Brands

Who's wearing the trousers?

Sep 6th 2001
From The Economist print edition

It is claimed that consumers are being manipulated by big corporations and their brands. Quite the contrary

BRANDS are in the dock, accused of all sorts of mischief, from threatening our health and destroying our environment to corrupting our children. Brands are so powerful, it is alleged, that they seduce us to look alike, eat alike and be alike. At the same time, they are spiritually empty, gradually (and almost subliminally) undermining our moral values.

This grim picture has been popularised by a glut of anti-branding books, ranging from Eric Schlosser's "Fast Food Nation" and Robert Frank's "Luxury Fever" to "The World is Not for Sale" by François Dufour and José Bové—a French farmer who is best known for vandalising a McDonald's restaurant. The argument has, however, been most forcefully articulated in Naomi Klein's book "No Logo: Taking Aim at the Brand Bullies".

Not since Vance Packard's 1957 classic "The Hidden Persuaders" has one book stirred up so much antipathy to marketing. Its author has become the spokesman for a worldwide movement against multinationals and their insidious brands. Britain's *Times* newspaper rated her one of the world's most influential people under 35. Published in at least seven languages, "No Logo" has touched a universal nerve.

Its argument runs something like this. In the new global economy, brands represent a huge portion of the value of a company and, increasingly, its biggest source of profits. So companies are switching from producing products to marketing aspirations, images and lifestyles. They are trying to become weightless, shedding physical assets by shifting production from their own factories in the first world to other people's in the third.

These image mongers offer "a Barbie world for adults" says Ms Klein, integrating their brands so fully into our lives that they cocoon us in a "brandscape". No space is untouched: schools, sports stars and even youth identity are all being co-opted by brands. "Powerful brands no longer just advertise in a magazine, they control its content," says Ms Klein.

Now they are the target of a backlash. A new generation of activists is rising up and attacking, not governments or ideologies but brands, directly and often violently. Coca-Cola, Wal-Mart and McDonald's have been rounded on over issues ranging from racism to child labour to advertising in schools.

Less a product, more a way of life

In one sense it is easy to understand why Ms Klein and her camp feel as they do. The word "brand" is everywhere, to the point where Disney chairman Michael Eisner calls the term "overused, sterile and unimaginative". Products, people, countries and companies are all racing to turn themselves into brands—to make their image more likeable and understandable. British Airways did it. Target and Tesco are doing it, while people from Martha Stewart to Madonna are branding themselves. Britain tried to become a brand with its "Cool Britannia" slogan, and Wally Olins, a corporate-identity consultant and co-founder of Wolff Olins, a consultancy, even wants to have a crack at branding the European Union.

At the very least, Ms Klein overstates the case. Brands are not as powerful as their opponents allege, nor is the public as easily manipulated. The reality is more complicated. Indeed, many of the established brands that top the league tables are in trouble, losing customer loyalty and value. Annual tables of the world's top ten brands used to change very little from year to year. Names such as Kellogg's, Kodak, Marlboro and Nescafé appeared with almost monotonous regularity. Now, none of these names is in the top ten. Kellogg's, second less than a decade ago, languishes at 39th in the latest league table produced by Interbrand, a brand consultancy.

Of the 74 brands that appear in the top 100 rankings in both of the past two years, 41 declined in value between 2000 and 2001, while the combined value of the 74 fell by $49 billion—to an estimated $852 billion, a drop of more than 5%. Brands fall from grace and newer, nimbler ones replace them.

Meanwhile, consumers have become more fickle. A study of American lifestyles by DDB, an advertising agency, found that the percentage of consumers between the ages of 20 and 29 who said that they stuck to well-known brands fell from 66% in 1975 to 59% in 2000. The bigger surprise, though, was that the percentage in the 60-69 age bracket who said that they remained loyal to well-known brands fell over the same period, from 86% to 59%. It is not only the young who flit from brand to brand. Every age group, it seems, is more or less equally disloyal. The result is that many of the world's biggest brands are struggling. If they are making more and more noise, it is out of desperation.

As they move from merely validating products to encapsulating whole lifestyles, brands are evolving a growing social dimension. In the developed world, they are seen by some to have expanded into the vacuum left by the decline of organised religion. But this has made brands—and the multinationals that are increasingly identified with them—not more powerful, but more vulnerable. Consumers will tolerate a lousy product for far longer than they will tolerate a lousy lifestyle.

