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REALITY IN BRANDING

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The Rules of European Brand Sociology in 50 Answers

GABAL

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Thanks to my Big Brother Chuck Steinbower for nearly thirty years of brotherhood between us. I learned a lot from him about uprightness in all situations. He truly is a brand.

To my sons Leander and Leonas. Already two brands, authentic by nature.

To my Warrior Princess Xena.
Arnd Zschiesche

Ad astra! To my sons Bent and Morten.
Oliver Errichiello

We would like to thank our translator Bernadette Geyer for her carefulness, empathy and commitment at all times of the day. And for having fun in finding and putting the right words together with us – even when it got a little bit complicated.

»Quality is respect for the people.«

Ernesto Rafael Guevara de la Serna, known as Che Guevara,
Minister of Industries and president of the National Bank of Cuba[1]

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Foreword

The High Value-Oriented Continent: Time for Brand Management *"European Style"*

As the world becomes smaller and faster, it is necessary to adapt to the pace or to go your own way. Because speed and a cosmopolitan universality are, at the very least, only two possible fundamentals for individual business success. Speed is a strategy that has emerged in markets that operate in the here and now. A strategy whose success is never measured in "yesterday." Most companies have followed this market "directive" at some point. It's not for nothing that one regularly hears "The market dictates it" as a response to critical questions about current strategy. The market demands it from us. Maybe markets are able to do some things, but they are certainly not capable of presenting any demands to companies.

European companies are often characterized by a very different understanding of market enforcement and market relevance: their strength lies in the fact that people trust them – and have often done so for generations. Their attitude is not a charming feel-good "soft emotion", but the decisive "hard fact" that works to reduce one's own transaction costs. Those who already trust you no longer need to be convinced! On the contrary, all the work of "convincing" is extremely expensive.

With their comparatively high social and ecological standards, European companies – especially the medium-sized companies, with many hidden champions among them – can never win against often nameless but very fast-moving companies from Asia or the USA. They require more time to assess, optimize and safeguard their "good name." They invest in concrete future scenarios – they do not fantasize or extrapolate. Their parameters are quality, a focus on the long-term, trust or – in short – brand strength.

Against this backdrop, European companies cannot and must not allow themselves to be measured at the same level in terms of their claim and appearance, or to use similar instruments or strategies that are part of the common repertoire of speed-driven Asian and U.S. companies – they will inevitably fall behind. In addition, many of these "fast-moving companies" have yet to prove whether their business models are sustainable over time (in some cases, this is not even the goal), or whether the "current big thing" will fizzle out after its wild heydays in the fast lane of expansion.

Classic European brand management is different – whether in Germany, Austria, France, Italy, Spain or the Scandinavian countries. It is not better or worse in principle. It is different in terms of its objectives. And it has a more solid foundation: its strength unfolds over time, during which – contrary to all contemporary zeitgeist – it specifically addresses habitual patterns and, as a result, consistently establishes trust. Trust cannot be decreed. It grows slowly and steadily. It offers orientation and reassurance – especially, and above all, in uncertain times. Ergo: it is economically viable and uniquely efficient.

This recognition – and the will to encourage self-determined economic action – have driven us to write this very European branding book: to prevent European companies from making mistakes and to convince everyone else around the globe that this is the only model so far that has proven to work economically in the long term. It makes sense both ways, out of the economic as well as out of the social perspective, to deal with the European understanding of brand development and communication.

The history of branding is very old: ever since people have been trading with each other, they have marked – or "branded" – their products. Out of pride in their own work and origin, but also of course to turn this pride into profits – whether they're crafting knives from Solingen, wine from Bordeaux, watches from Switzerland or fashion from Italy. It's about commercial value as well as emotional profit: both can be measured in appreciation, price and sales. Goods have always been more than a means to an end for people. Goods have always been valued for more than their pure utility. They've always been surrounded by a status greater than their pure utility. They tell us about their performance, their history and a specific culture they originated from. The resulting style and performance of a branded product is always distinctive and non-interchangeable. In Beijing, for example, they are able to recreate the Munich Hofbräuhaus, but it will never feel like the original in Bavaria. The following holds true: the more unique the style, the stronger the social appeal of the brand behind it. And this is not only true for premium or luxury products – it works for all products at all levels.

People can only want something that is special to them; they are not attracted by things that are interchangeable. In a world that seems to become more and more homogeneous, brands give us access to the special qualities of past generations and fantastical places. A brand's performance is always linked to an origin because we connect them with regions or people in certain countries, cities or areas. It is no coincidence that the first trade routes bear the names of specific products: the Silk Road, the Incense Road, the Amber Road. The reason for this diversity is a regional history that materializes in individual goods and services. The more globalization and digitalization there is, the more important the location of origin becomes.

