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Living Brands Requirements for Brands in the Digital Economy Redefined

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Abstract

The marketing discourse of the past 10 years was dominated by stagnation and depression. Advertising at the edge of perception, inexpedient segmentation of target groups, continuously revised and adapted manifestations of marketing tools provoking at best a three to five percent return, squibbed marketing budgets – the former marketing director of Coca Cola, Sergio Zyman, preaches the "The end of marketing as we know it“ and the renowned marketing expert Stephen Brown even conjures up a "Marketing Apocalypse“. This paper attempts to analyze the revolutionary transformation of consumption patterns and - thus of marketing – and to offer new approaches to branding in the digital economy by introducing the concept of Living Brands.

1. Systems in Transition

Information and communication technologies have brought about evolutionary and revolutionary shifts in the revenue networks and models. In the digital economy, the
classic dichotomy between producer and consumer, based upon mass markets, is dismantled by complex networks whose members notify each other in a more or less organized way about their needs and wants as well as about their economic consumption.

Compared to the “fordistic” mass production, the customers steadily increase their power; their dynamically shifting needs and wants\(^1\), influenced by a number of cognitive and social factors, thus become the decisive commodities of the value chain. Consumers have received access to several touch points in the value network.

1.1 The Activated Consumer

The human environment has undergone vast changes that brought about a massive transformation of the consumers. A number of aspects of evolution were initiated by technology. Also the well-documented and sociologically established change in social values, which is not being treated in this paper in detail, was partly stimulated by technological revolution.

DIGITAL REVOLUTION. Represented by computers, the Internet, game consoles, DVD devices, mobile devices, etc. and among others the development of the entertainment industry (TV, movies, concerts…), promise quickly accessible glossy and glamour information for the customers - polished, far from reality, idealized, stereotypical.

INFORMATION SOCIETY. The tools mentioned above provide immediate access to current information and above all, information by far exceeding the actual need. The consumers are well informed and are endowed with knowledge unprecedented in history. Consequently, the consumers have become more skeptical and critical of businesses and information, e.g. especially with regard to prices. Since the prices (and to a limited extent also the quality) of the competitors are available only mouse-clicks away, premises based on price that have been communicated by brands discontinue. Only strong brand personalities will survive the information overload.

SOVEREIGNTY OF INFORMATION. Primarily the Internet enables consumers to choose independently and individually which content to make use of. As a result, it induces people to obtain information of their choice at their pleasure and convenience.

PEOPLE IN NETWORKS. Increased skepticism and sensitivity on behalf of consumers lead to a growing distrust in huge, multi-national companies, and as a consequence, consumers have started to organize themselves in networks and communities in order to stand up against these businesses. People in networks negotiate prices (e.g. power-shopping); they exchange information and experiences;

\(^{1}\) See Witt, 2000
they recommend commodities or deny recommendations. Particularly this social restructuring in cyber-society may threaten traditionally run brands as brand owners are unable to influence these networks.

INSTANT GRATIFICATION. Initiated by a change in values, social transformation, and by increased living standards together with abundance people began to internalize the concept of instant gratification, i.e. the immediate satisfaction of needs and wants. Especially in times of political threats (war, terror) and economic recession (unemployment, failing dot.coms, etc.), consumption receives a short-term dimension. Why should anyone set up long-term plans or save funds if within the blink of an eye and through no fault of oneself these objectives and intentions are being dashed? Ephemeral nature of the human existence entails the wish for instant satisfaction. As a result, this demand for instant gratification brings about a new dimension in customer-product-relationships, also having some bearing on customer-brand-relationships. Not merely the product itself determines the probability of purchase, as commodities have become interchangeable through mass production and affluence, but rather brands that promise certain benefits and immediate fulfillment of the consumer’s needs and wants. Accordingly, the tools for branding must be adapted. For example, long-term, tediously arranged loyalty programs need to be revised, as customers expect rewards for their loyalty instantly. Promotions, sweepstakes and other tools from traditional branding must also be subject to an instant check: "The new brand promise is about much more than just product appeal. It now must address [...] post-sale support, the convenience of returns [...] and perks if we buy again."2

1.2 Evolution of Businesses

Since the beginning of the 90ies a new relationship between consumption and production has also been spotted on behalf of the businesses. The Internet and the new technologies were to a high extent responsible for the rise in competition and the increase in customer demands. Power on the market clearly has shifted towards customers at the expense of businesses.

