

McDonald

A man holds a poster reading "Boycott American goods" outside a McDonald's restaurant during a demonstration to protest the U.S.-led war on Iraq, in Marseille, southern France, Saturday March 29, 2003.

Foto: AP Photo/Claude Paris © Pressens Bild



Brand America

Uncle Sam on the ropes

Brand America is down, but not out. Business leaders are stepping into the ring to save it... and their own brands.

By Tim Vickery

As the saying goes, actions speak louder than words.

But, when it comes to winning the hearts and minds, not to mention the pocketbooks of global consumers, many a brand manager and ad man will tell you that products often live or die by the words used to promote them.

Waging its war on terror, u.s. President **George W. Bush's** administration seems to be losing the war of words. The world's only surviving 'superbrand' – America – is learning the hard way that the age-old truism still prevails in today's geopolitical marketplace: action trumps message.

Anti-Americanism is at an all-time high and with the violence in Iraq refusing to let up, there's no sign of any immediate relief. Washington has tried to improve its public image, but a virtual revolving door of spin masters have made little difference.

Spooked by the plummeting market value of Brand America and the guilt-by-association effect it has had on many consumer brands, a mercenary corps of battle-hardened branding executives and business leaders have mobilized to stop the hemorrhaging before it causes irreparable damage to their own brands.

With the global economic slowdown already pulling down profits, upstart brands sniping away at overseas market shares, a series of egregious scandals raising public skepticism of corporate America and hundreds of billions of dollars in annual revenue at risk, it's no

wonder stakeholders are stepping in to 'privatize' the resurrection of Brand America.

Earning Least favored nation status

Even before the u.s.-led invasion of Iraq, America's image overseas wasn't spotless. As the world's largest economy and the sole superpower after the Berlin Wall's collapse, many people feared u.s. economic and military might could turn into hegemony. As trade barriers fell one after the other, markets opened up and pent up demand was released, u.s. consumer products from jeans and toothpaste to movies which initially were considered symbols of consumer choice, pushed out local brands causing a backlash of animosity. The u.s. dollar also became a shadow currency in many developing countries, providing a hedge against hyperinflation and devaluations, but also raising fears of domination. Unflinching support for Israel in the United Nations and television footage of u.s. military equipment used in attacks against Palestinian refugee camps fueled mistrust among Muslims and questions about America's avowed commitment to global justice. In short, resentment grew as people equated Brand America with cultural, political and economic imperialism. Brands like McDonald's, Coca-Cola, and Nike became symbols of that perceived imperialism in the eyes of millions. Resentment reached a crescendo in 1999 when violence broke out between police and anti-



▶ globalization activists at the World Trade Organization talks in Seattle.

Brand America also suffered from the general perception that Americans themselves were arrogant and self-centered.

Opportunity costs

The tide for Brand America suddenly turned two years later, after the attacks of September 11. An overwhelming, unprecedented outpouring of sympathy and support for America flowed in from around the world. Leaders from pacifist Sweden to Cold War enemy Moscow united in backing President Bush's call for an appropriate response, vowing to join forces against terrorism.

But, when U.S. Secretary of State Colin Powell failed to convince United Nations members that Saddam Hussein was unequivocally defying orders to disarm his alleged weapons of mass destruction, President Bush followed through on his promise to lead the so-called "coalition of the willing" to enforce multiple Security Council resolutions and remove Saddam Hussein.

That decision was momentous.

First, President Bush made a textbook brand manager misstep. He admitted that his message was not getting through when he quipped that he could not fathom why Islamic countries failed to see how well-meaning and down right good America is. He added insult to injury, literally, by insisting ahead of the invasion of Iraq, "If you're not with us, you're against us."

Like a starry-eyed lottery winner who gambles his jackpot trying to turn it into a lifetime's worth of riches for his whole family only to have his winnings go up in smokes, President Bush is seen by many as having squandered a once-in-a-lifetime opportunity to solidify global support that could have won lasting respect and made it easier for U.S. brands to sell abroad.

Not only going its own way on Iraq, but denying Guantanamo prisoners the right to challenge their detention in court (a principle enshrined in America's own Bill of Rights), not signing the Kyoto protocol, refusing to join the International Court of Criminal Justice, and a rash of high-profile corporate scandals have sent Brand America into freefall overseas.

The Abu Ghraib prisoner scandal this spring further fueled the sense that America holds itself above the law and fails to 'walk the walk' of its message of respect for human dignity and democracy.

As a result, America lost priceless

brand equity that had taken decades if not centuries to build.

Walking the walk

To win and maintain consumer trust, a brand must have a clear, credible message, backed by a product that does what it promises to do. Nowhere is that more important than in foreign affairs.

The Bush camp has insisted it is doing just that-- "liberating Iraq", "winning the war on terror", ridding countries of tyrannical killers, making the world safe



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for democracy.

But poll after poll, boycotts and mass demonstrations are continuing evidence that stakeholders remain unconvinced. The Bush administration seems to pound the public with its message about its messianic mission to spread democracy, rather than using its actions to demonstrate "the real thing", to borrow Coca-Cola's one-time mantra.

