die I want to be buried with her in my arms.”

Uh-oh, the World Car again

Ford announced plans to unveil its new Focus model, a single vehicle designed and engineered for customers in every region of the world, sold under one name, part of a strategic decision to move from a house of brands to single focus on Ford. The gameplan: small, fuel-efficient cars, with technology and safety features to appeal to customers in Europe, Asia and the Americas, premium priced. Ford is betting on the perceived need for smaller, lighter and more environmentally friendly passenger cars. Believes that customer requirements are going to be more the same around the world than they are different. One platform for all markets, tailored to different regions by changing colors and materials. European and American buyers appreciate flair; Chinese consumers, in particular, have more conservative tastes. Its best asset: the Ford brand and its blue oval badge. In the old days, Ford had as many as 20 international ad campaigns. New Focus would have just 4 or 5 ad strategies. “Any variation will be based on the campaign’s audience.”

Build your personal brand: go barefoot

Discarded **flip-flops** are one of the greatest environmental hazards on the planet today. Gazillions of them have been manufactured. Toxic to animal reproduction, dioxin contamination in landfills, harmful to people downwind of incineration, cause impairments to the immune system. A significant part of the rising tide of plastic litter stretching down the East African coastline.

Brand resurrection

Polaroid was the Google of its day, darling of the stock market, the place where everyone wanted to work, a stellar growth story, then a spectacular fall, as digital imaging took over. Yet no technology has replaced the tactile thrill of an instant photo rendered in chemicals straight out of the camera. Its name recognition has never diminished- in fact, it’s one of the best known brands in the world, up there with Disney, McD and Coke. And a new group of aficionados breathes fresh life into the brand. A Boston-based company owns the name and the patents and plan a relaunch. Inexplicably they have hired **Lady Gaga**, a pop star, as their new Creative Director. She brings enhanced visibility and youthful cachet, but how adept is she in new-product creation? We’ll find out in an instant.

Terminology and concepts entering the mainstream in 2010:

Astroturf organisations- fake grassroots organisations originally created by lobbies and special interest groups to disrupt US health care reform hearings.

Augmented reality- superimposing digital information onto the real world, especially in handheld device displays. A massive product design scramble in progress for expanding the retail experience.

Crowdsourcing- using the proverbial wisdom of crowds to accomplish a task. Netflix paid out a \$1 million prize for an improved recommendation engine to increase customer satisfaction and generate more movie rental business. See “Prize Economics”, below.

Digital archaeology- manipulation of original files from earlier sources, enhanced to be reused in newer iterations. Often applied when digital cartoons are repurposed for 3-D.

Maybe Journalism- computer-generated simulations of what might have happened, like those made in Taiwan speculating about the Tiger Woods car crash.

Ming pai – Pop Chinese term for famous brand-name consumer items

Mirror neurons- neurons in a network that let you feel or respond in a way that is similar to someone else. The biology of empathy.

Net fame- in the recent Japanese film “*Nobody to Watch Over Me*,” the term applied to what voracious internet news journalists seek, in collecting information and exposing people's lives to public scrutiny, with no concern for truth or justice.

Prize economics- running a contest to generate a new innovation at less cost than an in-house research and development effort.

The Singularity- the notion of a moment, popularized by the computer scientist Vernor Vinge, when humans will create smarter-than-human machines, causing such rapid change that the “human era will be ended.”

Screenager – how marketers regard your adolescent kid.

The Third Cloud- new apps where your smart phone doesn't even bother to communicate with your carrier, it just captures the information you need from other sources nearby.

Virtual physiology- new digital processes which allow you to conceive of how things should be and then let the computer figure out how to do it.

“They were decent. They were strong. And they failed in the most beautiful way you can imagine.”

– **Italian mountaineer Reinhold Messner, on Dr. Charles S. Houston's doomed 1953 Everest expedition.**

What is a brand?

Thanks to those who contributed definitions this year:

“A brand is a name with power.” - Pierre LeGouvello

LeGouvello is President of DDB France. Ad agencies still concern themselves with notions of reputation and competition.

“A brand is first a promise, then an experience and ultimately, a feeling.” - Aubrey Ghose

Aubrey is CEO of Dubai-based aisBrandLab. Creatives view brands as living in the world of emotions.

“A brand is something you can wake up wanting.” – Anindita Ghose

Anindita reports for the Wall Street Journal/MINT in New Delhi. This statement considers the chemistry of desire, what motivates the compulsion to acquire.

“A brand is spot on.” - Susanna Dulkanys

Susanna is Berlin partner at EdenSpikermann. Visual identity designers see specificity and simplicity as critical elements of the brand discipline.

“A brand is a relationship.” - Yousef T. Tuqan

Yousef is CEO of Dubai-based Flip Media. Digital media practitioners explore the realm of interactivity.

Recently I have thought about brands as **adopted emblems of personal identity.**

More on this in the coming year.

An outstanding 2010 to all!

A handwritten signature in black ink, appearing to read "Stanley Moss". The signature is written in a cursive, flowing style.

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diganzi.com