MASS CUSTOMIZATION. "Tailor-made mass production" is an example for this. There are various brands that employ this concept, ranging from custom-made adidas sneakers (www.myadidas.com) over personalized cosmetics and perfumes (www.reflect.com) to a tangible 3D body scan of the apparel stores C&A that allow clothing, which is customized up to the millimeter.

PERSONALIZATION AND CIE. Other examples are content providers with personalized websites, e.g. www.financialtimes.de, or online shops with custom-made information, e.g. www.amazon.com.

CONSUMERS AS PRODUCT MANAGERS. Consumers even function as product managers when they provide input and know-how so that new products come into being. The Austrian movement „Wikkie, Slime and Paiper“ emerged this way when an Internet community initiated a 70ies and 80ies revival in Austria that led to the publication of books and a number of CD samplers.

As demonstrated above, there has taken place a shift of focus from production to communication management, mostly yet in favor of the consumers. Businesses are losing more and more ground while customers gain influence, recognition and power.

2.  Brands in the Digital Age

This gradual shift of focus - from production to communication management - was attempted to be met by many businesses by the means of marketing. Mass-market marketing was abolished in favor of customer-oriented marketing, i.e. customer relationship management, one-to-one marketing, and so forth. Yet, one of the fundamental assets of a company – the brand – has so far not been touched by these shifts of business paradigms. Brands are still monolithically set, static monuments that have failed to keep pace with the dynamic development of the worlds of experience and wants on behalf of the consumers. Branding has obviously not matured to the same extent as the consumers and other company value networks.

2.1  Traditional Brands: The Static Brand

Brands have been around a long time. Until 20 years ago, the classical branding paradigms worked perfectly well; they have developed and have been adapted to the requirements of the altered conditions, but not as much as the market and the humans have evolved. Today marketers still (re)act according to conventional marketing and branding concepts, yet those concepts were designed for a time before the digital revolution. Brands are characterized by the facts that they belong to an organization dictating their existence, that their interaction with people tends towards zero and that the brand per se is based upon a static concept being little versatile.

DEFINITION OF BRANDS. There is consensus in branding theory and practice about the formal definition of the conception of brands: “A brand is a name, term (idea), sign, symbol, presentation or a combination of all of the above for marking
products or services of a supplier … and for differentiating them from competitors”.

BRAND IDENTITY. In a historical context, branding used to be both product- and quality-oriented. In the course of the development of the markets and due to the modern affluent society this objective of the brand has decreased in significance. Today, brands fulfill rather non-functional and intangible tasks. In order to be distinctive and memorable, brands are equipped with a particular identity, which on one hand consists of a brand name, a visualization of the brand name (e.g. a logo), a subline and a slogan, and on the other hand of a story that the brand tells. Based upon research of the brand’s periphery, i.e. consumer, competitors and the brand itself, the brand identity is conceived in an utterly analytical and highly strategic process, and consequently it is implemented by means of a brand-building concept.

