The Crisis of Branding and the Theory Needed to Solve It

The aspect of Marketing that I chose to discuss as part of this Symposium is Branding. This may seem like an odd choice given the Symposium topic of the Co-evolution of Technology and Business Innovation: after all, there are many other aspects of Marketing which are more directly affected by technology. We have, for example, many new capabilities in direct marketing -- leveraging interactive technologies, permission marketing, targeted e-mails, data analytics on customer behavior, and so forth. But I chose Branding because it illustrates a very significant implication of the co-evolution of business and technology. While business/technology co-evolution creates important new enabling capabilities for enterprises, there will be changes required in management practices to take advantage of them. The repertoire of management practices will need to expand if managers are to use the new enabling capabilities to find new routes to profit.

I hope to illustrate through the example of Branding that management practice today has a major blind spot, and the consequences of this blind spot are severe. There is a crisis of branding confronting enterprises today, and the current repertoire of management practices in marketing is woefully inadequate in helping managers address it.

This problem extends beyond Marketing. Think of the elements that managers must manage in an on demand enterprise: physical capital (plant and equipment); working capital (the operating expense of the business); human capital (the people in the business and the talent and knowledge they bring to bear); and brand capital (the relationship and influence the corporation has with other players and the market overall). Most of our management practices today are well-suited to managing physical and working capital. This should not surprise us given how critical these elements were to competitive success in previous decades. But our management practices are rooted in what I call an “engineering” paradigm – one in which the enterprise is thought of as a machine, whose processes and activities must be tweaked and greased and occasionally re-configured to make it most effective. Managing human and brand capital with such a mechanistic mindset is at best incomplete: people have social and self-expressive needs, and brands depend on perceptions, emotional associations and societal context. We need “social” approaches in addition to engineering ones when it comes to managing human and brand capital effectively. Yet, as I will show for Branding, by far the bulk of management practice today is engineering-oriented.

This equips us poorly to say the least. The co-evolution of business and technology has reached a point where exciting new enabling capabilities will become reality for many companies. But just as they see the benefits of such capabilities, the locus of differentiation and superior profitability will shift again to managing brand and human capital. The full implication of on demand is not simply the emergence of new business capabilities through the fusion of business and IT, it is the requirement for the repertoire of management practices to expand dramatically. On demand enterprises will have to move beyond “engineering” approaches to business, to embrace “social” approaches too.

To establish this argument, I want to take a whirlwind historical tour of Branding over the last century or so, and look at Branding in its societal context. This is critical, because I will then show that dominant marketing theory today fails to provide any guidance to managers for interpreting or exploiting the current branding crisis, mainly because it ignores the societal context and seeks to manage brand in a mechanistic, engineering-oriented way. This engineering-based view of branding drives a focus on the actions of the marketer and the impact on the immediate consumer. It largely ignores the free-willed behavior of the consumer as an individual, the cumulative impact of marketing actions by many firms on the societal context, and the historical dialectic between firm behavior in pursuit of profits and individual behavior in pursuit of profits. These gaps, I hope to show, are not academic quibbles: rather, they blind managers to important new routes to profit and expose them to profit challenges for which traditional management theory has no explanation.

The history of branding can be seen as a series of eras, each extending over approximately 20 to 40 years, and each punctuated by a crisis at the beginning and end of each era. Any such division of history into eras is by nature subjective and somewhat arbitrary, but these eras are basically consistent with other views of the evolution of marketing and branding from academics and other observers.

1900-1920: The Era of Claims

This is the period in which branding was closest to its literal origins in terms of brands on cattle. Branding was about establishing the names and labels of products. Foodstuffs, household products, health and beauty aids were favorite products to brand. Brands tried to convey the strength, stability and prestige of the manufacturer. They also occasionally provided basic instruction on use of the product.

The crisis that developed in this era arose from the overblown claims made by some brands. Outrageous "snake oil" claims eventually reached their tipping point where consumers started to tire of the constant stream of superlatives and the noise of the blaring brand megaphone. The "marketers" of this era (really sales people since marketing had not yet become a specialized discipline) faced a crisis: how to get the consumer to pay attention and believe once again?