Brands past

Historically, building a brand was rather simple. A logo was a straightforward guarantee of quality and consistency, or it was a signal that a product was something new. For that, consumers were, quite rationally, prepared to pay a premium. "Brands were the first piece of consumer protection," says Jeremy Bullmore, a long-time director of J. Walter Thompson, an advertising agency. "You knew where to go if you had a complaint." Even the central planners in the old Soviet Union had to establish "production marks" to stop manufacturers cutting corners on quality.

Brands also helped consumers to buy efficiently. As Unilever's chairman Niall FitzGerald points out: "A brand is a storehouse of trust. That matters more and more as choices multiply. People want to simplify their lives."

This implicit trade-off was efficient and profitable for companies too. Building a brand nationally required little more than an occasional advertisement on a handful of television or radio stations showing how the product tasted better or drove faster. There was little regulation. It was easy for brands such as Coca-Cola, Kodak and Marlboro to become hugely powerful. Because shopping was still a local business and competition limited, a successful brand could maintain its lead and high prices for years. A strong brand acted as an effective barrier to entry for others.

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In western markets, over time, brand building became much trickier. As standards of manufacturing rose, it became harder for firms to differentiate on quality alone and so to charge a premium price. This was particularly true of packaged goods like food: branded manufacturers lost market share to retailers' own brands, which consumers learned to trust.

Even the strongest brands can crumble

Nor were traditional branded products any longer the only choice in town. As shoppers became more mobile and discovered more places to buy, including online websites, they switched products more often. Brands now face competition from the most unexpected quarters, says Rita Clifton, chief executive of Interbrand: “If you were a soap-powder company years ago, your competition would come from the same industry and probably the same country. Now it could be anyone. Who'd have thought that Virgin would sell mobile phones, Versace run hotels or Tesco sell banking services?”

Even truly innovative products can no longer expect to keep the market to themselves for long. Gillette spent $750m and seven years developing its three-bladed Mach 3 men's razor, for which it charged a fat premium. But only months later it was trumped by Asda, a British supermarket that came out with its own version for a fraction of the price.

Consumers are now bombarded with choices. They are “commercials veterans”, inundated with up to 1,500 pitches a day. Far from being gullible and easily manipulated, they are cynical about marketing and less responsive to entreaties to buy. “Consumers are like roaches,” say Jonathan Bond and Richard Kirshenbaum in their book “Under the Radar—Talking to Today's Cynical Consumer”. “We spray them with marketing, and for a time it works. Then, inevitably, they develop an immunity, a resistance.”

Some of the most cynical consumers, say the authors, are the young. Nearly half of all American college students have taken marketing courses and “know the enemy”. For them, “shooting down advertising has become a kind of sport.”

Consumers are also harder to reach. They are busier, more distracted and have more media to choose from. And they lead lives that are more complicated and less predictable. A detergent can no longer count on its core consumer being a white housewife. Against this background, it has never been harder to develop or even just sustain a brand. Coca-Cola, Gillette and Nike are prominent examples of the many that are struggling to increase volumes, raise prices and boost margins.

Marketing mistakes

Marketers have to take some of the blame. While consumers have changed beyond recognition, marketing has not. Elliott Ettenberg, author of a forthcoming book on the decline of marketing says: “Everything else has been reinvented—distribution, new product development, the supply chain. But marketing is stuck in the past.” Even in America, home to nine of the world's ten most valuable brands, it can be a shockingly old-fashioned business. Marketing theory is still largely based on the days when Procter & Gamble's brands dominated America, and its advertising agencies wrote the rules. Those rules focused on the product and where to sell it, not the customer.

The new marketing approach is to build a brand not a product—to sell a lifestyle or a personality, to appeal to emotions. But this requires a far greater understanding of human psychology. It is a much harder task than describing the virtues of a product.

Sweden's Absolut Vodka, one of the world's biggest spirits brands, demonstrates this well. Its clever, simple ads featuring its now famous clear bottle were dreamt up long before the vodka was fermented. Goran Lundqvist, the company's president, says that Absolut's wit, rather than its taste, is the reason for the spirit's success: “Absolut is a personality,” he claims. “We like certain people, but some people are just more fun and interesting.” Other products have also succeeded in touching the emotions. Fans of Ben & Jerry's ice cream, for example, think that it is hip for its ethical stance, while many Harley Davidson owners are literally in love with their machines.

The trouble is that most marketers have to struggle to create such feelings for their brands. Many firms, most notably banks, mistake inertia for liking. Others, such as Coca-Cola and McDonald's, complacent from past success, find it difficult to admit that their customers are drifting away to newer offerings. Yet others, panicking that they need to do something, reinvent themselves and unwittingly lose the essence of their appeal.

