

“Nice” Capitalism

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*A Secret Journey to the Death of the
Arrogant Brand*

Costas Kataras

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DEDICATION

To my Parents,
my wife Katerina,
and our children Sotia and Petros

PROLOGUE

Today, we live in an Economy fuelled by uncertainty. We can look at the major developments of this Economy in many different ways. For example, behavioral economics provides a good platform, since it deals with the core factor of economics, that is human behavior. However, we can take a closer, deeper look at human behavior and the direct impact it has on the Economy which is much more revealing: this is the secret, almost untold, relationship between people and their psyche and . . . Brands. In this book brands, and their hidden relationship with people particularly in wealthy countries, are used as a prism through which we can identify emerging trends in the metaglobalization economy, among other things, for the following three reasons. *Firstly*, brands—whether we like it or not—express a “significant insignificance” in today’s economy. Brands are no longer about products or services or experiences but have risen to a “pseudo-status” *expressing “social imaginary significations”* (like laws, institutions, values, etc.) and a “pseudo-authority” imposed from without, to use Cornelius Castoriadis preferred words. Furthermore, the “homo-economicus” model (the rational, self aware consumer if he/she ever existed at all that is) has collapsed and is being replaced by a “desire-centered” model of consumption and behavior. According to the old Ernest Dichter psychoanalytic school of thought, in an economy of scarcity and need, consumers make rational choices (or in Freudian terms the “ego” does the shopping and drives the economy) and, conversely, in an economy of abundance consumers are totally controlled and/or driven by desire (or the “id” goes shopping and drives the economy). Needless to say all wealthy nations, which understandably are the focus of examination of this book, represent economies of abundance, or in other words, economies driven by the Freudian “id” and people’s emotional desires and the deep engagement of the human psyche with brands.

Secondly, as demonstrated through the data-driven research and analysis in this book, there is strong indication that a new species in the brand ecosystem is emerging, that of the “nice brand”. A nice brand may be defined as possessing such qualities as: honesty, responsibility, community spirit, quality and value for money, ethos, human measure (“Metron” as in the Greek “measure in all things”), egalitarianism, cooperativeness, eclecticism and similar qualities. Arrogant brands are defined by their greed, immorality, paternalistic attitude, dishonesty, narcissism, psychopathic

traits, cheating, ruthless exploitation and the like. Today, research data has appeared which supports the hypothesis that not only are European “nice brands” flourishing, but also that European global, nice, brands have become the most reputable in the world. Furthermore, what is more revealing is that “*Nice Brands*” and “*Nice Capitalism*” are interconnected and go hand in hand. According to some global studies, 14 European brands were included in the Top 20, compared to only two for the US. For example, as data suggests, a small European country like Denmark is in the lead with 11 companies in the Top 50. It is evident that Nordic countries (almost all surpassing the US in competitiveness, human development, quality of life and other relevant indicators) and Europe at large, provide a good example of the type of environment where nice brands and nice capitalism flourish. A more profound reason for this is the reduced “power distances” within the population (or “extreme polarization” in other words, as analysed in this book) that undermine the economy and society. (The notion of “power distances” was introduced by Geert Hofstede to calculate the level of equality in a society). As Europe outperforms the US in the undeclared “brand war”, the same is true of their economies. Europe, with its “Nice Capitalism”, is better placed to replace America as the leading economic power. Jeremy Rifkin is apocalyptic “The American Dream is becoming ever more elusive. Americans are increasingly overworked, underpaid, squeezed for time, and unsure about their prospects for a better life. One third of all Americans say they no longer even believe in the American Dream.” While the American Dream is languishing, says Rifkin, “a new European Dream is capturing the attention and imagination of the world. Twenty-five nations, representing 455 million people, have joined together to create a United States of Europe. The European Union’s GDP now rivals the United States’, making it the largest economy in the world. The EU is already the world’s leading exporter and largest internal trading market. Moreover, much of Europe enjoys a longer life span and greater literacy, and has less poverty and crime, less blight and sprawl, longer vacations, and shorter commutes to work than we do in the United States. When one considers what makes a people great and what constitutes a better way of life,” observes Rifkin, “Europe is beginning to surpass America. More important, Europe has become a giant laboratory for rethinking humanity’s future”.

Although one could argue that the interrelation between nice brands and nice capitalism represents a kind of a chicken and egg situation, one certainly realises that the consequences of the human encounter with brands by far exceeds the simple transaction at the super market shelves and affects the future of society and its well being. (For those keen to answer the old chicken-egg question, biologists suggest that life is created from smaller items/forms of life and moves to higher and much more complex forms and/or species. In our case this implies that the simple transaction with a product, i.e. brand, is the starting point for the creation of a whole economic system. In other words, “Nice Brands” could contribute to the creation of “Nice Capitalism”, and not necessarily the other way around.) It should be noted that “nice capitalism” in the context of this book refers mostly to

the enormously successful Nordic economic model. And is by no means related to the so called “capital with a good heart” or what some analysts called “Bobonoism”, i.e. the Geldof/Bono model of protesting as you shop (. . . another brand/colour line, for example “Red”) in any way.

Thirdly, brands represent an ever expanding consumer-driven culture and materialistic pursuits that undermine human happiness and lead to an unhappy variety of capitalism, as the latest happiness research data suggest. According to a 1997 PBS documentary, *Affluenza*, Americans spent an average of six hours shopping every week. Yet they could find only 40 minutes each week to play with their children. Another study indicated that working couples spent almost as little time talking to each other—about 12 minutes a day. In this climate, almost everyone is vulnerable to “affluenza,” an infectious disease in which one becomes addicted to having.” A 2006 Stanford University study has concluded that compulsive overspending or overshopping is a legitimate disorder that affects approximately 6% (17,000,000) of the U.S. population and that men and women suffer about equally. Believing that having just the right possessions will make them happy and fulfil their needs, wants and desires leads people to continue to fill their lives with things, only to find that the opposite can be true. “In this respect,” writes Tim Kasser, “the desire for material goods, fame, and attractiveness is like drug addiction . . . Just as an alcoholic who first got a buzz from three beers eventually requires six, and then nine, and then a whole case before feeling drunk, a person strongly oriented toward materialistic values might originally experience a “high” from a small purchase or pay check, but will eventually require more and bigger possessions and sums before the equivalent positive feelings occur . . . Through this process, their needs for feeling good about what they have and who they are remain relatively unfulfilled. The reason, according to Kasser, is that all those things take up time and consume our energy, and we not only must work harder to have the things we think we cannot live without, but we must also have the resources to maintain, upgrade and insure them. Thus the possessions we amass end up adding to the stresses of life. Kasser found that “existing scientific research on the value of materialism yields clear and consistent findings . . . The studies document that strong materialistic values are associated with a pervasive undermining of people’s well-being, from low life satisfaction and happiness, to depression and anxiety, to physical problems such as headache, and personality disorders, narcissism, and antisocial behavior.”

Through overstimulation, invasion and other manipulative techniques, Brands can lead a number of individuals, usually ones with a rather low level of self-esteem, to the dark sphere of depression. And perhaps they also play a role in the overall happiness level of nations as a whole. In a report by Stefan Bergheim of Deutsche Bank Research, a kind of pattern emerges in the relationship between average happiness and economic policy in the OECD countries, leading him to distinguish between the happy, less happy, and unhappy varieties of capitalism. While economically dynamic Nordic/Scandinavian countries such as Denmark and Sweden rank highest on happiness surveys, the nations of “Old Europe”—such as Belgium, Austria, Germany, and France—are relegated

to second-tier, “less happy” status, followed by the “unhappy” group of countries (i.e. Greece, Portugal, Italy). However, what is undoubtedly clear is the supremacy of European and particularly the Scandinavian/Nordic countries. These findings confirm our hypothesis, that countries that embrace some form of “*nice capitalism*” (as compared to “*selfish capitalism*” according to Oliver), cultivate “*nice brands*”, and vice versa, and both these interrelated parameters contribute to happier people and societies (i.e. 4% of Danes feel depressed, compared to 14% of Americans or Greeks, according to data presented by Kahneman).

Understandably “Nice Capitalism”, in a way, is expressed by just the opposite qualities of the “arrogant brands”. It possesses such characteristics as: democracy, a strong welfare system, equality (i.e. a narrow income gap), honesty, responsibility, “ethos”, human measure (“metron”), transparency, human-centric attitudes, human improvement priorities, a sense of justice, concern for the less privileged groups in society, sustainable development, environmental responsibility, a focus on well-being and happiness for citizens, high standards of governance etc. Such an economic system is clearly cultivated in Europe and particularly in the Nordic countries. The Nordic economic model, characterized by market-based economies and generous welfare systems, seems to be working well, with the countries in the region figuring at the top of various lists that rank countries on the basis of human development, per capita income, economic freedom, etc. According to Jeffrey Sachs “we can move forward by examining the successful economies of Denmark, Finland, Iceland, the Netherlands, Norway and Sweden. The Nordic countries have successfully combined social welfare with high income levels, solid economic growth and macroeconomic stability. They have also achieved high standards of governance. Taxes at the national level in the US are equal to around 20 percent of GNP, in the Nordic countries the ratio is over 30 percent. High taxation supports comprehensive national health care, education, pensions and other social services, resulting in low levels of poverty and a relatively narrow income gap between the richest and poorest households. In the US, the poorest 20 percent of households receive just 5 percent of total income, putting their income at around one-fourth of the national average. In the Nordic countries, by contrast, the poorest 20 percent of households receive nearly 10 percent of total income, putting them at roughly one-half of the national average. Nordic countries have a higher life expectancy and a lower infant mortality rate than the US. Life expectancy is close to 80 years in the Nordic countries, compared to 78 years in the US, where the government does not guarantee national health insurance and millions of families are too poor to pay for it on their own. Ironically, the heavy reliance on the private sector in the US system is so inefficient that Americans pay a larger share of GNP for health (14 percent) than do the Nordic countries (11 percent), but get less. The Nordic countries are not “socialist” economies, based on state ownership and planning, but “social welfare” economies, based on private ownership and markets, with public provision of social protection. Importantly, they invest heavily in higher education and in science and technology, so they remain

at the cutting edge of high-technology industries. Nordic states have thrived, not suffered, from a large social welfare state, with much less public-sector corruption and far higher levels of voter participation than in the US. According to Transparency International, the Nordic countries have the world's least corrupt political systems (with Iceland and Finland ranking as the least corrupt), while the US, with its big money politics, is fairly far down on the list”.

And naturally inequality, and the resulting erosion of the middle class, is a key parameter in such analyses. The age of globalization and the world of perfect Free Market Economics that was even heralded as “the end of history” has had unexpected and extremely unpleasant repercussions on the world economy as a whole. Repercussions that were not only not anticipated, but totally contrary to the much touted “trickle down” phenomenon that in theory was supposed to occur. Perhaps the most significant of these repercussions that were either never anticipated or totally played down to the extent that they were expected, is the demise of the Middle Class, beginning in the so called developed world, of the affluent North or West, depending on how one looks at it. This development has had devastating effects on the whole of our economic life and structure, since the Middle Class constitutes the very foundation on which the Consumer Capitalism (i.e. Selfish Capitalism) that was supposed to triumph in the post Soviet world, would be based. A dwindling Middle Class entails dwindling consumption and consequently the brand itself and the tenets its marketing and promotion were based on, find themselves directly threatened with very extinction.

Proposing a non linear and holistic approach, while taking many original ideas stemming from such diverse sciences and cognitive domains as *mathematics, game theory, physics, complexity theory, chaos theory, statistics, biology, artificial intelligence, psychology, neurology* and others into account, this book seeks to challenge some of the most fundamental beliefs prevailing in the economic, marketing and corporate world today. This line of inquiry exposes and dissects a number of significant factors that are expected to have devastating and unforeseeable effects on the brand as we know it today and on the economy, in general.

The twelve strongest delusions governing the concept of brands in our times are analyzed in this book for the first time. The book asks readers to think beyond any narrow framework. . . . What if . . .

. . . brands are often creatures of randomness, of improbable and chaotic non-linear forces and, in some cases, inferior products?

. . . the impact brands have on economic performance (RoI), and on a company's stock price, is rather insignificant?

. . . the brand's obscure “cheating advantage” and information asymmetry, regarding price/quality, is collapsing as information equality is beginning to prevail?

... time acceleration is imposing a lethally shorter product life cycle on brands that often tends to zero and/or the destructive/obscure “free brand” phenomenon?

... the brand’s unethical behavior is provoking retaliation from consumers now establishing communities that almost dominate (and are imposing their own rules on) brands?

... the entrepreneurial spirit is fading away and with it all interest in brand creation, as the new religion is the stealthy, virtual, money game of the financial markets?

... through globalization and de-localization greediness, brands are destroying the purchasing power of their most valuable mass-customer base, that of the vast middle class?

... as a result of extreme market polarization brands are becoming the servants of the exponentially increasing distribution points/“touch points” and “private/personal retailers”?

... customers empowered by digital technologies are turning out to be “out of reach” thus leading to the collapse of the brand’s persuasive and invasive power?

... mass media and particularly TV (the brand’s single most persuasive vehicle) are becoming almost powerless owing to the arrival of “personal and user-generated media”?

... eclecticism and the rise of the “You”/“Me” generation/phenomenon are threatening the very existence of the “mass market”, by nature, brand?

... brands start facing the consequences of their arrogance incurring “personality disorders”, through a massive “emotional detachment” leading to consumers escaping in droves rather than “engaging” which is the new concept now being praised?

This book presents a dangerous idea and will provide a stick of dynamite for the modern economic, corporate, marketing and advertising world, in the metaglobalization era. An era that should initiate a process of revising our “value system” and enriching it with a more “human ethos”, closer to the mortal nature of our life. And hopefully the Death of the Arrogant Brand will give birth to a better, more human, “Nice Capitalism”.

Costas Kataras
April, 2008

CHAPTER 1

Brands: Beyond Our Narrow Framework

At first sight, brands look as powerful and as stable today as they ever were. However, this is a highly deceptive perception. A meticulous observer will notice that brands are beginning to show clear signs of the progressive deterioration of their very “raison d’être” (reason for being) and are being forced both off the supermarket shelf (the birthplace of the FMCG’s¹ genuine brand management), and out of the hearts and minds of people. Consumer researchers predict that within a few years, brands will only have a 50% share of supermarket and food retail products, the very field where the idea of the brand originated and thrived. The other half will consist of “no label” or similar products². On the other hand, sophisticated consumers have practically expelled advertising from their environment, in a defense mechanism reaction to over-stimulation and, with the help of technology, they are now absolutely “out of reach” of the brand³. Fueled by complexity and the resulting social developments in our networked world, brands are losing their “allure”. To that extent, their very existence in the future looks like a vain hope.

Furthermore, as the two above source titles suggest—from an understandably obvious different perspective—brands are still being treated like superstars bearing all kinds of psychopathic traits (i.e. megalomania, narcissism, indifference, lack of empathy, greed, mendacity, immorality, invasiveness, superficiality, manipulation, irresponsibility etc., to name but a few). Such a combination greatly resembles what is called “schizophrenia *paranoia*” in mental disorders. But why is it that a large number of business leaders, professionals and thinkers have failed to identify this emerging new state of affairs and are still talking about “powerful brands”? How far

¹ Fast Moving Consumer Goods(FMCG)

² *Hajo Riesenbeck and Jesko Perrey: Power Brands.*

³ *Business Week: Global Brands, 2005.*

do we remain fooled by our established predispositions in a world of accelerating discontinuity and change? Does our judgment encounter difficulties in, perhaps, dealing efficiently with situations of increased complexity and non-linear outcomes and/or effects, as is the case of the current environment?

Fooled by Optimism?

Nobel laureate D. Kahneman, psychologist and a leading figure in behavioral economics, provides some interesting thoughts on the subject⁴. He proposes the term “optimism bias” to describe the idea that under conditions of uncertainty and/or complexity, people usually, tend to judge and decide on the basis of an unreasonable level of confidence in favor of more familiar choices, totally disregarding the fact that hard data and available information suggest otherwise. He also suggests that there are two ways of looking at a situation or a problem; the inside view and the outside view. We usually focus on the problem at hand through “narrow framing” and we don’t see the class and/or environment to which it belongs. In other words, “we can’t see the wood for the trees.”

Like Kahneman, the mathematician and thinker N. Taleb also deals with such behavior. He suggests⁵ that we all, experts in particular, suffer badly from a kind of “confirmation error”. In other words, a kind of confirmation bias that leads us to an eclectic perception and interpretation of the information, making it fit into our stable, understandable and predictive patterns of thought. This is quite obviously not the right way to approach matters in today’s business world, where the only certainty is . . . uncertainty. Many of us still take it for granted that brands will continue to thrive and rule the world for ever. This book aims to challenge this belief, as well as many other illusions concerning brands, that also stem from some kind of inbred “status quo bias”.

Brands on the Edge of Chaos

Brands are so valuable that they usually determine the success or failure of a corporation in our times. However, both belong to a system that is in turbulence and vulnerable to the extreme forces of change in the environment. Holbrook (2003) states⁶ that “clearly, a business firm constitutes an obvious case of a ‘Dynamic Open Complex Adaptive System’ (DOCAS) composed of interacting parts that respond to a dynamically changing market environment so as to survive by adapting in ways that attain some sort of ecological niche”. Viewing the business and brand environment as

⁴ *Danny Kahneman: Thinking about Thinking, Edge 2007*

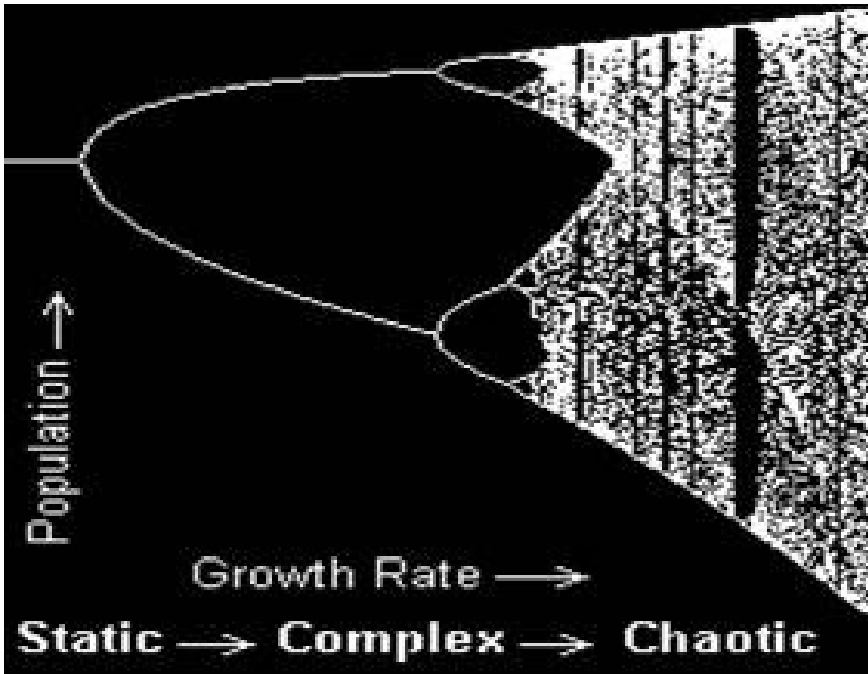
⁵ *Nassim Taleb: Fooled by Randomness*

⁶ *Holbrook, M, B: Adventures in Complexity (Academy of Marketing Sciences Review, 2003)*

a DOCAS leads us to a new outlook in marketing and brand management. DOCAS are non-linear because of their complex inter-relationships which include feedback and adaptive behavior. This results in highly unpredictable outcomes with sensitive dependence on initial conditions; small differences in initial conditions produce extreme results over time. And this is a central theme in these pages.

Figure 1

Brands are at a “Bifurcation Point” Today, and as Chaos and Complexity Theory Suggests, could Show both Deterministic and Probabilistic Behavior



Nobel Prize winner Ilya Prigogine⁷ provides inspiring ideas and insights in combining natural sciences, economics and humanities. Uncertainty is thriving in our times and the whole business and brand system is a far cry from conditions of equilibrium. As a result, the system has to choose from among various available options

⁷ Ilya Prigogine: *The End of Certainty*

in order to function. Brands are also being forced to take decisions, often in a violent way. In other words, brands are currently at a stage described as the “bifurcation” point in complexity/chaos theory. This is a critical point where decisions that will affect their future survival have to be taken. And as theory suggests, this constitutes a bold move from the science of laws and certainties, to a science of possibilities and opportunities. The concept of bifurcation and the related self-organization this entails could be applied to marketing and branding through the idea of a business and brand “ecosystem”. The ecosystem idea emphasizes that the company’s ultimate goal is survival. This is achieved through adaptation within an ecosystem that consists of a complex confluence of threats and opportunities. However, this process engenders the paradox of success. That is, the greater success your company achieves today, the more vulnerable it becomes to eventual extinction. (Holbrook). Corporations and brands at a bifurcation point are extremely exposed to ‘attractors’. Complex or chaotic systems never trace the same path, but they do settle down into recognizable patterns. Although behavior is complex and unpredictable, there is clearly a visible pattern that could make all the difference between great success and great failure. Attractors can create extreme entrepreneurs, extreme brands, but equally extreme brand catastrophes. To a great extent this book focuses on the analysis of such extreme results.

Collins and Porras⁸ have sought some positive outcomes from these ‘attractors’. Their research findings point in the direction of what attractors might be and what their role is in creating companies whose performance is good and, on the other hand, companies whose performance is great. Their findings show that great companies were focused on what they were doing, and they have called this the “Hedgehog Concept”. The idea is that “the fox knows many things, but the hedgehog knows one big thing.” Therefore, average firms are foxes; in trying to do many things they become scattered, diffused and inconsistent. Anyone in the brand management field, as Raaf suggests⁹ will see the resemblance between the hedgehog concept and current concepts of branding. Today we view the brand not just as a main asset of the company, but also as a primary source of direction for the company. As a result, brands might be used as the “attractors” for the future direction and success of a company. However, findings like the above tend to support the idea that brands are so vulnerable to the forces of the non-linear world today, that they could equally well produce devastating results, should initial conditions be unfavorable or should some sort of “strange attractor” be in place.

⁸ Collins and Porras: *Built to Last...and Good to Great*

⁹ Daan de Raaf: *Unleash the Future*

Death of the Brand: A Dangerous Idea or the Road to Autonomy?

Understandably, the thoughts presented in this book constitute a dangerous idea. And as a dangerous idea, it expects to be treated with caution or even wrongful rejection by business leaders and thinkers on the subject,—perhaps inevitably since so much is at stake in the “brand ecosystem”. However, it could be extremely beneficial if it could contribute to original thinking and support our right to doubt and, thus, our freedom.

i. What is a Brand?

The Definition Challenge

According to Norman Hart and a definition by the Chartered Institute of Marketing in 1996¹⁰:

“A Brand is an established product name, wholly of a proprietary nature and usually listed with the Register of Patents”

Other contributions include:

AMA(1960):

“A Brand is a name, term, sign, symbol or design, or a combination of them which is intended to identify the goods or services of one seller or group of sellers to differentiate them from those of competitors”.

Fournier (1998¹¹)

“Brands are simply a collection of perceptions held in the mind of the consumer”

Bluemelhuber/Meyer:

“A brand is a (produced and controlled) schemata which can be recalled via specific symbols (signs)”

However, a more descriptive definition of the brand can be found in a recent book by two leading McKinsey strategists¹²:

“Brands are the true giants of the modern world of consumption, dominating household budgets and the investment calculations of companies. They not only shape millions of purchase decisions and countless company decisions, setting prices and determining profits; . . . they also influence our perception and behavior, our self-esteem, our estimations of others, and our value judgments . . . Put simply: brands shape people . . .”

¹⁰ Norman Hart: *Marketing Dictionary, Strategic Public Relations/MACMILLAN, Industrial Marketing Communications/KOGAN PAGE*

¹¹ Furrnier, Susan: *Consumers and Their Brands, Journal of Consumer Research*

¹² Hajo Reisenbeck and Jesko Perrey: *Power Brands, 2007*

A simple cross-check of the above definitions and their proper ordering gives us a good indication of the quantum leap that the brand has made in our modern times and its meteoric rise in power and invasive strength in our lives. Consumers usually lack the big picture, and are not aware of the underlying meanings and effects of such a close encounter and engagement.

The Hidden Brand Persuasion

How did brands become so powerful to the extent of actually conveying forms of personality representation and even constituting and representing a new value system for the individual, replacing the traditional role of society and family? The arrogance of the brand has gone so far as to distort even minor common place activities. For example, when someone simply wants to buy and enjoy a nice piece of home made pizza, this is now construed as the expression of his “rejection of his wife or partner, due to a deep *Oedipus complex* from his childhood and an unconscious wish to return back to his mother’s warm breast”. This is not at all a futuristic and/or a Freudian interpretation but rather a “known known” and something that brands have been practicing daily for very many years. Vance Packard’s book dealing with subliminal persuasion had already been published back in 1957. (*Vance Packard: The Hidden Persuaders*). Today, the new concepts are called “*Neuroeconomics*”. The field of “*Neuromarketing*” in particular, is of great interest to the brand (or in other words, the use of medical technologies namely Magnetic Resonance Imaging (fMRI) to study the brain’s response to commercial stimuli, like advertising, packaging, price and many other data and parameters).

Before long “*nanotechnology*” will also be making its appearance onto the “brandscape”. A chain of clubs in Holland has already introduced such practices. Customers have a “nano-chip” implanted in their body at the entrance which establishes their identification and performs many other functions in addition, such as charging their drinks to their account, effecting automatic payment through their credit cards, monitoring their movement on the club premises (only?), recording their music or sexual preferences, etc, etc. ‘Nano-bots’ will follow soon. These could be infused directly into our blood, to boost and improve our diminishing attention span, or our memory, or to convey advertising messages, or to dictate our behavior, or

To put it simply: brands have now reached into the most private realms of human thought and emotions. Brands have gone too far. From expressions and/or representations of a product’s characteristics and quality, brands have now become extensions of our personality.

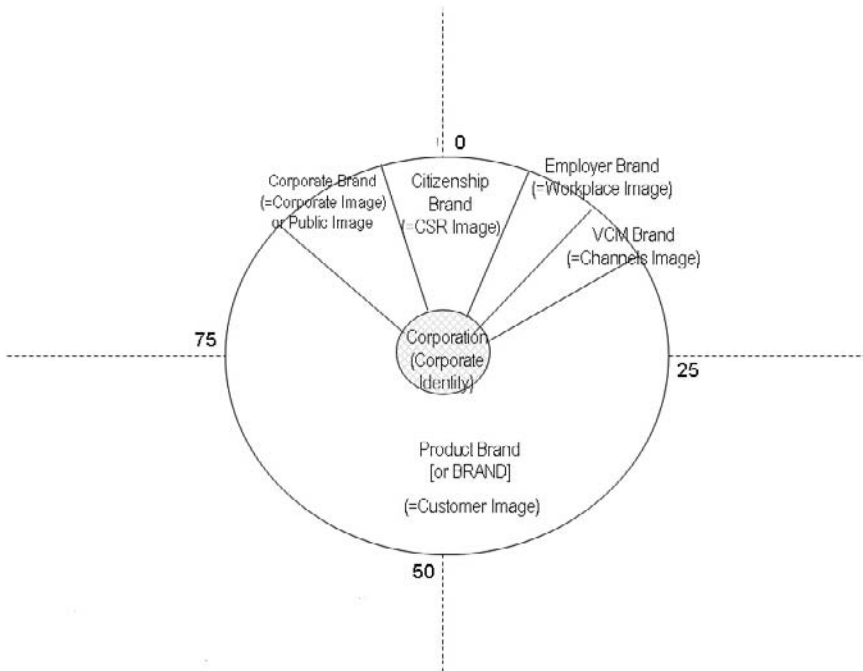
Towards a “Total Brands Concept”

For the purpose of this book, we should clarify what the brand landscape is and give a working definition thereof. Brands have many facades with different meanings in the modern business world: the corporate brand, the product brand, the equity

brand, the VCM brand (ie channels), the employer brand are just a few categories, all gathered together under the umbrella of the corporation. Today we can find all sorts of brands: from “product brands” (Coca Cola) to “corporate brands” (UBS), to “face/star brands” (i.e. Bill Clinton, David Beckham), to tax paradise “nation brands” (Lichtenstein), to “war brands” (Halliburton), “secret services brands” (CIA, KGB), “walking the dog brands”(ie NYC Dog Walkers) and just about anything you can imagine brands! However, when we refer to a brand—within a “Total Brand Concept” (i.e. approaching a company’s different brand facets as a whole)—what we mean is the “product brand” and secondarily the “corporate brand”, “citizenship brand” or the various other brand categories or types. The relative weight of the meaning of the word brand is shown in the relative graph, based on an initial draft algorithmic type calculation, from ongoing research work by the author.

Figure 2

Breakdown of Different Brand Types over a Corporation’s “Total Brand Concept”



In our use of the term brand in this book, therefore, we are referring mainly to the “product brand “and/or secondarily to the “corporate brand”. A simple distinction could be as follows: product brands are the mainstream and the majority in the modern brand management process. Their power can be enormous, in that the names of the companies actually owning these brands could be totally unknown to the consumer. (For example, which is the company that produces and owns the Nivea brand? BDF . . . The same holds for such products/brands as Tide, Algida, Louis Vuitton, etc.) Corporate brands are applicable when corporate awareness is dramatically stronger than the product awareness of a corporation. (For example, what are the product brands that you are aware of for IBM, Pfizer, GE, J.P. Morgan, ING etc.?)

Notes:

1. This draft result is based on an algorithm still under development, which among others takes into account the three following parameters: advertising budgets allocation to various “types” of brands, brand value contribution to parent company and reputation drivers.
2. The exact percentages of the above are subject to further research. Percentage express usually the “type” when referring to the term “brand”.

The Birthplace of Modern Brand Management

As we know, the birthplace of modern brand management is the consumer-packaged—goods industry or Fast Moving Consumer Goods (FMCG). FMCG have been on the cutting edge of marketing for many years, simply because their marketing experts have the best knowledge of human psychology and behavior. Marketing professionals in FMCG companies (Unilever, Kraft Foods, P&G, Johnson & Johnson, Nestle, etc.) are usually the best and most talented people who understand and manage brands and/or perceptions. Today, managers in the FMCG field are struggling to keep up with an unprecedented level of change from the explosion in media choices, to the growth in size and importance of major retailers like Wal-Mart¹³

A Brief History of Brands

A brief history of branding and some common misconceptions are presented below. Here we have drawn from Almquist and Roberts¹⁴.

“The English word ‘brand’ derives from ‘burning’, a reference, in the word’s business sense, to the embers once used to burn the mark of the owner onto livestock, casks, timber, metal, or other goods. By the 19th Century, according to the Oxford English Dictionary, the word had taken on the figurative connotation of a commercial trademark—‘the ale was of a superior brand.’ Later, in the mid-20th Century, the word grew to encompass the image that a product connotes in the minds of potential consumers or, even more abstractly, the popular conception of some person or thing. The OED somewhat sardonically cites a news report from 1959: ‘In the jargon of the P.R. trade, there is as yet no “brand image” for the Prime Minister of Japan.’”

We define the brand as the sum of all the information about a product, a service, or a company that is communicated by a name or related identifiers, such as logos or other visual cues. The brand is not the name itself; a corporate name that does not communicate anything of substance is not a brand. The attributes of a brand exist in the eye of the beholder and reflect an accumulation of both the communications that the person has received concerning the product, service, or company and the experiences that he or she has had with it. The phenomenon of branding has roots running deep into economic history. Stone Age toolmakers undoubtedly had in mind the mass-market, advertising-agency model, still influential in brand management

¹³ B.Crawford, J.Gordon, S. Mulder: *How Consumer Goods Companies are Coping with Complexity*, McKinsey Quarterly-2007

¹⁴ Eric Almquist and Keneth Roberts: *Rethinking Brand Strategy*, Merver/Lippincott

today, but which is fast becoming obsolete. Trademark styles that signaled potentially greater success in the hunt. Particularly accomplished Viking shipbuilders may have had valuable brands of vessels. Certainly silversmiths over the centuries, including Paul Revere, the American colonial patriot, included marks on their wares to indicate both the purity of the metal and the craftsmanship embodied in the product. Indeed, branding—the use of symbols to concisely convey information about a product or service—can be seen as a quintessential human activity. It is also a fundamental building block of commerce: Without information about a producer’s or a seller’s reputation, trade would grind to a halt. (The seller ratings on the eBay Internet auction site represent just one conspicuous contemporary example.) The real power of brands, however, dates back to the time when this indicator of reputation was transferred from the individual to a larger business enterprise. The shift magnified brand impact, extended its geographic reach, and resulted in wealth creation for numerous employees.

Josiah Wedgwood is often cited as the father of the modern brand. Beginning in the 1760s, Wedgwood placed his name on his pottery and china to indicate their source—his state-of-the-art factories—and therefore their quality. But the Wedgwood name came to stand for something more. Nearly two hundred years before the advent of mass media, and without using conventional advertising, Wedgwood used royal endorsements and other marketing devices to create an aura around the name of his company that gave the brand a value far beyond the attributes of the product itself. His business design of mass production and distribution enabled him to capture the value created by his calculated association of his product with a rich and famous lifestyle and his exploitation of customers’ social aspirations.

In many ways, branding stepped away from Wedgwood’s precepts during the latter part of this century. With the development of new media, particularly television, and the huge post-World War II boom in consumption and birthrates, a mass market was born. Rising demand and standards of living created an era where market share was king: The player with the leading share would have the lowest cost and the highest profitability. Advertising agencies successfully exploited this situation by creating mass campaigns, primarily for consumer products, that built and shifted shares”.

ii. Brands: Imaginary and other Significations

This book is not in favor of compartmentalized and fragmented knowledge, naturally enough, since we now live in an interconnected and more transparent world. It looks at the brand situation, as Danny Kahneman puts it, from the “outside view” or the whole environment (and not the inside view) where we can see the real challenges more clearly. Which is why we have adopted a number of original thoughts and ideas from a number of diverse scientific domains in our attempt to provide a holistic view. What we want to do in the book is to provide the overall picture. Why? For a rather simple reason. Brands are no longer (and have not been for decades) about products (or services or experiences or transformations, etc.). Brands had already risen to a “pseudo-status” of expressing “social imaginary significations” a long time ago. Along with other “essential imaginaries” (i.e. institutions, laws, traditions, beliefs, behavior etc.), brands may also be considered a kind of “pseudo-authority for society” imposed from without. (Just as our driving life and behavior is controlled and dictated by “driving brands”—traffic signs/symbols—our social and personal life is controlled by “business brands”.)

This is most marked in “heteronomous” societies and individuals, in other words, those that search beyond themselves to find meanings, a reason for being, stereotypes, something to mimic, passive behavior etc. The above ideas are in harmony with some of the thoughts of philosopher, economist, and psychoanalyst Cornelius Castoriadis (1922-1997), who greatly contributed to social theory with his concepts of the “imaginary” and “autonomy”¹⁵. It would be useful here to recall what the first symbolic (?) products the Russians sought after the collapse of Communism in the former USSR were. It was mostly trash, things like gum, blue jeans and ladies nylon stockings, initially from the black market. Later on, more “spiritual” goods like Coke and McDonalds, were added to their wish list, after permission had been granted to operate. This type of gadget and brand took the leading role in filling the gap and the sense of deprivation that the Russians felt; a rather usual technique where brands . . . substitute reality and/or emptiness. As a result, one of the most insignificant products on earth (“trash-trash”) as gum it is, is transformed all of a sudden into a kind of “archetype” (i.e. “content” of “collective unconsciousness”, to use Carl Jung’s term). The proud but “poor” Russians were in search of a new identity, badly needed as the previous one had collapsed, and they were in a state of . . . excitement/lack/flux. An identity, naturally, more capitalistic and similar/closer/identical to the Western style. An identity that the ‘western’ gum could generously provide.

Brands, as expected, do not favor autonomy, instead they favor general conformity in people. It is only recently that people have acquired the technological tools necessary to react against that “tyranny of sameness”, while brands are still praising and positioning products as “personal”. (i.e. your own personal dishwasher . . . that is

¹⁵ *Cornelius Castoriadis: The Imaginary Constitution of Society*

also being bought by 30 million other consumers at the same time as well.) Naturally, brand conformity is extended and amalgamated in culture, politics, etc. The passion for brands in some societies is so strong, that it goes so far as to make people feel the need to give brands some kind of a “human form”, the way the ancient Greeks gave their mythical, powerful, gods a human form in ancient times. For example, in Asia, the case of “Uncle Mc Donald” is very common (or Ronald McDonald). The brand becomes an allegorical character, embodying particular combinations of virtues, and sometimes solidifying into an (animated only?) character.

With brands being in a position to arouse such strong feelings, any discussion of their role, status and future is far from a simple marketing or business issue. This also opens up a discussion, a debate even, over the basic tenet of Free Market Economic Theory, that “markets know”. Brands have the persuasive power to convince the individual (through conscious or unconscious stimuli) to behave irrationally and even beyond their will. The simple Coke vs. Pepsi experiment is of the Baylor College of Medicine are indicative—typical here as the epitome of irrational thinking and decision making and judgment in market conditions. In the experiment—by P.Read Montaguein of the Baylor College of Medicine¹⁶—in blind tests 51% preferred Pepsi (vs. 44% Coke), but in branded tests 65% preferred Coke (vs. 23 Pepsi)!! We can also notice similar phenomena in other cases, buying situations and decisions. For a number of reasons (i.e. complexity and/or uncertainly, follow the herd instinct, strange attractors, status quo bias, etc.) the buyer chooses the most “inferior” product.

This gives rise to a very serious question and undermines the basic structure of economic theory, namely the principle that “markets know”. Along with many other meta-orthodox economists, Economist Brian Arthur has also written¹⁷ about this phenomenon. The implications of such a phenomenon are serious for many sectors, decisions, etc. (i.e. stock markets). However, the psychological, cultural, political, even national, relevance and established associations of brands could work against their economic interest. With growing anti-globalization, regionalization, local producer movements, cultural or religious conflicts, etc. brands are losing parts of their market. Indicative here is the launch and success of “Mecca Cola” in the Middle East and other Muslim countries, signifying that brands have a high cultural and political content, that will probably act as a market barrier in the future.

So this book is more than just a marketing/management/business challenge. It is also about our economy, our society and, most importantly, about “You”, “Me”, “Us”. Should the brand’s excessive relevance in our life become more pragmatic, we could possibly revise our value system and reduce our blind adoration of the economy, replacing it with a more human “ethos” and moral standards, closer to the mortal nature of our life.