BRAND EXPRESSION AND COMMUNICATION. The conception of a brand identity as described above was and is still handed over to the advertising department or to the advertising agency where it is semantically charged and appended with certain characteristics, connotations, emotions, convenience concepts, values, brand cultures, brand personalities, opportunities for identification, social context, lifestyle, quality and much more, above all psychological and emotional information. By means of penetration through a number of one-way mass communication channels (advertising, public relations, events, sponsoring, etc.), the brand is served to the consumers bite-sized. Mass communication per definitionem is a “form of public, indirect and one-way communication”, where ” feedback as a rule is not possible.” Even the Internet has changed little with regard to channels of one-way communication. "Online communication is […] partly a one-way (e.g. e-mail), partly a two-way (e.g. Internet relay chat) […] communication. […] Feedback, depending on the particular channel and form of communication, is possible directly or merely indirectly.” In fact, the Internet is said to offer enormous, yet still idle potentials of communication, but nobody really knows, how this capability of the Internet exactly looks like and how it is being made available to the users. This is probably why some marketers and advertising experts simply transfer traditional offline tools for communication and advertising, e.g. banners or sales promotions, one-to-one into the digital channel. Although many tools have been transferred directly, distrust of the capabilities of the Internet is still predominant, as 40 percent of 113 of Europe’s largest brand advertisers do not advertise online at all because of the

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4 See Kotler, Philip/Bliemel, Friedhelm, 2001, p. 689, [translated from German]. Deliberately, I chose the definition that ignores the existence of the consumer, because the issue of perception is treated later on.

5 See Aaker David A./Joachimsthaler, Erich, 2000, pp. 40 - 43

6 See Pürer, Heinz, 2001, p. 13, [translated from German]

7 Ibid, p. 14, [translated from German]
Internet’s “purported insufficient reach, inadequate support tools, and unproven effectiveness”\(^8\). Because of this reluctance, the distrust and most of all the lack of reliable studies, many people, experts and amateur marketers have got the impression that brands do not work on the Internet. A fact is, however, that advertising - on the basis of old-fashioned parameters and obsolete tools – loses in importance as the major branding tool.

PERCEPTION OF BRANDS. Ultimately, however, it is not the overall expression and the communication but the perception of the consumer that determines the triumph of a brand. Only if the brand is consumed the way it is designed by the marketers, it is able to meet the objectives for which it was conceived. Brands are still anchors in the rough sea of consumption. First of all, a brand has to be credible and trustworthy, i.e. the perceived communication and experienced consumption must correlate. The brand has to create trust in order to reduce the choices between innumerable product options. It is supposed to minimize the risk of mispurchase, and it is to diminish impediments to making purchases, particularly on the Internet. Furthermore, its task is to convey the quality of the branded good or service, to foster recognition and repurchase and to offer orientation in the jungle of commodities. It has to differentiate from the competitors. The ultimate goal of this *perceived brand awareness* is to increase the probability of repurchase by means of brand loyalty.

DICTATED BRANDS. According to what has been outlined so far, branding implies that a brand designed on the drawing table is communicated according to studies and intuitions of marketing and brand managers and is likewise consumed by the customers. Thus branding per se appears to be ideas forced onto the consumers. The only form of interaction allowed and accepted takes place in perception; branding campaigns are mostly reviewed by means of market research via exemplary representatives of the target group. Any other way of interaction with the brand is neither desirable nor intended. Hence, the communication between brand and consumer is enjoined by the company behind the brand only; people are excluded of any kind of actual interaction, i.e. designing, shaping or manipulating.

BRANDING THEORIES THAT DO NOT WORK. Therefore, many marketing experts believe that traditional and conventional branding is not effective anymore. In a period of understanding it was attempted to modernize the phenomenon brand by revolutionary theories. After the efficiency of the twins positioning and penetration started to dwindle, Gerd Gerken proclaimed the birth of the fractal brand in the mid-90ies. This concept borrowed from mathematics and conceived by postmodernism was implanted into the marketing discourse with less success than expected. It was to provide answers for the increasing complexity of markets and the unpredictable behavior of consumers. Assuming that markets used to be logical and predictable, and yet today they are subject to chaos and fractal dynamics, the fractal brand turned positioning into encoding. Encoding is aimed at creating a

\(^8\) See Jupiter Media Metrix, 2001
brand that is in constant motion and that - liberated from texture and value - is no longer to be planned strategically. Yet, this planning, predicting and character deficit had to be compensated by a unique emotional charging process through attaching magic to the brand. First encoding attempts, however, e.g. with the cigarette brand “West”, proved to be less glorious than expected. Giving way to the emergence of the Internet, new terms were coined. Interactive branding, for instance, sounds promising, yet what it precisely means is that people are able to interact primarily with the company (and with brands only in a limited way) by the means of a company (or brand) website, e.g. for sharing information, for selling, for collecting complaints or consumer demands. Other approaches to the new challenges in branding, e.g. to elevate the brand to a myth\textsuperscript{9}, or to recharge it emotionally with stories, tales or experience\textsuperscript{10}, did also not contribute to any implementable findings for branding. Even the end of brands was announced\textsuperscript{11}.