1920-1960: The Era of Associations

Starting in about 1920 but really getting going after WWII, the era of associations represented a considerable increase in sophistication over the era of claims. This was the era in which marketers began to drive associations of products with high status and the aspirational lifestyle. Behavioral psychology was used to pull consumers to brands in a much more sophisticated way than the basic claims of the previous era. Disposable income was rising, televisions provided a new medium for advertisers, and suburbanization created both a market to sell into but also a desire by consumers to be educated by marketers on how to live the good life in these new environments. By their use of associations, marketers had found a way through the crisis at the end of the era of claims. This was the era in which some big names in advertising made their start – David Ogilvy, Leo Burnett. It was the era in which much of what still passes for modern marketing in business schools was first invented: cigarette brands targeted themselves at discrete lifestyle segments; liquor brands used various semiotic devices to associate themselves with high status and the good life; P&G realized the value of branding entertainment and sponsored the first soap operas.

But there was a dark side to this success. The branding paradigm was essentially didactic, authoritarian, and paternalistic. The tone of voice in advertising of this era strikes us today as astonishingly patronizing and overtly coercive. For much of this era, consumers didn't mind -- indeed they welcomed the clear instruction from an authoritative force on how to live in the modern consumer culture. However, by the late 50s and 60s, a crisis was beginning to develop. Academics such as John Kenneth Galbraith, authors such as William White Jr. (*The Organization Man*), and filmmakers (e.g., *The Graduate*) started to describe the manipulative aspects of branding and consumer culture in general. Branding practices became known to the

public on which they were being used, and consumers started to actively resist cultural engineering by marketers.
The consumer sentiment also tainted business-to-business marketing, with business buyers' expectations being set by the consumer culture in which they lived outside of work, and their behavior became a difficult-to-decipher amalgam of consumer response modified by their fiduciary duty to serve the needs of their employers. All in all, despite the sophistication marketers had brought to bear to resolve the crisis at the end of the era of claims, another crisis had developed.

1960-1999: The Era of Authenticity
At first it seemed things were getting worse not better for marketers. The cultural revolution of the 1960s (think Andy Warhol, Alan Ginsburg et al) had further encouraged individual expression and experimentation beyond cultural norms. Marketing-engineered prescriptions became much less compelling in this social context. Furthermore, many consumers found that actively rebelling against the cultural engineering of marketers was itself a way to invent and exert their own identities. Marketers struggled to find a new branding paradigm that would work in the social context of the time.

Bit by bit, they succeeded. Starting in the 60s with creative VW Beetle advertising from DDB, and continuing through such branding treatments as the famous 1984 Apple ad, marketers who were able to engage the new consumer culture saw that they could succeed. The winning approach was to portray the brand not as an imposed cultural authority, but as an offered cultural resource. Consumers could use brands selectively to build their own identity (much as consumers today express their own identity through the music they choose). To be a good cultural resource, a brand had to distance itself from commercial motives and appear to be "authentic". Modern examples of this strategy can be seen in Harley-Davidson and Snapple: both brands offer themselves as cultural resources through which consumers can build and express their identity. Despite the apparent risk-- given 1960s culture -- that consumers would abhor commercialism and turn their backs on the market, the opposite happened: brands that found ways to establish themselves as authentic found a growing demand. Through creative experimentation (e.g., from agencies such as DDB and Chiat Day), marketers had cracked the code again.

The level of sophistication of branding again took a leap forward. As of about 1999, the new set of branding practices was well established. It involved using ironic and self-deprecating tones of voice that were the opposite of the authoritative tone of previous branding eras (think Little Caesars, the Energizer Bunny, and VW). It involved connecting brands to aspirational and authentic communities such as the fashion world for Absolut and Diesel, snowboarders for Burton, mountain bikers for Cannondale etc. Certain advertising treatments such as "shaky-camera" video also were used to establish real-world authenticity. Many brands found or created untapped historical authenticity too (e.g., Ralph Lauren). The technique of influencer marketing was also used to lend authenticity (think Mia Hamm for Nike). Viral and guerrilla marketing were also part of the armory: specialist agencies would, for example, send attractive people to nightclubs to talk up brands on a stealth basis, hoping that word-of-mouth buzz would lend additional authenticity. And "coolhunting" became a favored practice, the theory being that street trends if spotted soon enough could be rapidly promulgated across a wider audience who would find the street origins a badge of authenticity.