This often enriches our personal life and activities: When we buy goods, we always reveal a little bit about what is important to us, how we want to be seen, how we interpret the world. This may be in the form of wine from a specific growing region, a sweater made of Shetland wool, a socially fair mobile phone – even the rejection of visible brand logos or exclusive brands is itself a brand statement. Strong brands are ambassadors – they communicate about themselves and, therefore, also about us. This has been the case for thousands of years, because that's the way people are. A brand is a twofold declaration: on the part of the manufacturer and on the part of the buyer.

Europe is considered to be the museum of the world. It is a continent of traditions, customs and rituals: no other continent in the course of its history has produced more types of merchandise that still exist today and that evoke overarching images and attributions on a global scale. This is possible due to the fact that a product has always been produced in a similar way – experience creates expectation. This expectation was not sporadic and situational. Instead, it developed into an attitude, a set of expectations that simply "held on," provided guidance and created the possibility of belonging to a community of like-minded people. This ingrained knowledge of the specifics of a "good name" is the actual driver that explains the value of a brand today. In the digital communication thunderstorm of modern times – with its infinite signals, channels and actors – a strong brand with a clear signal is a beacon in the market.

Europe, as a continent of peculiarities, caused European economic experts and brand practitioners to systematically deal with the "brand" phenomenon at an early stage. It was not until the 1950s that the American view increasingly shaped marketing. The reason for this was the pace-setting importance of the USA for the global economy. It was assumed that, once demand in the mass markets was generally satisfied, the only way to ensure rapid growth would be to address customers as individually as possible. The idea of the "target group" was born, to which a company has to adapt adequately. This resulted in fundamental consequences: market research and big data tracking, as well as an orientation towards quick results, characterize today's marketing. Instead of lengthy development paths and trust-building, marketing of this type is oriented towards a quick launch – optimization is carried out in the form of "work in progress." Countless product recalls prove it.

Typical startup exit strategies are designed to bring a business idea to the mass market as quickly as possible, and then to scale it and roll it out. U.S.-style marketing is characterized by this tendency towards pragmatism and speed. This form of selling is also an important prerequisite, especially in the area of fast-moving consumer goods. However, it costs an incredible amount of money if continuity is not partially ensured. People must be won over again and again for a (new) product. How many U.S. brands have managed to survive using this methodology over decades – perhaps centuries? Famous brands such as Apple or Harley Davidson were developed very differently than "typical" U.S. brands.

Today, in contrast to the 1950s to 1970s, both analog and digital channels are overflowing. Today, everyone uses similar market research instruments to analyze similar customers, target groups and personas, and they usually draw the same conclusions (also due to similar training at similar universities with similar books). The result is total interchangeability, which alone should lead to ever higher communications expenditures to gain attention. Unfortunately, this also applies to many European concerns, although they have often only been able to grow to their corporate size through a "Made in ..." claim.

The reason for being and, thus, the value of every brand lies in fulfilling expectations. To occupy the collective memory space in people's minds – in such a way that the effort to persuade decreases, the value proposition increases and the transaction costs are reduced year upon year. This can only succeed if the objectives of a company and its brand are of a long-term nature. This is the case when an economy like the one in Europe is largely based on a healthy sector of Small- and Medium-sized Enterprises (about 85% of all European companies). An “SME” is usually characterized by a clear ownership structure and a high equity ratio. Sometimes the owner himself, as a trustworthy person, represents the brand’s performance – and his father and grandfather would have done so for, perhaps, generations. This sets up commitments, but also value-added relationships between themselves, but also towards their customers.

It is imperative to critically question the thoughtless transfer of global success models to mature business and success structures – for the benefit of a sustainable economy and all the people involved. People who tread along new – proven – paths and who focus on the “long-term” and prefer trust over nebulous short-term successes. Because “trust” is and remains the sole reason for the existence of – and the only relevant emotion for – any brand.

It’s time to take an example from “good old Europe.”

We are convinced.

Oliver Errichiello   Arnd Zschiesche

What Is the Problem of Branding Today?

Branding is one of those topics that inspires an incredible diversity of opinions. A true wave of publications on the subject of branding sweeps through the media and book market, flooding our brains with wisdom, superficial information and a lot of half-baked ideas. After all, everyone contributes their own wisdom: neurologists, biologists, psychologists, economists, sociologists, lawyers, trend and market researchers, advertisers and other consultants – they all have a very special opinion on the topic of branding. Some like to scientifically prove their theories and search for evidence to back it up. This is why, for example, test persons are put into MRI scanners to see how individual brain areas react to Coca-Cola as compared to Pepsi. Okay, it's interesting. But does it really help?