THEORY AND PRACTICE. Undoubtedly, an emotional recharging of brands is indispensable due to the ubiquity and interchangeability of commodities, yet such brand and identification systems and processes have not been made practical and marketable yet. Neither the fractal brand nor the brand full of myth nor the story-telling brand have engendered essential advances in strategic branding. All new theories have in common that brands are being charged emotionally, yet no marketable approaches for marketing and branding managers have been launched. Breathing life into brands via emotions and identity is of course achievable in a less linear and less formal way than e.g. planning an advertising campaign or conducting marketing research. There is no universal formula of how to build brands, in particular in times when positioning is questioned, advertising and communication in general become less efficient and wants get more and more fragmented. Still, successful emotional branding is rather derived from the intuition of brand managers and sufficient financial resources than from operative and strategic recommendations on the basis of calculable information. Furthermore, there is the challenge that emotional branding cannot be applied to any product as it is especially aimed at consumer commodities, luxury goods and low-involvement products, which are exactly those brands that make use of advertising and penetration.

BRANDS ON THE INTERNET. Especially the Internet represents enormous challenges and changes for brand managers. Being much more than just another channel for communication, namely among others a channel of distribution, i.e. for software, music and databases, or a sales channel, i.e. for online-shops, the Internet challenges the demanding tasks of conventional brands that already act unpredictably in the offline world. Furthermore, the Internet is truly one of the first channels that allows interactivity. Indeed, brands prove to be much more important.

\textsuperscript{9} See Bruhn, Manfred, 2001
\textsuperscript{10} See Jensen, Rolf, 1999
\textsuperscript{11} See Klein, Naomi, 2000
in the cyber world, as the consumers cannot experience or touch the products physically. Apart from this, there is huge variety of supply, services develop to be replaceable, and differentiation through functionality becomes obsolete. Nowadays, it seems to be trendy to distinguish between online and offline brands, suggesting that one brand expresses itself in two different ways that proved to be not successful at several occasions. Clearly, not even brands are able to deceive people’s minds and feelings. One of the predominant difficulties in studying the Internet is that conclusions drawn from conventional marketing and consumer research with focus on classic channels, i.e. mass communication channels, are being transferred one-to-one to the new, yet hardly comprehended channel. In addition, there are not yet many meaningful, sound experiences with regard to consumer behavior and consumer communication online.

3. (R)evoation of Branding

But if the void in branding can for various reasons not be charged with stories, emotions or meanings, it may be time to question the hierarchical and mechanistic positioning paradigm itself. “Innovations are developed in social systems (such as teams and project groups). The properties of these innovations support the character of the system from which they emerge. [...] The sooner customers are involved into the development process, the higher is the chance to gain understanding and acceptance.” So consumers, who once were passive in the brand-building process, are now activated and contribute extensively to the destiny of the brand, thus determining how the brand lives, grows or perhaps even fails.

REDEFINITIONS. Misunderstanding and confusion exist around the concepts of brands and branding. Terms like brands, branding or e-branding are being used deliberately, randomly and most of all not persistently. The heart of the branding process is the brand having been described at one occasion in the paper already. It is the core, the main asset and the yet untouched monolith of the branding discourse. Branding usually denotes any activity circling around designing, setting-up and maintaining brands in particular channels. Branding incorporates activities such as communication, advertising, pr or the online presence together with other ways of expressing the brand, e.g. product policy, service policy, price policy and

12 Of course, other approaches about the importance of brands on the Internet circle. Thomas W. Malone, for instance, stated 1997 that due to the Internet and the emergence virtual market places, products become more standardized, thus more describable and hence better comparable with each other. In this case, the significance of brands is enhanced as an indicator for e.g. product quality or distinctiveness.