¹⁶ *TIME: Marketing to Your Mind, Jan 19, 2006*

¹⁷ *Brian Arthur: Positive Feedbacks in the Economy*

iii. The Brand's Long Journey: From Classical Greece to our Networked World

“Brands”, in a broader sense, (i.e. visual, hearing or other unique symbols and/or “schemata”), have been with us for a long time as useful tools for communicating/signaling/transmitting messages between living creatures. They have a very important function for any form of life, particularly for creatures that have some form of nervous system or, better still, brain. Their presence is very helpful for the brain, since it speeds up messages/signaling recognition and, thus, assists in a swifter understanding of the state of the environment. Such stimuli from a “source”, facilitating the “receiver” who—through a proper encoding/decoding mechanism—acts accordingly and decides on his action and behavior. As a result, it helps the receiver to stay alive, get food, avoid pain, have sex and reproduce.

Such a function of ‘stimuli as brands’ is particularly useful for the human brain, since with the information volume and clarity that they usually contain, they help people interpret and understand the environment more rapidly, thus reducing people’s stress and anxiety helping them reach a state of “consonance” (i.e. harmony, the opposite of the state of “cognitive dissonance”—ie dissonance meaning unstable, etc—described by social psychologist Leon Festinger¹⁸, a natural requirement of the human brain or mind). Primitive and archaic forms of “brands” in the broader sense of “symbols” existed in nature long ago, well before the creation of the human species. They were usually (and still are) used to trigger the “receiver’s” behavior, rendering it beneficial or rewarding for the “source”, mainly aiming to cover basic instincts such as: survival, avoidance of pain, locating food, sex, reproduction, etc. For example: Flowers use primary colors to attract bees for their reproduction. Peacocks use their wings to express beauty, desire and to attract the female. “Snake fish” or “snake octopuses” pretend to be snakes to warn off and avoid predators in the deep, dark, seas.

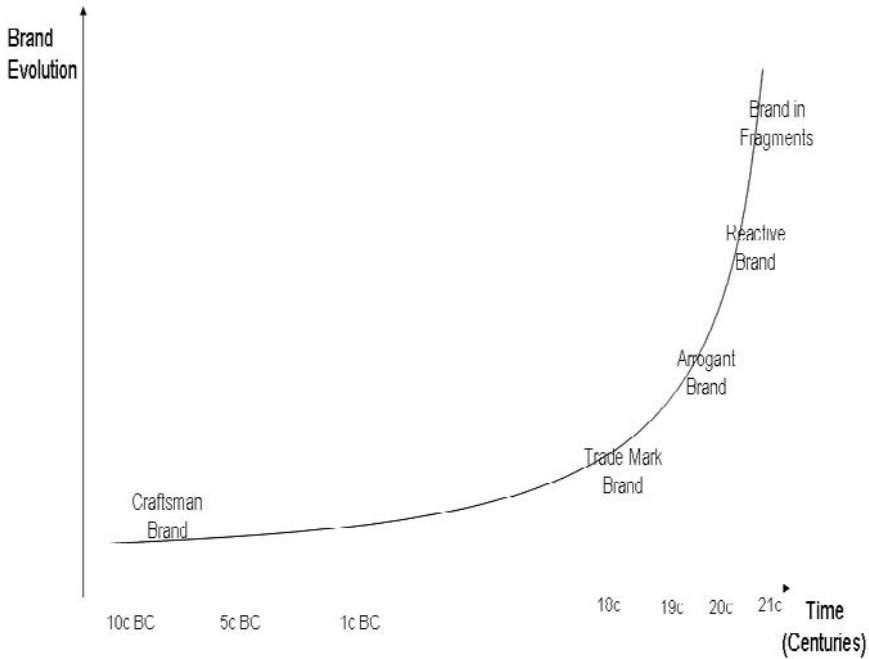
If we take a look at recent human history, we can trace “brands” all the way back to classical Greece, around the 5th Century BCE, and the age of affluence when philosophy, but equally “*eudemonia*” (happiness), flourished. Unique symbols were used to facilitate recognition and possible associations of an object. Objects of art, sculptures, coins, warships, city state flags, clay urns with goods, mostly carried some form of a symbol, frequently associated with the identity of the creator/craftsman/owner/state/etc. to name but a few. For example, the great sculptor Phidias signed all his creations, with the words “Phidias Epoese” (Made by Phidias). *Alexander the Great* and his father Philippe had their own powerful

¹⁸ Leon Festinger—*When Prophecy Fails*

logo: the Macedonian’s 17 axis emblem, as discovered in Vergina, Thessaloniki. Later on, Alexander the Great, was particularly conscious of the power of the symbol or ‘brand’, which is why he was among the first to introduce coins with his head stamped on them in all his states, and for that purpose he established almost twenty “nomismatokopecia” (mints) across his empire, introducing a bold idea adopted by virtually all nations even today. Then again, there was the Spartans’ famous reverse V symbol and the characteristic red color of their armor and uniform, which often sufficed in itself to actually win a battle. Later on in Roman times, Augustus (Octavius) further elaborated these techniques, also greatly capitalizing on the power of the arts as a means to create a personal “brand” and create persuasive political messages to win the battle in ancient Rome between “Democrats” and the “Tyranny”. Not to mention the more commercial and down to earth sign of footsteps leading to a woman carved on the pavement in Ephesus designating where what we would describe as the “red light” area could be found in this thriving trading port at its peak. From a business perspective this era of “brands” is called the “Craftsman’s Brand”.

Around the 17th Century, a new phase in branding came about. This was the “Trade Mark Brand”. It usually expressed quality, patents, a standard guarantee, artisanship, hand made, and other similar characteristics. The 19th Century witnessed the birth of the “Arrogant Brand”, which with the coming of television in the second half of 20th Century became a powerful and persuasive force, able to dictate behavior even to “receivers” (i.e. buyers/consumers). Greed, unethical behavior, super ego, narcissism, paternalism, invasiveness, etc. are some of the brand’s characteristics during this period. By the end of the 20th Century, and as a result of globalization, consumer activist pressures and the increasing polarization of society, brands are entering a new era, still in force today in most cases. This is the era of the “Reactive Brand”. Reactive brands are at some kind of “bifurcation” point (as the term is used in Chaos/Complexity Theory), before moving to their next evolutionary phase/step/transformation. In the meantime, they are rather unstable, more interested in financial transactions/stock markets and less in innovation and “product” creation, reacting to the environment instead of strategizing.

Figure 3
Brands' Exponential Evolutionary Pace



This bifurcation stage, as chaos theory suggests, usually leads to two options: one is chaos, catastrophe and finally the extinction of the brand. And this will mean the end of the majority of “product brands” in the 21st Century. The other option is adaptation and evolution for survival. Thus a new species of brand will evolve in our century, that of the “Brand in Fragments” and one of these species will be the “Nice Brand”. “Brands in Fragments” will consist of a number of new species, living in a kind of “ecosystem”, where brands will have to express a truer and more human character in order to survive. The new species will include such brands as: Nice brands, Green/Fair Trade brands, Financial brands, Greedy brands, Cultural/Political brands, Ego/Narcissist brands, Monopolistic brands, Star brands, “You” brands, etc. The above was a brief introduction to the evolutionary process of the brand down the centuries. (A more detailed analysis can be found in the relevant chapter). The relevant graph gives an example of the brand’s evolutionary process down the centuries. One can notice the exponential acceleration of the evolutionary process.

iv. Early Signs of a Lost “Allure”

Brands had begun to show signs of progressive loss of preference, attractiveness and power long ago. A few decades ago, leading business publications started the discussion, even the debate over various brand management issues.¹⁹ In addition, a number of authors and/or marketing experts have addressed similar threatening issues.

The Myopia of Brands

For example M. Oxley has suggested that brands have been behaving in a manner that can be described as: arrogant, greedy, complacent, inconsistent and myopic for a long time. In a book edited by N. Ind²⁰, a number of contributors (mainly from the brand consulting industry) address the key issues for the brand’s future. Ind and his contributors (all making their living as brand experts!!) admit at the beginning of the book that . . . “while branding itself may be a worthy activity . . . the current system of brand creation, support and management is manipulative, deceitful and creates brands that are doomed to fail in the long run.” Of particular interest here, are the opinions of some of the contributors, such as those of: *Denzell Meyers* who claims that social trends support “relationship branding”, because all stakeholders (buyers, investors and employees) now have access to the same information; *Alan Mitchell*, who argues that brands attempt to use people for their own ends rather than serving the needs of people, and suggests that nearly everything brands do is narcissistic . . . Brands, he tells us, have a grandiose sense of self-importance, generating fantasies of success and power, a belief that they are special and unique, seeking constant admiration and preoccupied with how well they are doing and how favorable they are regarded by others; *Chris Macrae* points out a growing unwillingness to consider intangibles in brand valuation and proposes what he calls a map for the dynamic valuation of living brands; *John Moore* argues, among other things, that the internet increases scrutiny and makes it so easy to “out” businesses so that only the truest brands and businesses have a chance of survival; *John Caswell* speaks of fragmentation, misunderstanding and disconnectedness in today’s businesses; *Thomas Gad* understands that the transparent nature of the world means brands can no longer be one-dimensional, delivering benefits to the consumer and accruing profit for the company. He further suggests a four dimensional approach (functional, spiritual, social and mental); and finally, *Jack Yan* is concerned that Generation Y is cynical about many brand propositions and actively seeks out responsible brands.

¹⁹ *i.e. Economist: Death of the Brand Manager, Fortune: Brand- It’s Thrive or Die, 1993 and many more.*

²⁰ *Nicholas Ind: Beyond Brands, Kogan Page, 2003*

The Aristocracy of Brand is Dead

Even the aristocracy of brand is currently under attack. We draw from an article by Surowiecki²¹ author of the book “The Wisdom of the Crowd”: “The world, it seems, is disappearing beneath a deluge of logos. In the past decade, corporations looking to navigate an ever more competitive marketplace have embraced the gospel of branding with newfound fervor. The brand value of companies like Coca-Cola and IBM is routinely calculated in tens of billions of dollars, and brands have come to be seen as the ultimate long-term asset—economic engines capable of withstanding turbulence and generating profits for decades . . .

and yet there’s something strange going on in branding land. Even though companies have spent enormous amounts of time and energy introducing new brands and defending established ones, Americans have become less loyal. Consumer-goods markets used to be very stable. If you had a set of customers today, you could be pretty sure most of them would still be around two years, five years, ten years from now. That’s no longer true. A study by the retail-industry tracking firm NPD Group found that nearly half of those who described themselves as highly loyal to a brand were no longer loyal a year later. Even seemingly strong names rarely translate into much power at the cash register. Another remarkable study found that just 4 percent of consumers would be willing to stick with a brand if its competitors offered better value for the same price. Consumers are continually looking for a better deal, opening the door for companies to introduce a raft of new products. Marketers may consider that the explosion of new brands is evidence of the importance of branding, but in fact the opposite is true. It would be a waste of money to launch a clever logo into a world of durable brands and loyal customers. But because consumers are more promiscuous and fickle than ever before, established brands are vulnerable, and new ones have a real chance of succeeding—at least for a little while. The obsession with brands, paradoxically, demonstrates their weakness.

The single most important explanation of this brand fragility is the swelling strength of the consumer. We’ve seen a pronounced jump in the amount of information available on goods and services. It’s not just bellwethers like Consumers Union and J.D. Power, established authorities that unquestionably shape people’s buying decisions, but also the crush of magazines, Web sites, and message boards scrutinizing products. Consumers have also become more demanding: Even though the quality and reliability of products have generally risen, satisfaction ratings have not budged, and in some cases they’ve actually fallen. Businesses are now dealing with buyers who are armed with both information and high expectations. In this environment companies that slip up—even if it’s simply failing to match customer tastes—can no longer count on their good names to carry them through. Furthermore, consumers have become

²¹ James Surowiecki: *The Decline of Brands*

far more willing to experiment with products, because the amount of information out there makes taking a chance far less risky. By the time you think about buying that digital altimeter barometer, chances are the bleeding edge has already weighed in at Epinions. This gives nascent brands an opportunity to succeed, but it also makes staying power a lot harder to come by. *Welcome to the What Have You Done for Me Lately? economy.* Some industries are suffering more than others, ie consumer electronics. At least part of the reason is the uptick in private-label sales, which now account for almost half the market. The rise of retailers like Zara and H&M, which make their own cheap but decent designer knockoffs, and the emergence of a high-low aesthetic (in which top designers no longer dictate taste) have weakened the power of fashion brands and fragmented the industry into myriad small ones.

Of course, superbrands like Louis Vuitton and Prada can still command a hefty price premium. But they are increasingly becoming the exception. Marketing specialists either don't see this trend or choose not to talk about it. In the words of advertising legend Jim Mullen, “Of all the things that your company owns, brands are far and away the most important and the toughest. Founders die. Factories burn down. Machinery wears out. Inventories get depleted. Technology becomes obsolete. Brand loyalty is the only sound foundation on which business leaders can build enduring, profitable growth.” Similarly, in her new book *Brands and Branding*, Rita Clifton, chair of Interbrand UK, puts it this way: “Well-managed brands have extraordinary economic value and are the most effective and efficient creators of sustainable wealth.” These assertions claim that while factories, source code, and patents are ephemeral, *brands are real. But in fact, their long-term value is shrinking. They're becoming nothing more than shadows.* You wouldn't expect your shadow to protect you or show you the way. It only goes wherever you do.

Marketers aren't completely deceived (or being deceiving) when they argue that customers make emotional connections with brands, but those connections are increasingly tenuous. If once upon a time customers married brands—people who drove Fords drove Fords their whole lives—today they're more like serial monogamists who move on as soon as something sexier comes along. Gurus talk about building an image to create a halo over a company's products. But these days, the only sure way to keep a brand strong is to keep wheeling out products, which will in turn cast the halo. (The iPod has made a lot more people interested in Apple than Apple made people interested in the iPod.) If a company must constantly deliver new value to its loyal customers just to keep them, those customers aren't loyal at all. Which means, save for a few perennials like Coke, brands have little or no value independent of what a company actually does. “*Brands have run out of juice. They're dead,*” says Kevin Roberts, CEO of advertising giant Saatchi & Saatchi and author of the new book *Lovemarks*.²² “*Now the consumer is boss. There's nowhere for brands to hide.*”

²² Roberts, Kevin: *The Lovemarks Effect-Winning in the Consumer Revolution & Lovemarks- The Future Beyond Brands*

However, it is not only their manipulative nature that is creating a hostile environment for brands today. Many traditional strongholds of the brand are under deconstructing, facing an inevitable disaster and even death. Lets have a look at two of these: “brand positioning” and “brand loyalty”, drawing from relevant industry reports.

Is Positioning Dead?

Positioning is dead, and leading global brands have just put up the tombstone. But what is really interesting for branding is what is taking its place. The signs of “positioning’s” demise are everywhere. The number of branding failures, many based on “positioning,” exceeds 90%, according to the consultancies Ernst & Young and McKinsey & Co. McDonald’s, the premier mass market branding giant, announced that it has abandoned positioning. The best epitaph for the death of positioning was written in the April 2 issue of the *Economist*. The cover story, entitled “Power at Last,” illustrated how consumers now buy based on research and personal value, not on how companies seek to “position” their products. From the beginning, “positioning” had a fatal flaw in its DNA that made its death inevitable. What was that fatal flaw? A lack of measurement. In their landmark book *Positioning by Jack Trout and Al Ries*, the authors turned marketing away from the benchmarks that drive the rest of business by stating “mind share is more important than market share.” Market share is generally measurable; mind share, unfortunately, isn’t . . .

so if “positioning” has faded into mass-economy history, what has taken its place? McDonald’s advocates “brand journalism,” or tailoring products and messages to both targets and media. By recognizing that it is better served by adapting itself to customer requirements instead of preaching a “position,” McDonald’s is definitely on the right track with “brand journalism.” but the term is awkward for several reasons. A better term for this customer-driven strategy that reflects today’s branding realities is “brand wikification.”

Is Brand Loyalty Dead, Too?

You no longer have to visit a “store near you”. On the Web, all the stores are equally close. And if you don’t like the store you’re in, a few clicks of the mouse gets you to another one. Economists like to talk about “switching costs”—the drawbacks of changing from frequenting one business versus another. But on the Web, switching costs are extremely low. Few shoppers leave their half-full carts in the aisles of physical stores, but some Web sites find as many as half of their shopping carts are abandoned. The reason is *low switching costs*. It takes just a few minutes for a shopper to find a desired item at a rival Web site, while driving to another physical store takes considerably longer (and so is not worth the

time). Low switching costs, coupled with a seemingly unlimited choice of stores has created a situation where more than 20 percent of shoppers have no stated preference for *any* particular store, up sharply in recent years (and shown by more than one study). In such a world, brand loyalty is a thing of the past for many customers. In fact, some say there are no more “customers,” only “prospects.” . . .

By now you might be convinced that shopper *attitudes* toward brands are shifting, but could still be wondering whether actual shopper *behavior* is changing. After all, it is healthy to be skeptical about whether what people say reflects what they really do. Perhaps shoppers express brand cynicism when polled but are subconsciously influenced when it's time to choose where to buy. No such luck. When Web shoppers' actual behavior is monitored, it demonstrates that brand loyalty is on the wane.”

From a quick look at the above ideas, one could easily draw a number of conclusions such as: the serious concerns over the future existence of the brand, its schizophrenic behavior, the new conditions of transparency and scrutiny now prevailing made possible by the internet, the unwillingness to consider intangibles in brand valuation and the negative attitude of the new generation towards brands. Add to this the challenges facing brand positioning and brand loyalty, and here we are. Clearly all these are early signs that brands are no longer as powerful as we probably believe, but more likely in their last battle for survival. Put simply: the brand has lost its allure for ever.

Where will the First Death of the Arrogant Brand Take Place?

People in the North (affluent countries) and South (poor countries) have different problems. Findings from a recent survey by GlobalScan says: “While people in the developed North worry about war and terrorism, the rest of the world is mainly concerned about economic issues. When people are asked to say in their own words what the world's most important problem is today, a full third cite poverty, unemployment, or economic problems. This is a greater proportion than cite wars and conflicts, or terrorism, cited by a total of one in four people. Problems of crime, corruption, and drug abuse come next, followed closely by the environment and climate change. People's sense of personal insecurity, however, is about equally likely to be focused on any one of these areas. People in the North and South have different priorities about the world's problems. The South sees wars, conflicts, and terrorism as one set of problems among many. Together, only 15 percent in the South say these are the world's most important problem, while four in ten cite economic ills. In the North, wars, conflicts, and terrorism are mentioned as most important by one in three people. Across continents, priorities differ. In North America, a quarter see war and conflict as the most important problem, followed by poverty and economic problems, and then terrorism, the environment, and crime. In Europe, poverty and all economic problems taken together rank with war and

conflict, followed by terrorism. Concern over war has increased significantly across a number of countries, as the occupation of Iraq continues. In Latin America, four out of ten put the emphasis on poverty and other economic problems and almost a quarter on crime. Asians also put poverty and economic problems first, but a greater percentage there see the environment as the top problem than do so in any other region. Understandably, people in the North have the luxury of dealing with the arrogant brand's behavior, too. We need to carry out more research before we can predict which of the affluent countries are the most likely candidates to experience the death of the arrogant brand first. The aim will be to develop a kind of algorithm which will take into account parameters like: Happiness Index, Inequality Index and Broadband Internet Index. However the No 1 candidate nation for the death of the arrogant brand is the USA.

v. Brand Management: Mission Impossible?

In trying to examine today’s brand landscape (“brandscape”), we can identify some major drivers and trends that are imposing a new tough reality on brand management.

Market Drivers

Technology

The “technium” and particularly ICT, has created a new economy which is expressed by such terms as network economy, information economy, knowledge economy, economy of the nanosecond etc. It’s a new interconnected world where communications are the economy²³. A recent article in a leading magazine²⁴ identifies six trends driving our global economy. They all (some more directly, others less so) threaten the future existence of the brand and are rendering the mission of brand management almost hopeless. These trends are:

People Power, peer-to-peer systems, open source, sharing and reference systems are creating new successes and dooming others to failure, for example the 80 million who use MySpace and the 40 million bloggers.

Video Unlimited, PC screens and mobiles are beginning to eclipse televisions as the primary viewing medium, and downloading (not to mention uploading) is replacing passively receiving broadcast media.

Personalize It, we all know about the way Amazon and Yahoo will personalize your contact with them, but beyond that, Addidas will customize your shoes, Abbey will put your images on your debit card, and in pharmaceuticals doctors are increasingly able to use DNA tests to prescribe drugs that will suit you better than the average.

Carbon Killers, Wired notes the way the market is moving towards a greener hue. They speculate that regulation may not even be necessary, with companies such as Toyota and BP leading the way, and General Electric planning to invest US\$1.5 billion a year into clean technologies—about 50% of its R&D budget.

²³ *Kevin Kelly: New Rules for the New Economy*

²⁴ *Wired: Six Trends that are Changing the World, May/July 2006*

Buy It Now, historical approaches to R&D are beginning to give way to large companies accelerating their progress by buying companies that develop promising ideas. This idea has always been around, but what is changing is the scale, and small to medium size companies seem keen to put themselves on the auction block.

All-Access Economy, based on open-standards, renting software rather than buying it, using infrastructures to facilities new businesses, such as those who use eBay as a platform for their developing businesses.

The issues of “power people”, “personalize it” and “all-access economy”, are of particular interest and are creating numerous challenges to the brand, as we shall see later on in this book.

Complexity

In this new world complexity is increasing owing to the exponential growth of communications and networks. The resulting multiplied interconnectivity tends to increase the instability and the uncertainty of the environment. Furthermore, such systems are more sensitive and as a result, small incremental changes and/or events have the power to produce extreme results. This is also known as the *Butterfly Effect*, a term first used by the American mathematician and meteorologist Edward Lorenz²⁵, a pioneer of *Chaos Theory*.

Put simply: a small event could produce extreme damage to the brand. For example:

Nike faced an extensive consumer boycott after an article in the *New York Times*, *Shell's* decision to sink the *Brent Spar* in 1995 gave rise to protests and international headlines, *Coke's* bottled water *Dasani* launched in the UK in 2004 was immediately recalled from the market when it was discovered that not only was it simply tap water but also possibly contained carcinogenic substances, *Barings Bank*, the oldest bank in London (since 1765), collapsed in 1995 owing to the poor supervision of one of it's mid-ranking employees, etc.

Society

Society is under a process of deep transformation in the economically developed “north”. As a result of the erosion of the middle class, polarization effects are increasing and customer digital social networks are threatening brands²⁶. The growing power of consumer activists, NGOs, etc is now a fact. Furthermore, the

²⁵ Lorenz, Edward: *The Essence of Chaos*

²⁶ Tomi Ahonen and Alan Moore: *Communities Dominate Brand*

empowerment of the consumer as evidenced by the explosion of user-generated and private media, reduced information asymmetry, a diminishing attention span, eclecticism and the rise of the “You” phenomenon, are totally transforming the marketing landscape and posing a series of challenges to the brand.

Marketing Challenges

The marketplace isn’t what it used to be. So it is by no means a surprise that fundamental changes are taking place directly affecting the marketing function. According to *Kotler/Keller* these may be summarized²⁷ as follows: Attention Economy, Changing Technology, Globalization vs. Regionalization/Anti-Globalization, Big vs. Small is Beautiful and, most importantly, Customer Empowerment (i.e. informed, demanding, price-sensitive, etc.). Professor C. Bluemelhuber of the ULB/Solvey Business School²⁸ and others are focusing on these challenges. He further suggests that of particular interest in the context of brand management is the fact that, apart from representing assets, brands can now equally represent liabilities. Such brand liabilities could include: Customer Dissatisfaction, Product and/or Service Failures, Lawsuits and Boycotts, Questionable and/or Unethical Practices and Customer Confusion (i.e. no proper communications). He also concludes that the critical challenges brands now find themselves facing include: information overload/scarcie attention, a state between the postmodern “sign economy” and brand attacks, short budgets that lead to brand extension and global brands, and the emergence of the shareholder and stakeholder economy leading to “integrative” brand management. Inevitably, the goods and services pyramid is undergoing new experiences and transformation in this new environment, in other words it is becoming more subject to intangibles, an area where traditional brand management is not particularly strong. The above interrelated factors could well contribute to a future of uncertainty for the brand, at least in the “affluent north”.

²⁷ *Philip Kotler and Kevin Keller: Marketing Management, 12/E*

²⁸ *Christian Bluemelhuber: Managing Customer Equity*

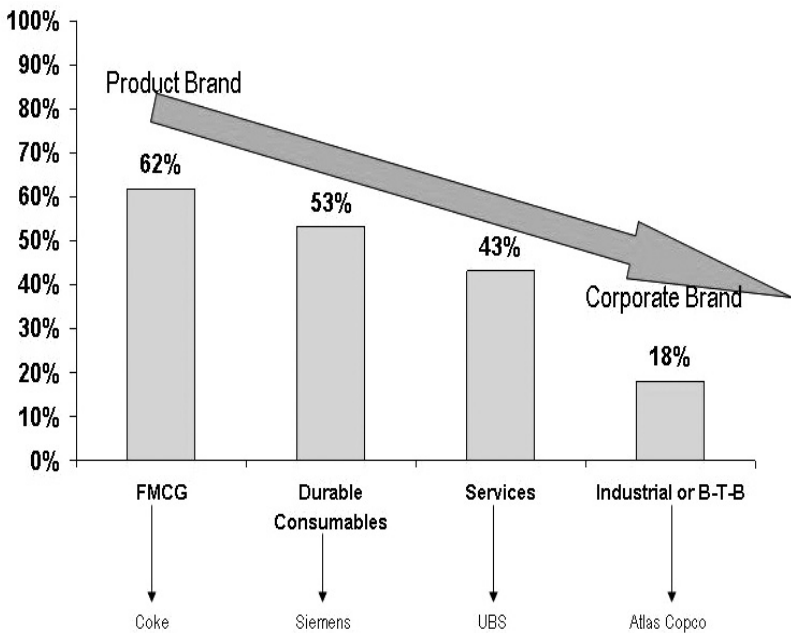
vi. “Branded” Confusion: More than Metrics and Semantics

Two developments in the last decade or so, have contributed to growing confusion over the meaning of the term “brand”. The first is none other than the publicity bonanza surrounding the annual announcement of the so called “Top Global Brands”, prepared by branding consultants, usually under the patronage and sponsorship of major international financial publications. The second is the book “No Logo” by Naomi Klein. As far as the global brands lists are concerned, there was already quite a lot of skepticism in the business community over the issue of metrics and particularly such issues as: definitions, categorizations, methodologies employed, assumptions used, questionable quantifiable data and the scope and motives lying behind the construction of these lists. Some experts observe that there is no solid scientific substance supporting the compiling of such lists, leading to the conclusion, therefore, that, in fact, they are really nothing more than a clever PR and promotional tool for the sponsors to attract advertisers and clients from amongst the world’s major companies. In actual fact, these lists only add to the confusion by, among other things, mixing up “product brands” (possibly the closest category to the meaning of brand), “corporate brands”, “stock/equity brands”, “employer brands”, “VCM brands”(ie channels), etc. It is indicative that Microsoft usually holds the top position for global brands (No1 or No2)!! Analysts are wondering since when has a monopoly product (not even purchased directly by the buyer in most cases, but certainly extremely highly paid for) had such a valuable brand name? Were Microsoft to change its name (rebranding?) tomorrow to, for example, “Sunnysoft”, would such a move make any difference whatsoever to the value of the company as measured in the stock market, profits, employees, etc?

The recent unbelievable valuation of Facebook, the social networking web-based company, at \$10 billion is also a case in point. A valuation (unofficial, while negotiating to sell only a 5% stake to Microsoft, according to the WSJ) of \$10 billion, on revenues of \$150 million or 66 times revenues, compared to P&G’s price tag for some brands rumored for sale like Gillette’s Duracell batteries which is usually at about two times annual turnover. Was a company that was totally unknown till a few months ago so successful because it had a great corporate brand or because of the innovation and management capabilities of its 23 year old CEO, Mark Zuckerberg? How many people/consumers know a company called BDF? Not that many I guess. However, this is the owner and parent company of some of the strongest brands in the world (i.e. Nivea, Hansaplast, Tesa, etc). What do the initials P&G (Procter & Gamble) mean to the consumer in the super market or elsewhere or the public in general? Absolutely nothing. But to marketing professionals they means a lot including an excellent management team, plentiful cash, healthy profits and a first class brand management track record; a company that owns some of the leading

world brands including Gillette, and many others. What difference would it make to its brand value (corporate brand) were it to change its name to G&P overnight? Absolutely none. Studies show that top brands outperform the S&P index by only approximately 1.5% annually (More on the relevant chapter). At the same time, consultants who compile such top brands lists, claim that the brand contribution to shareholder value of parent companies ranges from 14% (GE) up to 68% and 71% (Disney and McDonalds)—*Interbrand/2002*. Other studies suggest the following brand value share of total company valuation in different industries: 62% FMCG, 53% Durables, 43% Services and 18% Industrial goods²⁹.

Figure 4
Share of Brand Values in the Total Company Value, by Sector/Industry



Source: Sattler, Hogle, Hupp

²⁹ Sattler/Hogl/Hupp: *Evaluation of the Financial Value of Brands*, ESOMAR / 2002.

Naomi Klein's book³⁰ "No-Logo" orchestrated an organized attack on the brand and became unexpectedly successful (No 1 on The Sunday Times business book bestseller list) but at the same time it contributed to the confusion surrounding the meaning of the term brand. It is a useful book about anti-globalization, consumer activists etc.; however, it contributes next to nothing to the modern challenges facing brand management. Furthermore, one could draw the erroneous conclusion that brands (in the sense of logos or ID) are not useful in our society (yet the very success of the book, to a certain extent is also due to its "catchy" title, proving that logos still work . . .) The content is much closer to that of the well documented book and film "The Corporation" (by Joel Baker). However, Naomi Klein, a gifted journalist and anti globalization activist herself—along with all her family-, managed to attract a lot of attention through the use of a title not corresponding (purposely?) to the content of her otherwise interesting book. However, the broader public was confused by another use of a brand's representation related to the "identity" (product/brand ID or corporate ID) or, to put it simply, the "logo" of a product/brand or company. The word "logo" stems from "logotype" "commonly used to describe a company/product symbol, badge or name style. As explained on other pages, the usefulness of a logo is beyond doubt both for companies and consumers, but logos are nothing more than one of the many representations of the modern brand.

³⁰ *Naomi Klein: No Logo*

vii. Twelve Serious Questions

The twelve strongest delusions governing the concept of brands in our times are analyzed in this book for the first time. Our “optimism” bias tells us that brands will continue to thrive in the future and will remain at least as powerful as they are today. However, if one delves deeper into the meaning of these fundamental illusions created by our collective and biased wisdom, he will realize that the future of the brand is very unstable. Providing additional proof that the only certainty in our interconnected world is . . . uncertainty.

Just try to think beyond our narrow framework. . . . What if . . .

. . . brands are often creatures of randomness, of improbable and chaotic non-linear forces and, in some cases, inferior products?

. . . the impact brands have on economic performance (RoI), and on a company’s stock price, is rather insignificant?

. . . the brand’s obscure “cheating advantage” and information asymmetry, regarding price/quality, is collapsing as information equality is beginning to prevail?

. . . time acceleration is imposing a lethally shorter product life cycle on brands that often tends to zero and/or the destructive/obscure “free brand” phenomenon?

. . . the brand’s unethical behavior is provoking retaliation from consumers now establishing communities that almost dominate (and are imposing their own rules on) brands?

. . . the entrepreneurial spirit is fading away and with it all interest in brand creation, as the new religion is the stealthy, virtual, money game of the financial markets?

. . . through globalization and de-localization greediness, brands are destroying the purchasing power of their most valuable mass-customer base, that of the vast middle class?

. . . as a result of extreme market polarization brands are becoming the servants of the exponentially increasing distribution points/“touch points” and “private/personal retailers”?

. . . customers empowered by digital technologies are turning out to be “out of reach” thus leading to the collapse of the brand’s persuasive and invasive power?

... mass media and particularly TV (the brand's single most persuasive vehicle) are becoming almost powerless owing to the arrival of "personal and user-generated media"?

... eclecticism and the rise of the "You"/"Me" generation/phenomenon are threatening the very existence of the "mass market", by nature, brand?

... brands start facing the consequences of their arrogance incurring "personality disorders", through a massive "emotional detachment" leading to consumers escaping in droves rather than "engaging" which is the new concept now being praised?

CHAPTER 2

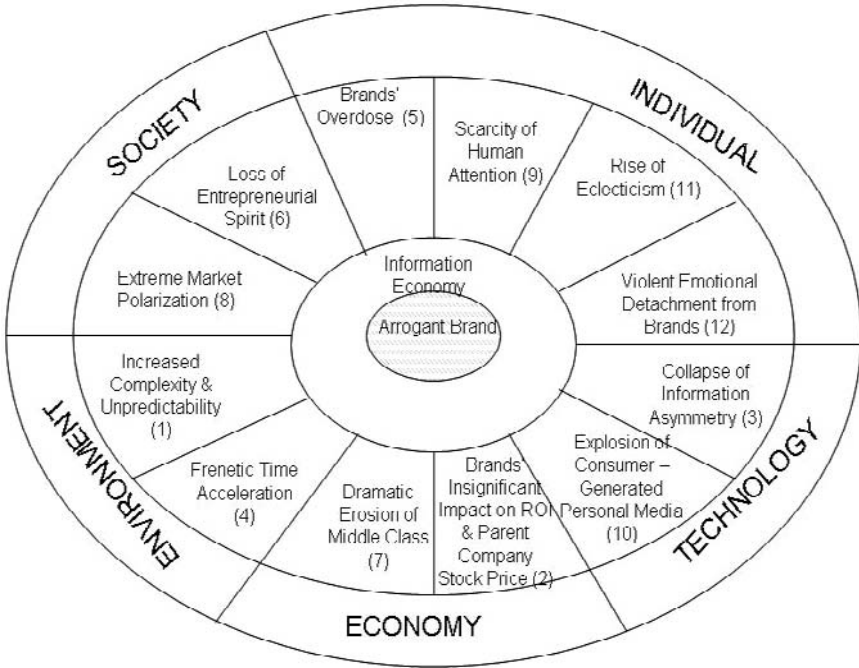
The Twelve Known Unknowns

Our modern socioeconomic and business environment finds itself governed by unpredictability to a far greater extent than ever before. One of the central themes of our times, which has become of paramount importance, is the idea that “we don’t know that we don’t know”. So the “unknown” has become a major force to contend with. There are two categories of what we term “unknowns” in these pages, these are: known unknowns and unknown unknowns. Unknown unknowns thrive in the world of chaos and complexity and result from unpredictability and randomness. They have the power to provoke extreme and improbable results that are totally unforeseeable. On the other hand, although known unknowns possess characteristics similar to the former, these do at least give some warning signs that could help us adapt and soften the usually devastating consequences and results they would incur, had we not been able to detect them at an early stage. This book deals precisely with what these known unknowns in the marketing and business world are and how to detect them in a timely manner. Failure to do so could have devastating effects that could dramatically affect the future and the very existence of the brand. Why is this so important? Well, the brand is not only the cornerstone of contemporary “corporarchy”, but also constitutes a strong personality extension for the modern individual, permeating all our lives, not infrequently in a pernicious way.

In the following pages we describe twelve of what we term known unknowns—deep rooted forces, apocalyptic trends and delusions—that could have catastrophic effects on the brand, as a result of which brands could lose their very “*raison d’être*” and even cease to exist, at least as we know them. These could be the Black Angels of the brand. Forces orchestrated by the rules of the non linear world and non linear thinking. Interrelated forces that we will attempt to make more familiar. This is the dawn of a new era, where the brand meets chaos or, even better, complexity. Graph below depicts a classification and topology of the known unknowns.

Figure 5

Topology of the “Known Unknowns” Undermining the Future of Brands



1. Brands, and Others, as Heroes of the Improbable and Chaos

*“How to find them, those regions
of space where the equation traces
over and over a kind of path . . .
. . . to those strange, unpredictable attractors
secrets we can neither speak nor leave.”*

Robin S. Chapman

The Secret Of Regression To Mediocrity

SUCCESS = SOME TALENT + LUCK

GREAT SUCCESS = SOME TALENT + A LOT OF LUCK

Danny Kahneman (2002 Nobel Prize in Economic Sciences)

When Microsoft took the lead as the world’s largest corporation some years ago (now currently third from the top in capitalization—\$265 billion, after ExxonMobil and GE—and second in terms of brand value—\$59 billion, second only to Coca Cola, in 2007 figures) serious questions arose over the accuracy of one of the most fundamental axioms of classical economics, i.e. the principle that “markets know”, the “invisible hand” of the market regulating everything perfectly. However, some post modern and meta orthodox economists³¹ have dared to suggest that “the markets do not know” after all! We can see evidence of this fact of real economic life as opposed to classical free market theory in the astonishing phenomenon that in many cases it is actually the inferior products and brands that are becoming market and world leaders, and not the top notch original innovations and goods. (As we all know, Xerox and then Apple were the first to pioneer the icon based window environment, but ultimately it was Microsoft that exploited this innovation gaining all the glory and the money-aided and abetted by IBM’s pride and initial stupidity, of course.)

What is it that makes a corporation, a brand, an entrepreneur so unpredictably successful, particularly when no new or innovative ideas whatsoever are involved? Could all the top ‘think thanks’, top notch consultancies and “McKinseyties” of this world have ever conceived of and implemented a plan for the creation of a company like Microsoft in the first place? The clear answer is no, unless . . . Unless the business idea finds it’s way into the proper “attractors”. The term “attractor” is used in Chaos Theory or, more correctly, in Complexity Theory. There are three main types of attractor and they can all produce highly

³¹ *Brian Arthur: Positive Feedbacks in the Economy*

improbable results, or what mathematicians and philosophers call “unreasonable results”³². Without aiming to go deep into the subject, I will try to give an example of each and, at the same time, explain how some of the leading world companies and brands were created. It certainly wasn’t through the preparation and implementation of a great business idea or a thoroughly prepared cutting edge business plan, however.

Point Attractor. A single parameter and/or attractor (i.e. money, personality, leadership, etc) combined with the proper sequence of a number of events, could lead to a tremendously successful global corporation or brand. A typical example here is EasyJet airline (and subsequently the “EasyEverything” empire). Of course the complexity theory phenomenon that after an initial unexpected great result and/or success, the Law of Increasing Returns or the Snow Ball effect, guarantees future success without particular effort (a kind of automatic pilot taking control as it were), should be taken into account here. Everyone knows that the business idea of a no-thrill, low cost airline is not new. It was first introduced by Sir Freddie Laker, founder of Laker Airways—that operated between 1966 and 1982 in the UK from Gatwick Airport. However, it was EasyJet that succeeded and thrived some years later, primarily owing to EasyStelios’s father—a shipping tycoon with enormous wealth and the financial strength to guarantee the initial purchase of almost 20 Boeing planes by a 25 year old college graduate, even if he did happen to have an acute business mind.