There is a lot of talk everywhere – in conference rooms and in offices worldwide, opinions on the topic are exchanged from coast to coast for hours (not discussed – there is zero dialectic). Whether managing director or CEO, whether marketing team, clerk or the army of millions of self-proclaimed branding and advertising experts: everyone has an opinion or a firm conviction as to what is right and important regarding the topic of branding. Not to mention the anxious teachers and other self-appointed ethicists. Many ambassadors of the educated bourgeoisie are keen to comment on this – who are consistently critical, because evil brands seduce our youngest ones to want to stand out socially on the playground with a "branded" T-shirt, hip sneakers, or an expensive iPhone. This attack actually begins even earlier – it is only that the children don't realize this between the tender ages of one and six. For example, there's a toddler version of Daddy's Bosch drill or the family wagon as a push car.

In short, brands are omnipresent fixtures, points of contention and linchpins across all social circles, classes and age groups. Apple or Samsung, Ford or Toyota, McDonald's or Burger King, Hotel A or B and so on. Whether we deal with them professionally or not, brands are with us 24/7 and everywhere: from the café to the gym, the bar to our couch at home. Even from that cozy space, brand fans on Facebook click to follow the discounters they trust, or they tap to "Like" their dream car manufacturer. On television, sports experts gush over the New England Patriots brand or the Dallas Cowboys, and even religious dignitaries parry nonchalantly about the core brand identity of their church in the 21st century... and show themselves photographically paired with hip communication professionals (and their hipster beards). Private broadcasters work with cult brands and funny commercials, regional broadcasters with brand dynasties or local business empires – the range of subjects is inexhaustible in both media and multimedia.

The brands themselves also see this potential. On YouTube, many companies have their own "brand channels" for their customers, and Twitter, Facebook, Instagram and Pinterest buttons are available for all professionally positioned brands as a media armada for the distribution of their own products. Just as inexhaustible and widespread, however, is the naivety concerning brands: a political party recently wanted to show a "reorientation of their brand" by adding a new pink shade to its logo and to prove its renewal through this new coat of paint. All this is fascinating and brings us to the question that is at the heart of this book: What is behind the whole brand hullabaloo?

A Profound Problem: Too Many Opinions, Too Little Wisdom

Unfortunately, most of the many statements on the subject of branding are rather vague concepts or simply false. Despite the fact that we are in the age of the individual and celebrate free thinking, there is one thing that must urgently be pointed out: branding has very little to do with individual opinions, but a lot to do with social principles. At least this is true if you are working for a brand in an executive position. It is therefore necessary to first take an elevated neutral (but not detached or aloof) outsider's perspective on the subject of branding in order to be able to recognize and work out the crucial structures of such a system.

We demand a stop to this. Stop what we consider to be an unqualified way of dealing with this important topic. Our aim is to stop the disastrous economic consequences of these sometimes completely insane misjudgments often made by experienced senior managers. Even scandalous occurrences at corporations as big as VW, Mercedes, Wells Fargo, or Facebook have not led to any noticeable improvement in dealing with branding in the aftermath. This is strong evidence that there are numerous misunderstandings about the influence – but above all, the economic value – of branding. These misunderstandings cost significantly more than billions in cash, because they deliberately destroy priceless trust in a brand, as well as in the whole economic system. As the most famous German minister of economics Ludwig Erhard once remarked, "Nothing is more damaging to an economy than a failed branded product." We would like to urgently add the following sentence: Nothing is more harmful to an economy than a branded product that is not strictly managed on the basis of its individual principles and strengths.

Why this Branding Book?

Here is a non-controversial example that probably everyone can relate to. When the topic of schools or teachers comes up in conversations today, many people have a firm opinion about it. Why is that? Since almost every person in the modern world has attended school and has had contact with teachers (or continues to have contact through their own children), this is a topic on which they have formed an opinion. In comparison: When the topic of branding comes into play in conversations, many people also have an opinion about it. Why is that? Every day and everywhere – from the bathroom on Monday mornings to the TV crime show on Sunday evenings – everyone deals with brands and is also overwhelmed with brand advertising. Everyone is constantly in contact with brands. That's why this is also a topic on which everyone has an opinion.

Basically, it's a positive thing, of course, that people form their own opinions – even if the result sometimes seems unbearable or absurd to us. To have an opinion, however, the starting point should be at least a certain basic knowledge and no "alternative facts." Or, as the U.S. sociologist, diplomat, and senator Daniel Patrick Moynihan once aptly postulated, "Everyone has the right to their own opinion, but nobody has the right to their own facts."[2] This right also applies to brands, because they can usually only defend themselves against the opinion of management or external consultants by means of falling sales figures – and by then, the error has already occurred.