The seeds of the next crisis, however, had already been planted. The authenticity card was becoming a cliché. True authenticity was becoming rarer and rarer: it may have lent authenticity to a brand to dispense with a traditional advertising jingle and substitute a rock track, but when most well-known rock bands had provided such tracks the authenticity quotient declined significantly. The same was true of influencers: their influence was waning as they sold out: we all know as consumers that Celine Dion's sponsorship of Chrysler cars has more to do with Chrysler's marketing decisions and Ms. Dion's financial rewards than anything about the authenticity of the cars or the Chrysler brand. The branding practices that made brands such as Virgin so relevant in the 80s and 90s started to be exposed as what they were: smart business moves wielded by a clever brand puppet-master – Richard Branson. In a sea of authenticity claims, brand intermediaries (such as Martha Stewart) appeared, yet they represented a new type of cultural authority for consumers eventually to resent. Consumers also started to see that the corporation and the brand were not the same thing, and that ad agencies and branding firms cloaked the true corporation behind the brand. Especially for brands which asserted their "cool", the discrepancy between the cool ads and the reality of a corporate office filled with cubicles and business casual started to open a credibility gap. At its most extreme, the gap between the public brand presented to consumers and the corporation's treatment of non-consumers opened the corporation up to boycotts and jams, such as Nike experienced around its alleged sweatshop labor practices. Ultimately, the authenticity era came to a point of crisis because consumers realized that the assertion of a brand's non-commercial authenticity was, in fact, a commercial act. The game was up.

Today, we face a crisis of branding. Not only is the game up on authenticity, but we have a new social context to contend with. The "No Logo" movement, and related anti-globalization, anti-Americanization movements constitute a major crisis for marketers today. The "Second Superpower" idea has emerged, in which America as the first superpower faces the challenge not of another country, but of a vast, international social movement whose goals are varied but center around resisting the cultural dominance of the US. The most valued brands by traditional measures (McDonald's, Nike, Starbucks, Coke, etc.) are rapidly becoming the most hated brands. Traditional marketing theory has essentially nothing to say about this: a brand which meets the needs of its customers and which consistently delivers on its brand promise should do well. But the problem with Nike and Starbucks and the others is not breaking their brand promise with their direct customers. The problem is about the fit of their overall brand paradigm with the overall social context. Management practice in Marketing is woefully ill-equipped to help these companies with the crisis of branding they face.

There should be a way to diagnose the current branding crisis in a useful way and to devise new marketing approaches to not only manage the crisis but actively exploit it for advantage. After all, that is exactly what happened in previous eras and crises: the marketers who redeveloped their brand paradigm to fit the new social context did very well (and their competitors who kept plugging away with the old paradigm came to be seen as out of touch and of diminishing relevance.)

But marketing theory today is dominated by two main thoughts. First, marketing theory is dominated by *quantitative sales-support marketing.* This is essentially the traditional 4P's of marketing, updated to reflect the individualization and interactivity allowed by today's technology, and highly integrated with each step of the sales cycle from awareness building through purchase and post-purchase loyalty. Secondly, marketing theory is dominated by the notion of *holistic branding*, whereby an overall brand intent is deployed across all customer touch-points to create a total customer experience. Under holistic branding, there is also often an emphasis on aligning internal and external values and having the CEO act as the "brand steward". There is a great deal of merit and value in both of these strands. However, both are rooted in an "engineering" view of the enterprise: they are about configuring marketing processes and activities and acting on the direct customer. They ignore the consumer's individual free will and the societal context beyond the enterprises' immediate customer set.

We need management theory and practice in marketing which pulls back from the engineering view of the enterprise to see the bigger picture of the society against which an enterprise's branding activities play out. Only in a few relative backwaters of marketing theory do we find anything like this: one place I have seen an appropriate social context considered is in brand positioning for US brands in emerging countries. In those situations, we seem to recognize that the emerging country society may not work the same as the US, and we employ semiotic studies to understand how to position our brand.

But this is far too limited a use of "social approaches". We can see from this analysis of branding in its societal context that Marketers need additional marketing theory and frameworks to help them understand the branding crisis more clearly and be able to resolve it more quickly. We can identify four areas in which new theory, frameworks, methods and tools are needed. First, marketers need methods to aid in the detection and diagnosis of emergent consumer sentiment. Secondly, marketers should be able to project possible future "equilibrium" states between the branding paradigm and the consumer culture. Each historical branding crisis has been resolved when marketers invented a new branding paradigm which was compatible with the new consumer sentiment, yet there appear to be no frameworks to guide marketers in what kinds of new branding paradigms might be possible. Thirdly, marketers need frameworks that can guide their creative experimentation -- their "probes" into the new consumer culture – in a more systematic way than the historical high-risk, hit-and-miss creative experiments. Fourthly, marketers need a more systematic way of designing their interventions in markets. There need to be frameworks that guide how marketers intervene to stabilize or disrupt patterns they see emerging in a market.