Close Loop Attractor. Also known as the Periodic attractor. Personally, I prefer to call it the Ecosystem attractor because it usually thrives in specific ecosystems (and as we know ecosystems tend to generate plentiful rewards and money . . .). It usually appears in conditions of virtual monopoly, where business transparency is not a virtue (i.e. government, military contracts etc.). Enron is a typical example of a corporation that rose to incredible heights in a specific political and economic ecosystem only to collapse, to the great disappointment of investors (not to mention the devastation of employees who found their pension funds had disappeared irrevocably down into the gutter). And all this despite the great minds and expert strategic guidance from the world’s most prestigious consulting firm.

Strange Attractor. Perhaps the most complex and chaotic attractor in complexity theory, sometimes also known as the “Lorenz Effect” or the “Butterfly Effect”. A typical example here is Microsoft. A series of strange attractors led this company—with questionable technological leadership, a surplus of arrogance, a distinct lack of leadership, indulging in monopolistic and undemocratic practices and other

³² Eugene Wigner: *The Unreasonable Effect of Mathematics*

questionable strategies (like it’s favorite: “target, leverage, link and lock”)³³ to the number one global position³⁴. Complexity Theory gives us some idea of how, by “chance” (?) and through non linear sequences, some minor events and/or incidents can create unreasonably extreme results.

I do not wish to demystify brands and corporations through the above brief analysis of attractors. What I want to stress is that the unreasonable power and ability Attractors have to produce “extreme brands” are no longer restricted to one side. That is, the power of attractors is now also available not only to brands but to consumers as well, at least in the developed world. Through the more democratic use of the technium and particularly the web, the consumer is now also becoming an active agent. So it is no longer only the brand that is in a position to take advantage of the strange behaviour of the complex/chaotic systems today’s “light” economy finds itself operating in. Now, the customer is also so privileged (sometimes even one customer can suffice) and can produce extreme effects and damage to the brand with devastating financial consequences, should he decide to retaliate. (Usually reacting to brands that conceive of the customer as a ‘sucker’ . . .) Remember the power of the butterfly effect: a small event could produce extreme damage to the brand. For example, as already discussed:

Nike faced an extensive consumer boycott after an article in the *New York Times*, *Shell’s* decision to sink the *Brent Spar* in 1995 gave rise to protests and international headlines, *Coke’s* bottled water *Dasani* launched in the UK in 2004 was immediately recalled from the market when it was discovered that not only was it simply tap water but also possibly contained carcinogenic substances, *Barings Bank*, the oldest bank in London (since 1765), collapsed in 1995 owing to the poor supervision of one of it’s mid-ranking employees, etc.

Today’s digital and networked economy has brought enormous power and freedom back to the customer³⁵. For example, the leading blog in the world (of a single person in China) has reached more than 100 million visitors And as an old axiom in the advertising business says: “Never pick a fight with someone who posts pixels by the millions”. Numerous blogs have already been set up to watch the behavior of major brands, in reaction to the formerly exclusive power brands could wield. For example, WalMartWatch.com blog keeps a close eye on the retailing behemoth. On the other hand, ad industry executives are familiar with blogs that critique brand campaigns, like Adrants.com and Adfreak.com. This power is gathering momentum and is shifting from the brand to the consumer as a result of technological developments, making the brand less powerful and less confident. Welcome to the era of the “vulnerable brand”.

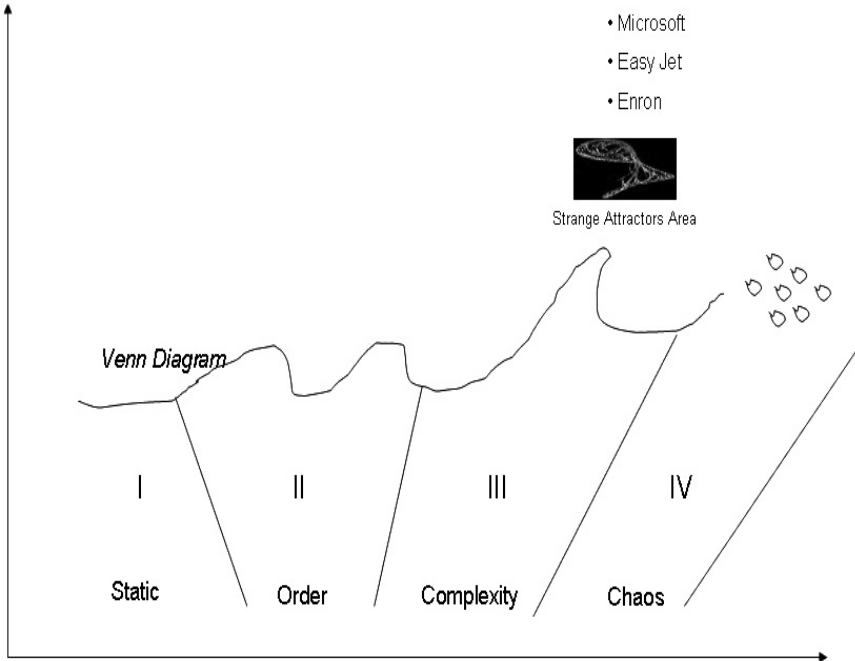
³³ *Michael Geist: Vista Gives a View of the New World, BBC, 02/01/2007*

³⁴ *J.Edstrom and M.Eller: Barbarians Lead by Bill Gates (Henry Holt Inc, NY 1998)*

³⁵ *Costas Kataras: The Global Village Information Poor, 1998*

Figure 6

Complexity and “Strange Attractors” Can Produce Highly Improbable Results, Leading to Unreasonable Business Successes and Extreme Brands



Message 1:

Brands, and Others, as Heroes of the Improbable and Chaos

The unpredictable, non-linear, extreme forces thriving on the borders of chaos and complexity (that in many cases created some of the most powerful brands in the world), are now also available to the consumer, thanks to technology, who can easily retaliate producing extreme and devastating results for the arrogant brand.

2. *True Insignificancies: The Brand's Impact on Economic Performance (RoI)*

Contrary to what is widely believed, and despite the fact that there are many strong companies showing a characteristically impressive longevity, the majority of corporations and brands live a rather short life. Of the 500 companies that made up the S&P 500 Index when it was first introduced in 1957, only 74 still remained on the list through 1997. In other words, quite simply, almost 85% of them died. The same applies when we take a look at the Fortune 500 list; only 1/3 of the companies that made the list 50 years ago, still exist today. Why is this? According to common business wisdom, the market encourages the creation of corporations (and brands), supports their efficient operation as long as they remain competitive and then, rapidly and remorselessly, removes them when they lose their ability to perform and provide value³⁶. However, it is true that quite a few brands have demonstrated impressive longevity: Nestle (since 1867), Heinz (1869), Coca Cola (1886), Johnson & Johnson (1887), Nivea (1911), to name but a few.

Conditions for brands have changed dramatically and these now include: shorter product life cycles (in some industries down to barely 5 months from 5 years in just two decades), a more general application of Moore's Law³⁷ to cover more industries—in addition to the field of microprocessors where it was initially conceived—with rather unpleasant results, product/brand cannibalization, distorted brand personalities with unclear USP and differentiation, quality and service problems that force many companies to withdraw popular brands from the market, loss of sales potential (educated customers now wait and wait until the NEXT product launch/extension when the brand will be cheaper and trouble-free) and finally, the last straw: the “free brand”. Apart from the inevitable or “planned” physical death of organizations and brands, today we are also witnessing a kind of accelerating “*mort subbit*” (sudden death) phenomenon in brand management, a clear sign that the brand's longevity is under severe threat. For example, Unilever reduced its brand portfolio from some 1,600 brands in 2000, down to 400 in 2005. Obviously a number of trends are forcing such brilliant consumer brand giants such as Unilever, to adopt such radical strategies. (i.e. brand over-extension strategies, brand cannibalization misfortunes, intense competition from “own brands” and retailers, under-consumption, shorter product life cycles, shrinking profitability levels, etc.).

³⁶ Richard Foster and Sarah Kaplan: *Creative Destruction*

³⁷ David Brock: *Understanding Moore's Law*

Death is inevitable for both corporations and brands. The only difference is that, in our times, the brand's life expectancy figures are shrinking and death is occurring more and more frequently, without any prior warning signs, either. On the other hand, corporations tend to overestimate the whole idea of brand value, as well as so called "brand equity". Brand equity is calculated by taking all important assets into consideration—usually intangibles—such as: company name, brand name, symbols, slogans, perceived quality, name awareness, customer base, proprietary resources such as patents, trademarks, channel relationships and many more. But according to experts in the field³⁸, in recent years, desperate for short-term financial results, corporations have often damaged their brands through price promotions and unwise brand extensions, causing the value of the brand name to deteriorate.

Calculations of and methodologies used to measure brand equity, and the motives behind them, are rather questionable and diverse. However, regardless of the arguments related to terminology, methodology, aim etc., it is a fact that Top Brands Lists are produced every year, together with estimates, even, of their contribution to . . . shareholder value. According to a PWC & Sattler 1999 study, brands already account for around 56% of total enterprise value for the 100 biggest companies in Germany. A similar study by Interbrand in 2002 of a number of world brands, suggests percentages ranging from 22% to almost 65%. Furthermore, other studies have attempted to calculate the impact of brands on the stock price and total return to shareholders. Earlier research by McKinsey in 2000 suggests that strong, well-leveraged brands produce higher returns for shareholders. Moreover, more recent research by this consulting firm suggests that the fifty stocks listed in both the Business Week/Interbrand and the S&P 500 index, have outperformed their peers by 1.5% per year over the past ten years.

³⁸ *David Aaker: Managing Brand Equity*

Figure 7

Brands’ Impact on Total Return to Shareholders is Almost Insignificant, at 1,5% p.a.



Source: Datastream, Interbrand 2005, McKinsey

However, as one can see from the above analysis, brand impact is rather insignificant. Furthermore, if one takes the enormous marketing and advertising costs related to brand management into account, a negative contribution (loss) is often likely to emerge. For example, Procter & Gamble spends \$8.5 billion (€6 billion) annually on advertising. When other brand related management costs (i.e. an additional 50% on the above budget) are also calculated, then the total annual cost could be as high as \$12 billion annually for just one company. On total worldwide revenue of \$68 billion, \$12 billion represents almost 20% of turnover, that is an extra \$12 billion that could be added to the bottom line annually!! Even if only half of this \$12 billion could be saved annually, through brand rationalization and

a downsizing strategy, the impact on the bottom line, for shareholders and the stock price of the company could be impressive compared to the mere 1.5%!!!

However, the highly praised media initiated statistics relating to top brands are still with us. After glancing at such rankings, one could make a number of observations, such as: # The majority of US companies with the highest revenues have been left out of the Best Global Brand List (it includes only 3 of the top 20). The vast majority of those left out are in Oil/Chemicals for obvious reasons, followed by greedy retailers and a couple of high-finance monsters/giants. # Top tier brands consist of monopolies or semi-monopolies, such as Microsoft, Coke, etc. # A further look at the Best Global Brands reveals that all these brands are heavy advertisers with close ties to the media companies. The above analysis indicates that “brand value” and “return to shareholders” which are so highly praised, are in fact hardly significant at all. And perhaps above all, most of the so called top brand lists objectivity and reliability is rather questionable.

Message 2:

True Insignificancies: The Brand's Impact on Economic Performance (RoI)

In a world where the global brand base is continuously shrinking, the brand's impact on total return on investment (RoI) is also vanishing. Arrogant, ego-driven brands refuse to give shareholders a healthy return by rationalizing/ downsizing brand management operations and by failing to respond to the customer's message for less branding in a polarized market.

3. *The Collapse of Information Asymmetry*

In many cases the realities of economic life are a far cry from perfection. Adam Smith devised the “invisible hand” as a powerful metaphor to convey how the market, in theory, would always allocate scarce resources efficiently. Yet real world conditions tend, on the whole, to complicate matters. Competition is not perfect, consumers are far from perfectly informed etc. Leading economists appear to be currently hard at work trying to develop more sophisticated and meaningful explanations of how consumers, markets and institutions actually do interact. The 2007 Nobel Prize for economic science was awarded to three American economists working on this subject and particularly for the development of the “mechanism design theory” (Professors Hurwicz, Maskin and Myerson), which is indicative of this trend. Historically, there has always been an information deficit for the consumer in the buyer-seller relationship. Buyers have lacked the critical information necessary to make their choices in purchasing a product, a brand. Initially the missing information pertained to two main parameters: prices on the one hand and quality and product features on the other. However, a colossal new asymmetry has emerged in our information economy, and that is “patents” and the related ownership and sovereignty issues that these give rise to.

Information Asymmetry . . . Down

In modern information economics, a branch of microeconomic theory, “information asymmetry”, denotes decisions where one party has more or better information than the other, thereby creating an imbalance in power. In 1991 *George Akerlof, A. Michael Spence and Joseph Stiglitz* won the Nobel Prize for Economics for their work in laying the foundations for the theory of markets with asymmetric information. There are thousands of examples of how leading world brands maximize the benefits of this power for purely financial and bottom line purposes. I will mention only two. On the price front: a cappuccino at Starbucks in Athens costs \$4.6 (€3.3) but only \$2.35 in New York, i.e. is 100% more expensive in Greece than in New York. Furthermore, if one also takes the average purchasing power of the American which is 100% higher than that of the Greek consumer into consideration, then the same coffee is 200% more expensive in Greece!!!

Greeks are a typical example and victims of information asymmetries, as the country ranks in the bottom amongst the EU nations in internet penetration and generally in all Information Society indicators, and in the top positions regarding corruption.

According to studies³⁹, Greek consumers are paying the highest prices for some global brands/consumer products more than any other nation in EU-15. At the same time, Greece is the most unhappy nation in EU-15 (again according to the latest studies) and Greeks are ranking seriously high in depression statistics (at the same place with the Americans!!). Are all these strange correlations? Not at all.

Regarding global brands' prices (for same products/packaging, quantity, etc), these are in many cases 50%-85% higher in Greece than, for example, in Belgium. At the same time, the average annual income in Greece is 19.765 euro, compared to 32.770 euro in Belgium!!

On the quality front, the case of *Anderson v. General Motors* is rather typical, as presented by Bakan in his book⁴⁰. Mrs. Anderson and her four children had an accident in 1979 with their Chevrolet Malibu car and all suffered horrible burns because, among other factors, the Malibu fuel tank was not sufficiently protected from the impact of the collision. During the trial it was demonstrated that GM was aware of this and, according to a cost-benefit analysis prepared by the company, it had calculated that repair would cost \$8.59 per automobile, while the option to pay the anticipated 500 fatalities that would occur would only cost \$2.40 per automobile⁴¹. That meant that the company could save \$6.19 per automobile if it allowed people to die in fuel-fed fires rather than alter the design of vehicles to avoid such fires. (Incidentally, in the same analysis GM calculated the average cost for each fatality or human life at \$200,000)!!! What a difference it would have made had the hapless Mrs. Anderson been informed of this cost-benefit analysis before she bought her new car. But today, in our interconnected world where everything is connected to everything else, information is in oversupply and communications are creating a new economy. As leading thinkers phrase it, communication (i.e. digital technology, media etc.) is not a just a sector of the economy, *Communication is the economy*⁴².

Through advanced communication technologies, information is available almost on a real time basis creating a new breed of knowledgeable, educated consumers particularly in countries with strong ICT infrastructures (i.e. fast internet). Today, the internet, democratic in nature, equips the buyer to fight this power imbalance and seek redress for the "information symmetry" and "information inequality" that had prevailed prior to the communication technology explosion. According to the main findings of this theory, it is expected that, as a result, the buyer will develop a number of strategies in his quest for information equality. These emerging strategies include: screening and signaling.

³⁹ NEA Newspaper: Survey on Global Brands' Prices in Greece, 24/10/2007 and EU Statistics

⁴⁰ Joel Bakan: *The Corporation*

⁴¹ GM Fuel Tanks—www.safetyforum.com

⁴² Kevin Kelly: *New Rules for the New Economy*

Screening

Screening refers to a strategy that facilitates decision making in cases of asymmetric information. The “screener” (i.e. buyer) attempts to rectify this asymmetry by learning as much as possible about the other party (i.e. the seller and/or brand). Does this ring a bell? Of course it does. We’re talking about the use of the well known internet tool “search engines” (i.e. Google, Yahoo, etc.). But in addition to these general purpose search engines, specialized ones have also been created for specific product categories providing such information as price comparisons, product characteristics, product hazards, product tests etc. (i.e. vortals, marketplaces, product directories, auctions etc. (Good examples include: *www.uswitch.com* and *www.Skeroutz.gr*). For brands, this screening process could not only cover high price goods but also low price products (i.e. FMCG) through automated intelligent machines and robots (i.e. the “intelligent refrigerator” in the context of an intelligent house.)

Signaling

Signaling can be described as the efforts of one of the parties to acquire more information in order to redress asymmetries. For example, the buyer could provide details of the product he wishes to buy (i.e. technical specifications, price range, safety features, legally binding terms, copyright aspects, etc.). This activity closely resembles the “wanted” classified ad columns. The consumer reverses the roles of the traditional relationship and turns the situation into a “buyer’s market”, dictating the terms and conditions of the transaction. This could also be described as “reverse selling” in the process of which the buyer also indulges in “reverse advertising”. So it may hardly come as a great surprise if, in the years to come, it won’t be the leading global brands that are the biggest advertisers in the world any more, but the consumers themselves!!!⁴³

Therefore, we can safely expect that information asymmetry shall be radically reduced over the coming years, in line with the above developments (at least in the digitally developed “north”). In the same way we can also safely assume that extreme profit margins, arrogance, greed and the unethical behavior of brands shall also be reduced. But a new imbalance will appear in the buyer-seller relationship. But this time it will be in favor of the consumer and against the rather powerless brand. Bye-bye “Lemon Law”. Welcome “Cherry Law”⁴⁴.

⁴³ Michael Dertouzos: *What Will Be: How the New World of Information Will Change Our Lives*, 1997

⁴⁴ George Akerlof: *The Market for Lemons*.

Patent Asymmetries . . . Up: The Brand's New Battle to Control Our Future

As information asymmetry is collapsing and information equality and democracy have begun to prevail, arrogant brands have already drawn up their new battle lines in their fight against the “enemy” (i.e. the customer) and have already created the new colossal asymmetry of our times: patents! Brands are now focusing on intangibles, that is the “New Assets” in the knowledge based economy: genes, software, databases, know-how, etc., things that constitute the very lifeblood of the information economy, which they have now set out to control. With all sorts of patent absurdities and huge budgets available for legal services and fees, the aim of brands is firstly to carve up humanity’s very intellectual legacy (by grabbing seeds, software and content and even the human genome) and secondly to undermine the customers’ actual ownership rights. S.Shulman⁴⁵, a well known author on the subject, has raised a sobering alarm over the trend to privatize information and knowledge through the expansion of patents, copyrights and trademarks and asks what this trend will ultimately mean for the future of our democratic society. Lets take a closer look at three specific cases demonstrating the arrogant brands’ attempts to control and even claim outright ownership of people’s bodies and minds, and punish those not bowing to their wishes by illegally incorporating a kind of “terminator technology” in their products that destroys people’s harvests, ideas and legacy.

License to Kill (Seeds and . . . Farmers)

We draw from an article in TIME Magazine⁴⁶:

“For farmers hoping for a healthy harvest, the best place to turn for help these days is the Monsanto Corp. One of the world’s leading biotechnology companies—and lately a pioneer in genetically engineered seeds—Monsanto has been incorporating flashy traits like herbicide and pest resistance into everything from canola to corn. But such supercrops don’t come cheap. Farmers pay a premium for Monsanto seeds, and to make sure they keep paying, the company requires them to sign an agreement promising not to plant seeds their crops produce. If farmers want the same bountiful harvest next year, they must return to the company for a new load of seeds. While this arrangement makes sense for Monsanto, it works only if farmers honor it—something that’s difficult to police in the U.S. and almost impossible in the developing world. Now, however, Monsanto hopes to enforce biologically what it can’t enforce

⁴⁵ *Seth Shulman: Owning the Future, 1999*

⁴⁶ *Jeffrey Kluger: The Suicide Seeds, TIME 1/2/1999*

contractually. With the help of clever genes currently in development, future Monsanto crops may be designed with a new feature in mind: *sterility*. No sooner will the company’s plants mature than the seeds they carry will lose the ability to reproduce.

From Monsanto’s point of view, the set of new genes—which others have dubbed Terminator—is a perfectly legitimate way to protect their intellectual-property rights. Not everybody agrees. And in the 10 months since the patent for the seed-sterilizing technology was issued, Terminator has become the focus of a grass-roots protest that is spreading through the Internet like, well, wildfire. Let the new science take hold, opponents warn darkly, and farmers could find themselves coming to Monsanto, seed cup in hand, paying whatever the company demands before they can plant that season’s crop. Worse still, some doomsday scenarios suggest, pollen from Terminator plants could drift with the wind like a toxic cloud, cross with ordinary crops or wild plants, and spread from species to species until flora all around the world had been suddenly and irreversibly sterilized.

For all the heat Monsanto is taking, the company did not create Terminator. The technology was developed by the USDA and a Mississippi seed company known as Delta and Pine Land, and the patent was awarded to both of them. Monsanto later made a \$1 billion-plus offer to buy Delta—an offer that was quickly accepted. Opponents don’t care who made Terminator. To them the idea is Frankensteinian on its face. After tweezing out a toxin-producing stretch of DNA from a noncrop plant, gene scientists managed to knit the lethal genetic material into the genome of commercial plants. They also inserted two other bits of coding that would keep the killer gene dormant until late in the crop’s development, when the toxin would affect only the seed and not the plant. But because the seed company needs to generate enough product to sell in the first place, the scientists included one more DNA sequence—one that repressed all the sterilizing genes they had just inserted. Once they had grown all the seeds they needed, they would soak them in an antibiotic bath that neutralized the genetic repressor—rendering them infertile. “This is the most intricate application of genetic engineering to date,” says Margaret Mellon, a senior scientist at the Union for Concerned Scientists.”

On the same subject Fedco, an American cooperative, points out:

“Terminator technology, by creating genetically altered varieties that produce sterile seed, would make seed-saving by farmers who use the altered seeds impossible. It will be targeted largely at major crop commodities such as soybeans, rice and wheat that have not been successfully hybridized on a commercial scale. An estimated 1.4 billion people, mostly poor farmers in third world countries, depend primarily on farm-saved seed. Last year the United Nations Food and Agriculture Organization’s Panel

on Eminent Experts on Ethics in Food and Agriculture concluded that Terminator seeds are unethical. All of the major seed industry behemoths, including Monsanto, Novartis, AstraZeneca, DuPont, BASF, and Aventis, have similar patents in the works. The next generation of technologies will create packages which, induced by proprietary chemical activators, can control multiple factors such as acceleration or stunting of plant growth, reproductive viability, and disease or herbicide resistance. The aim of the gene giants is not just to discourage seed saving or replanting but to make farmers totally dependent on the seed company, and ultimately to control the entire food system from seed to table. Terminator is only the most visible and dramatic manifestation of the potential impact of genetic engineering on our lives.”

A great thinker and author on technological issues, J.Rifkin, is also a fierce opponent of “terminator technology”, which he considers shameful and suggests that the whole patent policy in the US is illegal.

We draw from an interview given by *Jeremy Rifkin to ABC Radio (Australia, 1999)*:

“... farmers are having lots of problems in the fields. It’s not delivering, and farmers are also very very worried about corporate control. I don’t know if you’ve ever seen a Monsanto contract, but it’s quite interesting. When a farmer secures a seed from Monsanto, there’s no sale. There’s no seller, there’s no buyer, there’s no exchange of property. Instead the contracts says to the farmer You are accessing the DNA in this seed for one growing season. That means you never buy the seed and it means the new seeds that you get after the harvest do not belong to you the farmer. You cannot use them, you’re violating the contract. They will have to access that information—those seeds every year form 3 or 4 giant trans-national companies who will literally have the lock on the seeds and a lock on the intellectual property contained in those seeds. That’s a basic change in agriculture. That’s the end of the sovereignty for farmers all over the world, and farmers are waking up to that fact and beginning to reject these genetically engineered seeds.

... I think the terminator is shameful. It’s evil and it’s unconscionable(?), and I’m absolutely assured the world community’s going to reject it. My personal belief is that all of these patterns on genes are illegal. You know when the chemist discovered the chemical elements in the periodic table, they were not allowed to have patents on the actual chemicals like helium and oxygen and titanium and uranium. That would’ve been bizarre, ridiculous. Yet we are allowing life science companies to claim patents on genes which are also discoveries of nature. I think the patent policy in the US patent policy is illegal. It’s gonna be challenged and I will predict to you now that the patent policy of patenting genes will not hold.”

Last but not least, according to media in India, 80% of farmers committing suicide in the country, are farmers not able to pay off their debts and loans used to buy genetically modified seeds that failed to deliver on their promises.

For Sale: A Nation's Genetic Code

But it's not just harvests and farmers that have lost their sovereignty. Men and women appear to have lost their rights to and very ownership of their own bodies!!

We draw from an article in *The Washington Post*⁴⁷:

“Iceland has decided to become the first country in the world to sell the rights to the entire population's genetic code to a biotechnology company—a move that is highlighting the promise and risks of the genetic information age. The strikingly uniform DNA of Iceland's largely blue-eyed, blond-haired populace is expected to provide an invaluable resource for studying human genetics, leading to fundamental insights into many diseases, proponents say.”

In relation to the same issue, Prof Chadwick⁴⁸ notes:

“On 17 December 1998, as a result of legislation instigated by deCODE genetics, a Delaware biotechnology company working in Reykjavik, the Icelandic parliament adopted a law making it legal for a private company to construct an electronic database of the country's health records. deCODE has received an exclusive license to build a database of Iceland's medical records (including diagnoses and test results, treatments and side effects) and will be able to combine and analyze these with genetic and genealogical data. The act also grants deCODE exclusive rights to commercial exploitation of the database for 12 years. Accordingly, deCODE has entered into a (non-exclusive) arrangement with Hoffmann-La Roche which gives the latter company access to the database for the purpose of researching the genetic origins of 12 common diseases.”

Furthermore, as J.Rifkin points out in one of his books⁴⁹, we ceased to have any rights to and ownership over our own bodies long ago. In 1984 a cancer patient, Mr. Moore, discovered that his cancer cells which were used for tests by the University of California did not belong to him. In 1990 the California court decided against

⁴⁷ *The Washington Post: For Sale in Iceland: A Nation's Genetic Code, 1/12/1999*

⁴⁸ *Prof Ruth Chadwick/University of Central Lancashire: The Icelandic database- modern times need modern sagas*

⁴⁹ *Jeremy Rifkin: The Age of Access, 2000*

Mr. Moore, decreeing that all knowledge derived from and access to his cells were the property of the University and companies collaborating with it.

Our Imprisoned Mind: Can You Ever be Free from Microsoft?

It is Vista, however that demonstrates best of all how our new world, where almost nothing is owned by buyers and people themselves, actually works. Microsoft has created the new colossal asymmetry of our times where the brand or product bought by a customer does not belong to him. In fact the opposite occurs: the customer “storing” his work, thoughts, ideas, innovations, secrets, etc. in his Microsoft controlled PC is totally dependent on the SW giant, and the “terminator technology” that can delete or harm the data stored in the user’s computer. Microsoft has the power to use this technology at will. Regardless of whether the customer’s copy of the said program is legal and genuine, the Company imposes enforcement of the use of the original SW in an effort to maximize sales and profits. In an interview broadcast from the BBC⁵⁰, internet law professor Michael Geist casts a critical eye over the fine print in Windows Vista and is concerned over what he finds.

“Vista, the latest version of Microsoft Windows has made its long awaited consumer debut. It incorporates a new, sleek look and such novelties as better search tools and stronger security. Early reviews have tended to damn the upgrade with faint praise, however, characterizing it as the best, most secure version of Windows, yet one that contains few, if any, revolutionary features. While those reviews have focused chiefly on new functions, for the past few months the legal and technical communities have dug into Vista’s “fine print”. Those communities have raised red flags about Vista’s legal terms and conditions as well as the technical limitations built in to the software at the insistence of the motion picture industry. The net effect of these concerns may constitute the real Vista revolution as they point to an unprecedented loss of consumer control over their own PCs. In the name of shielding consumers from computer viruses and protecting copyright owners from potential infringement, Vista seemingly wrestles control of the “user experience” from the user. Vista’s legal fine print includes extensive provisions granting Microsoft the right to regularly check the legitimacy of the software and holds the prospect of deleting certain programs without the user’s knowledge. During the installation process, users “activate” Vista by associating it with a particular computer or device and transmitting certain hardware information directly to Microsoft. Even after installation, the legal agreement grants Microsoft the right to revalidate the software or to require users to reactivate it should they make changes to their computer components. In addition, it sets significant limits on the ability to copy or transfer the software, prohibiting anything more than a single backup copy and setting strict limits

⁵⁰ Prof Michael Geist: *Vista Gives a View of the New World*, BBC, 02/01/2007

on transferring the software to different devices or users. Vista also incorporates Windows Defender, a security program that actively scans computers for “spyware, adware, and other potentially unwanted software”. The agreement does not define any of these terms, leaving it to Microsoft to determine what constitutes unwanted software. Once operational, the agreement warns that Windows Defender will, by default, automatically remove software rated “high” or “severe” even though that may result in other software ceasing to work or mistakenly result in the removal of software that is not unwanted. For greater certainty, the terms and conditions remove any doubt about who is in control by providing that “this agreement only gives you some rights to use the software. Microsoft reserves all other rights”.

This phenomenon of theft of the computer user’s rights has provoked customer reaction. The FSF’s reaction is indicative of this trend⁵¹

“Vista is an upsell masquerading as an upgrade. It is an overall regression when you look at the most important aspect of owning and using a computer: your control over what it does. Obviously MS Windows is already proprietary and very restrictive, and well worth rejecting. But the new ‘features’ in *Vista are a Trojan Horse* to smuggle in even more restrictions. We’ll be focusing attention on detailing how they work, how to resist them, and why people should care”, said FSF program administrator John Sullivan.

Peter Brown, executive director of the FSF said, “Whilst Microsoft embarks upon its largest ever product launch, its marketing dollars will be spent in an effort to fool the media and user community about the goals of Vista. Our campaign will ask the important questions. Can you set yourself or your company free? Can you ever be free from Microsoft? As with our campaign against Digital Restrictions Management, we aim to demonstrate that technologists can be social activists, because we know the harm that Vista will cause”. Among other harms will focus on the danger posed by Treacherous Computing in Vista. Commonly called Trusted Computing in the industry, it is *an attempt to turn computers from machines controlled by their user into machines that monitor their user* and refuse to operate in ways that manufacturers don’t authorize.

As a result of consumer pressure, Microsoft’s “Terminator” the so-called “kill switch” was dropped from Vista, according to recent media reports⁵²:

“Microsoft is to withdraw an anti-piracy tool from Windows Vista, which disables the operating system when invoked, following customer complaints. The so-called “kill switch” is designed to prevent users with illegal copies of Vista from using certain features. But the tool has suffered from glitches since it was introduced with many Windows users claiming that legal copies of Vista had been disabled.”

⁵¹ December 15, 2006—*The Free Software Foundation*

⁵² “Kill switch” dropped from Vista: BBC, 2007/12/04

Who Needs a License? The Customer or the Brand?

The new patent and legal asymmetry described above, poses a major threat for the freedom of people in their role as consumers of goods and services. How can a number of arrogant brands and corporations—in most cases acting in a monopolistic ecosystem under government toleration—dare to claim that our bodies (i.e. the DNA “stored” in our cells) and our mind (i.e. our ideas, thoughts and creations “stored” these days in a PC, controlled by Microsoft’s software) do not actually belong to us? Lets take a quick look at the history of this legal entity known as the “corporation”.

Only a Few Centuries Ago it was a Serious Crime to Establish a Company

The creation of a corporation, as a legal entity (and in extension corporate brands and product brands—though these did not then exist in their present form) constituted a serious crime in England up to 1720, entailing serious punishment for those attempting to commit such a crime.⁵³ For 300 years since then, however, corporations have been made “legal” and allowed to operate, after obtaining a “license to operate”—for a pre-agreed and limited time—from governments and civil society in general (through their representatives in parliament). But through their increased power mostly deriving from the funding of politicians and political parties, this basic licensing regulation has in effect atrophied today. As a result, corporations attempt to limit the use of their products by consumers who have bought them and fully paid for them, through their own licensing. Furthermore, through legal, patent related strategies, brands are now even denying the very central tenet of the free market; the constitutional right of “ownership” and even sovereignty. This is a total reversal of the situation where we, the people, were the ones giving a limited license to corporations to operate. Now it is corporations giving people a limited license to use the products which they have fully paid for, thereby denying them the right of full ownership to which they are entitled. The epitome of arrogance . . .

The Lords of the World?

Thus it was that in our times, Corporations and their brands not only became “legal”, but actually became the new lords of the world. And as Hope Shand of RAFI (US) puts it with regard to farmers “only this time, instead of controlling the land, the new feudal lords—the large agrochemical firms—gain their power and wealth by owning the information contained within the new high-tech seed varieties”. Arrogant brands are now even in a position to initiate wars and “coups d’état” (i.e. though the case of United Fruits in Central America may be old it is far from unique and we have many new examples) to force governments to pass legislation favorable to them, and even to place themselves beyond any legal and judiciary control. For example, in 1998 the

⁵³ Joel Bakan: *The Corporation- The Pathological Pursuit of Profit and Power*, 2004

US Department of Justice in an attempt (truly?) to deal with Microsoft’s monopolistic practices initiated legal proceedings but after four years and with the election of Mr. George W. Bush, ultimately gave up. On the contrary, Europe is persisting with its efforts to defend the freedom of Europeans against Mr. Bill Gates’ monopolistic practices. Only recently, Microsoft was fined €500 million (\$700 million) by the European Court of Justice. However, with annual profits of \$14.7 billion this fine will hardly even a drop in the water for the software monopoly. (However, the whole story is indicative of why, in the long run, European companies operating in a more democratic and transparent environment, are becoming better and will ultimately prevail over their US counterparts, which will be discussed later on in this book).

There are no Innocent Brands nor Innocent Nations either. The Myth of Powerless Nations and “License to Operate” Enforcement

There is no doubt that in our times the power of nations vs. corporations has been considerably eroded, mainly for the following two reasons: the phenomenon of “obsolete geography” (through the “de-localization” engendered by globalization, corporations exercise pressure on governments seeking investments), and the practice of “donations to political parties” (transparent and legal or otherwise). However, it would be rather naïve to believe that nations lack the power and mechanisms necessary to establish polices ensuring the proper conduct of corporations. Prof Weiss⁵⁴ suggests that national states could develop a variety of policies to control corporations and that their cries of “victimization” are not valid. I would also like to add here that this is nothing but a very convenient lie. However, politicians’ strong survival instincts and pathological addiction to running and wielding power, will probably prove stronger than corporations’ pathological pursuit of extreme profits.

Lets take Mrs. Hillary Clinton, as an example here. In 1990, when she had no personal political ambitions she had a seat on Wal-Mart’s board of directors. This is the biggest company in the world with turnover of \$348 billion, 1.8 million employees, notorious for refusing its employees’ full social security rights in many cases (and also for its heavy budget for political donations, which is possibly the largest in the world.) However, as a candidate for the US presidential nomination now, Mrs. Clinton has refused to accept a legal “donation” from her former employer. Furthermore, if she is elected and has to choose, she will not hesitate to turn against the company rather than disappoint her voters, thereby forfeiting future electibility (and if this is not the case in the US, it certainly is the rule in most other countries). Nations do have a very powerful weapon in their arsenal to force corporations to behave in a more ethical manner: this is the “license to operate”. Nations must reinforce this weapon and it is expected that they shall soon start enforcing annual license renewal applications where companies will have to submit their balance sheets based on

⁵⁴ Linda Weiss: *Globalization and the Myth of the Powerless State*, *New Left Review*

the so called “triple bottom line” principle, that is submitting the financial balance sheet, the social balance sheet and the environmental balance sheet for approval. In some countries (UK and Scandinavia) legislation in this direction is already underway. In the end politicians will probably prove more resilient than brands.

Message 3:

The Collapse of Information Asymmetry

Information asymmetry or imbalance has always been in favor of the brand up to now, but this is being reduced dramatically in our interconnected world as it is the better informed customer who now dictates the rules of the buyer-seller transaction at the lower-end of goods or “old assets”. However, brands are creating a new colossal asymmetry through the use (abuse?) of patents in order to control the “new assets” of the information economy along with customers’ intellectual legacy, thus risking their very “license to operate” since in order to ensure the strict enforcement of license terms, it is expected that governments will soon require approval of brands’ financial, environmental and ethical balance sheets, making it harder for them to flourish as they have been doing up to now.

4. *Acceleration Disorders and Short Life Cycles, Paving the Way for the “Free Brand”.*

A very important element associated with our modern, networked, economy is the element of time. Terms like Economies of the Nanosecond, Economies of Time—instead of the old fashioned Economies of Scale⁵⁵—and others, all express a new kind of Darwinism in our society: a Time Darwinism or, in other words, the survival of the fastest. But what is even more important is not time itself—even if it is a “fast time”⁵⁶—but actually time’s acceleration and the related idea of accelerating change. Mathematicians, philosophers, futurologists and others, including Stanislaw Ulam, John von Newman, Vernor Vinge⁵⁷ and Reymond Kurzweil⁵⁸ to name but a few, are paying more and more attention to this phenomenon. Without going into greater detail, the central idea is that technology has imposed an exponential rate of progress and a pace growing ever faster, in place of the old linear one that we were comfortably used to, on almost all our activities. This development, which I will henceforth refer to as “accelerium” for the sake of brevity, has important implications for our life, creating new conditions for both the brand and the customer.

The new conditions that have come into being for brands include the following: shorter product life cycles (in some industries down to 5 months from 5 years in just two decades), a generalization of Moore’s Law⁵⁹ to cover more industries—in addition to the field of microprocessors where it was initially conceived—with rather unpleasant results. A recent analysis by D.Raaf⁶⁰ also supports this view: “The current marketing environment is becoming more and more complex over time, to the extent that it now feels chaotic. In marketing this results in, for example, extremely short lead times for new product development, very short life cycles of new products, failure rates of new products of up to 90% in some markets, hyper competition, competition from unexpected sources, etc. Today’s business environment is very complex and dynamic”. In addition “accelerium” also results in stable mate product and brand cannibalization, distorted brand personalities with unclear USP and differentiation, quality and service problems that force many companies to withdraw popular brands from the market, loss of sales potential (educated customers now wait and wait till the “next” product launch or extension when the brand will be cheaper and trouble-free) and finally the last straw: the “free

⁵⁵ Freeman Dyson: *The Sun, the Genome and the Internet*

⁵⁶ Thomas Eriksen: *The Tyranny of the Moment*

⁵⁷ *The Coming Technological Singularity*

⁵⁸ *The Singularity is Near*

⁵⁹ David Brock: *Understanding Moore’s Law*

⁶⁰ Daan de Raaf: *Unleash the Future*, DDB

brand”. This latest phenomenon, that usually appears in the technology sector, aims to trap the customer in a product that is initially offered for free or at almost no cost. (But again, educated customers have found a way to deal with this, i.e. printers and their notoriously high priced consumables).