Branding Is Not a Playground for Opinions – Especially Not in the Company

The big problem with the topic of branding is that the diversity of opinions also prevails on the part of those in positions of responsibility. It's fascinating that at the highest level – where many of the few people present imagine that they make their powerful decisions solely on the basis of facts – extraordinary things often happen when the word "branding" is mentioned: personal opinions and feelings enter the conference room. Economic indicators, even the ubiquitous market research done by corporations, have to leave the room for a while. "I mean...," "I believe..." or "I think..." – the sentences suddenly begin with these hesitations. These phrases are normally followed by long discussions, because now it's about gut feelings and personal attitudes, but not (anymore) about facts.

Nothing in the room sounds analytical – except when someone presents numbers and comprehensive market research to substantiate their own personal opinion. Someone else will then interpret it differently shortly afterwards. And so on. Ergo: the subject of branding always triggers many opinions. This happens all the time and everywhere – unfortunately also where it has absolutely no place: in the company.

That's a serious mistake. Brand management is subject to clear rules. Nothing is more self-destructive for a brand than too many opinions. Therefore, one fundamental law of brand sociology is:

Brands are always destroyed from the inside, never from the outside.

No brand in the world goes down the drain because its customers decide overnight never to buy another product from brand XY. Brands are lost if the management does not understand or does not want to understand what customers expect from "their" brand (and what they don't expect). Good brand management has a lot to do with humility, subordination and sensitivity toward a system – a proven system of success that is far greater than any individual manager or the current managing director. However, these findings are difficult to implement at a time when it is assumed that the free individual – in all his diversity of opinions – is always seen, heard, called upon and promoted everywhere.

Constantly, it is suggested to us that our opinion is in high demand: on the internet, preferences and opinions are asked about almost everything. Shopping experiences, visits to the doctor, seminars, lawyers – even when leaving public toilets, we're asked for our opinion in the form of smiley buttons (sometimes there's a coupon as a "thank you"). There has never been so much opinion in the world. Never so much interest in opinions. Unfortunately, this interest results only in the precisely calculated average.

A Brand Is Always "The Exceptional", Never "The Average"

Discounter, kebab stand or crown jewel: every brand exists based on the fact that it is never "the average". On the contrary, the brand is always "the exceptional". The only reason for becoming "the exceptional" is that a brand manages to send a clear individual message to the outside world: This is why a company has become a brand. It is not possible for a company to become a brand simply by receiving tens of thousands of messages and actively reacting to all of them.

Cheap, expensive, tasty, safe, comfortable, social, robust, fast, healthy, ecological – each of these extremely clear messages, considered individually, is often "successfully" dismantled into something completely abstract by marketing. The experts in quick sales manage this by completely diluting the previously completely clear line of products – with the fatal goal of having an attractive offering for every potential target group, every age, salary and social class.

An increasing exchangeability of the brand, the loss of uniqueness and, thus, recognizability is the result – the basis of the company's existence is undermined in this way, its economic foundation systematically eroded. A perfume from Mercedes-Benz or a luxury car from the Volkswagen brand (which translates "people's car" in German) – these are just two particularly prominent examples of the consistent principle of expansion in the direction of unrecognizability. At some point, all paths lead to the same result: the core clientele, which has been financing the company for many years, recognizes "their" brand less and less and stops paying into it at some point – or can be persuaded to keep buying a little longer with fierce discounts.

Because political parties in many countries do not care enough anymore for their core clientele and prefer an "I am attractive to all-attitude" (like non-political marketing), voters were practically forced to become independent/change voters, or to elect extremist parties from the far left or far right. Here's another example. Even people who are interested in cars can only distinguish between the "standard" model series of the "standard" manufacturing brands if they approach the car very closely and recognize the logo. It is significant that – in contrast to the alignment of design and the simultaneous expansion of model ranges – the brand symbols on the cars have continuously grown in size.

All these mistakes happen even though the topics of branding, brand maintenance and so on are constantly and extensively PowerPoint-ed, presented, described and discussed, and despite a multitude of theories, approaches and tools for explanation. There are currently 88 different brand management instruments – and these are only the best known ones. Incidentally, even back in the 1970s, marketing experts spoke of a "Babylonian confusion" in the field of branding. Type the keywords "brand consulting" in a search engine and you'll get more than 81,000 hits – and that's despite the huge flood of consultants and books, seminars and webinars that want to clarify all the aspects of branding with you and explain them to you. Essentially, all this signifies is that it is absolutely unclear as to what branding is. The problem is that there are too many words, opinions, theories, ideas and models about branding – but no one single "thing." Ergo: The brand as the all-important economic factor is rarely treated as it deserves. One factor is crucial for proper understanding: Branding is never abstract, but always concrete.

That's why this book was written.