Old-fashioned market-research methods help explain such mistakes. Focus groups, for example, are poor at rooting out the real reasons why people like brands, but they are still heavily used.

The attempt by brands to adopt a social component—to embrace a lifestyle—is giving consumers a lever to influence the behaviour of the companies that stand behind them. The "No Logo" proponents are correct that brands are a conduit through which influence flows between companies and consumers. But far more often, it is consumers that dictate to companies and ultimately decide their fate, rather than the other way round. Think of the failure of such high-profile product launches as "New Coke"; the disastrous effect on Hoover of a badly-designed sales promotion in Britain a few years ago; or the boycott of genetically modified foods by Europe's consumers.

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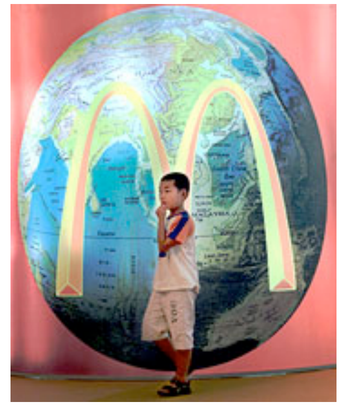

Can a billion buyers be bamboozled?

The Internet also provides some telling examples. Dotcoms such as Webvan and Kozmo were lauded for the speed with which they built their brands. Unconstrained by the need to make profits, however, such companies built customer loyalty artificially. Once business reality returned, they were revealed as unsustainable promises. Consumers, it turned out, were not gullible. As Mr Olins says: "Is the brand immoral, can it get us to do things we don't want to? No. When we like a brand we manifest our loyalty in cash. If we don't like it, we walk away. Customers are in charge."

Levers for lifting standards

The truth is that people like brands. They not only simplify choices and guarantee quality, but they add fun and interest. "In technocratic and colourless times, brands bring warmth, familiarity and trust," says Peter Brabeck, boss of Nestlé. They also have a cultish quality that creates a sense of belonging. "In an irreligious world, brands provide us with beliefs," says Mr Olins. "They define who we are and signal our affiliations."

Jim McDowell, head of marketing at BMW North America, says that when young people visit a 3Com-sponsored baseball stadium or a Continental Airlines' hockey arena, they realise that "some of the best things they have ever experienced have come through brands."

Since brands and their corporate parents are becoming ever more entwined—both in the public perception and commercial reality—it follows that consumers can increasingly influence the behaviour of companies. Arrogance, greed and hypocrisy are swiftly punished. Popular outrage forced Shell to retreat over the scrapping of its Brent Spar oil platform and its activities in Nigeria. Nike has had to revamp its whole supply chain after being accused of running sweatshops.

Even mighty Coca-Cola has been humbled. Told of a contamination incident in Belgium, its then-boss, Doug Ivester, is said to have dismissed it with the comment: "Where the fuck is Belgium?" A few months later, after a mishandled public-relations exercise that cost Coke sales across Europe, he was fired. "It is absurd to say that brands can be too powerful," concludes Interbrand's Ms Clifton. "Brands are the ultimate accountable institution. If people fall out of love with your brand, you go out of business."

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Cheer up. It can't last

This ultimately makes brands highly effective tools through which to bring about change. Rafael Gomez, professor of marketing at the London School of Economics, points out that companies like Nike have been forced to invest heavily in improving their manufacturing standards in order to protect their brands. World Bank studies show that brands have been a boon for developing economies, because it is the branded multinationals that pay the best wages and have the best working conditions. Those countries that are more open to trade and foreign investment, such as the Asian tigers, have shown faster increases in living standards than relatively closed countries such as much of Africa.

Brands of the future will have to stand not only for product quality and a desirable image. They will also have to signal something wholesome about the company behind the brand. "The next big thing in brands is social responsibility," says Mr Olins, "It will be clever to say there is nothing different about our product or price, but we behave well." Far from being evil, brands are becoming an effective weapon for holding even the largest global corporations to account. If we do not use them for that purpose, as Mr Olins puts it, “we are lazy and indifferent and we deserve what we get.”

Fittingly, brands will then have come full circle. The founders of some of the world's oldest—Hershey, Disney, Cadbury and Boots, for example—devoted their lives and company profits to social improvements, to building spacious towns, better schools and bigger hospitals. The difference in the future will be that it will be consumers, not philanthropists, who will dictate the social agenda.