“Free Brands” or There Ain’t No Such Thing As a Free Lunch?

Free brands are thriving, particularly in the “content industries”. A recent report by Emory University focuses on this trend⁶¹: “A series of recent business moves—including the decision by the *New York Times* to no longer collect a fee for online access to selected articles, Internet service provider AOL’s ongoing push to garner revenue from advertising instead of subscription fees, and musings by *Wall Street Journal* owner Rupert Murdoch about eliminating charges for its online edition—appear to have upended a favorite saying of economists: TANSTAAFL, or There Ain’t No such Thing As A Free Lunch.” The Emory faculty notes that despite the shakeups the Internet has brought about in the marketplace, most companies—apart from information providers—will most likely be able to avoid getting wrapped up in the Internet’s so-called free-pricing model; a model that, they explain, is really not free at all. “The cost model for information production is unlike that of other industries,” says Ajay Kohli, a chaired professor of marketing at Emory University’s Goizueta Business School. “Consequently, the pricing model is different, too.” For example, regardless of the level of efficiency attained by an automobile or other manufacturer or service provider, the production of each individual good or the rendering of each service for each buyer incurs incremental material and/or labor costs. Because these incremental costs are discrete, or may be traced to an individual unit of production or service, a manufacturer or service provider will generally cover them by charging each consumer a price for each unit of product or service.

But when it comes to information or other digital content such as music or movies, the costs of production are generally only incurred a single time, notes Kohli. This makes it imperative for information providers to distribute their content to as many consumers as possible. By distributing their content widely, they can amortize their production costs across a large number of fee-paying customers. Alternatively, if they choose not to charge a fee, their broader consumer reach makes them more attractive to advertisers, he notes. “That is why, for example, television and radio developed as so-called free mediums,” says Kohli. “The cost for each unique show was only incurred once, during production. Their wide reach made them attractive to advertisers that wished to reach targeted geographic and demographic markets,

⁶¹ *End of Paying for Information on the Net, Emory University, October, 2007*

and advertisers were willing to pay television and radio stations for access to their consumers (audiences). “That’s why it is incorrect to say that the [pre-cable] television and radio business models were ‘free,’” explains Kohli. “The entrance fee may not have been denominated in currency, but it did require consumers to sit through commercials—at least until innovations like VCRs and, later, Tivo, enabled audiences to de-link their schedules from that of the broadcaster, while also giving them the ability to fast-forward through the advertising.” Kohli says these developments led directly to the no-fee business model that was initially followed by many newspapers that migrated to the Internet. Publications like the *New York Times* and the *Wall Street Journal*, which bucked the trend and charged for their content, may have believed that their brand strength would enable them to charge a premium. “If so, that may have been a mistake,” he says. “Branding is not the primary issue here. Instead it is the extent to which people are interested in paying for information content. The fact is, most people prefer not to have to pay for it. Increasingly, the mindset of the public is that information should be ‘free’ and available to anyone who wants it.”

Kohli adds that while some percentage of the population, particularly those whose bills are being picked up by their employers, may be willing to pay for news and other information, “the group that is unwilling to pay is much larger, so a publication like the *New York Times* is likely to make more money by not charging for its content and instead getting more advertisers.” Greg Thomas, director of research and programs at Emory Marketing Institute, observes that currently, media websites find themselves in a case of the prisoner’s dilemma—a game theory exercise involving two criminal suspects who are separately offered the same deal by police: if one testifies against the other, the betrayer goes free and the silent accomplice receives a full 10-year sentence. If both stay silent, both prisoners are sentenced to only six months in jail for a minor charge. If each betrays the other, each receives a five-year sentence. Each prisoner must choose whether to betray the other or to remain silent. But neither prisoner knows for sure what choice the other will make. So this poses the question: How should the prisoners act? Similarly, “If all media sites work on a pay-to-play pricing model then consumers would pay for their favorite sites,” says Thomas. “However, when it comes to news there are a lot of third-party payer sites, where advertising provides the revenues. This allows people to read several media sources for free, and if one source is not free then it is bound to lose readership unless its content is highly distinctive. As a consumer, why should one pay for news content when nearly the same news content can be read for free?”

Is Brand Singularity Near?

Developments like the ones described above are bringing about new conditions for the consumer that could be summarized in two concepts: “*Brand Dilution*” (unsatisfying brand experience, quality/service troubles, loss of loyalty, etc.) and

“*Hurry Obsession*”—also expressed in such terms as hurry sickness, acceleration disorder, etc.—since the individual himself is also a victim of fast time (I want it and I want it Now . . .). This is the era of the never satisfied customer⁶². (Though signs of a new emerging trend in favor of “slow brand/experience” are now becoming clear, but that is another topic).

Taking the impact of the “*accelerium*” on both brand and consumer, as briefly analyzed above, into consideration, together with the developments related to “free brands”, one realizes that we are on the brink of a kind of deadlock that may well worsen in the future. This observation gives rise to a central question (also capitalizing on the important thoughts of von Newman, Ulam, Vinge and Kurzweil): “is *accelerium* paving the way for a Brand Singularity to arrive, after which brands—as we know them—will cease to exist?”

Message 4:

Acceleration Disorders and Short Life Cycles, Paving the Way for the ‘Free Brand’.

As interconnectivity has begun to impose a frenetic acceleration of time, breeding the never satisfied customer with his hurry obsessions, brands are beginning to experience a steadily dwindling life span, and even a life that costs nothing as in the case of “free brands”, thus paving the way for a singularity to come, after which brands—as we know them—will cease to exist.

⁶² *ie Regis Mc Kenna: Real Time*

5. *Brand Overdose: Creating the Never Satisfied Customer*

Paralyzed Customers

People are surrounded by thousands of brands on a daily basis. We are presented with infinite choices we can make from 300–400 different kinds of salad dressings, 1,000 cable TV channels, almost 10,000 different combinations of hi-fi systems, thousands of investment funds, etc. This situation which remained totally unimaginable even only a few decades ago, has created the illusion of a multitude of options, since there is hardly any real difference between the various options available except in only a few cases. Quite a number of years ago, brands dived into a furious effort to launch or extend as many new brands as possible, without stopping to consider the long term consequences of such a move. Perhaps predictably, this resulted in a kind of paradox for the marketing community, in that this growing multitude of choices only led to the creation of the less satisfied customer, despite the underlying premise that as choices grew so would the consumer's freedom to choose and hence his satisfaction level.

In fact, quite the opposite occurred. The growing plethora of choices has actually led to growing consumer dissatisfaction. In his book⁶³ B.Schwartz, Professor of Psychology, tackles this great mystery of modern life: Why is it that societies of great abundance—where individuals are offered more freedom and greater choice (personal, professional, material) than ever before—are now suffering from quasi epidemic levels of depression? Conventional wisdom tells us that the greater the choice, the greater the benefit, but Schwartz argues the opposite. He makes a convincing case for the premise that the very abundance of choice available in today's western world is what is actually making us miserable. He argues that the availability of infinite choices is paralyzing and exhausting for the human psyche. It leads us to set unreasonably high levels of expectations, to question our choices before we have even made them and to blame our failures entirely on ourselves.

Common wisdom tell us that the greater choice of i.e. products and/or brands available can only be to the benefit of the customer; however, this actually triggers and cultivates two main negative effects: it causes a state of paralysis (i.e. it becomes very difficult to choose) and engenders a lower level of satisfaction. A number of factors, such as: regret over your initial decision (even if your actual choice was terrific), the opportunity cost aspect (i.e. you appreciate most of the features of the brands you didn't buy) and escalation of expectations (after all, with 1,000 cable TV channels available, you expect to see a good film, but somehow you don't and this leads to disappointment again), have contributed to the creation of the

⁶³ Barry Schwartz: *The Paradox of Choice*

less satisfied customer. As a result of all this, people find themselves less satisfied today by brands, as a consequence of the brand overdose they are subjected to. The paradox of choice proves that the multitude of brands and options available on the “brandscape” today lead to far lower levels of satisfaction. This paradox has generated a number of economic and psychological effects for the individual. On the psychological level, depression is occurring more and more frequently today owing to an inability to achieve satisfaction. On the economic level, a state of inertia and indecision is setting in since people faced by such a multitude of options and/or choices tend to postpone decisions so much that frequently they never get round to making any decision at all. According to some empirical data from a leading global fund management firm, for every 10 new mutual funds added to the list clients could select from, participation went down by 2%.

Overbranded Society and an Inadequate Container?

Consumer paralysis and dissatisfaction are not only created by too many brand options available; however, but also by a surfeit of communication and branding as such. There is no practical reason why we should have more than a single digit figure number of brands in each product category. Anything over that exceeds the human mind’s ability to deal with it. According to early studies by Harvard psychologist Dr George A. Miller⁶⁴, the average human mind cannot deal with more than seven units at a time (which is why seven is a popular or even a “magic” number). Furthermore, as Rice and Trout wrote in their classic book two decades ago “if our mental storage bowl is too small how in the world are we going to keep track in our mind of all those brand names which have been multiplying like rabbits over the years?”. Experience has also shown that the first brand to get a foot into the brain’s door, on average, grabs twice as much of the long-term market share that the second brand achieves, and twice as much again as the third brand.

Exploiting the “New Product” and Psychic Profit Magic

However, if the existence of so many brands has such a negative effect on consumers, why are so many new products introduced and do they do any good to anyone? The answer is that usually new products are more profitable for companies as they can get a higher price from the consumer by exploiting what the economists describe as “psychic profit” or “consumer surplus”⁶⁵, in other words the tendency of customers to pay a higher price for almost anything labeled with the magic word “new”. Economists measure how much consumers are willing to pay for those new twists on existing products and brands. For example, assume that a customer would

⁶⁴ Al Rice and Jack Trout: *Positioning*

⁶⁵ Tim Harford: *The Undercover Economist* and FT, 23 Dec 2007

be willing to pay \$15 for a bottle of liquor X, but it retails at just \$10. Buying the product nets a sort of psychic profit (or consumer surplus as economist call it) of \$5. Indications from econometric studies suggest that consumers usually perceive a higher psychic profit from new products and are willing to pay more for them⁶⁶. This is one of the reasons (naturally not the only one) why, for example, there was only Coca-Cola once whereas now we also have Diet Coke, Caffeine Free Diet Coke, Diet Coke with Lime, Diet Cherry Coke, Diet Coke Sweetened with Splenda etc. The discovery of the magical power of the word “new” in persuasive communications such as brand advertising is not new. Decades ago D. Ogilvy⁶⁷ was very explicit about the importance of launching new products continuously and particularly the importance of always using of the word “new” in the title of any advertisement, if possible. Ogilvy’s number one piece of advice to the advertising industry and future persuaders (i.e. creative people, copy writers etc.) was the paramount magic of “new”.

But how does this magical “new” affect the hearts and minds of consumers?

Curiosity is also a factor in driving people but this has been known for a long time and is hardly a sufficient motivation in itself. Deeper reasons should be sought in the modern psychoanalytic methods used today by persuasive communicators. The “new” is used not only to characterize a product’s actual features (no matter how “new” these may really be) but a whole “new community and lifestyle” for users of the “new” product. The “unlucky” consumers who will not buy the new product immediately and at a premium (usually) price look almost miserable and are full of negative feelings. While on the society front they find themselves excluded (instead of included) in the community. On the psychic front this translates into what psychoanalysts describe as “rejection” followed by fragile or low “self-esteem”. Psychologist T. Kasser refers to such phenomena and what persuasive advertisers do, using the term “discrepancy theory”⁶⁸. Put simply, discrepancy theory is about noticing the difference between the lifestyles of people in adverts and our own; the greater the discrepancy, the more urgent the need to buy the product, and more miserable our lives appear without it. Hence, since the existence of so many brands (in some product categories there are even 200 brands) leads to such negative effects, one can be justified in asking the following two questions: first, why and how did this happen and second, what will happen in the near future?

Geography, traditional distribution channels and weak retailers, the imposing power of dominant brands, extreme profit margins, the persuasive power and arrogance of the once powerful brands, were all instrumental in creating this phenomenon. However, all these factors are in extreme decline and are no longer

⁶⁶ Jerry Hausman: *Social Experimentation*

⁶⁷ David Ogilvy: *Ogilvy On Advertising*, (Vintage Books, US 1983)

⁶⁸ Tim Kasser: *The High Price of Materialism*, MIT Press, 2003

relevant, as discussed in this book. As to the question of what will happen in the future, we are already witnessing a dramatic reduction in the number of brands as a result of extreme market polarization, whereby the focus is now either on “no label” products (for the poor polar) or on “custom made and bespoke” goods offered by specialized retailers (for the rich polar). The era of the overbranded society is over, for ever.

Known Unknown 5

Brand Overdose: Creating the Never Satisfied Customer

Although, in an overbranded environment, the hundreds or even thousands of brands available in each given product category, create the illusion of greater choice and more freedom for consumers, in actual fact they only lead to decision paralysis and, more importantly, to a less satisfied customer since his expectations begin escalating almost infinitely, ultimately leading to quasi epidemic levels of depression.

6. *The Virtual Money Game: Killing the “Schumpeterian Entrepreneur” and . . . Brands.*

Governments are not the world’s most powerful instrument of governance. Nor are global corporations, or even brands. Today, the world’s most powerful instrument of governance is the global financial system, that is running dangerously out of control. In his book⁶⁹ Korten describes this situation extremely well: “Each day half a million to a million people—primarily Western Europeans, North Americans, and Japanese—arise as dawn reaches their part of the world, turn on their computers, and leave the real world of people, things, and nature to immerse themselves in playing the world’s most lucrative computer game: *the money game*. As their computers come on line, they enter a world of cyberspace constructed of numbers that represent money and complex rules by which those numbers can be converted into a seemingly infinite variety of financial instruments, each with its own distinctive risks and reproductive qualities. Through their interactions, the players engage in competitive transactions aimed at acquiring the money that other players hold, for their own accounts.

Players can also *pyramid* the amount of money in play by borrowing from one another and bidding up prices. Indeed, the money game players have been so successful in creating play money that for every \$1 now circulating in the productive world economy of real goods and services, it is estimated that there are \$20 to \$50 circulating in the world of pure finance—“investment” funds completely delinked from the creation of real value. In the international currency markets alone, some \$800 billion to \$1 trillion changes hands each day—unrelated to productive investment or trade in actual goods and services. These are real world consequences of an *out of control financial system* in which *reckless young traders* backed by the massive financial assets of leading private financial institutions send billions of dollars sloshing around the world in a high stakes gambling frenzy with an almost complete absence of oversight.

At Kidder Peabody, a major U.S. investment house, a lone trader reported \$1.7 trillion in phony trades over a period of 2½ years before his superiors noticed anything amiss. During this period he claimed he had earned the firm \$350 million in profits, for which he was rewarded with an \$11 million bonus. Only later was it discovered that he had in fact lost the company \$85 million on the few trades he had actually made.

In one month a 28 year old trader at Barings bank lost \$1.3 billion on bad derivatives bets forcing a venerated 233 year old bank into bankruptcy.

Societe General, lost in 2007/8 more than \$ 7 billion from a 31 year old young trader, Mr Jerome Kerviel.

“The global financial system is wildly out of control.”

⁶⁹ David Korten: *When Corporations Ruled the World*

In my book⁷⁰ I stated that “financial markets today are controlled by the ‘Big Three’, the three US fund management companies i.e. Fidelity Investments, Vanguard Group and Capital Research, who were managing \$500 billion in pension and investment funds at that time. The ‘Big Three’ have replaced the ‘Seven Sisters’ (oil giants) in the power game, signaling the shift to the light economy, the casino/pyramid economy of the electronic/virtual funds. As a result, every day (1998) approximately \$1.5 trillion is transferred in the world stock exchanges, while only \$15 billion consists of commercial transactions for goods, representing only 1% of the above funds . . .” So it is rather inevitable that today the allure for new product/brand creation, innovation, creativity and, most importantly, entrepreneurship is fading away as wealth seekers are now exclusively tuned to financial markets. And who can say that they are not perfectly right to be doing so? According to estimates in a recent book⁷¹, in 1985 there were 13 billionaires in the US, while today there are over 1,000. In 2005, the US minted 227,000 new financial millionaires, people with more than 1 million in investible assets.

In addition, “less rich” people may also be added to the “rich polar”. For example, Goldman Sachs’ 26,500 employees, all of who received year-end bonuses averaging \$623,000 each, on top of their generous salaries, in only one year!! The loss of interest in brands by global corporate giants these days is also obvious. For example, Unilever reduced its brand portfolio from some 1,600 brands in 2000, down to 400 in 2005. In addition, a recent article in the Financial Times⁷² stated that “P&G is exploring the sale of its Duracell batteries, Pringles chips and Millstone coffee businesses . . . selling the brands could fetch more than \$5 billion and help the US consumer product group focus on higher-margin . . . products”. And furthermore, in in the Lex column “P&G is feeling unloved . . . though its management is widely regarded as amongst the best in the business”. Instead of brand creation and management, global corporations are showing signs of a shift to more “intangible” activities, such as selling and/or buying brands or, in other words, in pure financial transactions. As *Wired* put it, diplomatically advising corporations not to invest in brand creation, “buy it now”. In an article about the six mega trends for 2006, the magazine wrote:

Buy It Now, historical approaches to R&D are beginning to give way to large companies accelerating their progress by buying companies that develop promising ideas. This idea has always been around, but what is changing is the scale, and small to medium size companies seem keen to put themselves on the auction block.

⁷⁰ Costas Kataras: *The Global Village Information Poor, 1998*

⁷¹ Robert Frank: “Richistan”- *Journey Through the American Wealth Boom and the Lives of the New Rich*

⁷² “P&G eyes possible sale of Brands”, FT October 3 2007

But small, creative, companies and businesses that produce goods and new brands, are rather scarce today. Most young people are attracted to the charms and fast rewards of virtual/stealth money as described above. Furthermore, the “entrepreneur spirit” as praised by the leading Austrian economist Schumpeter⁷³ is not “cool” any more.

Figure 8

The Virtual Money Game: How Valuable is a “Brand” Algorithm?

Metric of Cosmology Algorithm

$$ds^2 = -dt^2 + a(t)^2 \left(\frac{dr^2}{1-kr^2} + r^2(d\theta^2 + \sin^2\theta d\phi^2) \right)$$

(Source: Albert Einstein)

Value
(times turnover)

Priceless

(Consumer) Brand Equity Algorithm

$$E(B_i) = I_{CAP} + [E(R_{M_i}) - I_{CAP}] \times \beta_i$$

$E(R_i)$ = Expected return on investment
 I_{CAP} = Risk-free interest rate (generally flat yield)
 $E(R_{M_i})$ = Expected market return (e.g. industry index)
 $E(R_{M_i}) - I_{CAP}$ = Market risk premium
 β_i = Beta factor = Volatility of return on investment relative to expected market return

(Source: BBDO Brand Equity Evaluator /CAPM)

=  =

3

New Economy Brand “Algorithm” ?

=  =

(Source: Bill Gates/ Microsoft’s offer to acquire Facebook)

=  =

66

Message 6:

The Virtual Money Game: Killing the “Schumpeterian” Entrepreneur and . . . Brands
As the global financial system is running dangerously out of control, the entrepreneurial spirit is fading away as is the interest in brand creation, as the new religion of the new generation has become the stealthy, virtual, money game of the financial markets.

⁷³ Joseph Schumpeter: *Capitalism, Society and Democracy*

The “Schumpeterian entrepreneur”, the one who makes things work in the economy of a country, who really mobilizes innovation and creativity (sometimes even through a process first described by Schumpeter as “creative destruction”), is a species under extinction. In the long run, corporations will be left without options on which brands to buy, even from small companies (possibly with the exception of “dot com type” brands/companies, but that is a different topic, not to be discussed here, and a possible cause of a second round of a “dot com bubble” crisis . . . the recent signs from the meteoric rise of Facebook are rather alarming . . .) One way or another, brands find themselves trapped between the greed of the young generation of entrepreneurs seeking fast stealth wealth creation and their parent companies’ preference to be transformed into financial institutions (where again the money is . . .), leaving them orphans in a polarized world, now ruled by the “law of diminishing effort”. The recent unbelievable valuation of Facebook, the social networking web-based company, at \$10 billion is also a case in point. A valuation (unofficial, while negotiating to sell only a 5% stake to Microsoft, according to the WSJ) of \$10 billion on revenues of \$150 million or 66 times revenue, compared to P&G’s price tag—for some brands rumored for sale like Gillette’s Duracell batteries—usually at about 2 times turnover. Did a company, totally unknown till a few months ago, achieve such success because it had a great corporate brand or because of the innovation and management capabilities of its 23 years old CEO, Mark Zuckerberg?

7. *The Brand’s Foolish War Against the Middle Class*

Democracy, society and the economy thrived in the last century or so in the West, by depending on a vast majority of people who in economic terms could be described as the “middle class”, reflecting a rather natural state of humankind⁷⁴. As some biologists suggest, it seems that there is a deeper instinct in the animal world (i.e. the herd, flock or swarm instinct of deer, birds, bees etc.) for plurality and democracy in social formations—also driven by the instinct for survival—which favors the majority against the minority or, in economic terms, the vast middle class against the elites or even the leaders. Recent Chaos and Complexity Theory simulations with the use of “Boids” (i.e. electronic or virtual birds used to study the decisions and behavioral patterns of birds in flight) supports the above idea of the power of a herd, swarm, crowd, mass⁷⁵, and of its intelligence as well⁷⁶.

Some authors suggest that in today’s network economy, more than ever, the need for corporations to embrace the herd is an obvious prerequisite for future success⁷⁷. Other scientists have phrased it in a more radical way by saying that “the goose who is in front/ahead is not the leader”⁷⁸, an argument with important implications on how leading brands, powerful businesses and even political leaders emerge in our interconnected world today. This swarming, vast majority, or in economic terms, the middle class, traditionally constituted the brand’s spine in the developed economies and enabled its very existence and subsequent extreme growth. However, it is the brand itself and the rise of a ruthless corporatocracy that has sapped the very existence of the middle class by plotting its uncertain future and desperation. How did the middle class get into so much trouble today? Why has it been eroded and shrunk so much? Among other things, there are two the main reasons for this: lower incomes (i.e. job loses) and revenue inequality. Over the four years (2001-2005) 2,818,000 manufacturing jobs have been lost in the US and the number of private sector jobs created since 2001 has fallen by 1,160,000. A CEO’s inflation-adjusted average annual pay had risen from \$7,773,000 to \$9,600,000 in 2004 over 2002. Meanwhile, from 2000 to 2004, the inflation-adjusted median annual household income fell from \$46,058 to \$41,389. Past data also support this trend, as presented in my previous book: between 1997 and 1992 the average productivity of the US labor force grew by 30%, while median salaries/paychecks fell by 13%⁷⁹. We can see similar patterns in the EU as well.

⁷⁴ *Thom Hartmann: Screwed—The Undeclared War Against the Middle Class*

⁷⁵ *Craig Reynolds: Flocks, Herds, and Schools: A Distributed Behavioral Model*

⁷⁶ *James Surowiecki: The Wisdom of Crowds*

⁷⁷ *Kevin Kelly: Out of Control*

⁷⁸ *Nicholas Negroponte: Being Digital*

⁷⁹ *Michael Lind: To Have or not—Notes on the Progress of the American Class War*

For example, in Greece available income for salary workers between 1993-1996 in constant 1993 prices fell by 2% (by 14.3% for pensioners), while GDP grew by 7% over the same period.

In their restless pursuit of extreme profits, brands are sailing around in the magic, open and totally free seas of globalization, moving their production facilities (as a first step as we know, since white collar work is following suit) from the affluent “north” to the desperate “south”⁸⁰. Levi Strauss, the jeans symbol of America founded in 1853, does not even have one manufacturing plant in the US today. And as for the notorious Nike company: its athletic shoes that sell for \$73-135 around the world are manufactured by 75,000 workers employed by its contractors in low income countries in Asia and their “labor camps”, and are paid as little as 15 cents per hour. Fortune 500 companies reduced their total employment by 4.4 million jobs between 1980 and 1993—a period during which their sales grew 1.4 times, assets grew 2.3 times and CEO compensation rose 6.1 times⁸¹. As analysts have pointed out⁸², in the 1979-1995 period, the era of the brand’s massive profitability, the bottom 60% of the US labor force was forced to work for progressively lower wages, so that by the end of the period, their wages were 10% lower than they had been at the beginning. But as economists suggest⁸³, underconsumption is a function of consumer demand and the more brands try to bloat their extreme profits, the more they reduce consumer demand. A vicious circle begins and brands are entering into a deep crisis. The more the average income of the middle class is squeezed, the less the vast majority of the market can afford to buy products and services. (The argument that new “middle classes” are being created around the world in the process, may be true to a certain extent, though this remains far from obvious, but the purpose of this book is to examine developments in the “north” and anyway, even if middle classes are actually emerging elsewhere, such a process would need at least a couple of generations before it could be realized and brands can hardly be expected wait or survive that long.)

The gap between the extreme productive capacity of brands and the limited purchasing power of most of the population is even most striking on a global level. According to some authors⁸⁴, the number of people living below the poverty line globally, grew from 1.1 billion in 1985 to 1.2 billion in 1998 and was expected to reach 1.3 billion in 1999). If one moves from poverty to income inequality, a previous study in 124 countries representing 94% of the world’s population,

⁸⁰ *Lou Dobbs: Exporting America-Why Corporate Greed is Shipping American Jobs Overseas and Byron Dorgan: Take this Job and Ship It*

⁸¹ *David Korten: When Corporations Ruled the World*

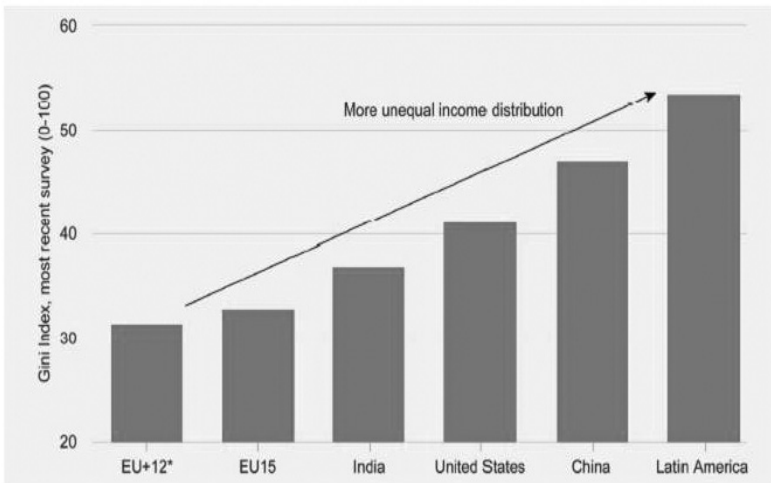
⁸² *Robert Brenner: The Boom and the Bubble-The US in the World Economy*

⁸³ *Gary Shilling: The World has Definitely Changed-New Economic Forces and Their Implications*

⁸⁴ *Naomi Klein: No LOGO*

shows that the top 20% raised its share of total income from 69% to 83%, while the middle stratum’s income was eroding. This erosion has seriously damaged the US population as well. Today, more than 37 million Americans are living below the poverty line. Income inequality is increasing dramatically as studies suggest. The 2006 Gini index for the US was comparable to that of Turkey, Mexico and Russia, forcing Mr Alan Greenspan in 2005 to say that “this is not the type of thing which a democratic society—a capitalist democratic society—can really accept without addressing”. In the meantime society and the US middle class is being sacrificed to a revenue disparity ratio that is steadily getting worse, eroding the ability to have a brand experience⁸⁵.

Figure 9
European Inequality Lower in the World



Source :PricewaterhouseCoopers, World Economic Forum, UNDP, World Bank (2007/8)

⁸⁵ *Lou Dobbs: War on the Middle Class*

Other research⁸⁶ shows that the revenue disparity ratio is now comparable to the one on the eve of the Great Depression at the end of 1920s. According to this work, the revenue ratio between the richest 0.01% and the poorest 90% wavered around 170/180 through the years 1950 to 1980, and leapt to 880 in 2005, i.e. about the same level (891) as in 1928. What can the brand's future be like in a depression level of demand environment?

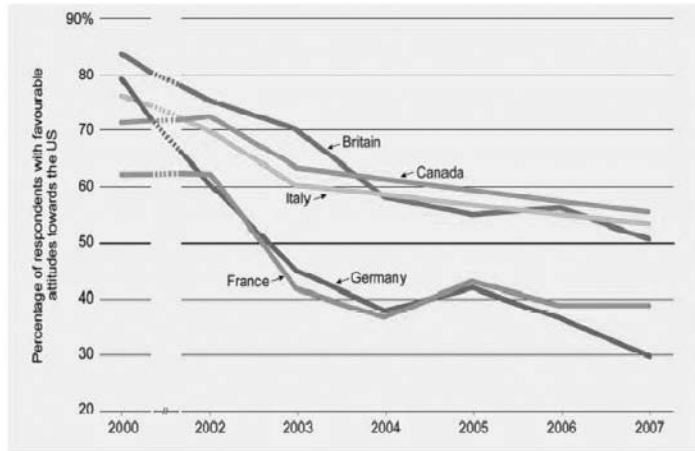
Nice Capitalism Wanted: The Myopia of Brands

Contrary to what corporate leaders want people to believe, consumers and citizens in affluent nations (those first to taste the bitter fruits of globalization, with the export of jobs etc.—but also first to witness the demise of the brand, as everything starts in the affluent “north” as we shall analyze further on in this book) are negative and against globalization. As a recent FT/Harris poll shows⁸⁷ “A popular backlash against globalization and the leaders of the world's largest companies is sweeping all rich countries. Large majorities of people in the US and in Europe want higher taxation for the rich and even pay caps for corporate executives to counter what they believe are unjustified rewards and the negative effects of globalization.” Further on US, the fatherland of arrogant brands is losing favour across the West.

⁸⁶ Thomas Piketty and Emmanuel Saez: *How Progressive is the US Tax System?*

⁸⁷ *Financial Times: Globalization backlash in Rich Nations, July 22 2007*

Figure 10
 US Losing Favor Across Europe and the West



Source :PricewaterhouseCoopers, World Economic Forum, Pew Global Attitudes Survey (2008)

Viewing globalization as an overwhelmingly negative force, the citizens of affluent countries are looking to governments to cushion the blows they perceive to have come from the deregulation of their economies to trade with emerging countries. Those polled in Britain, France, the US and Spain were about three times more likely to say globalization was having a negative rather than a positive effect on their countries. The majority was smaller in Germany, with its large export base. In response to fears of globalization and rising inequality, the public in all the affluent countries surveyed—the US, Germany, UK, France, Italy and Spain—want their governments to increase taxation on those with the highest incomes.

In European countries, a large majority want governments to go further and to impose pay caps on the heads of companies. Europeans still overwhelmingly support the principle of free competition within the European Union, contrary to Nicolas Sarkozy’s wishes at the recent European summit, but in France,

Germany and Spain, the populations want their political leaders to play a larger role in managing their economies. The depth of anti-globalization feeling in the FT/Harris poll, which surveyed more than 1,000 people online in each of the six countries, will dismay policy-makers and corporate executives. Their view that opening up economies to freer trade is beneficial to poor and rich countries alike is not shared by the citizens of rich countries, regardless of how liberal their economic traditions. The issue of rising inequality is now high on the political agenda of every country and will feature prominently in the 2008 US presidential election.” Of particular interest is that US citizens are expressing the same feelings without deviation from Europeans. As a national paper writes, the situation is best described by a demonstrator’s banner held in London, last May 1st saying “*Capitalism must be replaced by something Nice.*”

Message 7:

The Brand’s Foolish War Against the Middle Class

The Brand’s restless pursuit of extreme profits through de-localization and downsizing among other things, and the resulting income inequality and erosion of its own backbone which is the vast middle class, has created a new societal gap between the extremely poor and the extremely wealthy, neither of whom can warrantee the mass market imperative required for the future existence of the brand.

8. *The Brand's Death Sentence:*

The Violent Market Polarization Effect

The brand's arrogant genes filled with an excess of ego and vanity in their quest for extreme profits, power and “grandeur”, are often prepared to sacrifice their very “homeland”. In commercial terms, the brand's “homeland” is the vast middle class, the mass market, where the traditionally mass produced brands came of age and thrived. The squeeze and evaporation of the middle class (as described in the previous chapter) by the foolish and greedy behavior of brands and ruthless “corporarchy”, is posing a big threat; the brand's most important and core market is vanishing. And its “terra vita” is being equally undermined.

Expelled in the “Polar”

The exponential erosion of the middle class has developed a new societal structure formation through the creation of bipolar conditions consisting of the extremely wealthy on the one hand and the extremely poor on the other, with practically no room left in between. Such a formation within the US and other countries of the affluent “north”, has made it look as if two nations exist within the economically developed countries, today. According to a recent book by a Wall Street Journal columnist⁸⁸ one of the countries is called “Richistan”. We can call the other “Pooristan” . . . Who are each of these two “countries” populated by, and how do the citizens of each behave with regard to their buying needs?

“Richistan”, as its very name suggests of course, is populated by the elite rich. According to estimates, there were 13 billionaires in the US in 1985, while today there are more than 1,000. 227,000 new financial millionaires, people with more than one (1) million in investible assets, had come into being in the US by 2005. Usually, if you want to belong to this “nation” you need about \$10 million before you can be considered eligible as a potential “citizen”. The top 1% of these citizens control \$17 trillion in wealth, by far more than many developed nations put together. If you like, you can add their poor relatives working in “high finance” to the above. These “poor relatives” are none other than, for example, the 26,500 employees of Goldman Sachs for instance, who all earned an average of \$623,000 each in only a year-end bonus, on top of their generous salaries!! Citizens of “Richistan” are, according to Frank, “financial foreigners” within their own country. They have their own health care system staffed by “concierge doctors”. They have their own travel network, private jets and destination clubs. Rumor has it that some of them even

⁸⁸ Robert Frank: “Richistan”- *Journey Through the American Wealth Boom and the Lives of the New Rich*

have house staff numbering over 100 people (servants?) and of course a household manager, etc.

Now, who is “Pooristan” populated by? Well, lets see now, that’s the 35 million Americans living with low food security (i.e. in conditions of hunger), the 37 million living under the poverty line, the 46 million uninsured, elderly Americans, 2 in 5 of whom live (or rather manage to survive, to the extent that they do) on less than \$18,000 a year and all those described at the beginning of this chapter. So what are the new conditions now prevailing as a result of these two opposite “nations” within a country, for the brand? This is my scenario. In “Richistan”, mass produced products and brands are most certainly not an option. This is the land of the artisan and luxury items. The land of personalized, customized goods and delicacies. The land of the bespoke, where there is no room for the Nikes of this world. Furthermore, this is a land where inconceivably expensive experiences are being sought, something traditional brands would be hard pushed, to say the least, to provide. This “nation” or gated community is way out of reach for the vast majority the brands as we know them, who now find themselves left out in the cold (like most of the rest of us come to think of it). In “Pooristan”, on the other hand, ordinary people (who, here, are poor by definition) would love to have a brand experience, but progressively they will no longer be able to afford it. So they will turn back to the future, i.e. to home made products, do-it-yourself, no label or own label but cheaper products, etc. In a word, it will be back to the years of the Great Depression and even worse. So in effect, after its fatal war against the middle class, the arrogant, psychopathic and ultimately suicidal personality of the selfish brand, shall be left without a market. Not very unlike a superstar on the stage with no one left in the audience to cheer and admire him.

In their desire to sound more politically correct, some analysts and management gurus have called this phenomenon “polarization”. But put quite simply and succinctly, what we are witnessing is simply the “disappearance of the middle class”. Brands have played their own infamous part in orchestrating, initiating and performing a series of vile actions that have led to the depletion and ultimately the virtual disappearance of the middle class, through the imposition of forever growing income inequality on society. Middle class/level workers can no longer enjoy a decent income; their jobs have been shipped to Asia and other low cost (slave labor conditions) countries, reducing them to part-time, low-paid, even “unemployable” workers.

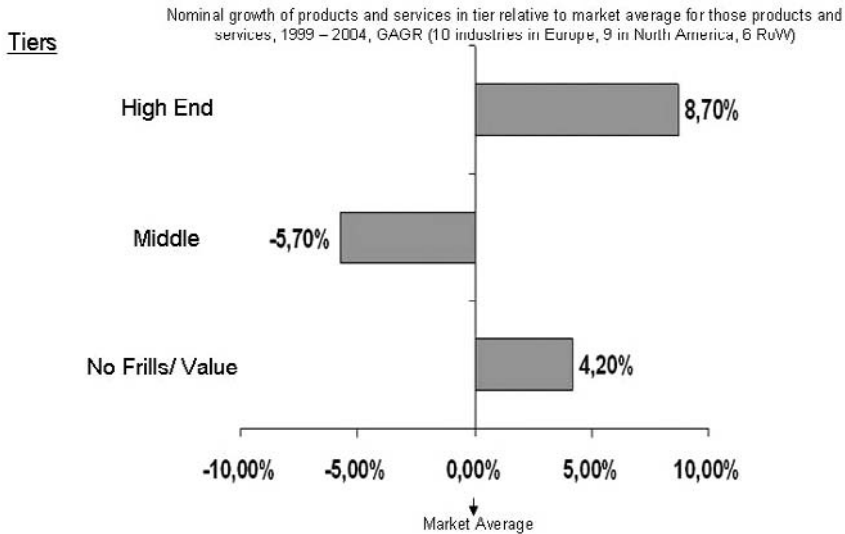
Staying in the Middle: A Death Sentence?

The above is amply supported by McKinsey’s findings in a 2005 study. This leading consulting firm’s report states: “Our study of 25 industries and product categories in Europe, North America, and on the global level shows the extent of this

phenomenon, known as market polarization. We found that, from 1999 to 2004, the growth rate of revenues for mid tier products and services trailed the market average by nearly 6 percent a year. For companies competing in industries and product categories as diverse as appliances, banking, mobile phones, and apparel, growth is strong at both ends of the market. Such companies face a difficult choice: either focus on one of the market's extremes and concede ground elsewhere or learn to serve both premium and value customers. Nokia, for example, has opted for the latter approach by attempting to expand beyond its traditional stronghold in the middle market. The company is marketing handsets that boast features such as cameras and MP3 players to customers in the premium segment while offering stripped-down phone models to rapidly growing emerging markets.