Jeffrey Bezos, CEO of U.S.-based online retailer Amazon.com (#66 on Business Week/Interbrand's 2004 List of Top 100 Global Brands) reportedly credited positive "word of mouth" for the 22% rise in his company's brand value over the past year.

From family rooms to chat rooms around the world, including many in the U.S., Brand America has generated an abundance of animated exchanges to be sure. But, instead of positive buzz, much of the word of mouth has criticized

U.S. claims to the throne of democracy and protectors of human rights as false advertising.

Shopping is just shopping

Shockingly, while America's brash, my-way-or-no-way attitude touched off massive demonstrations and fueled antipathy towards the U.S. at home and abroad, it has yet to keep droves of consumers from buying sneakers with a 'swoosh' or making pilgrimages to the Golden Arches.

Opposing U.S. foreign policy is one thing, but many consumers in Asia, the Middle East and elsewhere say that shopping is, well, just shopping-- not necessarily a conscious political statement.

That said, some overtly anti-American upstarts have made inroads into the markets of American brand titans. Mecca Cola, started by French entrepreneur Tawfik Mathlouthi, whose red and white label bears a striking resemblance to the world's #1 brand, is cashing in on anti-Americanism, especially in the Muslim world. The slogan "No more drinking stupid, drink with commitment" has helped attract orders for millions of bottles since the knock-off was launched last year. Mecca Cola is already expanding throughout Europe and Asia to keep up with soaring demand.

Meanwhile, defying common perceptions that Brand America's woes have spelled hard times for U.S. brands, American icons like Levi's (#85) and McDonald's (#7), which has seen protesters burn effigies of Ronald McDonald and closed down dozens of stores amid consumer concerns about healthy eating, have actually found relief from troubles at home with higher sales abroad.

But that may soon change.

The wake up call

A Roper/ASW study recently found that distaste for American policies has led to a historic drop in support for many of the U.S.'s most venerated and profitable brands. Popularity and consumption of U.S. goods fell for the first time in the five years the survey has been conducted. Tom Miller, Managing Director of NOP World which helped conduct the survey called that "a warning signal" for business.

"It cannot be a good story for American brands," Miller reportedly told a conference in May. "The question is, 'How bad, for how long?'"

The number of global buyers of U.S. brands fell from 30% to 27% while

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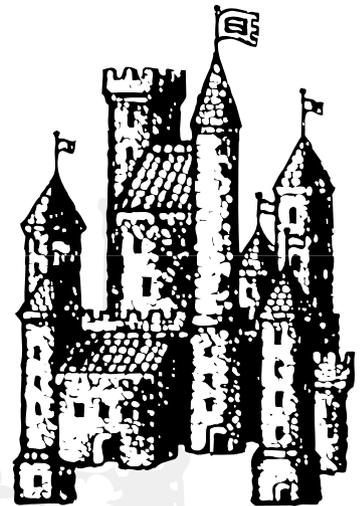


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popularity of non-American brands remained unchanged. Coca-Cola (#1), McDonald's (#7), Microsoft (#2) and Nike (#31) saw consumer trust drop at least 3%. In these days of ever-shrinking margins, even a single point drop in sales can trigger drastic stock price falls.

Harvard Business School Professor **John Quelch** predicted in a recent interview published by the university that high-tech powerhouses like Microsoft and Intel (#5) are unlikely to suffer much brand devaluation from the guilt-by-association that consumers apply to cultural icons like Coke, McDonald's, Marlboro (#9) and Disney (#6). Such brands rely on an emotional attachment rather than utilitarian criteria like a microchip's processing speed or storage capacity.

"America's big, brash brands are on display on every street corner of the world. The very ubiquity that gives them their power makes them vulnerable," Quelch was quoted as saying.

He claims the costs to the American economy of consumer flight could exceed the costs of conducting the war. Two-thirds of the world's most valuable brands, including eight of the top 10, are American. Each relies on foreign markets for more than half its revenues, according to Quelch.

The Roper/ASW study, based on 30,000 hour-long consumer interviews covering more than 30 of the world's top brands, found a "strong correlation" between consumers' sentiments about America and how they feel about American brands. Islamic countries not surprisingly showed the sharpest rise in anti-Americanism, but Russian support sank 25% Germans 16% and Italians 10%. In Indonesia, the world's largest Muslim country, only 15% of people felt very favorable or somewhat favorable to the U.S., down from 61%

the year before. People who feel close to American culture and share common values, are more likely to buy American goods than those who don't. Roper/ASW found that fewer and fewer consumers believe that Brand America stands for altruism, internationalism, tolerance and honesty.

Such attitudinal shifts often presage behavior changes, but Miller stressed the findings do not foretell a massive consumer turn-off.

Apathy at home

Ironically enough, while Americans continue stocking up on the Stars and Stripes and other patriotic merchandise, that's not translating into traditional wartime support for other goods carrying the "Made in the USA" label.