13 Who knows the little known address www.go.com in comparison to www.disney.com (www.go.com belongs to the Disney Group)?

14 Bergmann, G., 2000, p. 3
so forth. Likewise, e-branding must signify branding on the Internet. Yet, in order to deprive the Internet of the myth of being unattainable, unconceivable and incomprehensible, the definition of e-branding needs to be reconsidered. If there has to be such a word as e-branding, it must contain the notion of branding with – or better by means of - the Internet. This shift in perspective would to a high extent influence the use of the Internet in terms of branding. Furthermore, tools and methods deduced and duplicated from classic branding must be abandoned, e.g. advertising being disguised as e-advertising, since these instruments’ impacts decrease, as has been repeatedly documented. This however implies that brands are clearly not dead; it is just the way one thinks about them and treats them that needs to be revised.

THE NEW APPROACH. Most of the literature and the research in brand management deal with brand communication and brand expression. Little in research touches the heart of brand management: the brand itself. What is new about the evolaris approach is that the brand itself, i.e. the brand, the brand identity, the brand’s own reality, becomes arguable.

OPPORTUNITIES: LIVING BRAND SYSTEMS. Current branding practices are – partly because of the mechanistic view of the world, the vigorous faith in rationality and the principle of cause followed by effect – based on the assumption of strategically assembled markets and realities conceived in a linear manner. The systemic approach accommodating more appropriately the complex reality of the consumption-oriented society of the digital economy will, however, be much more promising for the future of the branding industry. Brands that are permeable enough for dynamically changing and adapting wants of the consumers, communicated by them in a truly interactive manner, will live up to the new requirements of people and markets.

BRAND COMMUNITIES. Systems whose participants resemble each other in certain features can be referred to as communities. Any customer belongs to one or the other or more communities. Communities often are formed around the sub-systems of brands. In these “brand communities”, originally permeable brands are developed further, created together with other community members and experienced in a community context. Brand communities are characterized by the community effect that is expressed by similar preferences, ways of thinking, behaviors and shared opinions. Furthermore the effectiveness of communities is enhanced by common rites and traditions that in fact are only formed due to collective experiences of the consumers. A decisive success factor of brand communities is the fact that the community effect, i.e. the shared rites and the sense of responsibility, is not forced onto the consumers by the brands but is jointly developed and agreed upon by the members of the community.

15 At this occasion, it has to be pointed out very clearly that branding does not equal advertising, as proposed by different sources, especially by papers of non-scientific origin.

16 See Muniz, Albert Jr./O’Guinn Thomas C., 2001, pp. 412 - 432
LIVING BRANDS. As a subsystem in a system of added value, brands can only be developed and refined in a joint development process. "The founding fathers of brands can only give an impetus."17 So enterprises can actually carry out the primary positioning as value proposition that gives the first impetus in order to guarantee a continuous development of a permeable and vital brand. System-immanent communication, which forms the basis for (communication) relations and thus helps keep the brand alive, actively nurtures and promotes the brand. It definitely makes sense to implant the brand in many different communication channels. However, attention must be paid to the fact that the multi-channel brand has to have the same brand identity in all channels involved and that it has to appear homogeneously, because in an age of information overload the consumers could be confused by various brand identities. The communication channels involved may be conventional advertising media such as TV, radio, print media or posters, or modern one-to-one marketing tools such as websites, SMS, e-mails etc. The Internet, however, with its functions such as communities, chats and forums etc., still offers many more possibilities: interactivity, dynamics and vitality (in the sense of alive) as well as multiple networks. These ingredients shape the potential of the Internet and the potential of dynamic branding processes such as those of the Living Brands. The tools mentioned above enable a participation of the system members, which helps create a brand identity supported by all parties involved and enhanced and developed by continuing communication. Involving customers into the process of shaping the brand identity stands for commitment and enthusiasm as well as the creation of "customized brands" that are closely linked to the dynamic needs of the consumers. Such relations are always kept alive whenever the parties involved expect development opportunities from their interaction. But this does not just require the customers’ participation in brand building but also a stringent and coherent participation of the enterprise itself. Creating a coherent brand experience requires aligning every touch point in the organization with the brand. Establishing a dialogue, listening carefully to the consumers, comprehending what they say, and responding to them could be the new approach to a brand-consumer-relationship. This brand experience cannot only be restricted to different ways of communicating directly, but also to communication in the widest sense, together with interaction that influences consumer experience. If e.g. the brand stands for the promise to benefit the customer by offering the most competent service available, the conditions necessary for keeping this promise need to be created properly. This involves for example a timely installation of toll-free hotlines, a sufficient number of assistants providing services to the customers, well-trained staff, a smoothly working call center, customer information points at the premises etc. The promise to benefit the customer as well as the credibility associated with this promise have to be guaranteed right from the beginning. Dissatisfied customers, who spread negative information about the brand to a vast number of people like a wildfire, may mean the premature death of a brand, especially as new communication technologies enable the customers to disseminate their information without any