“A second group of industries and product categories (such as airlines, groceries, PCs and servers) has been experiencing growth as customers migrate primarily toward the value-oriented part of the market. For companies in this group, it is crucial to drive costs down because no-frills competitors are constantly on the lookout for new opportunities—as Dell and Wal-Mart Stores demonstrated several years ago with their expansion into servers and groceries, respectively. Incumbents that can't lower their costs enough may find they have no alternative but to exit the market. A third group of industries and product categories, ranging from digital cameras and MP3 players to coffeemakers, diapers, and razors, is achieving growth at the higher end of the market. (A similar move toward closer partnerships and value-added solutions is also taking place in many business-to-business industries.) Companies that thrive on higher-end offerings tend to justify higher prices by focusing on innovation that adds value and on forging an emotional connection with consumers or solutions-oriented corporate customers. Consider how Apple's iPod changed the MP3 game or how Gillette has continually broken new ground with its Atra, Sensor, and Mach3 razors.

Figure 11
The Polarization Effect and the Vanishing Middle Market



Source: McKinsey, 2005

“Our research has unearthed significant variations in the ways polarization plays out within industries. Consider the refrigerator category in Europe. Although traditional producers and channels have seen their market share for midrange products remain fairly constant, this segment is in relative decline. The explanation is that imports (particularly of new brands at the market’s high and low ends), which are often sold through new channels such as hypermarkets and big-box retailers, have grown significantly. The overall market, as measured by the number of units sold, is becoming polarized, as much of the revenue growth takes place at the high end.

“We also found that polarization occurs at significantly different speeds in different parts of the world. The spike in demand for high-end refrigerators occurred roughly a decade earlier in North America than in Europe, for example. This phenomenon was perhaps caused by the rapid growth of the top income categories in the United States and by the fact that premium brands such as Sub-Zero and Viking were better established there. Today, however, the growth rates of high-end models

in Europe have overtaken those in North America. As companies and consumers on the Continent adjust to an expanded European Union, polarization could play out in many different ways. We also examined a significant sample of polarization in Europe’s auto industry. As elsewhere, the compact-car segment has traditionally been associated with mid tier brands. Now, however, automakers such as Audi, BMW, and Mercedes are introducing luxury compact models—and changing the segment’s dynamics in the process. Market polarization is a powerful trend that will continue to have a pronounced impact within channels and across industries and regions. The pattern of polarization does not lie in a category’s DNA, however. Instead, product and service providers and their channel partners will heavily influence how this phenomenon unfolds. For companies hoping to stretch their offerings to take advantage of these new opportunities, developing a keener understanding of the changing needs of the customer is the place to start.”⁸⁹

A Declared Civil War: “Good” (Brands) vs. “Evil” (Own Brands)

The squeezing of the middle class and the dramatic reduction in its purchasing power has turned middle class consumers to the cheap, so-called “own brands” (or no label brands, or house brands, or private labels, etc.), which have experienced a meteoric level of success over recent years. This development is extremely serious, threatening the very existence of traditional brands. For example, according to data in the personal care field, consumer spending on private label products grew globally from \$4.3 billion in 2000 to \$7.4 billion in 2005. As expected, traditional brands are putting up a fierce fight against the newcomers, now addressing the rationalized needs and depleted purchasing power of the “poor polar” (“Pooristan”). A civil war has broken out. Good (brands) vs. Evil (own brands). Even extremely powerful brands are taking this threat very seriously and have begun to respond aggressively to it. In 2006 Procter & Gamble filed its largest ever lawsuits against private labels involving nine brands. Clearly the world’s largest brands are prepared to respond aggressively.

In addition, national brand associations are also responding to the same threat. (i.e. the German Brands Association with its €25 million campaign, “*The Brand. I wouldn’t buy anything else*”, the Austrian equivalent with the “*Battle between Good and Evil*” campaign etc.) However, despite the power of brands, consumers are beginning to buy something else more and more frequently. More and more, own labels are not only improving their quality but also offering innovative products that consumers prefer. More and more, supermarket private label brands are creating a strong identity and profile, by spending large amounts on advertising. Consumer researchers predict that within a few years supermarket private label brands will gain a 50% share of the food

⁸⁹ Trond Rieber Knudsen, Andreas Randel, Jørgen Rugholm: *The Vanishing Middle Market* (McKinsey, 2005)

retail market!⁹⁰ What more proof do we need to realize that, in the middle class food sector at any rate, the traditional brand is already moribund!!! And make no mistake: no product group is safe. Many more will follow, since this is not an issue of personal taste and preferences. This is not an issue of market polarization either. This is in fact a fundamental effect of the progressively growing inequality in society, income erosion and the evaporation of the middle class, by greedy brands and corporations.

Empowered and Reborn Retailers

As if civil war between traditional brands and own label brands were not enough to be causing considerable damage, brands also have to fight in very hostile terrain today. That of the new, empowered and reborn retailer. Traditionally, through their large advertising budgets and persuasive power, brands exercised the enormous force of their “pull” on the consumer and, in turn, on the hapless retailer, no matter how large or small he may have been. But things have changed and retailers are now gaining much more power, to the extent that they could actually force brands out of business (see previous page on own brands). Brands were once so powerful that they could even dictate to retailers what other brands could be offered (and *not* be offered) to their clients, thereby imposing monopolistic conditions on them and destroying fair competition!!

The whole situation has been turned upside down now. A number of current trends are now acting in favor of retailers, such as: the vast growth in multiplied touch points and/or distribution channels, the general shift to spend more on experiences and less on household products, and the focus on the “rich polar” (“Richistan”) that usually requires special skills like pampering and private shopping experiences. Naturally, brands cannot provide all these amenities and services. It is the retailer who is better positioned to do so; a reborn retailer who can now dictate the new rules of the game to the once, but no longer, supremely powerful brand. In the meantime, brands are trying to establish what they call “more collaborative relationships” with retailers and all other channels and touch points. In that context, particularly packaged goods marketers, are learning the new “hi-tech” techniques of how to influence consumers at the point of sales of large retailers, known as “shopper marketing”!!!

Message 8

The Brand’s Death Sentence: The Violent Market “Polarization” Effect

The new societal formation with its “Rich Polar” and “Poor Polar” is creating a polarization phenomenon and the death of the middle class, that, combined with the resulting demand for own labels and the empowerment of retailers/channels, are imposing an extreme threat to an already, in some sectors, moribund brand.

⁹⁰ Hajo Riesenbeck and Jesko Perrey: *Power Brands*

9. *Out of Reach: The Consumer’s Diminishing Attention Span*

“The real beauty is that if we choose to shut advertising out, we can . . . we call the shots with advertising today”

(Business Week, 2005)

There is no doubt that we are living in a world of abundance, at least in the developed “north”. Everything appears to be plentiful, from goods to money and from free time to charity funds. However, the only factor that is becoming scarce in our interconnected world is human attention!! And it is this very scarcity that poses one of the greatest threats to the brand in our times. After being overexposed to and over-stimulated by the brand for decades, through the mass media, and particularly television, consumers are now developing their defense mechanisms in order to avoid serious psychological and personality hazards. There is quite a consensus among scientists that too much information, TV overexposure and advertisement overdose cause anxiety, personality disorientation and even deconstruction, hypnosis, depression and many other psychopathic disorders.

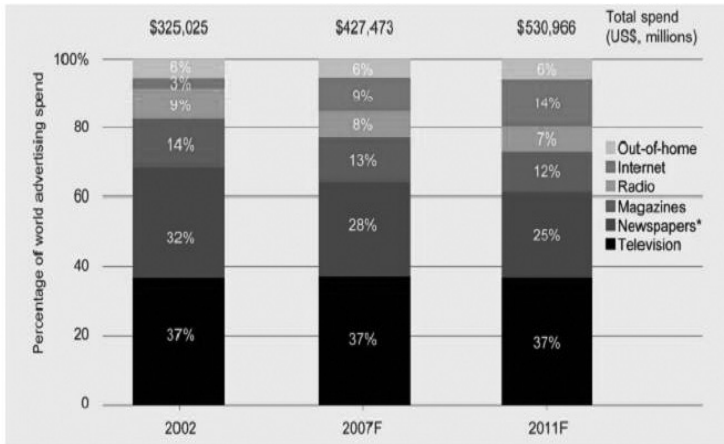
Television advertising has exploded over the last few decades. In Germany, for example, the number of television commercials grew from 400,000 in 1991 to 2,500,000 a decade later⁹¹. As for the situation in the U.S., it is estimated that 12 billion outdoor posters, 2.5 billion radio commercials and 300,000 TV ads are channeled to the collective conscious every year. The average American is exposed to more than 3,500 advertising messages per day or 100% more than 30 years ago, while channels in the US transmit some 6,000 ads per week or 50% more than in 1983⁹². As noted by *Business Week*, consumers are almost buried alive by ads and brands in the U.S., where annual per capita spending on advertising is over \$555. According to estimates, the total U.S. advertising market had reached \$285 billion in 2006, of which 5.9% was allocated to internet advertising⁹³.

⁹¹ *McKinsey Quarterly*

⁹² *Ronald Collins, Columbia Journalism Review*

⁹³ *Interactive Advertising Bureau*

Figure 12
Internet: The Fastest Growing Advertising Medium



Source :PricewaterhouseCoopers, World Economic Forum, Wilkofsky Gruen Ass – (2008)

While consumers initially lost their sleep at night (according to data, Americans sleep 6.9 hours a night on average instead of the recommended 8.5 hours, while two out of three Britons suffer from insomnia), they are now reacting by dramatically reducing their attention to ads as an effective defense mechanism. According to data, the consumer’s “attention span” (the useful attention allocated by a TV viewer to an advertisement which was initially 10 minutes, was reduced to 5 minutes, then to 1 minute and now to less than 10 seconds. Which is one of the reasons for the popularity of the 10 second commercial in modern TV⁹⁴.

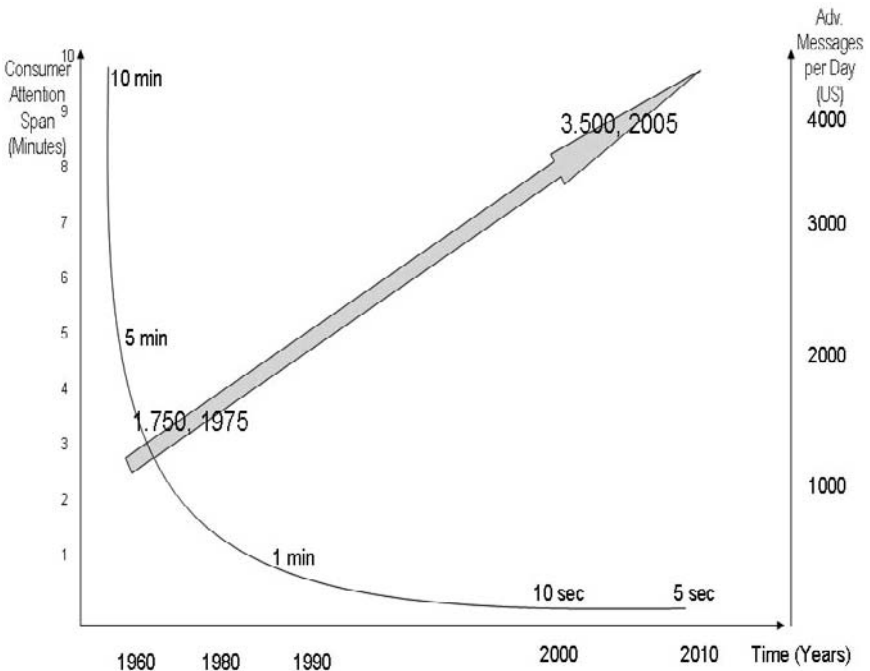
Modern technology is pushing this even further down, and this very limited attention span can practically be reduced to zero. Today, sophisticated consumers have expelled advertising from their homes, lives and cognitive environment, and can place themselves

⁹⁴ *Cornelius Castoriadis: The Rising Tide of Insignificance—The Big Sleep*

absolutely “out of reach” of the brand, if they chose to do so. As an article put it⁹⁵, brands wishing to reach Mr Consumer have to leap a lot of hurdles. Telemarketing? Forget it—the family has caller ID. The internet? No way—they have long ago installed spam and pop-up ad blockers in their PCs. Radio? They have noncommercial satellite radio at home and in the car. Television? Not likely—they record their favorite show on TiVo and skip all the ads, and, in addition they are willing to pay a monthly subscription to noncommercial satellite and/or cable TV channels. “The real beauty is that if we choose to shut advertising out, we can . . . we call the shots with advertising today” Mr Consumer says. As I predicted years ago in my first book, individuals are more in control of their lives today than ever before, including their buying behavior and transaction with brands (and control of the media, as we shall see later), through the help of technology.

Figure 13

Brand TV Advertising: Diminishing Power in the Attention Economy



⁹⁵ *Business Week: Global Brands, 2005*

Brands became gigantic through their close encounter with and control of the mass media, and particularly television, with its enormous persuasive power and ability to create buying influences in the individual. Today's new, rather hostile, environment will make it almost impossible for new brands to emerge—at least as often as they used to—and it will force the ones already in existence to loosen their psychological encounter with the individual. As some analysts put it “the era of building brands namely through mass media advertising is over.” As a result, global brands are cutting down on traditional ad spending (i.e. Mc Donald's has cut TV advertising from 80% of its ad budget to 50%, with this trend expected to continue. So, how far will brands go and what else will they be forced to do in order to gain the consumer's attention? As we know from economic theory, when a commodity is scarce, its price goes up. Therefore, in the future it is expected that the brand will have to pay the consumer a price in order to get him to pay some pre-agreed quantity of attention to the brand!!! Attention span comes with a price tag . . . A report in the *Independent on Sunday* newspaper has already examined the notion of “commodity time” and suggests that consumers could charge advertisers and/or intruders for the time allocated to receiving and listening to commercial stimuli through a system of winning points or bonuses, and perhaps also of participating in some form of viral process for profit if they wish to do so. Points collected could be cashed in through some kind of central clearing system. Such a new environment for brands is not all that futuristic an idea.

One way or another, brands will finally be forced to pay the consumer for his attention. For example, HSBC already provides free taxi services in London to individuals in return for their attention to the bank's ads in the cab!!! But the brand's arrogant genes will no doubt attempt to fight fiercely against these new conditions. Conditions created by consumers in order to protect their psychological and mental stability. Brands are already creating an armory of new weapons, also with the support of modern science, to directly attack the very essence of the unlucky and “within reach” individual: the human brain!! This new armory includes: stealth advertising (i.e. commercial messages infiltrating television newscasts), subliminal messages, propaganda techniques (i.e. usually imposing brands by associating them with a hero in situations and particularly entertainment—see James Bond films and the BMW “brand as a hero”).

The World of Ubiquitous Advertising (. . . and Consumer Disorientation)

Advertising and Entertainment

In advertising's march to ubiquity, two major boundaries have been crossed. They are crucial boundaries which greatly enhance advertising's search for the invisibility of ubiquity. Yet they are also largely invisible themselves. These are the boundaries separating advertising from entertainment and those separating advertising from

journalism. We draw from the *Journal of Media*⁹⁶: “The incursion of advertising into entertainment is a result of the increasing merger of business and entertainment, a phenomenon pointed out in best-selling business books like Michael Wolf’s *Entertainment Economy*⁹⁷ and Joseph Pine’s *The Experience Economy*⁹⁸. Wolf, a consultant for Viacom, Newscorp, and other media heavy-weights, argues business is becoming synonymous with entertainment: “we have come to expect that we will be entertained all the time. Products and brands that deliver on this expectation are succeeding. Products that do not will disappear”. And, in *The Experience Economy*, Pine notes the increasing need for businesses to provide entertaining experiences. “Those businesses that relegate themselves to the diminishing world of goods and services will be rendered irrelevant. To avoid this fate, you must learn to stage a rich, compelling experience”. Yet entertainment, whether provided by businesses or the traditional entertainment industry, is increasingly being weighed down with the “baggage” of advertising. In a large sense, entertainment is a form of new media that carries ads. Increasingly, this seems to be the overriding purpose of entertainment.

Once, not so long ago, when ads were simple and confined, entertainment was also simple and its purpose was to entertain rather than to sell. There was money enough in packed movie houses or full theme parks to make a healthy profit. But all this has changed with advertising’s ubiquity. Like media corporations searching for new revenue streams, the entertainment industry has responded to flat growth by finding new ways to squeeze money out of entertainment content. Films now feature products in paid for scenes and most forms of entertainment use product tie-ins to other areas such as retail stores or fast-food restaurants. Also popular with the entertainment industry is what might be termed the “versioning” of entertainment products into various sub-species where entertainment content is transformed into other media so it can be sold more than once. A film may not make a profit on just the theatrical release but there is a good chance that it doesn’t matter because it stands to make a profit from video rentals.”

Advertising and Journalism

The merger of advertising and entertainment goes a long way towards a world of ubiquitous advertising. Yet the merger of advertising and journalism is the real “promised land” in the evolution of ubiquitous advertising. This fundamental shift in the way news media make money provides the final frontier to be conquered by advertising, a final “promised land” for advertising. As Mike France observes in

⁹⁶ *The Growing Ubiquity of Advertising—Journal of Media and Culture*, 2000

⁹⁷ *Michael Wolf: The Entertainment Economy—Media Forces Are Transforming Our Lives*

⁹⁸ *Joseph Pine and James Gilmore: The Experience Economy—Work is Theater and Every Business a Stage*

Business Week, this merger “could potentially change the way they cover the news. The more the press gets in the business of hawking products, the harder it will be to criticize those goods—and the companies making them”. Of course, there is that persistent myth, perpetuated by news organizations that they attempt to preserve editorial independence by keeping the institutions they cover and their advertisers at arm’s length. But this is proving more and more difficult, particularly for online media. Observers like France have pointed out a number of reasons for this. One is the growth of ads in news media that look more like editorial content than ads. While long-standing ethical rules bar magazines and newspapers from printing advertisements that look like editorial copy, these rules become fuzzy for many online publications. Another reason making it difficult to separate advertising from journalism is the growing merger and consolidation of media corporations. Fewer and fewer corporations control more and more entertainment, news and ultimately advertising. It becomes difficult for a journalist to criticize a product when it has a connection to the large media conglomerate the journalist works for.

Traditionally, it has been rare for media corporations to make direct investments in the corporations they cover. However, as Mike France notes, CNBC crossed this line when it acquired a stake in Archipelago in September 1999. CNBC, which runs a business-news Website, acquired a 12.4% stake in Archipelago Holdings, an electronic communications network for trading stock. Long-term plans are likely to include allowing visitors to cnbc.com to link directly to Archipelago. That means CNBC could be in the awkward position of both providing coverage of online trading and profiting from it. France adds that other business news outlets, such as Dow Jones (DJ), Reuters, and Bloomberg, already have indirect ties to their own electronic stock-trading networks. And, in news organizations, a popular method of cutting down on the expense of paying journalists for content is the growing practice of accepting advertiser written content or “sponsored edit” stories. The confusion to readers violates the spirit of a long-standing American Society of Magazine Editors (ASME) rule prohibiting advertisements with “an editorial appearance”. But as France notes, this practice is thriving online. This change has occurred in extremely subtle ways. “A bit of puffery inserted here,” notes France, “a negative adjective deleted there—it doesn’t take a lot to turn a review or story about, say, smart phones, into something approaching highbrow ad copy”. He offers an example in forbes.com whose Microsoft ads could easily be mistaken for staff-written articles.

Media critic James Fallows points out that consumers have been swift to discipline sites that are caught acting unethically and using “sponsored edits”. He notes that when it was revealed that amazon.com was taking fees of up to \$10,000 for books that it labeled as “destined for greatness”, its customers were outraged, and the company quickly agreed to disclose future promotional payments. Unfortunately, though, the lesson episodes like these teach online companies like Amazon centers around more effective ways to be less “revealing” rather than abstention from the

practice of “sponsored edits” itself. France reminds us that journalism is built on trust. In the age of the Internet, though, trust is quickly becoming an elusive quality. He writes “as magazines, newspapers, radio stations, and television networks rush to colonize the Internet, the Great Wall between content and commerce is beginning to erode”. In the end, he ponders whether there is an irrevocable conflict between e-commerce and ethical journalism. When you can’t trust journalists to be ethical, just who can you trust?”

Message 9:

Out of Reach: The Consumer’s Diminishing Attention Span

In the world of abundance we are currently living in, the only commodity that is scarce is human attention, since the consumer now develops effective defense mechanisms—such as a minimal attention span—in order to avoid personality disorders from over-stimulation, also assisted by the technology that provides the tools for him to shut advertising out of his cognitive environment, thereby imposing an extreme threat for the brand.

10. *The Age of Personal Media is Here*

The question is whether privileged elites should dominate mass communication, and should use this power as they tell us they must—namely to impose necessary illusions, to manipulate and deceive the stupid majority and remove them from the public arena. The question in brief is whether democracy and freedom are values to be preserved, or threats to be avoided. In this possibly terminal phase of human existence, democracy and freedom are more than values to be treasured, they may well be essential to survival.

(Noam Chomsky)

Historically, the power of the brand was based on two main pillars: mass production and mass media. Both these pillars are under severe attack today, undermining the future of the brand. Although still remaining a strong feature of current conditions, mass production has lost its importance as consumers—at least in the Western, developed countries—are moving away from “products” and heading towards buying “experiences”. Average affluent household spending on, mainly, luxury experiences in the U.S. nearly doubled in 2005 to \$22,746 according to *Unity Marketing*. And according to *Verdict Research*, the amount people spend on retail goods as a proportion of consumer spending has gone down over the past 10 years. But experiences, by definition, involve a personal element/character, and are certainly not compatible with massive approaches. It is, therefore, the mass media, and particularly TV, that is suffering most in our modern times and gradually losing its enormous commercial power. A number of analysts estimate that the total collapse of traditional national TV stations will become a fact in the coming decade or so, as a result of steadily shrinking viewing.

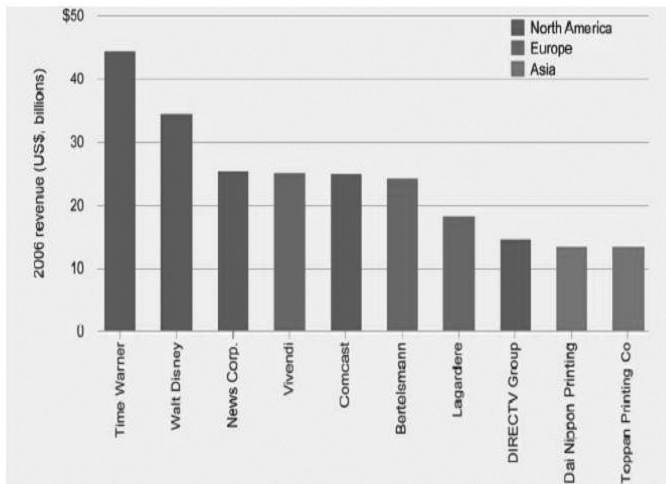
And global media conglomerates are in a restructuring and concentration fever.

In the US, for example, the total combined viewing of the three leading national TV stations (NBC, CBS and ABC) which was about 90% in 1979, had fallen to 53% in 1989, and was expected to continue declining annually by 2%. Increasingly fragmented viewing and the rise of new, digital media (DVR etc.) are also reducing the efficacy of TV advertising. According to some estimates by 2010 it could be only 35% as effective as it was in 1990⁹⁹. Today we are surrounded by a plethora of media: “traditional media”, “new media” and, most importantly, “consumer-generated media” or “personal media”. Naturally, the last category poses the greatest threat for the brand by showing who is calling the shots. In our interconnected world and the new media conditions now prevailing, it is the consumer who is in charge!! Every day 50,000 blogs are created across the globe. The leading blog in

⁹⁹ *McKinsey Journal: The Proliferation Challenge*

the world in 2007 attracted more than 100 million visitors. Furthermore, there are now even *viewer—created cable channels* which allow people to submit content, videos (Vods) like *Current TV*. A recent JWT report¹⁰⁰ says there is no doubt that in 2006 *YouTube* brought the do-it-yourself ethos of Web entertainment to the masses. The video-sharing site was named Time’s Invention of the Year for 2006. The message of our times is clear: people who virtually lost their individuality and/or personality in the old ages of the mass media, are now striking back and taking control of the modern media, or better still, creating their own personal and less passive, media.

Figure 14
Media Conglomerates Concentration Power



Source: PricewaterhouseCoopers, World Economic Forum, Datamonitor – Top Ten Media Companies by Revenue (2008)

¹⁰⁰ JWT: *Work in Progress -10 Trends for 2007*

This is not about a media proliferation situation but rather about a revolution signaling the shift from mass to personal in the media world. People are now in control of the media, including content and, most importantly, distribution points, in place of the traditional media gatekeepers operating with the financial backing of the brand. As *The Economist* put it, the “age of personal or participatory media” is upon us. And as fast connections become increasingly common, more of us will start to contribute as much to the internet as we take from it. The era of mass media and particularly TV where brands created and dictated personality and behavioral prototypes and stereotypes is over. Now buyers and society will be the ones imposing the rules of the game as well as the new ethos on the brand. The possible argument that the new, alternative, media type vehicles are also now available for use by brands as well (i.e. the internet, SMS, video games etc.) in their efforts to replace the lost power of TV, is not a serious one. All these new vehicles transfer “signals” and their value is almost insignificant compared to TV’s persuasive, manipulative and narcotic power¹⁰¹. Today, brands have been thrown into a state of shock by these developments and are trying to react in various ways in order to continue to exercise influences on the cotemporary media world: from building their own TV stations (i.e. AUDI) to the adoption of the latest “back to the future” strategies of “word of mouth” campaigns (i.e. viral marketing). Signs of a meta-mass communication era . . .

Message 10:

The Age of Personal Media is Here

Mass media, and particularly TV, one of the two main pillars of the brand’s explosive growth, are losing their power, while modern technology has enabled the inconceivable growth of personal and consumer-generated media where people and society are in control of both content and distribution, thus eliminating the brand’s most popular and persuasive medium and minimizing its ability to create influences.

¹⁰¹ *Lazarsfeld and Merton*

11. *It’s “Me” Stupid! (. . . Brand):*

Eclecticism in a Meta-Brand Era

“The era of mass society is over . . . no more mass production . . . no more mass consumption . . . no more mass entertainment.” (no more mass . . . brands)

(Alvin Toffler)

Of all the “Black Angels” threatening the brand’s future, the one presenting the most serious challenge derives from the socioeconomic and technological developments that have led to people empowerment in our interconnected world, and the demand to live in a “brand-free”, more eclectic environment with greater choice. And as it happens, consumers have far broader tastes than given credit for. They are in favor of de-massification—at least the ones who can afford it—and of individuality, and their interests extend far beyond the mass, replicated, offerings of arrogant brands.

The Power of the First Person Singular

In naming their Person of the Year 2006, Time Magazine turned down dignitaries and celebrities in favor of the average man: “You” (. . . and “Me”). The article in the December 25, 2006 issue reads: “For seizing the reins of the global media, for founding and framing the new digital democracy, for working for nothing and beating the pros at their own game, Time’s Person of the Year for 2006 is ‘You’”. Although the magazine’s choice was biased in a way since it focused more on the impact “You” (Me, Us) has in the media world (i.e. social sites like MySpace, Facebook and most of all YouTube)—a topic already discussed in another chapter on personalized and user generated media—it still very strongly signifies how individuality, freedom of choice and de-massification are highly regarded in our interconnected world and economy. The “You” message has a very strong and deep significance, and will create profound changes in the brand-customer relationships and in the balance of power between them. The cool, personalized, T-shirt now preferred by the majority of the new generation not only reflects a possible dislike for (or lack of coolness in) the Nikes of this world, but also something deeper: a shift to the personal, to individuality and a desire to express our own personality in this way. It also signifies the coming of a new era where brands will no longer be able to dictate stereotypes and shape our personality. Today’s consumers are more educated, better informed, and more socially fulfilled, even through this is achieved within digital communities.

The Nikes of this world will continue to sell T-shirts in the 21st Century, but the difference will be that the vast majority of them will be blank goods containing “No LOGO”, strictly blank spaces where the consumer will be able to place his own, personal logo and message. The “blank T-shirt phenomenon” (the equivalent of

the blank TV screen of “YouTube” on the front cover of Time magazine), entails many a deeper meaning for the brand: brands will continue to exist by applying a back to the future strategy, among other things, and by focusing on their original mission: that of selling useful, quality, innovative, value for money products instead of selling fake personality features. Who could possibly make this happen? Why, “You” of course! (. . . and Me).

Abandoning the Tyranny of the Top (Brands)

An emerging trend (made possible by technology and our interconnected world and culture) is the so called “rise and fall of the hit”, or in commercial and marketing terms, the move from a very few powerful brands to a greater variety, and thus greater freedom of choice. Product variety is an important component of consumer welfare, yet many markets have historically been dominated by a small number of best selling brands. The Pareto Principle, or Power Law, or the 80/20 rule, describes this common pattern of sales/market concentration. The power law, as an alternative of the “normal”(Gaussian) distribution (i.e. the bell curve), has gained popularity among intellectuals and business people because it seems to fit better with recent phenomena, not to mention common sense and what we learnt in our statistics classes, i.e. that the impact of extreme and rare events is greater than expected; a few products, people and websites seem to have gained the bulk of the market, wealth, power, mindshare, etc.

Can Power Law Create Arrogant and Corrupt Brands?

Lord Acton has been credited with coining the phrase “all power may corrupt but absolute power corrupts absolutely”. Try to apply this axiom to some of the most powerful brands surrounding us in our life: from the leaders of the Fortune 500, like Wal-Mart, the seven sisters (Exxon, Shell, BP, Chevron, Conoco/Phillips, etc), to Nike and, perhaps the greatest of all, Microsoft (with it’s questionable monopoly . . .) The message is loud and clear; when commercial/corporate/brand power is concentrated to a few, (i.e. a small number of brands), this leads to a less democratic environment for consumers, with fewer choices and options available to them.

However, during the study of the US *Netflix* video rental chain’s success a kind of a paradox arose in the power law. Data showed that Netflix customers usually displayed a wider level of preference. Of the 60,000 movie titles rented every day, almost 40,000 were rented by a Netflix customer, while the “hits” reasoning would suggest about 1.000 titles¹⁰². So as it happens, consumers have broad tastes¹⁰³ and interests that extend

¹⁰² *Arthur De Vany: Hollywood Economics*

¹⁰³ *David Leonhardt: What Netflix could Teach Hollywood*

far beyond the manipulative structures imposed by the media and/or entertainment giants. People value diversity and they are eclectic, giving rise to a new business model where eclectic supply meets eclectic demand, in the . . . Long Tail.

Figure 15

Consumers’ de-massification and Eclecticism Leads to the “Long Tail”



Source : Chris Anderson

Goodbye Pareto Law, Hallo Long Tail

The expression “Long Tail” first entered the marketing vocabulary when it was used by Chris Anderson, editor-in-chief of Wired magazine, and then later expanded into a book describing a new business model for media and entertainment industries in the digital world¹⁰⁴. However, the implications of the long tail phenomenon have

¹⁰⁴ *Chris Anderson: The Long Tail*

been extended to and examined in many sectors, including investment strategies. A central question is whether only a small percentage of a few concentrated hits can destroy quality competition and, even, endanger the consumer's freedom and his desire for a more democratic commercial environment. Anderson's message is very clear: "Many of our assumptions about popular taste are actually artificials of poor supply and demand matching [. . .] we equate mass market with quality and demand, when in fact it often just represents familiarity, savvy advertising and broad if somewhat shallow appeal [. . .] Now we are abandoning the tyranny of the top and becoming a niche (eclectic) nation again." The implications of the Long Tail phenomenon could be monumental and even catastrophic for the mass, in character and with a surplus of arrogance, global brands. We may be on the brink of the destructure and de-massification of the brand and a level of "niche orientation" that may ultimately result in the personal brand (i.e. home made, home brand, customization etc.), but this would only apply to the very few, of course. The Long Tail implies a new series of threats for the future of the brand, as a result of the democratic use of the internet and the rise of the "You" (and Me) generation of consumers.

The "You" Conditions: No More (Mass) Brands

The information explosion that has occurred in our times has created a more democratic society and engendered a growing appetite for greater individualism. We have personal computers, personal trainers, personal household managers, personal therapists etc. Today food fanatics and connoisseurs, for example, purchase their goods and ingredients, from specialty coffees to organic beef, by, for instance, linking up with farmers directly and acquiring their products right from the farm, bypassing brands, wholesalers, retailers and touch points, that is they conduct their transactions in a totally "brand free" environment. Our expectations and desires are for everything to be personalized, at least in the "rich polar" of society. Futurist Alvin Toffler says: "the era of mass society is over" and he ticks off the causalities: no more mass production . . . no more mass consumption . . . no more mass entertainment . . . etc. We could easily add . . . "no more (mass) brands"!!! Our new, de-massificative culture, is now destroying the second of the brand's two pillars as well: the mass market (after the mass media).

Message 11:

It's "Me" Stupid! (Brand): Eclecticism in a Meta-Brand Era

As the information economy is creating a more democratic society and commercial environment together with a growing appetite for further individualism and eclecticism and the expression of the new "You"/"Me" conditions now prevailing, is leading to some form of brand destructure, through a de—massification process leading to the "personal" brand, at least in the rich countries.

12. Fetishized, Eroticizing Brand Personalities and the Revenge of the Psyche

“People on the one hand and brands on the other are entering a dynamic relationship of constant interaction . . . individuals project themselves into brands . . . in buying a brand they actually buy an extension of their own personality.”

*Ernest Dichter
(The Strategy of Desire)*

An Advertised Mind . . . and its “Soft” Neuroses

If you ask any therapist what the most common problems leading patients to the psychoanalytic couch are today, the answer is almost monotonous: financial difficulties—mostly related to spending beyond their means responding to commercial stimuli of, usually, luxury brands together with some sort of disorientation, instability and anxiety from today’s over stimulated society. Indicative of the latter is the fact that the average American is exposed to over 3,500 advertising messages per day¹⁰⁵. The Modern Greek philosopher and psychoanalyst Cornelius Castoriadis, says “the classic symptomatology, that of obsessional neurosis or hysteria, no longer appears as frequently nor as clearly. What is much more frequently observed among people who seek analysis is disorientation in life, instability, peculiarities of ‘character’ or a depressive disposition . . . this series of phenomena seems to establish a homology among an ongoing process, the relative deconstruction of society and personality . . . a large proportion of people seems to be suffering from a sort of formless or ‘soft’ neurosis . . . This is because norms and values are being eroded and are collapsing . . . the media, television, advertising (of products and brands) now offer models of ‘success’ . . . They operate from without . . . We live in a defensive, contracted, withdrawn, chilly society . . .”¹⁰⁶

Today the individual’s identification system does not evolve from the values he has been nurtured with nor from the family, instead other values are now being imposed on him from without. Brands play a major role in this process through their persuasive and invasive advertising techniques. Furthermore, brands also impose models of “success”. Consequently, the values of individuals fall into a kind of “atrophy”, which in turn leads to a “state of permissiveness” finally leading to “apathy”. This is the stage where the individual is surrounded by “soft” neuroses and also passive enough to be easily manipulated and rendered receptive to the propaganda of brands and

¹⁰⁵ Ronald Collins, *Columbia Journalism Review*

¹⁰⁶ Cornelius Castoriadis: *The Rising Tide of Insignificance*

their persuasive messages. In a state of anxiety from overstimulation by brands, people are now displaying a number of “soft” (?) disorders. Take *insomnia* for example. Two out of three Britons suffer from some kind of insomnia, three out of four Swedes are affected and 45% of Germans have difficulty sleeping at night, according to recent studies. Americans sleep on average 6.9 hours a night, instead of the recommended 8.5 hours¹⁰⁷. Ironically enough, these worrisome statistics are used as a market opportunity to sell more of various bedding products and brands to the wretched consumer!!!

A related example is “*oniomania*”, otherwise known as “compulsive spending” or “shopaholism”, a phenomenon that has appeared, naturally enough, in the “rich polar” of wealthy nations, and has already (?) been recognized as a “clinical disorder” by the American Psychiatric Association, resulting from the effect of excessive brand marketing and advertising. However, in addition to therapies of the so called “talking cure” (i.e. psychotherapy) the shopaholic pill is also ready (?), having been developed by Forest Labs whose antidepressants Calexa and Lexapro are being tested for shopaholism at Stanford University Medical Center. In their fight against overstimulation and as a defense mechanism, people have dramatically reduced their attention span to almost 6 seconds (from 600 a decade ago), as analyzed in the relevant chapter. However, brands are preparing new weapons to fight these inconveniences: such as specialized drugs to boost attention in the brain (i.e. Ritalin, Madafinil etc. according to data by the Foresight “think tank”) and last but not least the ultimate weapon called “Neuromarketing”.

The Brand's New Battle: Engaging the Consumer Brain

Neuromarketing: In Search of the Consumer's Precious “Buy Button”?

Neuromarketing is a new field of marketing that makes use of medical technologies such as functional Magnetic Resonance Imaging (fMRI) to study the brain's responses to commercial or other forms of persuasive (i.e. political) stimuli. Changes in activity in parts of the brain are measured by scientists from which how and why consumers make decisions can be deduced. Such data are beyond doubt of invaluable significance for brands (i.e. the introduction of new products, ad response etc.) that spent about \$8 billion in 2006 on market research¹⁰⁸. The work of *P. Read Montague* of Baylor College of Medicine on *Pepsi vs. Coke* is indicative here. Brands have the persuasive power to convince the individual (through conscious or unconscious stimuli) to behave irrationally and even against their will. The simple Coke vs. Pepsi experiment is the epitome of irrational thinking, decision making and judgment

¹⁰⁷ *JWT, Ten Trends for 2007*

¹⁰⁸ *TIME: Marketing to your Mind, Jan 19 2006*

under market conditions. In the experiment, in blind tests 51% preferred Pepsi (vs. 44% Coke), but in branded tests 65% preferred Coke (vs. 23 Pepsi)!! Stanford neuroscientist *Brian Knutson's* work on matching the value of a product and it's price, and how this triggers anticipation of pleasure or pain is also of interest here. Ample material¹⁰⁹ in this cognitive field is being produced today,¹¹⁰. In addition, a number of companies, such as *BrightHouse* and others, have already been established to advise marketers on how to utilize these latest findings, usually meeting resistance from civil society and consumer activists.

By no means has this changed the decision of leading brands like Coca-Cola (according to analysts one of BrightHouse's first clients) to subscribe to the idea, in order to enter the abyss of the human mind. Corporations are delighted by the idea of learning more about why some brands have a magic appeal, why others can elicit strong devotional ties, why buyers feel they identify with the brand as an extension of their personality. Although this is still a relatively new field and also rather expensive, neuromarketing has aroused great interest over its value, but also extreme controversy owing to the fears of activists who see a new era of hidden persuaders lurking behind this tool, deriving from the traditionally humanitarian by nature medical sciences¹¹¹. Such fears have gone as far as to suggest that brands have not only acquired unlimited reach into the most private realms of human thought and emotion now, but are also approaching alarmingly close to the discovery of *the "buy button" in our brain* as well!!!