Au contraire. Whereas a 1994 Gallup Poll reportedly found that some 84% of Americans sought out domestically produced goods, a recent study by Marketing Support Inc. showed that a majority now have no overriding preference. Some 72% of U.S. consumers don't check to see where a product is made before they buy and more than half of respondents said even if they knew a product was foreign, it would not change their decision-making.

Major surgery

Washington has tried for two years but failed to solve one of the greatest branding challenges ever, selling the United States and its war on terrorism to an increasingly hostile and cynical audience.

Rebuilding Brand America overseas promises to be like turning the nearly fatally injured actor Lee Majors into the Six Million Dollar Man, a charmingly humble superhero precursor to Schwarzenegger's Terminator who entertained millions of American television viewers in the 1970's. But, it can be done. After all, "Made in Japan" went from calling up images of tiny, overly economical and mechanically unreliable cars and cheap knock-offs of name-brand electronics to a widely respected mark of well-honed industrial efficiency, sophisticated high-tech consumer goods and even mainstreaming its exotic cuisine of raw fish.

Calling in the reserves

With Uncle Sam's historical image as a righteous, provident, protector of the oppressed on the ropes, business has

jumped into the ring.

Recognizing that rising anti-American sentiment is an urgent business problem because so much of the revenues of U.S. companies come from international markets, **Keith Reinhard**, Chairman of DDB Worldwide and an ad industry legend, launched Business for Diplomatic Action (BDA), a non-profit group of heavy-hitters from advertising, marketing and the media. The group aims to rescue America from becoming a fiery sacrifice to the gods of branding.

Calling for a "new brand of diplomacy", Reinhard believes American multinationals have a responsibility to leverage their reach and influence to improve the country's reputation. He reportedly told a Congressional committee this year that "the sharp rise in anti-American sentiment has affected trust in U.S. brands, poses a threat to export sales, increases the risk of costly boycotts and adds to the costs of security."

Reinhard is famous for creating McDonald's' wildly popular 1980's slogan "You deserve a break today" that pitched the chain's burgers to hard-working, middle class Americans as a quick and inexpensive alternative to making dinner at home.

His task now is to breathe new life into America's gasping brand cachet among global consumers, many of whom probably look upon Washington's war on terror and ask themselves "Whassup?" to borrow from the current hit campaign of America's beer behemoth Budweiser (#24), another DDB client.

"There's nothing wrong with America that can't be cured by what's right with America. I respectfully submit that the U.S. government is simply not a credible messenger. It isn't trusted, and in the commercial world, we know that people don't buy things they don't trust," Reinhard reportedly said.

Sign of hope

The Bush administration hasn't gotten it *all* wrong when it comes to convincing people in other parts of the world that its message and actions are consistent.

To soften criticism that Washington neglects the poor, President Bush created the Global Aid Fund, a 5-year, \$15 billion initiative to provide expensive treatments to people with HIV-AIDS in Africa.

Bono, Irish rock star turned advocate for the poor reportedly called the initiative the "best idea in town" to rebuild Brand America. "This is the heroic America...



"Senator John Kerry's campaign to return America to the principle of not going to war 'because we want to ... only because we have to', came up short."

(the) America that we all fell in love with, and we want it back,” he said in a speech.

That may happen, but it may have to wait at least four more years.

For whom the (Liberty) bell tolls

Millions of people around the world, along with some 49% of Americans hoped (perhaps even *prayed*) that the stakeholders of Brand America – voters – would replace President Bush as Brand Manager-in-Chief this month.

They seemed to place their faith in what **Arthur Schlesinger**, prominent historian and author of the newly released “War and the American Presidency,” called democracy’s “capacity for self-correction.” He claims that America’s humane, pluralistic and tolerant ideals will ultimately win out over its “imperial aspirations.”

But Senator **John Kerry**’s campaign to return America to the principle of not going to war “because we want to ... only because we have to,” came up short.

Only time will tell if President Bush, emboldened by the ‘heartland’ vote and

ever-greater support in Congress, will follow through on his promise to re-unite deeply fractured America via his self-styled “compassionate conservatism” or if he will instead use his mandate to press ahead with the policies that so damaged Brand America during his first term.

Optimists have postulated that the historical desire of American presidents to leave a positive legacy after their final term in office may prompt President Bush to take action to restore the luster to Brand America. However, initial indications are not promising. Shortly after Kerry conceded defeat, President Bush boldly declared his intention to spend his newly acquired “political capital”, leading many to conclude he was *less* rather than more inclined to soften his approach.

But, does the unpopularity of the u.s. president’s admittedly well-intentioned actions and the sinking reputation of Brand America mean that Motorola (#76) will sell fewer mobile phones in China or that McDonald’s will serve less McArabia sandwiches in Jordan next year? Certainly not. But if I were a brand manager for a u.s. company reliant on foreign markets, I’d

sure be happy that Reinhard’s ‘swat team’ of corporate image-makers is mobilizing to turn around the country’s image.

Otherwise, it could get worse before it gets better.



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