17 See Bergmann, G., 2000, p. 10
delay in time to a huge number of people. So the concept of Living Brands did not just develop due to changed consumer behavior but is even particularly fostered by the opportunities provided by the Internet.

LIVING BRANDS AND THE DIGITAL REVOLUTION. Due to its specific characteristics, the Internet is particularly able to support this shift in marketing and branding paradigms. Especially the Internet offers ideal touch points for Living Brands. A number of properties provide that it may serve ideally as the primary channel – or at least as one of the predominant channels – for communicating and interacting with Living Brands. The World Wide Web is indeed interactive and involving; it is mostly up-to-date; it may be truly personalized and it allows customization. Tools for participation and interaction may be virtual discussion forums, chat forums, communities that also interact in the offline world, tools for generating content for the website, editorial tasks for the customers, and so on.

4. Conclusion

For many different reasons – many of which are discussed in this paper – branding has suffered in effectiveness and has undergone massive change. Especially shifts in the behavior, the environment and the attitudes of consumers, together with the advances in businesses and their value, networks have caused this change. However, marketing and branding have not reacted to these modifications adequately and in time. Possible ways out of the branding doublemill are offered by the concept of Living Brands. Living Brands are dynamically adapting brands that meet the dynamism of modern life and modern consumers in a better way. The Internet in particular is apt and able to extraordinarily support this shift in branding paradigms. Yet, further research must provide evidence for points raised in this paper.

5. Further Research

The Living Brands, this new approach to handling brands, however, still requires operationalization and has to be based on a scientific foundation. For doing so further research is absolutely indispensable. The following issues have to be dealt with in greater detail:

TARGET GROUPS. Revision and redefinition of the concept target group and its segmentation.
MARKET RESEARCH. A re-conception of quantitative and qualitative market research, especially with regard to the paradigm that market research data has to be generated through independent businesses that are not familiar with the business model.

LEAD USERS AND MAINTAINERS. Communicative focus on user groups and sub-communities that are particularly interested in the development of the product / the brand.

MOTIVATION. Development of strong systems of motivation that solicit the users to participate in the communication and production process.

COORDINATION. Development of control systems that explain questions associated with a decentralized coordination of brand development as well as issues of “brand ownership”.

COMMUNICATION TOOLS AND CHANNELS. Evaluation and conception of communication and interaction tools that facilitate or even enable substantial user input into the brand’s world and that focus on considerations solicited by this kind of interaction.

CUSTOMER RELATIONSHIP MANAGEMENT. Sound data on and a qualitative assessment of in how far consumers actually desire being involved in the enterprise or the brand.

PRODUCT FOCUS. Information about which products are particularly suitable for Living Brands.

BRAND OWNERSHIP. New approaches to the problem of brand ownership that used to belong to the enterprises.

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