The Basics of the Brain, still Enough for the Brand . . .

Naturally enough, global advertising agencies are keen to explore opportunities on behalf of their clients and their brands, even with less advanced neuroscience and branding approaches. An interesting paper by one of the world's leading advertising agencies WPP is indicative¹¹². "Marketers are fascinated with cognitive neuroscience, and understandably so. New brain imaging techniques seem to promise access to deeper insights into how people think about brands and what motivates their purchases. But more valuable to marketers than any brain-imaging tool are the advances neuroscience has provided in our understanding of how the brain works. In light of this new knowledge, they may choose to reconsider and refine their approaches to advertising and brandbuilding. What Cognitive Neuroscience tells us about the brain can be summarized as follows:

¹⁰⁹ *Erike du Plessis: The Advertised Mind*

¹¹⁰ *Marc Gobe: Emotional Branding- the New Paradigm for Connecting Brands to People,*

¹¹¹ *Vance Packard: Hidden Persuaders, 1957*

¹¹² *Graham Page: Engaging Consumers' Brains, WPP 2007*

The Brain is Modular

The brain is organized as a hierarchy of modules, in which discrete groups of neurons (the “modules”) are dedicated to processing different types of information. For example, one module might deal with visual stimuli, while another handles auditory input. Sets of these modules link up in a hierarchical manner to share data, culminating at the top level in three “mega-modules,” which manage three broad types of information: Knowledge, Experience, and Emotion. Information associated with these three areas can be described as follows:

- *Knowledge.* The concrete characteristics of an object, including its name, color, shape, and other material properties.
- *Experience.* Information pertaining to the way an object is used, handled, or experienced.
- *Emotion.* The affective or emotional information about an object or idea and its resultant value along a number of dimensions; e.g., is it good or bad, attractive or disgusting.

The “mental workspace” is ruled by relevance

Information held in the three separate modules is not consciously perceived, and thus cannot be used, until it is integrated in the “mental workspace,” a specialized brain network that is central to complex cognition. The workspace has limited capacity, so as various bits of information compete for entry, the brain mechanisms of selective attention and emotion work together to gauge the relevance of the information to current or future goals. The information perceived to be most relevant at any given time will win a spot in the workspace. Only the information that is actually occupying the workspace can be acted upon, integrated with other information, or sent to long-term memory. But, importantly, this does not mean that the information that did not make it into the workspace is all equally “unattended.” Because this information has received some pre-conscious processing by attention and emotion, it may be in one of three different unattended states. It may be:

- *Primed/Passively ignored.* Not in the workspace, but on the fringe, this information can enter the workspace quickly when needed, but it has only short-lived and subtle behavioral effects unless it does so.
- *Inhibited/Actively ignored.* Trying to enter the workspace, but unable to because it is being actively suppressed, this information will be remembered poorly and devalued emotionally when it is encountered again.
- *Not registered.* Neither in the workspace nor vying for entry, this information has no effect on cognition or memory.

The currency of the brain is the representation

When information about objects and concepts is pulled from each of the three mega-modules, it is organized in the workspace into “representations.” The brain can only assemble one representation at a time, and only three or four can exist in the workspace simultaneously. Representations of items that are highly familiar or of personal significance can be assembled more quickly than others. This advantage makes these “superfamiliar” representations more likely than others to influence decisions, as they can command time in the workspace more easily.

The brain “blinks”

The sequential process of assembling representations creates “blinks” in attention. No new information can be processed during these “blind spots” when the workspace is occupied. Therefore, if information is presented too quickly, it will not all be processed. The brain simply cannot deal with it fast enough.

The Implications for Marketing also include the following:

Brands need strong associations in three areas

To the brain, a representation of a brand is no different than any other representation pulled together from the three mega-modules. If a brand is to come to mind easily and quickly, it must have clear and distinct associations in each of the three areas: Knowledge, Experience, and Emotion. Therefore, marketers must consciously address these areas. Marketers need to clearly project a brand’s identity, in terms of its name, physical characteristics and any other associated cues (such as slogans or mascots). Next they must make the brand’s benefits clear, and finally, they must endow the brand with a positive emotional value. If these associations are established especially well, the brand will become superfamiliar, and will command a dominant presence in the workspace. If a brand lacks clear and distinct associations, neuroscience suggests that it will be unlikely to command a spot in the mental workspace when purchase decisions are made. Thus it is likely to face a disadvantage in the market.

Marketing campaigns must generate engagement

Information about a brand must make it into the mental workspace if it is to be integrated with existing brand perceptions or filed in long-term memory. Therefore, only material that makes it into the workspace has a chance of influencing later brand decisions. This means that marketers must persuade consumers to devote at least some mental resources to their campaigns. Otherwise, they will be relying on the priming effects of low involvement, which neuroscience suggests are faint and fleeting.

Relevance is required for engagement

Information, including brand messaging, will be engaged with if it is determined to be relevant. Yet few brands are so important or interesting that consumers will engage with them every time they see or hear about them. Therefore, marketing communication needs to be relevant to consumers at the time and place they encounter it. Thus both the mindset and the motivation of a consumer encountering a particular form of media must be considered. This idea strongly supports the common practice of topic-relevant media placement, and not simply because it means the right audience may be watching. When ads are placed in relevant programming or next to relevant editorial, they are also more likely to find people who are in the mindset to receive the message. The consumer's mindset must be taken into account during the process of creative development as well. While engaging with TV, for example, viewers are often seeking to be entertained, and are not actively seeking to learn about brands. But consumers are not always seeking entertainment. Sometimes they are looking for news, information, or edification. So, in addition to finding out whether an idea resonates with the target audience when advertising is developed, marketers must also think about what consumers are likely to be interested in when they encounter the advertising.

The aim of the modern persuasive campaign is clear: to overcome apathy and withdrawal from overstimulation, the brand's attempt to engage the consumer and establish a more energetic relationship with him.

The Evolution of Subliminal Techniques

However, apart from these new scientific developments, a serious attack on the mind, more correctly the "psyche", began around 1940-1950. With the support of their advertising agencies at that time, brands focused on what Freud described as the "*economics of the libido*" and discussions on how to eroticize products and brands, addressing the consumer as a subject driven by unconscious sexual desires, began.

The following is an extract from the *Journal of Media*¹¹³ which serves as an introduction to this area:

"This all began around the 1950s when advertisements acquired a more complex and subtle personality and began straying outside of their familiar media neighborhoods. The social observer *Vance Packard* wrote a best-selling book in the late 50s called *The Hidden Persuaders* which identified this change in advertising's personality as coming from hanging around Professor Freud's psychoanalysis and learning his hidden, subliminal methods of trickery. Ice cubes in a glass for a liquor ad were no longer seen as simple props to help sell a brand of whiskey but were

¹¹³ *The Growing Ubiquity of Advertising, Journal of Media*

now subliminal suggestions of female anatomy. The curved fronts of automobiles were more than aesthetic streamlined design features but rather suggestive of a particular feature of the male anatomy. Forgotten by the new subliminal types of ads was the simple salesmanship preached by founders of the ad industry like *David Ogilvy* and *John Caples*. The word ‘sales’ became a dirty word and was replaced with modern psychological buzzwords like subliminal persuasion.”

The book “Hidden Persuaders” made quite a stir at the time, bringing about congressional hearings and even the introduction of legislation. Prominent motivation researchers *Louis Cheskin* and *Ernest Dichter* utilized the new ad methods and were publicly admonished as traitors to their profession. The life of the new subliminal advertising seemed short indeed. Even Vance Packard predicted its coming demise. “Eventually, say by A.D. 2000,” he wrote in the preface to the paperback edition of his book, “all this depth manipulation of the psychological variety will seem amusingly old-fashioned”. Yet, 40 years later, any half-awake observer of popular culture knows that things haven’t exactly worked out the way Packard predicted. In fact what seems old-fashioned today is the belief that ads are those simpletons they once were before the 50s and that products are sold for features and benefits rather than for images. Even Vance Packard expresses an amazement at the evolution of advertising since the 50s, noting that today ads for watches have nothing to do with watches or that ads for shoes scarcely mention shoes. Packard remarks “it used to be the brand identified the product. In today’s advertising the brand is the product”. Modern advertising, he notes, has an almost total obsession with images and feelings and an almost total lack of any concrete claims about the product and why anyone should buy it. Packard admits puzzlement. “Commercials seem totally unrelated to selling any product at all”. Jeff DeJoseph of the J. Walter Thompson firm underlines Packard’s comments. “We are just trying to convey a sensory impression of the brand, and we’re out of there”.

Subliminal advertising techniques have today infiltrated the heart of corporate America. As *Ruth Shalit* notes in her article “*The Return of the Hidden Persuaders*” from the 27 September 1999 issue of *Salon* magazine, “far from being consigned to the maverick fringe, the new psycho-persuaders of corporate America have colonized the marketing departments of mainstream conglomerates. At companies like Kraft, Coca-Cola, Proctor & Gamble and Daimler-Chrysler, the most sought-after consultants hail not from McKinsey & Company, but from brand consultancies with names like Archetype Discoveries, PsychoLogics and Semiotic Solutions”. Shalit notes a growing number of CEOs have become convinced they cannot sell their brands until they first explore the “Jungian substrata of four-wheel drive; unlock the discourse codes of female power sweating; or deconstruct the sexual politics of bologna”. The result, as Shalit observes, is a “charmingly retro school of brand psychoanalysis, which holds that all advertising is simply a variation on the themes of the Oedipus complex, the death instinct, or toilet training, and that

the goal of effective communications should be to compensate the consumer for the fact that he was insufficiently nursed as an infant, has taken corporate America by storm”.

Brand “Personality” vs. the Individual’s Personality: A Lethal Engagement?

Clearly enough, “engagement” is a key factor for brands, owing to the appeal to human emotions. In the emotional domain the challenge for brands is to work deeply with the mind or “psyche” (or if you prefer with its constituencies, i.e. the id, ego and superego in Freudian terms) of the individual.

Brands: An Extension of The Consumer’s Personality?

The Brand’s hidden agenda at the psyche level was first described by the psychoanalyst Dichter in 1940¹¹⁴ with his groundbreaking concept of the “personality” or “image” of a product and the introduction of the whole “philosophy of branding”. As he said “people on the one hand and products on the other are entering a dynamic relationship of constant interaction . . . individuals projecting themselves into brands . . . in buying a brand they actually buy an extension of their own personality . . .”

Selling brand images or brand personalities to consumers is not a recent phenomenon but was a hot issue many decades ago and was at the top of the arrogant brand’s agenda. Sometimes this persuasion and the whole “personality building” exercise was so effective that consumers even went so far as to create a sort of perception/illusion that products/brands were even “anthropomorphous”. There is evidence that passion and engagement with brands in some societies is so strong, that it goes so far as to make people feel the need to give brands some kind of “human form”. As the ancient Greeks did with their mythical, powerful, gods in ancient times. In Asia, for example, the case of “Uncle Mc Donald” (or Ronald McDonald) is very common. The brand becomes an allegorical character, the embodiment of particular combinations of virtues, and sometimes it is solidified into an (animated only?) character and personality.

Anthropomorphized, Eroticizing Brands and . . . Children’s Toys

Dichter’s work for Ruth and Elliott Handler, the founders of Mattel Toys and “parents” of the famous Barbie doll, is indicative of the arrogant brand’s efforts in this respect.¹¹⁵ His findings suggest that “big guns are like penises” and that the unconscious motivation of child’s play with toys is to relieve psychic tension and maintain a child’s “psycho-economic equilibrium” in the face of growing

¹¹⁴ Ernest Dichter: *Getting Motivated, The Strategy of Desire*

¹¹⁵ David Bennett: *Getting the Id to Go Shopping*

knowledge, growing bodies and growing pressure from the adult world”. Furthermore, Dichter recognized the potential of the doll’s sexually racy persona as a medium in which a child could play out her rebellion against her parents and he recommended a win-win marketing formula to Mattel: Barbie’s sexual maturity, self-display, and social independence would speak to the child’s desires, while her elaborate wardrobes and grooming needs spoke to the mother’s anxieties about how to turn an unkempt, tomboyish daughter into a marriageable “poised little lady”. That is why the fact that Barbie was a doll was never mentioned . . . the positioning from the very first commercial was that she was a person . . . Happily unmarried, parent-free, and child-free, Barbie was a successful career girl and a sexually free agent whose social mobility required as many (profit generating) outfits as there were social occasions . . .

Ironically enough, half a century after Mattel’s obsession with clearly packaging and conveying the doll’s sexual, subliminal messages to families and society, we realize that Mattel forgot something which is a prerequisite of dissent marketing: the safety of the product itself. As a result, in 2007 Mattel finds itself amongst the top three worst global brands according to a global survey of a consumer’s watchdog, the world federation of consumer’s organizations¹¹⁶. Mattel was selected for stonewalling US congressional investigations and avoiding overall responsibility for the recall of millions of products, owing to the use of dangerous painting chemicals (exceeding 200 times the standard levels allowed by US regulations), among other harmful things for the health and safety of children. It seems that too much sexuality and personality building in children’s toys makes arrogant brands forget the very basics, such as the safety and health of children.

The “Id” Goes Shopping

One way or another, the truth is that some kind of strong bond has now been forged between two “personalities”: the fetishized brand personality (Dichter used to say that products and brands have “souls”) and the human personality (driven by the hidden persuaders in its disorienting apathy). However, with the prevalence of extreme market and social “polarization”, as described in previous pages, the two resulting polars have very different priorities and motives. The “poor polar” is driven by very basic needs for survival (i.e. food, health, poverty, inequality etc.). As a result and as data shows it cannot afford to bother with mental disorders like “soft” neuroses, a privilege usually reserved for the rich polar.

Exactly the opposite occurs in the “rich” polar. The “homo oeconomicus” model—the rational, self aware consumer, to the extent that he ever existed at all, has collapsed and is being replaced by a desire-centered model of consumption and behavior. And since we are now living in a world of abundance for this pole, it is

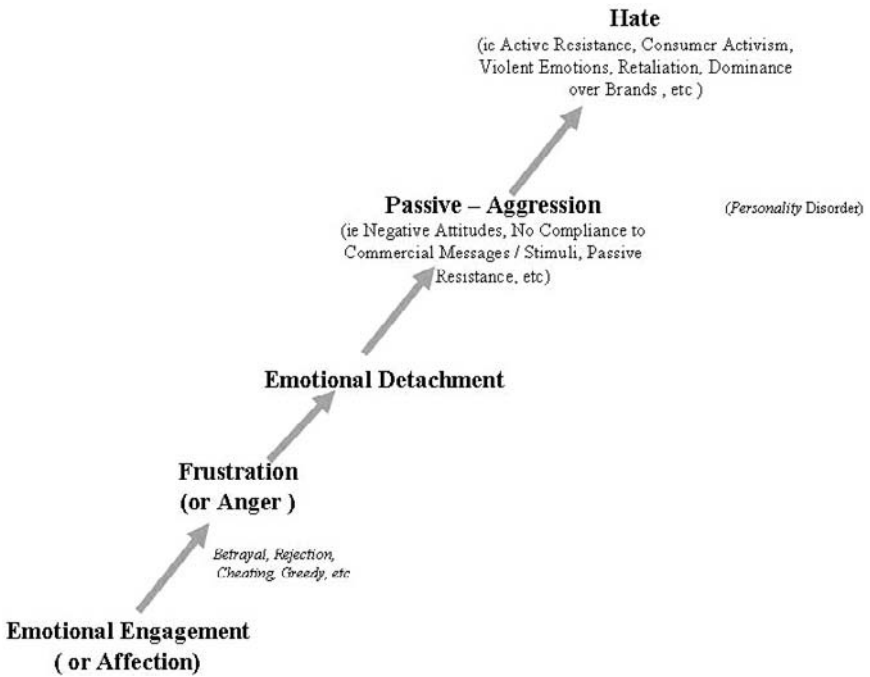
¹¹⁶ *Consumers International, International Bad Products Awards, 2007*

the “id” that goes shopping (instead of the “ego”). According to the Dichter school of thought, in an economy of scarcity and need, consumers make rational choices (or in Freudian terms, the “ego” does the shopping). Conversely, in an economy of abundance and desire, rather than scarcity and need, consumer motivation is largely subliminal: it is the “id” that goes shopping . . . in other words desire itself.

The Revenge of the Psyche

From what has been discussed above, it is evident that brands have been successful to a great extent firstly in becoming “personalities with a soul” and secondly in building a sufficient level of “emotional engagement” with the consumer. Engagement, a strong emotional condition, reflects the close encounter and/or relationship “between two personalities”, which was the original aim of brands. However, although such a development was a secret desire fulfilled for brands, it nevertheless also contains a number of threats, the way any kind of strong emotional relationship between two “persons” or personalities does. Such relationships usually produce strong positive or negative feelings and attitudes in a process of constant interaction, as the relationship evolves over time. Threatening developments currently taking place that could explode this brand-consumer relationship include: the prevailing transparency imposed by technology and the internet, the collapse of information asymmetry, the power of networks and communication, the rise of user generated media etc., all leading to a shocking revelation for the consumer—the king is wearing no clothes! All of a sudden it becomes totally clear. The true adjectives describing the brand persona are none other than, arrogant, greedy, cheating, immoral, totalitarian, psychopathic etc. Responding to this betrayal, consumers could shift from “engagement” to the next emotional stage, that of “frustration”, usually accompanied by anger. Frustration, in turn, leads to “emotional detachment”, followed by a further stage that could be described as “passive-aggressive”. At this stage the consumer could develop negative attitudes against the brand, could no longer be very receptive to commercial stimuli, and could potentially express some kind of passive resistance to the brand culture itself.

Figure 16
 A Psychoanalytic Road Map to the Death of the Arrogant Brand



Finally, in cases where the relationship is unreasonably strong, this could produce extreme emotional reactions leading to a final stage that resembles that of “hate” to a great extent, as in the love-hate relationship. (Remember the emotional reactions provoked, almost two decades ago, when the Coca Cola company attempted to introduce New Coke, and was met with consumer mobilization, protests etc. that forced the company to withdraw its decision). In this emotionally tense environment, consumers could even proceed to more radical action ranging from active resistance (i.e. consumer activists-Consumers International), to retaliation (i.e. boycotts—Nike, Gap etc.) and, finally, to exercise dominance over brands, as today’s technology has now enabled such a development. This could complete the vicious circle of the strong emotional relationship between two “personalities”, ending possibly with the death of the arrogant brand and the revenge of the betrayed consumer’s psyche.

Message 12

Fetishized, Eroticizing Brand Personalities and the Revenge of the Psyche

After half a century of efforts to build “personalities with a soul” and win consumers’ emotional engagement by exercising subliminal persuasion with the assistance of the latest psychoanalytic techniques, brands are now being exposed by the new transparent technologies revealing their true arrogant character, thus creating a feeling of betrayal in the consumer who now seeks revenge for his psyche, not only through “emotional detachment”, but also through active resistance and, ultimately, dominance over brands.

Known Unknowns: Key-Messages Synopsis

Known Unknown 1:

Brands, and Others, as Heroes of the Improbable and Chaos

The unpredictable, non-linear, extreme forces thriving on the borders of chaos and complexity (that in many cases created some of the most powerful brands in the world), are now also available to the consumer, thanks to technology, who can easily retaliate producing extreme and devastating results for the arrogant brand.

Known Unknown 2:

True Insignificancies: The Brand's Impact on Economic Performance (RoI)

In a world where the global brand base is continuously shrinking, the brand's impact on total return on investment (RoI) is also vanishing. Arrogant, ego-driven brands refuse to give shareholders a healthy return by rationalizing/ downsizing brand management operations and by failing to respond to the customer's message for less branding in a polarized market.

Known Unknown 3:

The Collapse of Information Asymmetry

Information asymmetry or imbalance has always been in favor of the brand up to now, but this is being reduced dramatically in our interconnected world as it is the better informed customer who now dictates the rules of the buyer-seller transaction at the lower-end of goods or “old assets”. However, brands are creating a new colossal asymmetry through the use (abuse?) of patents in order to control the “new assets” of the information economy along with customers' intellectual legacy, thus risking their very “license to operate” since in order to ensure the strict enforcement of license terms, it is expected that governments will soon require approval of brands' financial, environmental and ethical balance sheets, making it harder for them to flourish as they have been doing up to now.

Known Unknown 4:

Acceleration Disorders and Short Life Cycles, Paving the Way for the ‘Free Brand’.

As interconnectivity has begun to impose a frenetic acceleration of time, breeding the never satisfied customer with his hurry obsessions, brands are beginning to experience a steadily dwindling life span, and even a life that costs nothing as in the case of free brands, thus paving the way for a singularity to come, after which brands—as we know them—will cease to exist.

Known Unknown 5:

Brand Overdose: Creating the Never Satisfied Customer

Although, in an overbranded environment, the hundreds or even thousands of brands available in each given product category, create the illusion of greater choice and more freedom for consumers, in actual fact they only lead to decision paralysis and, more importantly, to a less satisfied customer since his expectations begin escalating almost infinitely, ultimately leading to quasi epidemic levels of depression.

Known Unknown 6:

The Virtual Money Game: Killing the ‘Schumpeterian’ Entrepreneur and . . . Brands
As the global financial system is running dangerously out of control, the entrepreneurial spirit is fading away as is the interest in brand creation, as the new religion of the new generation has become the stealthy, virtual, money game of the financial markets.

Known Unknown 7:

The Brand’s Foolish War Against the Middle Class

The Brand’s restless pursuit of extreme profits through de-localization and downsizing among other things, and the resulting income inequality and erosion of its own backbone which is the vast middle class, has created a new societal gap between the extremely poor and the extremely wealthy, neither of whom can warrantee the mass market imperative required for the future existence of the brand.

Known Unknown 8:

The Brand’s Death Sentence: The Violent Market “Polarization” Effect

The new societal formation with its “Rich Polar” and “Poor Polar” is creating a polarization phenomenon and the death of the middle class, that, combined with the resulting demand for own labels and the empowerment of retailers/channels, are imposing an extreme threat to an already, in some sectors, moribund brand.

Known Unknown 9:

Out of Reach: The Consumer’s Diminishing Attention Span

In the world of abundance we are currently living in, the only commodity that is scarce is human attention, since the consumer now develops effective defense mechanisms—such as minimal a attention span—in order to avoid personality disorders from over-stimulation, also assisted by the technology that provides the tools for him to shut advertising out of his cognitive environment, thereby imposing an extreme threat for the brand.

Known Unknown 10:

The Age of Personal Media is Here

Mass media, and particularly TV, one of the two main pillars of the brand’s explosive growth, are losing their power, while modern technology has enabled the inconceivable growth of personal and consumer-generated media where people and society are in control of both content and distribution, thus eliminating the brand’s most popular and persuasive medium and minimizing it’s ability to create influences.

Known Unknown 11:

It’s “Me” Stupid! (Brand): Eclecticism in a Meta-Brand Era

As the information economy is creating a more democratic society and commercial environment together with a growing appetite for further individualism and eclecticism and the expression of the

new “You”/ “Me” conditions now prevailing, is leading to some form of brand deconstruction, through a de-massification process leading to the “personal” brand, at least in the rich countries.

Known Unknown 12:

Fetishized, Eroticizing Brand Personalities and the Revenge of the Psyche

After half a century of efforts to build “personalities with a soul” and win consumers’ emotional engagement by exercising subliminal persuasion with the assistance of the latest psychoanalytic techniques, brands are now being exposed by the new transparent technologies revealing their true arrogant character, thus creating a feeling of betrayal in the consumer who now seeks revenge for his psyche, not only through “emotional detachment”, but also through active resistance and, ultimately, dominance over brands.

CHAPTER 3

Brands and Corporations:

Evolution of a New Species?

Any attempt to try and predict the future of the brand in such a chaotic environment, can only be a hopeless exercise. Traditional approaches—ranging from simple forecasting techniques, to decision analysis and even scenario planning/development and forecasting—are no longer applicable in our turbulent times. We live in a world where a feature of “chaotic systems” (or more correctly DOCAS, i.e. Dynamic Open Complex Adaptive Systems) is heightened sensitivity to initial conditions. This means that if small changes occur in one or more of the twelve “known unknowns” described above, they can entail enormous effects, even if these are only “tiny causes”. As a result, our approach in analyzing the possible future of the brand is based on a scenario where businesses and brands are operating in a turbulent and unpredictable environment and therefore we do not adopt traditional forecasting and scenario development tools, but a whole new thinking approach instead, that is a “Chaos Thinking” approach.

i. A New Paradigm: The Application of

“Chaos Thinking” to Business and Brand Strategy

“The flapping of a butterfly’s wings in Brazil may make the difference between calm weather and a tornado in Texas next month.”

(Gleick, 1987).

If the networked and interconnected world has resulted in one thing it is the phenomenal increase in uncertainty and complexity. Corporations and brands have been profoundly affected by the new conditions prevailing in the non-linear world and forced to adapt to the new environment. I feel, therefore, that it would be worthwhile to undertake a brief examination of this new terrain and particularly of how it affects strategic planning and the future. The postulates of traditional strategic thinking have become increasingly anachronistic in the current environment of unpredictability and turbulence. Hence, we need a whole new paradigm that incorporates this uncertainty. Chaos Theory provides one such platform. It suggests that complete and accurate information (necessary for rational decision-making) is unobtainable and the past is not an accurate guide for the future. As a result, the need arises to build a case for the application of “chaos thinking” to business strategy¹¹⁷.

The business environment has been constantly increasing in complexity over the years. So drastic have these changes in complexity been, in fact, that theorists have classified the varying degrees of uncertainty into specific levels. The earliest model, known as Level 1 uncertainty, maintains that a single precise forecast can suffice to determine strategy. This was the traditional strategy approach. Next came Level 2 uncertainty, where there are several distinct outcomes that may occur in the future. This approach formed the basis of tools like decision analysis and game theory. Level 3 uncertainty stood for a range of possible outcomes, but no natural scenarios. This assumption was used for scenario planning and technology forecasting. And finally, theorists determined Level 4 uncertainty where there is no basis to foretell the future at all. This is a truly chaotic environment. The ideas below are based on the premise that businesses operate in such an environment today.

Chaos Theory derives from the study of complex and dynamic systems revealing patterns of order in seemingly chaotic behavior. An important feature of these chaotic systems is excessive sensitivity to initial conditions, based on the premise that there is a non-linear relationship between cause and effect, implying that *tiny causes can entail enormous effects* making it hard to predict the outcome of a change. The principles of Chaos Theory have been successfully used to describe and explain

¹¹⁷ A.Segupta, C.Unadkat, N.Jain

diverse natural and artificial phenomena such as predicting epileptic seizures and financial markets, modeling manufacturing systems, and making weather forecasts. In a scenario where businesses operate in a turbulent and unpredictable environment, the following tenets of Chaos Theory can be extremely valuable.

- # It is possible to get *completely random results* from normal equations, and
- # There is an *underlying order* in what appears to be completely random data

In a business context, this implies that a thorough understanding of both the current environment and historical trends constitutes an utterly insufficient basis to predict the future, since seemingly unconnected events have the potential to significantly affect a firm. So where does such a chaotic business environment leave strategic planning? There is a natural tendency to look for past patterns in order to predict the future and this mode of thinking was extended to managerial decision making as well. However, limited success in predicting the course of the weather and the stock market has shown that past patterns are not always reliable guides to the future. In the past, strategic planning helped firms make big, important and hard-to-reverse decisions about where the company would be focusing its energies and resources based on its understanding of what would happen in the future. But this no longer works under current conditions.

Why has planning failed? Planning assumes linear relationships between variables, and that past patterns can be extrapolated into the future. To solve a planning problem, therefore, all one needed to do, was take some measurements and extrapolate. And if the problem was a significant one, all one needed to do was take more measurements and extrapolate in greater detail. "This won't work, it will paralyze the business, and by the time you get the results it will be too late and the results will be wrong anyway. The 'planable' days are long gone."¹¹⁸

The traditional approach was appropriate in a steady, predictable world of Level 1 uncertainty. But today we live in a state of Level 4 uncertainty. And in such an environment, one cannot *even measure* accurately enough to forecast meaningfully. Long-term strategic planning is fine for Level 1 or Level 2 uncertainty, but certainly not for conditions of Level 4 uncertainty.

¹¹⁸ Jonathan, W. (1999)

ii. At a “Bifurcation Point”:

Brands Are Forced to Take Decisions for Their Future

“The art of persistence is to be dead. Only inorganic things persist for great lengths of time. A rock survives for eight hundred million years; whereas the limit for a tree is about a thousand years . . . The problem set by the doctrine of evolution is to explain how complex organisms with such deficient survival power ever evolved.”

Alfred North Whitehead, The Function of Reason, 1929

As discussed in Chapter I, business brands constitute a typical case of a dynamic open complex adaptive system (DOCAS) composed of interacting parts that respond to a dynamically changing market environment in order to survive by adapting in ways that attain some sort of ecological niche. This DOCAS concept leads us to new thinking in marketing and brand management. Uncertainty is thriving in our times and the whole business and brand system is a far cry from conditions of equilibrium. As a result, the system has to choose from among various available options in order to function. Brands are forced to take decisions, often in a violent way. Put simply, brands are currently at a stage described as the “bifurcation” point in complexity/chaos theory. That is a critical point where decisions that will affect their future survival have to be taken. And as theory suggests, this constitutes a bold move from the science of laws and certainties, to a science of possibilities and opportunities. The concept of bifurcation and the related self-organization this entails could be applied to marketing and branding through the idea of a business and brand “ecosystem”. The ecosystem idea emphasizes that the company’s ultimate goal is survival. This is achieved through adaptation within an ecosystem that consists of a complex confluence of threats and opportunities.

iii. The Road to Evolution: From the “Reactive” Corporation and . . . Brand to the “Brand in Fragments”

“We have long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when”.

Jack Welch (CEO GE, 2000)

Since strategic planning no longer works we need a better way to manage uncertainty. Evolutionary systems exhibit a phenomenon known as the Red Queen effect, named after the famous (or infamous) character in Louis Carroll’s “Alice Through the Looking Glass” and her remarks. Unless an organization moves faster than the changes in its environment (which itself is constantly changing in response to the organization’s change), it will lose its competitive advantage, and lose out to other players. The key to sustained success is to keep building competitive advantages so that when one wears off, another one has already been built in its place. All the same, it remains impossible to anticipate the future and plan ahead. The only way firms can tackle this is by creating an agile organization, where processes are designed to reduce reaction time through the reduction of various lags like feedback time, product development cycles and new project gestation periods, so that the organization may *react faster* than its competitor. Some studies propose that the organization must transform itself into a *reactive learning system* with heightened sensitivity to its environment in order to gain sustainable competitive advantage. Such a system would be adept at capturing the smallest turbulence as soon as possible and hence would best equip an organization for such a highly dynamic and unpredictable milieu.

Could The Best Strategy Be No Strategy at All?

Today, businesses operate in a chaotic environment where the tenets of strategic planning do not appear to apply any more. In such a chaotic environment, governed by randomness and a seeming absence of rules, where even small changes in the system produce huge amplified effects, the key to success lies in *speedy* reactions. It is only possible to achieve such speedy reactions, however, through a heightened sensitivity to the environment. Proper mechanisms can equip an organization to counter the Red Queen Effect, by helping it to adapt to the turbulence in the environment. Such systems can help capture information to help managers track the occurrence of turbulence. But, at the same time, it is of paramount importance that individuals within the organization must be empowered to act within the framework in order to produce the desired speedy reactions. This would enable the organization to be “*reactive*” rather than “*proactive*” in its approach and facilitate effective utilization

of resources to help it retain its competitive advantage through swift adaptation to the changing environment. Studies have recognized the need for change entailing the abandonment of strategic planning and propose a model that would transform an organization into a highly sensitive and agile organization. In short, it is proposed that *the best strategy is no strategy at all*.

Adaptability and “Creative Destruction”

It is evident that speed, the time factor and particularly the “accelerium” as described in previous chapters, together with the increased uncertainty prevailing in our times, are imposing dramatic challenges to modern corporations and making long term and even short term planning almost a hopeless exercise. As living and learning agents, however, organizations adapt accordingly, shifting to a kind of “reactive” mode as a matter of course. Typical examples of such reactive corporations, operating on the edge of “chaos” and planned “creative destruction” (with the Schumpeterian meaning of the term, i.e. in pursuit of innovation) include companies like: GE, Nokia, Apple, and many others. Talking about speed and the “accelerium”, former CEO of GE Jack Welch (SOS: find book in Amazon) is very precise. In the 2000 Annual Report he states: *“We’ve long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when”* Corporate history shows that the majority of companies that managed to survive over a long period of time were those with genius and a talent for inspired adaptability to which they owed their ability to endure and grow. A few such examples are: Nokia, which sold toilet paper in the USSR till 1990; 3M which began life as a failed mining company; Apple, the failed inventor of the revolutionary personal computer, on the brink of collapse till Steve Jobs came back, after almost two decades, and transformed the company to a “nice” portable/handheld, music and more (iPod, iTunes, iPhone etc.), electronics company—very much to the great annoyance of SONY (a catastrophic example and the epitome of the Japanese arrogant brand legacy, as the company has turned out over recent years.)

Adaptability is a key element in the evolutionary process of all living organisms, in order to achieve survival. It can therefore come as no surprise that, in an effort to adapt to the new environment and survive, brands also began adapting by entering the reactive stage a few years ago.

The “Reactive” Brand

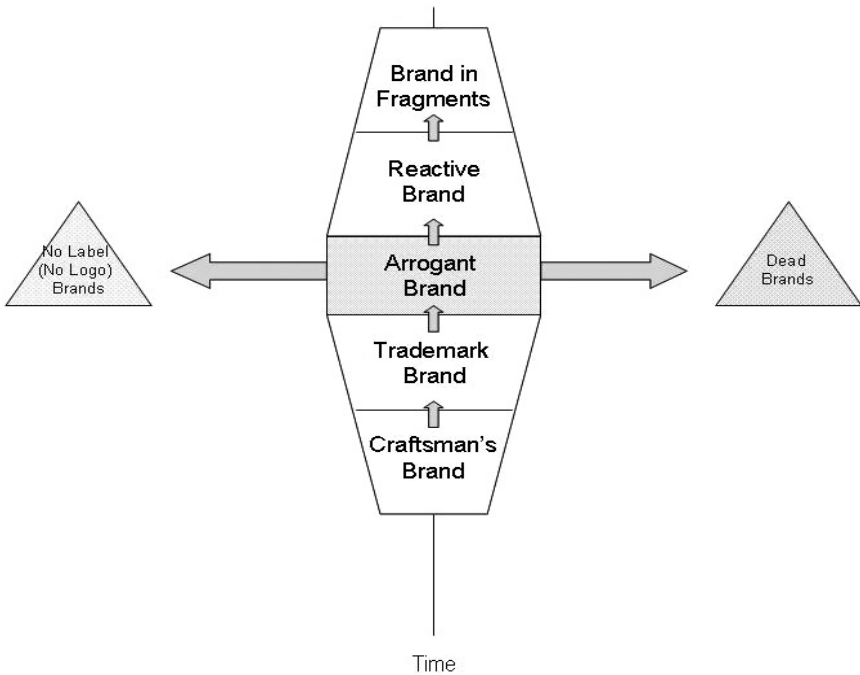
P&G is a good example of what could be described as a “reactive” brand (or “house of brands”). The company’s recent strategy has shown signs that it may be transforming itself into a kind of “financial house of brands” in reaction to

an environment currently in a state of flux. That is, it is trying to survive in the new business environment by adapting to it. Quite simply, what it is evolving into is an entity that buys and sells brands (i.e. Gillette, Duracell etc.) much like a typical financial institution (i.e. banks, funds etc.) dealing in stocks, securities and other such intangibles, instead of brand creation per se in the traditional marketing meaning of the term. It should be noted that P&G was the company that almost invented modern marketing management and perfected the product (brand) management model that many companies adopted for their organization. However, reactive organization does not signify the end of the evolutionary journey. It is only one of the many stages that are bound to follow, and most certainly a short and intermediary stop on a long evolutionary road. Signs of the next, more permanent, stage are now already clear. The “Brand in Fragments” is the next evolutionary stage.

Towards the “Brand in Fragments”

In discussing adaptation we should bear in mind that any kind of evolutionary approach is usually best explained in a holistic framework, or some kind of General Systems Theory (GST).

Figure 17
The Brands' Evolution Over Time

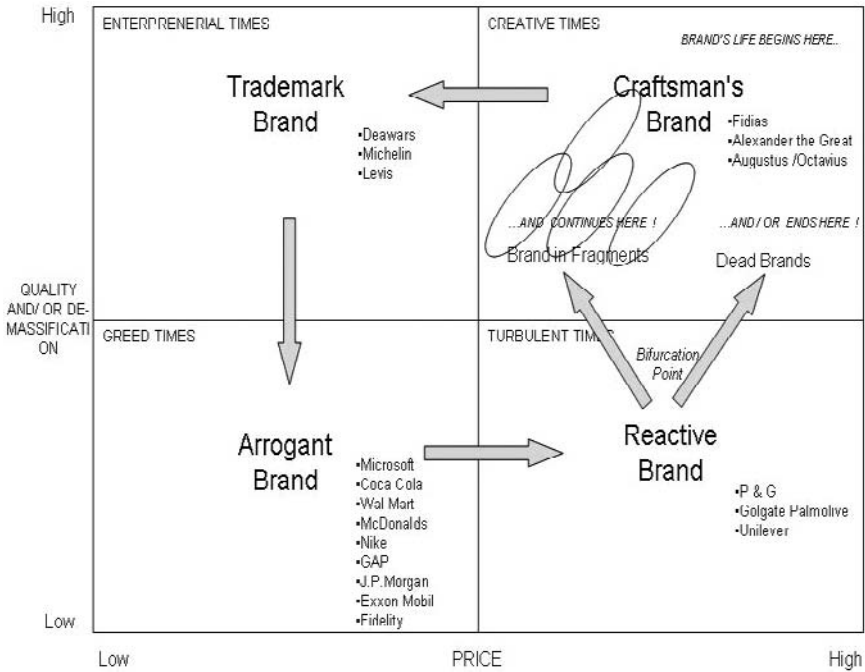


Towards a “Brand Systems” Theory

Holism (from ‘ολος’—holos—the Greek word meaning all/entire/total) means that a system as a whole determines how the parts behave in an important way. As Aristotle summarized in his *Metaphysics* (also supported by the Gestalt Psychology main theory): “The whole is more than the sum of its parts.” In our analysis this means that brands should be examined as a whole, as a “brand system”, not only comprising companies’ for profit business activity, but also taking into account the economic, social, psychological and chaotic dimensions of our times. Developments related to the application of the General Systems Theory (Von Bertalanffy), Cybernetics (Wiener), Complexity Theory/Chaos Theory, Information Theory (Shannon) etc., may provide a good way of looking at the modern “brandscape” or better “brand system” in a new way.