We can also see from this analysis of brand in its societal context that advances in marketing and branding do not come from changes in enterprises alone. Far from it: the limited view of branding which looks only on the activities of the enterprise with respect to its brand promise to its direct customer base misses the main factors which make the brand promise ultimately counterproductive. Traditional branding, rooted in an engineering paradigm, is at the wrong level of analysis: it needs to be much broader and look at the overall brand paradigm being used implicitly by many firms, and at the overall societal context comprised of the many different consumer segments being impacted by firm branding paradigms. The bigger social dialectic view yields much more insight. An advance in branding theory comes as a result of this dialectic playing out: a crisis of branding is resolved when marketers transition to a new branding paradigm and together the branding paradigm and consumer culture reach a new equilibrium. It is through such a dialectic that the market is rejuvenated.

This broader societal view of branding also suggests some possibilities for the future. It seems clear that consumers will expect brands to cede even more cultural authority. This could happen by, for example, branding becoming more of a "contribution" to culture than an exploitation of it. We already see this trend in the increasing entertainment value of brand advertising (think Gap's "Hollywood Swing" TV spots, as well as BMW's and now DKNY's short films offered on the web). Another way in which brands can cede more cultural authority is by yielding to consumer pressure to be more transparent – i.e., to make clear not only what they represent to consumers, but also what they represent, and how they behave, with non-consumer constituents such as employees. Increased social responsibility and active response by corporations to consumer pressure seem very likely. At the same time, consumers themselves are continuing to change – to become more activist about social causes, and to become even more selective about which brands they use to construct their own identities. Based on the brand-consumer dialectic, a new equilibrium will emerge for a period. Eventually however, the reality will again exert itself. The reality is corporations change their branding paradigm not to genuinely respond to consumer requests but to better pursue their profit motives in a changed societal context. The route to profits for corporations is through re-crafting their interaction with consumer culture in ways that exploit consumer moods and provide market-centric ways for consumers to express themselves.

If we adopt a "social theory" view of branding, we can see more clearly the dialectic between firm behavior in pursuit of profits, and individual behavior in pursuit of sovereignty. The tension and co-dependence of these two forces is mediated through the market: consumers can interact with brands they buy to express themselves as individuals.

Beyond Branding, a very similar dialectic helps explain the interaction of firms with their employees. For example, the cynicism felt by many employees about most corporate "mission statements" is directly analogous to the crises of branding described above. When mission statements fail to provide a satisfactory way for employees to express their own identity, they come to seem hackneyed and coercive and lose impact. Only when mission statements provide freshness and self-actualization will they succeed (for a while, until the equilibrium again begins to decay).

The same approach of viewing firm and individual behavior as a social dialectic could be applied to the broader issue of firms seeking to influence ecosystems of players (of which consumers may be only one constituent). Viewed in an engineering paradigm as mere extensions of the intra-firm machine, we reach one set of conclusions about how to manage such ecosystems: we would extend techniques such as contracts, service level agreements, accountability etc. beyond the walls of the enterprise and seek to construct a bigger ecosystem "machine". Viewed through a "social" paradigm, however, we would observe that firms are seeking to engage and influence the beliefs and behaviors of others, and that the techniques we need are ones which help us diagnose those beliefs and behaviors, identify forthcoming crises in the ecosystem (cynicism, undermining of legitimacy, etc.), project future possible equilibrium states, experiment with new influence approaches, and intervene to stabilize or disrupt patterns of belief and behavior emerging in the ecosystem. That is, exactly the same four techniques mentioned in the context of branding, above.

If we accept that management practice today has a systematic bias towards engineering approaches, and is dramatically underutilizing social approaches, we also need to ask where we should look for new theory to address the imbalance. I believe there is a great deal of relevant theory in the social sciences, but it needs to be repurposed to be made actionable for managers. Repurposing involves asking the question: what new routes to profit are opening up for firms? In the case of branding, for example, the social dialectic view suggests that firms are not aware of the route to profit that exists from better diagnosis and exploitation of the crisis of branding developing around them. Firms that remain locked in the tunnel vision that traditional engineering-oriented management practices impose on them will fail to see the crisis, fail to understand it, fail to act on it, and ultimately find their brands suffering. Firms that expand their view to include social-paradigm based management practices will see the crisis developing, be able to interpret it, experiment with approaches to addressing it, and seize competitive advantage and profits from its resolution.