Systems, in general, constitute the lifeblood of complexity thinking and may be defined as a group of interacting parts functioning as a whole, distinct in their surroundings through recognizable boundaries. (For example, in the US brands cannot plan effectively nor predict their future, without taking social issues such as the extinction of the middle class, or market issues like extreme polarization, as discussed in previous chapters, into account.) Throwing a cursory glance at the modern “brandscape” over the last couple of decades, we can observe that an unreasonable plethora of brands has appeared on the market place, “arrogant” brands in particular. Among other things, this phenomenon has led to an increase in uncertainty (i.e. entropy in cybernetics terms) for the brand system and complexity in the cognitive system of the individual (i.e. buyer). As a result, from the systems/cybernetics perspective, the brand system will seek “relief from pressure” and return to more stable conditions. One way of achieving this would be to move towards a state of fewer brands, and thus avoid overload/overcapacity/increased entropy etc. As we move from the “arrogant” brand stage to the “reactive” brand stage, the number of items (i.e. brands) is expected to decline. The meteoric rise of “no-label” goods on the one hand, and the decision taken by many global corporations, “house of brands” (i.e. Unilever) to reduce the number of their brands, is indicative of this trend. However, the “brand system” is still in need of further relief and a greater reduction in the number of agents (i.e. brands) before it can reach more stable conditions, entailing less uncertainty, to the benefit of both the brand and the individual. As a result, we are now moving to the next stage which is that of the “Brand in Fragments”.

Figure 18
A Brand Retrospective—Pattern of Migration (Typical Examples)



Brand Ecosystems: Survival and Big Money . . . too.

For reasons of survival, brands may organize themselves into homogeneous groups as parts of a greater ecosystem, in this stage. Despite the state of constant competition and fighting between its members (i.e. prey and predator) prevailing, such ecosystems do offer good chances of survival and advantages to its members, and their symbiosis is usually beneficial and financially rewarding for them, too. Such ecosystems are not rare in the global “brand system”. Together with a large number of satellite and subordinate companies from the Silicon Valley cluster, Microsoft and Intel are reaping the benefits of such a “symbiosis”, very much to the regret of the unfortunate computer user/buyer worldwide. The whole idea of “clusters”, as a force for economic development in many areas, through the creation of centers of excellence, innovation etc. is much the same. From “Arrogant Brands”

to “Cultivated Brands” and from “Narcissism Brands” to “Gatekeepers Brands”, the brand ecosystem means money. Let’s take a closer look.

What is a “Brand in Fragments”?

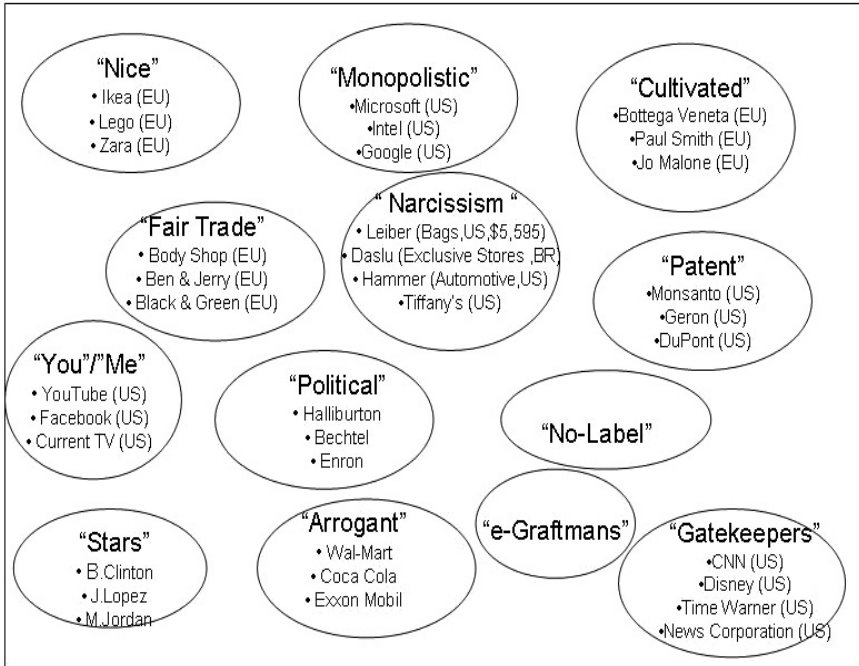
Brands will be forced to break up, to become more easily identifiable in the context of a broader homogeneous group in order to survive. They will have to leave their excessive arrogance behind etc., etc. Such adaptation and transformation shall also facilitate the individual (i.e. the consumer) to understand the specifics and the overall positioning intentions of the brand, in a less complex way.

The “Brand in Fragments” stage could be described as the stage where the number of existing and surviving brands is declining, where brands have begun to seek shelter in a complementary and/or corresponding ecosystem and to evolve into a more responsible species in the interest of stakeholders and civil society, to address a polarized market (extreme poor or extreme rich) and not a mass market, and for reasons purely of survival or even altruistic reasons, some of them will try to transform themselves into “Nice” brands.

The Emerging New Brand System

One could predict that the following brand categories/species will be competing in the new emerging brand system:

Figure 19
Brands in Fragments—The Emerging Ecosystem



Nice Brands

These express a truer and more ‘human’, egalitarian character. They are global but remain local at the same time, (“glocal”), scoring higher customer preference. They are closer to people, caring, and have a sense of “metron” (measure, from the Greek word). These brands tend to be mainly European and are relatively more honest, democratic, transparent and employee conscious. They usually represent good value for money, instead of greed.

Their product/brand extension strategy tends to be limited thereby avoiding paralysis in the customer created by a more aggressive such strategy. Ikea, Lego, Zara are typical representatives of the Nice Brand.

No Label Brands

A new strong movement of “no logo brands” created by major retailers is currently emerging, mainly directed at the “poor polar” of society. Although thriving at the low end, they could also become popular amongst sophisticated, affluent buyers too.

e-Craftman’s Brands

The internet has enabled the emergence of this “back to the future” brand category, defined by the direct relationship between buyer and creator (i.e. craftsman, producer, artisan etc.) in the digital marketplace. From jewelry to furniture and from coffee to wine etc., buyers have given a boost through the internet to the new e-craftsmen of our networked society who are mainly established at a local/regional level, creating a paradise for real connoisseurs.

Fair Trade Brands

These are relatively similar to “Nice Brands”, but place a stronger focus on environment and sustainable development issues. They are usually very sensitive to ethical labor and fair trade practices that contribute to the economic development of the underdeveloped “south” (at least before such brands are acquired by the big “brand houses”). Body Shop, Ben & Jerry, Black & Green are typical representatives of this category.

Cultivated Brands

These brands mainly express discreet, cultured luxury for self-confident “old money” customers, those abhorring the idea of becoming “moving ads” for the products they purchase. These usually appear in the fashion sector. Bottega Veneta, Paul Smith, Jo Malone are typical representatives of these.

“You/Me” Brands

These consist of brands capitalizing on the customer’s need for de-massification and the expression of his individuality and personality. Although they have a strong presence in the Media related sector, they could be present in other sectors too, from bespoke perfumes and cars to custom made films/videos. YouTube, Facebook, Current TV are typical representatives of these brands.

Narcissism Brands

These are ego driven, luxury brands, masters of the customer pampering art/game, mainly addressed to the needs of the “nouveau riche”, unsophisticated customers

with embarrassing big money to throw around. These usually still carry “logos” as personality extensions. Leiber, Tiffany’s, Daslu are typical representatives of these brands.

Arrogant Brands

Although already in steady state of decline, these brands are still expected to constitute part of the brand system until they evolve in the future or become extinct. These are greedy, unethical, cheating, immoral, psychopathic, paternalistic brands, usually a typical American product. Wal Mart, Exxon Mobil, Nike are typical representatives of this category.

Monopolistic Brands

These usually thrive in the ICT sector. Their main strategy, as heralded by the new “barbarians” can be summed up in “target, leverage, link and . . . lock”. They represent a new more dangerous breed of the “arrogant brand” in the information economy and a major threat to freedom and democracy. Microsoft, Intel, Google are typical representatives of this category.

Patent Brands

These have many similarities to the monopolistic brands, and thrive mainly in the biotechnology/genetics sector. Through patents, copyrights, licenses and complex legal strategies they aim to control all the intangibles constituting the new assets of the knowledge based economy (i.e. genes, software, databases etc.) Monsanto, Geron, DuPont are typical representatives of this category.

Political Brands

These are strongly connected to governments and political parties. Their aim is to acquire business and more often than not they are involved in strong controversy over their role in geopolitics. In many cases their activities end up in scandals and they often leave bankrupt investors behind them. Halliburton, Bechtel, Enron are typical representatives of this category.

Star Brands

These are people with a strong media presence, celebrities and creatures of the invasive power of any kind of TV (i.e. politicians, actors, athletes, models, football players etc.). They become household names/brands and usually act as “performers” or as “personality extensions” or “media personas” for major brands. Bill Clinton

(Foundation), M.Jordan (Nike), M. Gorbachev (LV) are typical representatives of this category.

Gatekeeper Brands

These are brands that control the media, information and “content” in general (i.e. Media, TV, films, entertainment etc.) and therefore wield significant political and economic power. They could possibly influence the future of political developments and/or the emerging trends in society etc. (i.e. stereotypes, hits, dictating preferences, success etc.).

CNN, Disney, Time Warner, News Corporation are typical representatives of this category.

CHAPTER 4

Europe is Beginning to Surpass America with its “Nice Capitalism” and “Nice Brands”

Europe has become a giant laboratory for rethinking humanity's future. In many respects, the European Dream is the mirror opposite of the American Dream. While the American Dream emphasizes unrestrained economic growth, personal wealth, and the pursuit of individual self-interest, the European Dream focuses more on sustainable development, quality of life, and the nurturing of community.

*Jeremy Rifkin
(The European Dream)*

There are good signs from the economic and social but, even from the business, marketing and brand management world that Europe, with its social or “nice capitalism” (as many would like to think of it) is better placed to win an inevitable EU-US brand war. In his recent book Jeremy Rifkin¹¹⁹ is apocalyptic: “The American Dream is becoming ever more elusive. Americans are increasingly overworked, underpaid, squeezed for time, and unsure about their prospects for a better life. One third of all Americans say they no longer even believe in the American Dream.” While the American Dream is languishing, says Rifkin, a new European Dream is capturing the attention and imagination of the world. Twenty-five nations, representing 455 million people, have joined together to create a United States of Europe.

The European Union’s GDP now rivals the United States’, making it the largest economy in the world. The EU is already the world’s leading exporter and largest internal trading market. Moreover, much of Europe enjoys a longer life span

¹¹⁹ Jeremy Rifkin: *The European Dream*

and greater literacy, and has less poverty and crime, less blight and sprawl, longer vacations, and shorter commutes to work than we do in the United States. When one considers what makes a people great and what constitutes a better way of life, observes Rifkin, Europe is beginning to surpass America. More important, Europe has become a giant laboratory for rethinking humanity's future. In many respects, the European Dream is the mirror opposite of the American Dream. While the American Dream emphasizes unrestrained economic growth, personal wealth, and the pursuit of individual self-interest, the European Dream focuses more on sustainable development, quality of life, and the nurturing of community. We Americans live (and die) by the work ethic and the dictates of efficiency. Europeans place more of a premium on leisure and even idleness. America has always seen itself as a great melting pot. Europeans, instead, prefer to preserve their rich multicultural diversity. We believe in maintaining an unrivaled military presence in the world. Europeans, by contrast, emphasize cooperation and consensus over go-it-alone approaches to foreign policy.

All of this does not suggest that Europe has suddenly become a utopia. Its problems, Rifkin cautions, are complex and its weaknesses are glaringly transparent. And, of course, Europeans' high-mindedness is often riddled with hypocrisy. The point, however, is not whether Europeans are living up to the dream they have for themselves. We have never fully lived up to the American Dream. Rather, what's crucial, notes Rifkin, is that Europe is articulating a bold new vision for the future of humanity that differs in many of its most fundamental aspects from America's. And Europe is no longer the "sick old man", a convenient excuse for US policy makers. A recent article by Steven Hill in *The Washington Post* is apocalyptic of the new conditions now prevailing¹²⁰, particularly on Europe's efforts to establish a balanced economy and social system, and to work hard towards a form of "social capitalism", also driven by the hugely successful example of the "Nordic Model". We quote from this article:

"As Europe's economy has surged, it has maintained fairness and equality. Unlike in the United States, with its rampant inequality and lack of universal access to affordable health care and higher education, Europeans have harnessed their economic engine to create wealth that is broadly distributed. Europeans still enjoy universal cradle-to-grave social benefits in many areas. They get quality health care, paid parental leave, affordable childcare, paid sick leave, free or nearly free higher education, generous retirement pensions and quality mass transit. They have an average of five weeks of paid vacation (compared with two for Americans) and a shorter work week. In some European countries, workers put in one full day less per week than Americans do, yet enjoy the same standard of living.

¹²⁰ Steven Hill: *Five Myths About Sick Old Europe-New America Foundation*, *Washington Post*, October 7, 2007

Europe is more of a “workfare state” than a welfare state. Properly understood, Europe’s economy and social system are two halves of a well-designed “social capitalism”—an ingenious framework in which the economy finances the social system to support families and employees in an age of globalized capitalism that threatens to turn us all into internationally disposable workers. Europeans’ social system contributes to their prosperity, rather than detracting from it, and even the continent’s conservative political leaders agree that it is the best way.”

i. Small is Beautiful! In the Modern “Brandscape”, too.

“Small” is . . . Cool in our Networked Society

“Small is beautiful”—the old and much debated axiom that could be applied to many aspects of economic and social life—might also be useful in explaining some of the main developments and future trends of the modern “brandscape”. In our context, the use of the word “small” does not imply its literal meaning, instead it is used to denote the “opposite” of the words “gigantic”, “massive”, “impersonal”, “dominant”, “extreme”, “colossal” etc. that characterize the majority of global arrogant brands. If one takes a closer look at the main marketing challenges of our times, key emerging threats include things such as de—massification, eclecticism, “You/Me” expression requirements/needs, customization, a preference for no mass products/brands, “glocalization”, regionalization etc. for reasons already analyzed in this book. Among today’s marketing challenges, Kotler and Keller specifically include the movement of “small is beautiful”. In other words, there is a clear sign of consumer preference for products/services from brands that have a sense of “metron” (measure), and for brands that are not “gigantic” but closer to humans in size and nature instead. As we will see in the following pages, consumers may not be that foolish, after all, as witnessed by such a preference for the “small”. Evidence from relevant studies suggests that customers certainly feel more satisfied by the small and less gigantic brands.

Small Countries are Real Winners and the Clear Preference of People/Citizens

Let’s look at this challenge of “small” in a different economic domain. A closer look at major global economic studies (i.e. regarding nations’ prosperity, competitiveness, wealth, quality of life, etc), shows that one thing is clear: small countries are by far clear winners, while big countries are usually not even included in the top ten. (With the exception of the US sometimes, but this is too controversial an issue to be discussed here . . . or a kind of an anomaly soon to be corrected). The relevant table presents a number of very important indices that show a clear lead for the “small” countries and particularly a lead for European countries.

For example, of the ten richest countries in the world in terms of per capita GDP, nine have a population of less than 7m people and of these nine, some even have a considerably lower population (i.e. Norway: 4m, Singapore: 3m, Luxembourg: 0.5m etc.). In addition, as relevant studies suggest, in particular those carried out by two professors from Harvard and Brown University¹²¹ “where the preferences of

¹²¹ *Alberto Alesina and Enrico Spolaore: The Size of Nations, MIT Press*

a country's people count, people preference for their country is likely to be smaller than it would otherwise be”. If we do not take parameters like homogeneity and other historical, economic and social factors into account, the message is clear: people, in their role of citizen, feel it is better to live in a small nation where they believe they enjoy a higher quality of services. Furthermore, they are even prepared to pay a premium for that!!

Arrogant Brands: The Era of Parenthesis?

But if “small” is so hugely attractive and the clear preference of people for reasons described above, why do consumers seem to be attracted by the gigantic global brands? Or perhaps this is not the case? In our opinion the “golden age” of the extreme, global and arrogant (American) brands is over. For reasons analyzed in the ‘known unknowns’, these brands are steadily losing ground, in the “rich north” at any rate. This period of the arrogant brands’ dominance will soon be over and it will be known as the “era of parenthesis” in the long evolutionary journey of the brand species. Furthermore, these brands no longer constitute people’s preference in their role of consumer contrary, perhaps, to what is widely believed. Research based evidence suggests that “small”, “nice”, mainly European, brands are now attracting consumer preference, as we will see in the following pages.

*ii. European “Nice Brands” Win People’s Hearts and Minds
and Outperform American “Arrogant” Brands*

“The results (of the most reputable companies/brands) may come as a surprise but only one American company made it to the Top 10 worldwide (and this in the 10th position)”

Forbes Magazine

In recent years a rather different “brandscape” has been cultivated in Europe and the US. Greedy, immoral, psychopathic, paternalistic brands are the typical American product, while Europe is responding with more humanitarian, egalitarian and green/fair trade brands. An EU-US brand war has already been declared and there are clear indications that European global, nice brands are outperforming their US rivals by far.

Europe Leads in the World’s Most Respected Companies/Brands League

According to recent international studies¹²² involving 26 countries, 60,00 respondents, 1,000 companies/brands—14 European brands were included in the Top 20, compared to only two for the US!! The results may come as a surprise but only one American company made it into the top 10 worldwide!! At the same time, Europe dominates the top ten with clear winners in ranking: Barilla (Italy), Lego (Denmark), Lufthansa (Germany), Ikea (Sweden), Michelin (France) and others. The relevant ranking is shown in the table below.

¹²² *Reputation Institute/Harris Interactive/Forbes Magazine: The Worlds Most Reputable Companies, 11.21.2006*

Figure 20

The World's 10 Most Reputable Companies-2006

	COMPANY	COUNTRY	INDUSTRY	SCORE
1.	Barilla	Italy	Food & Tobacco	87,79
2.	LEGO	Denmark	Consumer Products	86,58
3.	Lufthansa	Germany	Airline & Aerospace	84,09
4.	IKEA	Sweden	Retail / General	84,08
5.	Michelin	France	Automotive	83,79
6.	Toyota	Japan	Automotive	83,15
7.	Moller-Maersk	Denmark	Transport/Logistics	83,15
8.	Ferrero	Italy	Food & Tobacco	82,98
9.	Samsung	S. Korea	Electronics	82,57
10.	Kraft Foods	USA	Food & Tobacco	81,82

SOURCE: 1) Forbes: The World's Most Reputable Companies, 20 Nov. 2006, (Top 200), 2) Reputation Institute, 3) Harris Interactive survey in a sample of 30.000 people, in 25 countries. Score: Reprtrak Pulse 2006

The list of the Top 50 best European performers is shown in the following table.

Table 1 : Top 50 Most Reputable European Brands-2006

No	RANK	COMPANY	COUNTRY	INDUSTRY	SCORE
1	1	Barilla	Italy	Food & Tobacco	87.79
2	2	LEGO	Denmark	Consumer Products	86.58
3	3	Lufthansa	Germany	Airline & Aerospace	84.09
4	4	IKEA	Sweden	Retail - General	84.08
5	5	Michelin	France	Automotive	83.79
6	7	A.P. Moller-Maersk A/S	Denmark	Transport/Logistics	83.15
7	8	Ferrero SpA	Italy	Food & Tobacco	82.98
8	11	Danfoss A/S	Denmark	Industrial Products	81.57
9	14	Philips	Netherlands	Electrical & Electronics	80.98
10	17	Tesco PLC	UK	Retail - Food	79.65
11	18	BMW AG	Germany	Automotive	79.58
12	21	Aldi Group	Germany	Retail-Food	79.18
13	22	VELUX A/S	Denmark	Industrial Products	78.92
14	24	Novo Nordisk A/S	Denmark	Pharmaceuticals	78.75
15	26	Kone Corp.	Finland	Industrial Products	78.73
16	29	Mercadonna, S.A.	Spain	Retail-Food	78.00
17	31	Luxottica Group	Italy	Consumer Products	77.68
18	33	Coop Italia	Italy	Retail-Food	77.44
19	34	Airbus S.A.S.	France	Airline & Aerospace	77.41
20	36	Robert Bosch GmbH	Germany	Electrical & Electronics	77.26
21	37	Grupo Leche Pascual S.A.	Spain	Food & Tobacco	77.06
22	41	Nokia Corp.	Finland	Telecommunications	76.85
23	42	Vestas Wind Systems A/S	Denmark	Industrial Products	76.80
24	44	Grundfos A/S	Denmark	Industrial Products	76.71
25	45	Marks & Spencer Group PLC	UK	Retail-General	76.66
26	46	Ebro Puleva S.A.	Spain	Food & Tobacco	76.60
27	48	Sol Meliá, S.A.	Spain	Services	76.33
28	50	L'Oreal S.A.	France	Consumer Products	76.12
29	55	Danone	France	Food & Tobacco	75.48
30	58	Friesland	Netherlands	Food & Tobacco	75.33
31	60	Heineken N.V.	Netherlands	Beverage	75.29
32	61	Rockwool International A/S	Denmark	Industrial Products	75.28
33	62	Carlsberg A/S	Denmark	Beverage	75.23
34	63	ICA AB	Sweden	Retail-Food	75.20
35	67	Siemens AG	Germany	Electrical & Electronics	75.11
36	69	Esselunga Group	Italy	Retail-Food	75.09
37	72	Motability	UK	Services	74.74
38	73	J Sainsbury PLC	UK	Retail-Food	74.67
39	74	Ericsson	Sweden	Telecommunications	74.64
40	80	Volvo AB	Sweden	Automotive	74.18
41	92	Unilever N.V.	Netherlands	Consumer Products	72.91
42	94	Auchan S.A.	France	Retail-Food	72.73
43	96	Danisco A/S	Denmark	Food & Tobacco	72.68
44	97	Inditex S.A.	Spain	Retail-General	72.64
45	100	PPR S.A.	France	Retail-General	72.31
46	101	Otto GmbH & Co KG	Germany	Industrial Products	72.30
47	103	Pirelli & Co.	Italy	Automotive	72.22
48	105	Electrolux AB	Sweden	Electrical & Electronics	72.06
49	110	H. Lundbeck A/S	Denmark	Pharmaceuticals	71.88
50	115	Air France	France	Airline & Aerospace	71.64

SOURCE: 1) Forbes: The World's Most Reputable Companies, 20 Nov. 2006, (Top 200),

2) Reputation Institute, 3) Harris Interactive survey in a sample of 30.000 people,in 25 countries.Score: ReptrakPulse 2006

Furthermore, as data suggests, a small European country like Denmark is in the lead with 11 companies in the Top 50, proving that the “small” (or better the “anti-giant” movement) is beautiful. It is evident that Nordic countries and Europe at large, provide a good example of the type of environment where nice brands flourish. A more profound reason for this is the reduced “power distances” within the population (or extreme polarization in other words) that undermines the

economy and the future survival of brands. The notion of “power distances” was introduced by Geert Hofstede to calculate the level of equality in a society. In brief, a relatively small gap in society helps to focus better on the needs of the people, with the obvious result that better products and services, both in the public and private sector are created. This phenomenon also contributes to the creation of better brands that soon become very successful on a global level.

Figure 21

The World's 50 Most Reputable European Brands—By Country 2006

<i>Country</i>	<i>No of Companies</i>	<i>%</i>
Denmark	11	22
France	7	14
Germany	6	12
Italy	6	12
Spain	5	10
Sweden	5	10
Netherlands	4	8
UK	4	8
Finland	2	4
<i>Total</i>	<i>50</i>	<i>100</i>

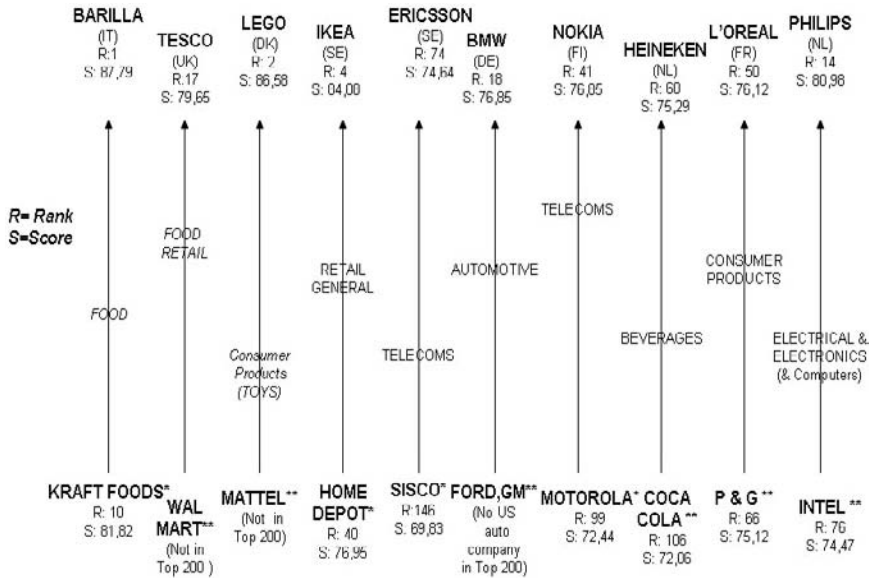
SOURCE: 1) Forbes: The World's Most Reputable Companies, 20 Nov. 2006, (Top 200), 2) Reputation Institute, 3) Harris Interactive survey in a sample of 30,000 people, in 25 countries. Score: Reprtrak Pulse 2006

European Brands are Leading Across all Sectors, Worldwide

What is even more staggering in the above studies, is that European global brands are outperforming their US rivals by far in almost every single business sector. For example: in Food Retail, Tesco (UK) outperforms Wal Mart, in Fashion Retail, H&M

(Sweden) outperforms Gap, in Toy Retail, Lego (Denmark) outperforms Mattel, in Tires Michelin (France) outperforms Goodyear, in Automobiles BMW (Germany) outperforms Ford, in Telecoms Nokia (Finland) outperforms Motorola, in Food Barilla (Italy) outperforms Kraft Foods (the only US company in the top ten at all, but unfortunately Barilla ranked No 1!!) etc. The graph below gives a representation of these findings and comparisons by sector.

Figure 22
European Brands are Outperforming their US Rivals Worldwide in Almost All Sectors



SOURCE: 1) Forbes: The World's Most Reputable Companies, 20 Nov 2006, (Top 200), 2) Reputation Institute, 3) Harris Interactive survey in a sample of 30,000 people, in 25 countries. Score: Reprtrak Pulse 2006
NOTE: Selection of the US brands was based either on the second best scoring performer/company in the same sector if marked by * , or the closest possible / relevant US competitor if marked by **

Though these studies reflect somewhat of a “bias” in favor of small countries—since it is easier to get input in a small country with fewer large firms and the customer-brand relationship is stronger—the same argument supports the idea that consumers are not much in favor of mass brands, preferring brands with a more “human measure” (metron) which is what the US arrogant and selfish conglomerates lack.

iii. Do “Nice Brands” Finish First? Lessons from Game Theory

[companies/brands] “with 10% profits feel secure enough . . . with 50% become adventurous . . . with 100% disregard all human laws and with 300% can even take the risk of committing crimes”.

Karl Marx

In purely financial terms the greed displayed by brands has always been proverbial. But now, with the help of the internet and the communications explosion, modern, informed, knowledgeable and educated consumers have at last gained better access to corporate information, including brand pricing strategies and what is really going on. Corporations and brands are, naturally, in the business of “profit maximization”, which is a major and healthy objective for the prosperity of the economy and society. However, deeper insights into brand profit and pricing tactics, now coming to light more and more frequently, reveal that their two most favorite strategies are: “Abnormal Profit” and “Monopoly Profit” (Rent). Profit may generally be defined as making a gain from business activity for the benefit of the owners of the business. A normal economic profit arises when revenues exceed the total (opportunity) cost of inputs, noting that these costs include the cost of equity capital that is met by “normal profits”.

Cheater (Brand) vs. Sucker (Buyer)

However, owing to *market failure* (the “market does not know”—the divine hand can get it wrong-, information asymmetry etc.) and *monopolies* (although we are supposed to be living in a competitive, globalized environment, these are becoming stronger owing to the shift to the knowledge based economy, see Microsoft for example), abnormal and monopoly profits are on the rise. Abnormal profits are profits like those realized by the Nikes’ of this world, famous for operating with a 5 to 10 times profit mark-up (500% to 1000% profit), like most of the other global (usually American) brands that produce their goods in low income countries and their “labor camps”. As for monopolistic profits, the most notorious example is Microsoft which may easily set a price at a 50 to 100 times profit mark-up (5,000% to 10,000% profit) for its products (since no serious arguments may be made about development costs etc.).

In the words of Karl Marx:

[companies/brands] “with 10% profits feel secure enough . . . with 50% become adventurous . . . with 100% disregard all human laws and with 300% can even take the risk of committing crimes”.

(Marx’s quotation above has been amply confirmed by the latest surveys showing that the company/brand with the worst reputation worldwide today is Halliburton,

the US defense contractor following US troops in all recent wars, including Iraq, not to mention New Orleans etc.—Forbes, 11.21.2006)

Today, the market has become extremely concentrated and in many sectors it is frequently controlled by no more than 3 to 5 brands. Let's take high finance, funds, pharmaceuticals, biotechnology, entertainment, the media, search engines, chemicals, oil, even beverages and others. In today's free market economy, it is quite typical for one of the parties (agents) to be a "cheater" (brand) and the other to be treated like a "sucker" (buyer), mainly because he lacks information and lives in an environment which remains monopolistic. The situation greatly resembles popular research work carried out in the field of game theory, and particularly the Prisoners Dilemma (PD) game. PD is a type of non-zero-sum game (i.e. no matter what the two players—brand vs. buyer—do, in the end one will win and the other will lose). The greedy, cheating, immoral and arrogant behavior of brands has turned this "game" into a "win-lose" situation and not a mutually beneficial, cooperative "win-win" situation.

Axelrod who studied in detail the PD, discovered that when these encounters were repeated over a long period of time with many players, each with different strategies, greedy strategies tended to do very poorly in the long run while more altruistic strategies did better, as judged purely by self-interest.

By analysing the top-scoring strategies, Axelrod stated several conditions necessary for a strategy to be successful.

Nice

The most important condition is that the strategy must be "nice", that is, it will not defect before its opponent does. Almost all of the top-scoring strategies were nice; therefore a purely selfish strategy will not "cheat" on its opponent, for purely utilitarian reasons first.

Retaliating

However, Axelrod contended, the successful strategy must not be a blind optimist. It must always retaliate. An example of a non-retaliating strategy is Always Cooperate. This is a very bad choice, as "nasty" strategies will ruthlessly exploit such softies.

Forgiving

Another quality of successful strategies is that they must be forgiving. Though they will retaliate, they will once again fall back to cooperating if the opponent does not continue to play defects. This stops long runs of revenge and counter-revenge, maximizing points.

Non-envious

The last quality is being non-envious, that is not striving to score more than the opponent (impossible for a 'nice' strategy, i.e., a 'nice' strategy can never score more than the opponent).

Today, with the help of technology, the consumer is acquiring far greater information than ever before and is now perfectly aware of the brand's greed and its abnormal profit/pricing strategies. After so many years, the consumer has finally realized that he was being taken for a “sucker” by the “brand as a cheater” behavior, and he is going to retaliate. The brand looks set to lose another battle. Such retaliation could have a serious impact on the brand's future. But in the end, as found in the PD experiment, the nice and good guys (i.e. brands, consumers) win and the bad guys (i.e. arrogant brands) finish last¹²³.

A nice brand may be defined as possessing such qualities as: honesty, responsibility, community spirit, quality and value for money, ethos, human measure (‘Metron’ as in the Greek ‘measure in all things’), egalitarianism, cooperativeness, eclecticism etc. Arrogant brands are defined by their greed, immorality, paternalistic attitude, dishonesty, narcissism, psychopathic traits, cheating, ruthless exploitation etc. Today, research data has appeared which supports the hypothesis that not only are European “nice brands” flourishing, but also that European global, nice, brands have become the most reputable in the world.

¹²³ Robert Axelrod: *The Evolution of Cooperation*

iv. Europe's Egalitarian Ethos vs "Barbarians Lead by Bill Gates"

Europe is spending considerable resources and taxpayers' money to secure a more democratic and open market within its borders. However, notoriously arrogant and monopolistic US brands are fighting these developments fiercely, since, in the US, the Administration has absolutely no control over such matters.

Should European Taxpayers Pay the Bill for US Arrogant Brands?

Take the case of Microsoft, for example. A long running battle has been going on between the Company and the EC which has cost European taxpayers a lot of money. However, the EC has not buckled under and, on the contrary, has shown its will to fight the knowledge based society's modern monopolies and protect its citizens from the contemporary business world's disgraceful behavior in this respect. In a quick up date on the case, from the BBC: "Microsoft has lost its appeal against a record €479m fine imposed by the European Commission in a long-running competition dispute [. . .] Competition commissioner Neelie Kroes described the victory "bittersweet", saying that software customers still have no more choices than they did three years ago. Microsoft has been locked in a bitter struggle with the EC over its business practices for years [. . .] It was fined \$640m for anti-competitive behavior in 2004 and was hit with a \$357m penalty earlier in 2007 for failing to meet Commission demands for it to share technical information with other firms."

Is Microsoft the 21st Century's Monopolistic Utility Brand?

Europeans are not the only ones concerned with the monopolistic practices of such monopolistic brands as Microsoft. James Surowiecki, a major American thinker, journalist and author (*James Surowiecki: The Wisdom of the Crowds*) is apocalyptic in his article in a leading magazine¹²⁴. We draw from this article: "Ninety years ago, Theodore Vail—the president of AT&T—made a historic compromise. Vail believed that the telephone business needed to be run by one company—only then could it guarantee 'communication with anyone that may possibly be wanted, at any time.' So AT&T set about gobbling up competitors across the country, putting together the first nationwide phone network. For Vail's strategy to fly, though, there was one big hump to get over: the government, which was threatening AT&T with trust-busting on the one hand and nationalization on the other. So Vail cut a deal with the Justice Department, accepting regulation in exchange for sanctioned control

¹²⁴ *James Surowiecki: Microsoft—The New Electric Company, Wired Magazine*

of the telephone business. Almost a century later, another monopoly made its own deal with the Justice Department. With the ratification of its settlement with the Feds in November, Microsoft’s control of the desktop is now state-approved. The ruling acknowledges a simple reality: Windows is too important a standard to muck up. In effect, Judge Colleen Kollar-Kotelly’s decision declared that Ma Bill is America’s most important utility company. But, there’s one big difference between the deals that AT&T and Microsoft cut: AT&T gave up a lot, and Microsoft gave up very little . . .

Europe’s Egalitarian Values Should Prevail Over ‘Ma Bill’ by Supporting the OSS Initiative

However, according to some analysts, EU member states have enough armory with which to expel the Microsoft monopoly from the EU. The OSS (Open Source Software) initiative, supported by a number of EU nations, already has a working program under the competent DG, but needs further enhancement. Open Source Software (OSS) is plain software, just like what you already know. When in operation, you don’t notice that the software is actually Open Source. The difference with its counterpart (proprietary software, or “closed source software” or CSS) is the way in which it is licensed. Both OSS and CSS come with a license that you have to accept and legally respect when using the software. It is this license that makes all the difference between OSS and CSS.

CHAPTER 5

Branded . . . Unhappiness

Although happiness seems like a somewhat commonplace and popular subject, it would appear that we still do not fully understand what it is that makes people happy and that we still lack important knowledge on the psychology of human satisfaction. However, no matter what theory or ideas we approach the subject with (i.e. *Galbraith, Sen, Layard, Kahneman, Stiglitz, Maslow, Max-Neef, Castoriadis, Easterlin, Frank, Diener, Schumacher, Scitovsky, Lyubomirsky, Kasser, de Botton etc.*) it is clear that individuals—at least in the Western world where physical and subsistence needs have been covered—struggle over two main quests: love/affection and identity/recognition. And if money, materials and brands cannot buy you love (. . . well, not always), they certainly can buy you attention and instant recognition. Brands and their logos provide the vehicle for fast recognition of the individual's personality in our fast times, conveying such messages as: image, wealth, acceptance, popularity, status, success, sexuality etc. The American and Western identity in general, has been defined by its relationship to consumer goods (. . . brands) notes Prof *Gary Gross*.

As already stated, brands are no longer about products, services, experiences, etc. but have risen to a “pseudo-status” of expressing “social imaginary significations” (like laws, institutions, values, etc.) and a “pseudo-authority” imposed from without by advertising. A whole new value system has been established based on consumerism and brands, and individuals have become prisoners without bars of this new ideology and consumer culture. The time when a decision to buy a bag, for example, was based on our need to carry our personal items, i.e. wallet, papers, etc. for instance, is long gone. When buying a \$ 3,000 Lieber bag, what women are actually buying is such things as status, fame, acceptance, popularity, attractiveness, attention and possibly satisfaction. (However and as we shall see later, as more and more women buy and or carry the same branded bag for instance, they begin to feel disappointed and instead of enhancing their status etc., their life actually begins to feel . . . miserable!!) So,

there is no doubt that brands are the single most important representatives of the established materialistic and consumerist ideology of our times, at least in affluent countries. As a result, it is only natural that we should attempt to examine their role and positive or negative contribution to human happiness, as happiness constitutes the real purpose of life.

Even as far back as the 5C BCE, Aristotle¹²⁵ was already concerned with the problem of lifelong happiness. He believed that happiness was the ultimate human goal and provided a guide to the art of living. However, it should be noted that for ancient Greek philosophers happiness is usually associated with the Greek word “*eudemonia*” (a good psychic situation, eu = good, demonia/demon = psyche) which has a much broader meaning. Eudemonia occurs when the individual’s soul/psyche acts in accordance with virtue (*arete*, or the system of ethical values). To put it simply, it is when the individual, after he has attained “*aponia*” (lack of physical pain), reaches a stage of balance and satisfaction with his own soul/psyche. The use and meaning of the Greek word “eudemonia” provides the simplest and the most solid definition of happiness, which remains valid even after some 2500 years. Happiness is a very important parameter, as it is generally considered the ultimate goal of life. The US Declaration of Independence in 1776 takes it as a self-evident truth that the “pursuit of happiness is an unalienable right”, comparable to life and liberty.

¹²⁵ Aristotle: *Nicomachean Ethics*

i. Brands: Troublemakers of the Psyche?

“Happiness is the meaning and the purpose of life, the whole aim and the end of human existence”

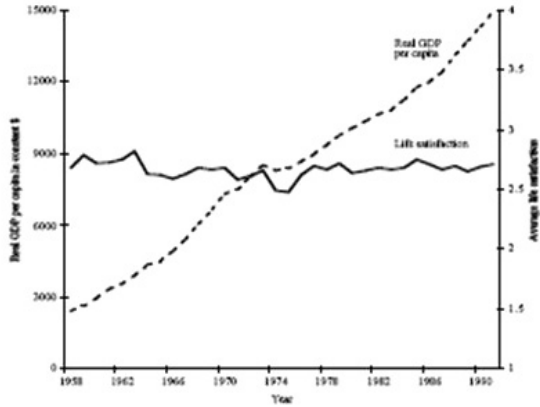
(Aristotle)

More (brands and materialistic values) is Less (satisfaction and happiness)

Material goods (i.e. products, brands, etc.) not only cover people’s basic needs, but also, it is supposed, increase people’s happiness, in affluent countries at least. As a rule of thumb, people with higher income have more opportunities to achieve what they desire: in particular, they can buy more material goods and services. There is a strong corelationship between income and happiness; however, is it true that income (that buys material goods and brands) can buy happiness? Several scholars have identified a striking and curious relationship: per capita income in Western countries such as the US, UK as well Japan and others, has risen sharply over recent decades, but average happiness has stayed “virtually constant” or has even declined over the same period. Graphically, the development of income and happiness diverges like open scissors. This very telling graph, that plots average income in the US since 1956 (same is true for other countries like Japan, etc) against the percentage of people who say they are “very happy”, shows that while income has risen more or less steadily from \$ 9,000 to \$ 20,000, the very happy line stays more or less constant at around 30%, if it does not in fact decline in some cases/countries.

Figure 23

The Scissor Effect (Easterlin Paradox):
Satisfaction with Life and Income (Per Capita, 1958-1991/Japan)



Source: Frey and Stutzer, Penn World Tables , World Database of Happiness

Additional material goods and services (i.e. brands) initially provide extra pleasure, but this is usually only transitory¹²⁶. Higher happiness with material things wears off. Satisfaction depends on change and disappears with continued consumption. This process that reduces the hedonic effects of a constant or repeated stimulus is called “adaptation”. Many economists do not subscribe to the idea that higher income produces greater happiness, including Galbraith¹²⁷ and Scitovsky¹²⁸ and suggest that “money does not buy happiness”. Other scholars also address this “Scissor Effect”

¹²⁶ Bruno Frey and Alois Stutzer: *What Can Economists Learn from Happiness Research*, *Journal of Economic Literature*, 2002

¹²⁷ John Kenneth Galbraith: *The Affluent Society*, 1958

¹²⁸ Tibor Scitovsky: *Joyless Economy—The Psychology of Human Satisfaction*, 1976

(or “progress paradox” or “Easterlin Paradox”) and the hopeless pursuit of happiness in commercialism and materialism. Here we will focus on two interesting books and their useful insights as commented on by B. Butler¹²⁹. We draw from Butler:

... “we are embedded in an ever expanding consumer-driven culture. The world economy, it seems, is based on the next sale. Accordingly, the consumer is increasingly persuaded to focus on materialistic pursuits, to acquire that next “want” that goes far beyond a genuine need for sustenance, safety and security.

Helping the process along, advertising bombards the consuming public daily. The promising slogans offer happiness and fulfilment if we will just buy a particular product. And many of us are surrendering unconditionally in this battle for our attention and our minds (not to mention our money)—choosing materialism over self-restraint.

This shift has been occurring for more than a century, according to Gary Cross (*Gary Cross: An All-Consuming Century—Why Commercialism Won in Modern America, 2000. Columbia University Press, New York.*). Cross, professor of history at Penn State University, looks at the 20th century and concludes that the American identity has become defined by its relationship with consumer goods, both on the personal and the public level. Considering the various ideological “isms” that flourished over the years, he contends that “the real winner of the century was consumerism. Visions of a political community of stable, shared values and active citizenship have given way to a dynamic but seemingly passive society of consumption in America, and increasingly across the globe.”

While Cross gives a historical overview, associate professor of psychology Tim Kasser (*Tim Kasser: The High Price of Materialism. MIT Press, Cambridge, Massachusetts, 2002.*) takes a scientific approach to the subject. Kasser investigates whether materialistic values really do produce happiness and well-being. He cites and agrees with studies showing that once people have met their basic needs for food, clothing and shelter, there is little benefit in accruing more. Using statistical studies, including his and cocreator Richard Ryan’s “*Aspiration Index*,” Kasser shows how those who place a high value on acquiring wealth and material goods aren’t as happy as their less materialistic counterparts.

The Aspiration Index (AI) by Kasser and Ryan has distinguished between two types of goals. *Extrinsic*, materialistic goals (e.g., financial success, image, popularity) are those focused on attaining rewards and praise, and are usually means to some other end. *Intrinsic* goals (e.g., personal growth, affiliation, community feeling) are, in contrast, more focused on pursuits that are supportive of intrinsic need satisfaction.

The original version of the AI (Kasser & Ryan, 1993) examined four domains of aspirations (self-acceptance, affiliation, community feeling, and financial success) and assessed ratings of how important and likely to occur subjects perceived these

¹²⁹ Bill & Donna Butler: *Enough is Enough, Vision, 2004*

goals as being. Kasser & Ryan (1996) added three more aspirational domains (image, popularity, and physical health) and Kasser (1996) added another of spirituality. The most recent published version of the AI (Grouzet, Kasser, et al., 2005) also assesses conformity, safety/security and hedonism, for a total of 11 domains.

Affluenza, Shopaholics and other Disorders

According to a 1997 PBS documentary, *Affluenza*, Americans spent an average of six hours shopping every week. Yet they could find only 40 minutes each week to play with their children. Another study indicated that working couples spent almost as little time talking to each other—about 12 minutes a day.

In this climate, almost everyone is vulnerable to ‘affluenza,’ an infectious disease in which one becomes addicted to having.”

A 2006 Stanford University study has concluded that compulsive overspending or overshopping is a legitimate disorder that affects approximately 6% (17,000,000) of the U.S. population and that men and women suffer about equally.

(See more at <http://www.shopaholicsanonymous.org/>)

As specialists and therapists suggest, the main causes of the symptom include: emotional deprivation in childhood, inability to tolerate negative feelings, a need to fill an inner void, excitement seeking, approval seeking, perfectionism, a genuinely impulsive and compulsive, need to gain control etc. The types of behaviour shown include: compulsive shoppers, trophy shoppers, image shoppers, bargain shoppers, co-dependent shoppers, bulimic shoppers, collector shoppers, etc.

Believing that having just the right possessions will make them happy and fulfil their needs, wants and desires leads people to continue to fill their lives with things, only to find that the opposite can be true. “In this respect,” writes Kasser, “the desire for material goods, fame, and attractiveness is like drug addiction. . . . Just as an alcoholic who first got a buzz from three beers eventually requires six, and then nine, and then a whole case before feeling drunk, a person strongly oriented toward materialistic values might originally experience a ‘high’ from a small purchase or pay check, but will eventually require more and bigger possessions and sums before the equivalent positive feelings occur. . . . Through this process, their needs for feeling good about what they have and who they are remain relatively unfulfilled.”

The reason, according to Kasser, is that all those things take up time and consume our energy, and we not only must work harder to have the things we think we cannot live without, but we must also have the resources to maintain, upgrade and insure them. Thus the possessions we amass end up adding to the stresses of life.

Kasser found that “existing scientific research on the value of materialism yields clear and consistent findings The studies document that strong materialistic values are associated with a pervasive undermining of people’s well-being, from low life satisfaction and happiness, to depression and anxiety, to physical problems such as headaches, and to personality disorders, narcissism, and antisocial behavior.”

This unhappiness can in turn cause more materialism. When we get into the habit of buying things to make us feel better or more secure, we are more likely to listen to the advertisers' messages that buying their products will enhance our self-esteem and make us more deserving of others' attention and affections. This fuels the fires of possession obsession, while the feelings of inadequacy persist.

The Secret Paths to Depression, the No 2 Killer of Our Times

An examination of how brands, through overstimulation, invasion and other manipulative techniques, can lead a number of individuals, usually ones with a rather level low self-esteem, to the dark sphere of depression can show interesting results. The main secret paths to depression from brand engagement for modern consumers are briefly described below.

The first path relates to "*Brand Values*". It is expressed, among other things, by a New Value System of Success imposed on individuals from without by brands. The mechanism works as follows: at a first stage (*State of Discrepancy*) individuals notice that people's values and lifestyles in brand advertisements are very different from their own, and are "forced" to comply with what they see by buying the product in order to become part of society, as this has been imposed by the new brand value system, and not be "rejected". At a second stage (*State of Permissiveness*) the individual's values reach a kind of "atrophy" which leads to the third stage (*State of Apathy*), a stage characterized by "soft neuroses" and a high level of receptiveness to brand stimuli. (See more in the relevant work of *Cornelius Castoriadis, Gary Gross, Tim Kasser* and others).What follows next is usually the dark field of depression.

The second path relates to "*Brand Overstimulation*", i.e. the unlimited attack of the brand on the psyche with commercial, persuasive, stimuli. The mechanism works as follows: at a first stage (*Affluenza*) the overstimulation of artificial needs gives rise to this rather painful, socially transmitted condition of overload and anxiety resulting from the pursuit of more. In a second stage (*Oniomania*) individuals with a rather weak personality show signs of "compulsive spending behavior", which leads to the third stage (*Feelings of Inadequacy*) a state also characterized by feelings of low self-esteem. (More in the relevant work of *de Graaf, Oliver James* and others). Then, depression is nearby.

The third path relates to "*Brand Overdose*", the unlimited number of choices from a vast number of available brands in certain product categories. Research shows that this greater freedom of choice—contrary to what is widely believed—usually leads to *decision paralysis*, then to *higher levels of expectation* and finally to low satisfaction and, sometimes, *disappointment* and feelings of guilt (See relevant work by *B.Schwartz*). Then again depression is around the next corner.

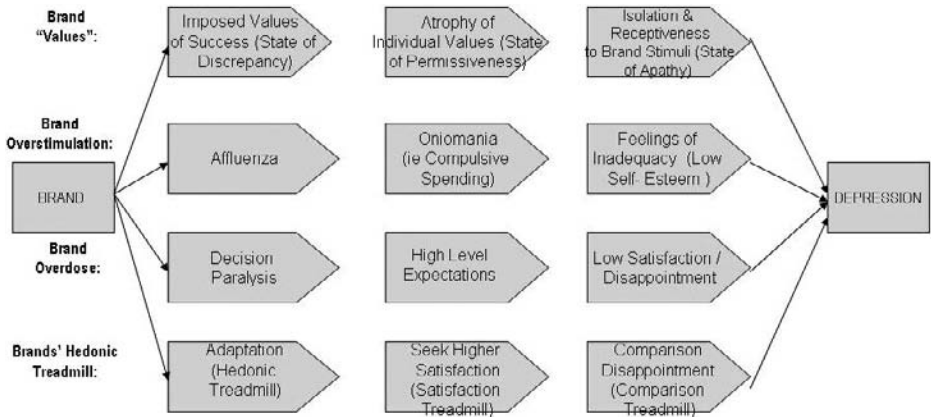
The fourth path relates to the so-called "*Brand Hedonic Treadmill*", the theory which compares the pursuit of happiness to a person on a treadmill, who has to keep working just to stay in the same place. (Lottery winners are a good example: within a year, they

usually return to their former happiness level . . . People handicapped in motor vehicle accidents are another example. They too return to their former happiness levels, despite their loss of function . . . Could happiness be in our genes after all?

It is believed that the baseline of an individual’s happiness is at least partially genetic. For example, identical twins are usually equally bubbly or equally grumpy. As leading psychologists suggest, human beings are predisposed by genetics to plateau at a certain level of happiness, and the occurrence of novel happy events merely elevates this level temporarily). The process works as follows: at a first stage, after a while, individuals no longer respond to or derive pleasure from repeated stimuli and or experiences because of the adaptation mechanism (*Hedonic Treadmill*). As a result they move to a higher satisfaction level (*Satisfaction Treadmill*) which also soon reaches a saturation point. Then in looking around and noticing by comparison that others too, possess the same materials and or brands (*Comparison Treadmill*) disappointed and even misery is experienced¹³⁰. Depression again is nearby. The relevant figure gives a schematic, brief description of the four main paths to depression as orchestrated by brands in our times.

Figure 24

The Secret Paths to Depression in a Brand, Materialistic, Culture



¹³⁰ See relevant original work by *Michael Eysenck, Brickman & Campbell, Bruno Frey & Alois Stutzer, Tibor Scitovsky, Lyubomirski, and others*

Depression is one of the greatest problems and killers of our time. Here is a list with the latest depression statistics, reveal surprising facts about underlying depression causes, the failure of standard treatments, and what works for depression in the long-term, according to Murray and Fortinberry (*Bob Murray and Alicia Fortinberry: Creating Optimism, McGraw-Hill, 2004*):

Depressive disorders affect approximately 18.8 million American adults or about 9.5% of the U.S. population age 18 and older in a given year. This includes major depressive disorder, dysthymic disorder, and bipolar disorder.

15% of the population of most developed countries suffers severe depression.

15% of depressed people will commit suicide.

Depression will be the second largest killer after heart disease by 2020—and studies show depression is a contributory factor to fatal coronary disease.

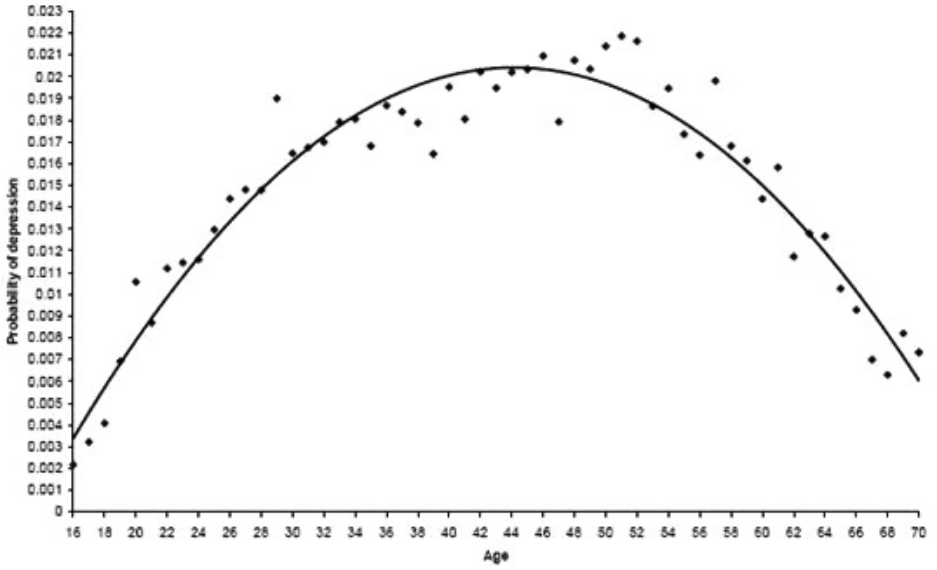
Depression results in more absenteeism than almost any other physical disorder and costs employers more than US\$51 billion per year in absenteeism and lost productivity, not including high medical and pharmaceutical bills.

Many studies show antidepressants (particularly SSRIs) work only as well (or less) than placebos!!!

New studies show supportive relationships are a crucial factor in healing emotional and physical illnesses, including depression and anxiety.

And it comes as no surprise that the most important target group of consumer/brand advertising traditionally, individuals from 35-50 years old, are those with a higher probability of suffering from depression at the same time.

Figure 25
Depression Probability, by Age



ii. The Pursuit of Happiness in a Consumer World

"He who knows that enough is enough will always have enough"

(Lao-tsu, Chinese philosopher)

Why Happiness Stagnates and Even Declines?

Researchers focus on three main reasons to explain the long-run stagnation of happiness, and even decline in some nations. *First*, people get used to higher consumption etc., but this effect evaporates over time (adaptation). *Second*, human beings tend to aim ever higher (addiction). *Third*, satisfaction tends to be influenced by how well others are doing (satisfaction erosion). According to *Lyubomirsky et al. (2005)* a part of happiness appears to be genetically determined (around 50%), another part determined by happiness-relevant activities (40%) and the remainder by circumstances (i.e. income, climate, environment, stable democracy etc.)

Figure 26

The Affect of Activities

ACTIVITY	TIME SPENT	AFFECT
Intimate Relations	0,2	4,74
Socializing after work	1,2	4,12
Dinner	0,8	3,96
Relaxing	2,2	3,91
Lunch	0,5	3,91
Exercising	0,2	3,82
Praying	0,5	3,76
Socializing at work	1,1	3,75
Watching TV	2,2	3,62
Phone at home	0,9	3,49
Napping	0,9	3,27
Cooking	1,1	3,24
Shopping	0,4	3,21
Housework	1,1	2,96
Childcare	1,1	2,95
Evening commute	0,6	2,78
Working	6,9	2,65
Morning commute	0,4	2,03

Source: Kahneman et al (2005), Sample: 909 women in US

Happiness Depends on Really Living Instead of Just Consuming

Scientists are discovering that our happiness does not depend on the consumption of conventional economic goods and services, but instead is enhanced when we have more time and space for socializing, for nature, for learning, and for really living instead of just consuming. (*Robert Costanza, Susan Joy Hassol, Tim Kasser, and James Gustave Speth.:Some Convenient Truths, Dec 2007*)

For example, University of Southern California economist *Richard Easterlin* has demonstrated that well-being tends to correlate well with health, level of education, and marital status, but with income only to a fairly low threshold. He concludes that “a reallocation of time in favor of family life and health would, on average, increase individual happiness.”

Cornell economist R. Frank, in his book (*Robert Frank: Luxury Fever, 2000*) similarly concludes that overall national well-being would be higher if we consumed less and spent more time with family and friends, working for our communities, maintaining our physical and mental health, and enjoying the benefits of nature.

And British economist R. Layard’s book (*Richard Layard:Happiness-Lessons from a New Science, 2005*) echoes many of these ideas and concludes that current economic policies are not improving happiness and that “happiness should become the goal of policy, and the progress of national happiness should be measured and analyzed as closely as the growth of GNP.” The country of Bhutan now uses “Gross National Happiness” as its explicit policy goal.

Lessons from a Happy Little Kingdom in . . . Himalaya

We draw from an article in NYTimes (*A.Revkin: A New Measure of Well-Being from a Happy Little Kingdom, NYTimes, 4/10/2005*):

“The gross domestic product, or G.D.P., is routinely used as shorthand for the well-being of a nation.

But the small Himalayan kingdom of Bhutan has been trying out a different idea.

In 1972, concerned about the problems afflicting other developing countries that focused only on economic growth, Bhutan’s newly crowned leader, King Jigme Singye Wangchuck, decided to make his nation’s priority not its G.D.P. but its G.N.H., or gross national happiness.

Bhutan, the king said, needed to ensure that prosperity was shared across society and that it was balanced against preserving cultural traditions, protecting the environment and maintaining a responsive government. The king, now 49, has been instituting policies aimed at accomplishing these goals.

Now Bhutan’s example, while still a work in progress, is serving as a catalyst for far broader discussions of national well-being.

Around the world, a growing number of economists, social scientists, corporate leaders and bureaucrats are trying to develop measurements that take into account

not just the flow of money but also access to health care, free time with family, conservation of natural resources and other noneconomic factors.

The goal, according to many involved in this effort, is in part to return to a richer definition of the word happiness, more like what the signers of the Declaration of Independence had in mind when they included “the pursuit of happiness” as an inalienable right equal to liberty and life itself.

While household incomes in Bhutan remain among the world’s lowest, life expectancy increased by 19 years from 1984 to 1998, jumping to 66 years. The country, which is preparing to shift to a constitution and an elected government, requires that at least 60 percent of its lands remain forested, welcomes a limited stream of wealthy tourists and exports hydropower to India.

“We have to think of human well-being in broader terms,” said Lyonpo Jigmi Thinley, Bhutan’s home minister and ex-prime minister. “Material well-being is only one component. That doesn’t ensure that you’re at peace with your environment and in harmony with each other.”

It is a concept grounded in Buddhist doctrine, and even a decade ago it might have been dismissed by most economists and international policy experts as naïve idealism.

Indeed, America’s brief flirtation with a similar concept, encapsulated in *E. F. Schumacher’s* 1973 bestseller “*Small Is Beautiful: Economics as if People Mattered*,” ended abruptly with the huge and continuing burst of consumer-driven economic growth that exploded first in industrialized countries and has been spreading in fast-growing developing countries like China.

Yet many experts say it was this very explosion of affluence that eventually led social scientists to realize that economic growth is not always synonymous with progress.

The Practical Wisdom of Ancient Greek Philosophers

In ancient Greece, a number of philosophers concerned themselves with happiness and ethics (*ethica*), a central aspect of which dealt with the good life, the life worth living or life that is satisfying. However, it is the philosopher Epicurus who is more associated with the ideas of how to attain a happy life. His view can be summed up as being composed of the following three ingredients: *Friendship* (if you eat and drink alone you are like an animal . . .), *Freedom* (seek self-sufficiency away from crowded cities and close to nature) and an *Analyzed Life* (use philosophy in your search for a happy, tranquil life by finding what is troubling you . . .). In a recent documentary on the BBC (*The Happiness Formula*) Prof. Ed Diener suggested some vital ingredients which include: family and friends, meaning in life (i.e. a belief in something bigger than yourself—religion, spirituality or a philosophy of life) and having goals relevant

to your values, which are interesting, enjoyable. So many centuries to reach the same conclusions about the art of living a happier life!!!

The Politics of Happiness

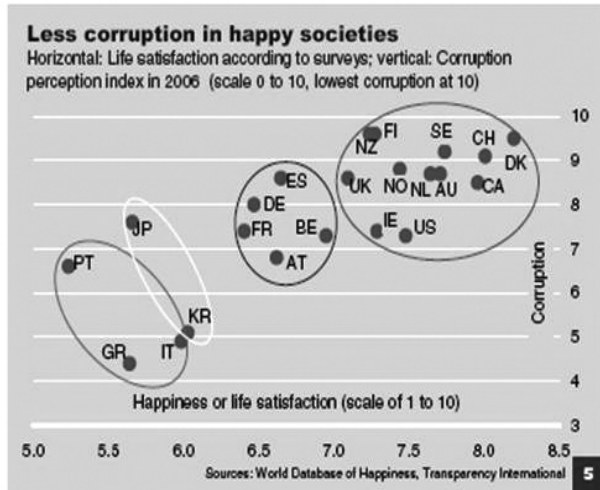
Improving People's Happiness: A Major Challenge for Politicians

The concept of happiness has begun posing enormous questions for politicians who are now turning to leading scientists in the field for help, while most developed countries are in the process of implementing happiness policy measures. Such measures may be related to tax (i.e. a reduction in the gap between rich and poor—the more unequal a society the greater the unhappiness of its citizens), banning advertising (starting first with advertising targeted at children and teenagers), commuting less, encouraging marriage (which usually adds an average of seven years to the life of a man and four to a woman) and rethinking the whole health service system (research suggest a powerful link between happiness and health). So it hardly comes as a surprise that the French President Nicolas Sarkozy has turned to two Nobel Laureate economists to help him, in the hope that happiness may be added to the count, so that the persistently sluggish French economy might come to seem more rosy. Sarkozy said he asked U.S. economist Joseph Stiglitz, winner of the 2001 Nobel economics prize and a critic of free market economists, and Armatya Sen of India, who won the 1998 Nobel prize for work on developing countries, to lead the analysis for France.

The Happy Variety of Capitalism

In “*The Happy Variety of Capitalism*,” report by *Stefan Bergheim of Deutsche Bank Research*, a kind of pattern emerges in the relationship between average happiness and economic policy in the OECD countries, leading him to distinguish between the happy, less happy, and unhappy varieties of capitalism. While go-go capitalist countries like the United States, Australia, and the UK, and economically dynamic Scandinavian free-traders like Denmark and Sweden rank highest on happiness surveys, the nations of “Old Europe”—such as Belgium, Austria, Germany, and France—are relegated to second-tier, “less happy” status. Worse still, France lurks at the bottom of the “less happy” nations, doing barely better than the relatively “unhappy” Italians, Portuguese and Greeks.

Figure 27
Corruption is Bad for National Happiness



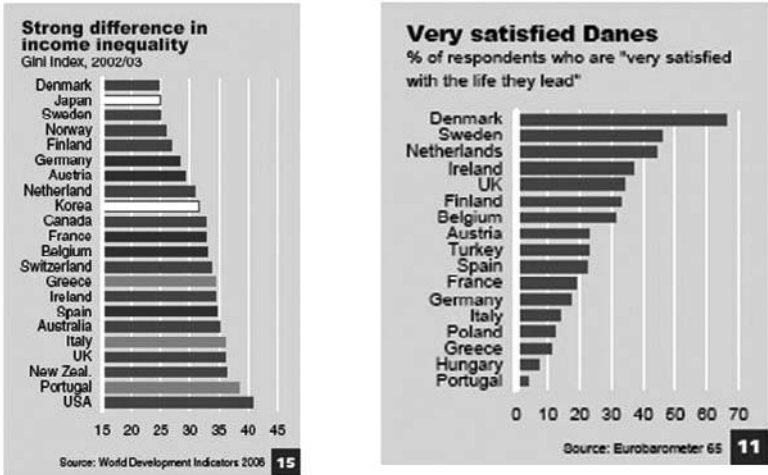
Source: The Happy Variety of Capitalism -Deutsche Bank Research /Stefan Bergheim

Nice Capitalism and Nice Brands Meet . . . Happiness.

While the above analysis and particularly the inclusion of the US in the category of “happy nations” is very questionable (i.e. a number of other surveys do not place the country very high, and empirical correlations between happiness and other relevant indicators support the hypothesis of a lower position—for example data from: World Value Survey, Inequality Index, defense budgets, depression statistics etc.) what is undoubtedly clear is the supremacy of European and particularly Scandinavian countries, such as Denmark, Sweden etc. These findings confirm our scenario/hypothesis discussed in earlier chapters, that countries with some form of “nice capitalism” as compared to “selfish capitalism” (according to Oliver) create “nice brands” in principle, which contribute to happier people and societies (i.e. 4% of Danes feel depressed, compared to 14% of Americans according to data presented by Kahneman). It should be noted that Scandinavian countries are the only ones in the world that surpass all economic and “strange correlations” tests and meet most of the criteria required by modern happiness research.

Figure 28

Danes: Inequality Down, Happiness Up



Source: The Happy Variety of Capitalism -Deutsche Bank Research /Stefan Bergheim

iii. Happiness Up, Consumer Advertising Down.

“I don’t see that we need to allow advertising which conveys very little information because it makes people feel poorer”

(Prof. Richard Layard, LSE)

Advertising: Banning a Major Cause of Unhappiness?

As examined above, there are many factors that make people less happy in our times. (According to some data, the happiness level today is no higher than the 1950 levels, even though average income has tripled since then in the UK). However, advertising clearly stands out as a key factor in making people feel not only less satisfied with their lives today, but even miserable or excluded from/rejected by society and or the “community”. All major happiness studies are skeptical about the role of persuasive advertising that turns citizens into consumers and support the idea that advertising should be banned in the near future to a greater or lesser extent. The message from the science of happiness is clear: advertising is a major cause of unhappiness because it makes people feel less well-off. Kasser’s research reveals that some people expose themselves to the message of consumer culture more than others do and consequently the more television they watch, the more their materialistic values are reinforced through advertising¹³¹. He uses the term “discrepancy theory” to explain the phenomenon further, i.e. the greater the differences in values and lifestyles of the people in advertisements and our own; the greater the discrepancy, the more urgent our need to buy the product, and the more miserable our lives appear without it. As a result, it does not come as a surprise that a study on well-being and happiness by a major bank¹³², should include the recommendation to limit materialistic advertisements (i.e. consumer/product/brand advertising) amongst the other policy implications that it identifies. The study suggests that “as research shows people that watch a lot of TV feel poorer . . . comparisons with the pretty, successful and happy but artificial individuals in commercials makes one’s own weaknesses visible—especially for children and teenagers. Sweden has banned advertisements targeted at children below 12 years of age.”

Banning advertising is a hot issue in many countries these days. For example, in the UK, Professor Layard of the LSE suggests that some advertising should be banned¹³³. “I don’t see that we need to allow pictorial advertising which conveys very little information, because it makes people feel poorer.”¹³⁴ In Bhutan, most street

¹³¹ *Tim Kasser: The High Price of Materialism, MIT Press, Cambridge, Massachusetts, 2002*

¹³² *Stefan Bergheim: Measures of well-being, Deutsche Bank, 2006*

¹³³ *Richard Layard: Happiness- Lessons from a New Science, 2005*

¹³⁴ *Mark Easton: The Politics of Happiness, BBC, 2006/05/22*

advertising is banned, particularly when aimed at children. (While this is happening in Sweden, the Americans are opening the doors for the last “advertising free” and sacred environment remaining up to now: the American school. So it is perhaps not a coincidence that the Swedes are in the top positions regarding happiness.) Although currently the most happy nations are focusing on banning advertising targeted at children and teenagers, the time will soon come when the same issue for adult consumers shall also have to be addressed. For the very simple reason that unhappiness—that strongly correlates with increasing mental illness such as depression, the no 2 killer of our times, which is observed in developed/consumerist nations—comes with a huge economic cost for the NHS. For example, the total loss of output due to depression is some £12 billion or approximately 1% of total national income in the UK¹³⁵. In the US it costs employers over \$51 billion per year in lost productivity alone. The British psychologist Oliver James believes that higher rates of mental disorders are the consequence of excessive wealth-seeking in consumerist nations¹³⁶. He cites World Health Organization data that English-speaking nations have twice as much mental illness as mainland Europe: 23% vs. 11,5%.

The Next Big Step: Public Warnings Against Consumerism soon to be a Reality?

Going a step further, and not waiting for governments to implement the proper policies with regard to the ban of advertising at their slow pace, in many affluent countries civil society is taking a more active role against the harmful materialistic values imposed on citizens by the manipulative methods of the arrogant brands. Take the Adbuster organization (www.adbuster.org) for example, that has launched the “Buy Nothing Day” campaign. We draw from the international press: “Environmentalists, social activists and concerned citizens in 65 countries will hit the streets for a 24-hour consumer fast today (in North America) and Saturday (internationally), marking a global cultural phenomenon that originated in Vancouver and has now gained attention worldwide. Kalle Lasn, co-founder of the Adbusters Media Foundation, says while most participants used to see the day as an escape from frantic consumerism, the focus is now shifting in light of the new political mood over concern for the environment. Lasn, the Buy Nothing boss, says the message is bigger than a single day. “It’s about finding out how addicted you are to consumption,” he says. “Everyone has their own way of waking up to the fact that ‘my lifestyle really stinks’ . . . It’s about having that epiphany.” Lasn insists there really aren’t any rules. What’s really important is a mind shift—and not just a personal one, but a cultural one, too. Among other things, the campaign supporters’ activities include

¹³⁵ *The Depression Report*, LSE, Center for Economic Performance, 2006

¹³⁶ *Oliver James: Affluenza - How to Be Successful and Stay Sane*, 2007

performances and public warnings for spiritual awakening in shopping malls, the modern “Cathedrals of Consumerism”.

The use of public warnings over the vainness of materialism is not something new. In Ancient Greece such warnings were given in the “Agora”, almost the equivalent of today’s shopping malls. The surviving fragment of a wall (initially 260 sq.m with 25.000 words) can even be found today in the ancient Greek city of Oinoanda (Lycia) with an inscription by Diogenes of Oinoanda, of around 2C BCE. Diogenes was an Epicurean who carved a summary of the philosophy of Epicurus (i.e. to attain a happy, tranquil, self-sufficient life surrounded by friends) onto the wall at the Agora of the city. The inscription sets out Epicurus’ teaching and particular ethics. A clear attempt to remind and influence people over the true meaning of life and happiness at “the point of sale”.

The well known author Alain de Botton has written two books *Status Anxiety* & *The Consolations of Philosophy*. The first deals with what others think of us, whether we are judged as a success or a failure and how to overcome these problems in our search for happiness. The second book deals with how to find wisdom from philosophy and insights that could have a practical effect on our lives. Some 2200 years later, *de Botton* repeated a similar experiment in shopping malls in the city of Liverpool in the UK. In his hopeless, but extremely symbolic experiment for the shape of things to come, he created a poster/outdoor campaign with the professional help of an advertising agency, under the main theme “* *happiness not included*”. The pictorial consisted of a big photo at the top of love to buy goods (i.e. car, house etc.) and the simple note at the bottom.

Regardless of the actual impact that the “* *happiness not included*” campaign achieved, the symbolism of the action could be of great importance and relevance. We are reaching a stage where public reminders against materialism will soon become a an actual feature over the years to come. At a first stage such messages might target the shopping malls but will soon use other media, too. (After many efforts, civil society groups have also started to use TV as a medium for public reminders against consumerism). With strong scientific evidence that there is a correlation of consumerism to increasing mental illness such as depression—which will entail devastating economic costs for governments in affluent nations, second only to cigarette smoking—the day will soon come when product packaging and shopping bags will start carrying a rather familiar message:

“The Surgeon-General Warns that Consumerism is Dangerous for Your Health”!!!

However rough, this is still a soft and politically correct approach to arouse awareness in people over the benefits of happiness, compared to the persuasive power of the Ancient Greeks’ technique: at their famous Symposia and at the peak of the party, servants carried around human skeletons as a reminder of the true

nature and purpose of life, to make sure this would not be forgotten. Aristotle told us that: “happiness is the meaning and the purpose of life, the whole aim and the end of human existence”. It appears the time has come for new thinking over consumerism, a new thinking that can only benefit from going back to older (and wiser?) times.

EPILOGUE

“Πάντων χρημάτων (= πραγμάτων) μέτρον ἐστὶν ἄνθρωπος,
των μὲν ὄντων ὡς ἐστίν, των δὲ οὐκ ὄντων ὡς οὐκ ἐστίν” (Πρωταγόρας)

“Man the measure (of all things)” (free translation of the above)
(Protagoras)

The transparent nature of our interconnected world means that “arrogant brands” can no longer survive. It seems that the time has now come to pay the ultimate price for such foolish, *psychopathic behavior*. One should notice from our analysis, that already 50% of the goods in supermarkets/FMCG are “no-label” or, if you prefer, “no-logo”. This proves that the dangerous idea presented in this book is not a kind of a futuristic scenario, but rather a short term, inevitable, fact for companies and possibly a colossal corporate disaster. Some adaptable brands could address the new challenges satisfactorily, in a more “people centric” approach, including among other things, attention to not only functional but also *spiritual, social and mental* parameters. In such an evolutionary journey it seems that European brands are capturing the preference, attention, hearts and minds of consumers, outperforming their US competitors. Brands, in general, should forget their grandiose/arrogant sense of self-importance and power, and shift their attention to the true object of their existence: *the individual*.

However, what is even of greater importance is the secret correlations of “Nice Brands” with “Nice Capitalism” and “Happy Nations”, as revealed in this book. There is a sense of relief today that we are in a process of revising our “value system” and enriching it with a more humane “ethos” and moral standards closer to the *mortal nature of our life*. The quote from the Greek philosopher *Protagoras* (although not fully expressed in the English translation below) is of great relevance here: “Man is the measure of all things” (or put simply the whole idea of “metron”—measure—in our life.) This is a new era where both arrogant brands and selfish capitalism do not have very much more to contribute, no real reason for being anymore, since they lost all sense of “metron” long ago. This seems to be reason enough for their extinction.

With regard to you, me, us—ordinary observers of the new interconnected world—we have to stand above our “*narrow framing*” and face the new emerging economic, corporate and brand truth. And, as Nietzsche said: “*The value of a person is measured by how much truth he is prepared to handle.*”

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18. A Brand Retrospective—Pattern of Migration (Typical Examples)
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21. The World’s 50 Most Reputable European Brands—By Country 2006

22. European Brands are Outperforming their US Rivals Worldwide in Almost All Sectors
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24. Satisfaction with Life and Income (Per Capita, 1958-1991/Japan)
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1. Top 50 Most Reputable European Brands-2006

ABOUT THE AUTHOR

Costas Kataras founded his own consulting firm Strategic International in 1984, after working in the advertising agency business in Athens, Brussels and London, and also in the media/publishing business.

Over the past 30 years he has advised many global corporations (i.e. APPLE, IBM, HEWLETT-PACKARD, SIEMENS, PFIZER, and UNILEVER), International Organizations (i.e. EUROPEAN COMMISSION, NATO), Governments and NGO's in many different countries.

Costas since 2007 is concentrating his efforts on book writing, speaking, lecturing and consultation. Served as an advisor/expert to the European Commission (Brussels/Luxembourg) on issues related with: Communications/PR/Information Dissemination, Research/S&T and Economic & Regional Development. He has a first Degree in Psychology and also a Diploma from the British Institute of Marketing, and he is a member of the CAM Foundation (UK).

Costas was a founding member of two major pan-European networks, DIALOGUE/(1986, Brussels) and AXION (1990, Brussels), and also founder of the S.E.E. Digital World Forum.

He lives between Athens, Brussels and London.

In the last years Costas published two books which had a major impact in the global business community. In his latest book *“Nice” Capitalism—A Secret Journey to the Death of the Arrogant Brand (2008)*, traces the secret correlations between “Nice Brands”, “Nice Capitalism” and “Happy Nations” and people. He also reveals why the European economic model with it's “Human Ethos” is surpassing America.

His previous book *“The Global Village Information Poor’ (1998)* was dealing with strategies for growth in the knowledge-based economy and how nations and corporations, particularly from the European ‘south’, could avoid the Digital Divide phenomenon. Reviews in the national media described as ‘one of the book-prophets for the future ‘and put it in the top 10 of international authors for that year.

Costas is an experienced speaker and presenter at many international conferences, global companies’ events and meetings in many countries, providing the broad and global view. This, together with fresh and ‘dangerous ideas’ and best practices on

strategy, marketing, advertising and economic development in the context of our information economy.

He also is lecturing in universities/business schools and has almost ten years experience in teaching to colleges on such topics as: marketing, communications/PR, consumer behavior, market research, motivation analysis and other.

Costas for almost three decades works on data-driven and research-based insights, forecasts and scenario analysis that drive the 21st century and our networked world. He works also closely with academic and other research centers, leading global consultancies and ‘think tanks’.

Recently he concentrates, among others, on research work regarding the future of global brands particularly in ‘rich countries’ and comparative research regarding cutting-edge trends and the competitive performance of American vs. European brands.

Costas ‘dangerous ideas’ and research-based forecasts, as also presented in his books, that most had come true, together with his provocative foresight ability to foresee the shape of things to come, are recognized internationally.

His ‘whole view’, systemic (GST) approaches to problems solving and strategy development makes him a perfect partner to provide new insights to any organization that will seek his consultation and advice.

He appears regularly on TV in national and international channels (indicative only: GBC/Bloomberg, ITV etc) and in major papers.

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