The Debating Group

A Parliamentary forum for Media and Marketing Debate

Prior to the debate the speakers and audience stood in one minute's silence in loving memory of Patricia Mann, the chairman of the Debating Group who died in September. Her tremendous contribution to the Group will always be remembered.

In the online age, are consumers the new brand managers?

"There is a shift away from traditional brand managers having complete control over how a brand is perceived". These were the words of Simon Waldman, Director of Digital Publishing, Guardian Unlimited, who was proposing the motion 'In the online age, consumers are the new brand managers' at the Debating Group debate at Portcullis House on 30 October 2006. The debate was sponsored by The International Advertising Association, UK Chapter and chaired by John Hemming MP.

According to Simon Waldman, there is a profound and irreversible shift of brand control to consumers. They now control the media. The Internet has been a consumer product for scarcely ten years – we are in the Internet's equivalent of its early black and white phase. He warned, "Think where we will be in a decade's time". Already there is a fundamental shift in the way in which brands are seen. In the old days the few could shout loudly to the many, and the voices of the many were rarely heard, let alone co-ordinated or organised. There was a relatively limited spectrum. Most consumers would not connect with each other.

Simon Waldman commented, "There was that beautiful thing called barriers to entry. As Henry Mencken said ' Freedom of the press is limited to those who own one'. Brand management followed similar lines". Brands slugged it out among each other. It was a sort of warfare. It was not a coincidence that people talked about 'campaigns'. They were structured onslaughts. Competition was fierce, but it was always competition between players operating on similar economic structures. This has now changed. It is not just about bloggers, Google, price comparison or consumer review sites; nor just about the fragmentation and atomisation of media. It is about all of these things combining to transform the way that people get their information and express their opinions. Consumers are now connecting with each other.

Simon Waldman cited the Mentos website with its message that 'Mentos can save your mouth'. If you search Google you find that a mixture of Mentos and diet coke causes an explosion; You Tube has videos of the explosions. "Who", Simon Waldman asked, "is in control of the brand message?"

A mighty brand machine can be chopped at the knees by a few bloggers with a grievance. Blogs do this to companies which treat consumers badly and Google will find these critical views whenever there is a search on a company in question. We now live in a world of asymmetric competition, where the very big can be toppled. Voices which were previously confined to the kitchen or the pub now

carry the same weight as a 60-second slot. Trust is now invested in 'people like me' rather than companies and institutions. Consumers see brands through the prism of other consumers – people like them, not people like us. The beauty of the net is that 'people like me' can connect with other 'people like me', resulting in a powerful 'we'.

Simon Waldman went on to stress that this is just the start of the online age, the connected era. Consumers have more power than ever before. The role of advertising has to change and evolve. Engagement is becoming an overused word – brand managers have to listen to and watch the consumer. Brands are being exposed to different types of scrutiny. People read the Guardian Online, for instance, in quite a different way from the printed version. "In newspapers we have realised that whereas in print, once we published our story, it is the end of a process, on the Internet it is the start". What ultimately defines the story is how it is commented on and to what it is linked; how it fits into the online ecosystem that holds Google and bloggers and wikis together. This is a creative, legal and technical challenge.

Consumers are now incredibly powerful. Simon Waldman concluded that they might not get taken out to the Ivy for lunch by agencies, but "they are the brand managers of the future and the brand managers right now".

Economic model

Opposing the motion Jasmine Montgomery, Director of Brand Strategy, FutureBrand, pointed out that brands are too valuable to be left in the hands of consumers. Brand building is a bigger business than ever. Her job at FutureBrand is to help clients manage their brands. They are too valuable to be managed by amateurs. Strong brands are measured in millions of dollars. 51% of the value of a company is its brand. The economic power of brands can be measured. Businesses with strong brands consistently command higher share prices. People say they are not influenced by advertising but when brands advertise sales go up. A brand is a financial asset capable of being valued and put on the balance sheet. It creates future demand for a product or service thereby securing future income for the company. It stands for promise in the minds of consumers, not only of quality but also above and beyond the function of the product. The speaker cited Virgin and Apple to make the point that you can often tell from the name that a brand is seeking to describe more than the product. Brands are vital economic tools.

Jasmine Montgomery accepted that the Internet will influence brands, but not in the way the motion suggests. There will be increased transparency. Consumers will talk and brands will respond. Companies will use the Internet to advertise and interact with consumers as never before. Marketers will have to be smarter and build more intelligent brands. But the fundamental economic model will not change. It will simply play out on the Internet the way it has played offline: big companies investing in brands, building them, injecting them with the professional strategy and creativity necessary to succeed and then communicating them avidly on the media de jour. What were billboards by the roadside became newspapers, became TV, and became the Internet. It is a new medium – one that offers a higher degree of interactivity, but not one that radically re-engineers the economic model. And certainly not one that puts the power to build the world's profit drivers in the hands of amateurs.

Jasmine Montgomery cited a spoof blog created to promote a TV programme, where the brand curated the content. The future will feel as though consumers have more control. Brands will be engaging in new and different ways; they will be more interactive, but the brand will still be at the helm. The exciting places will be hosted by brands.

The speaker acknowledged that compared with 10 years ago power has shifted. It has moved because the Internet allows more information to be gathered by consumers faster than ever before. We can become experts in something in a matter of hours. But there is still a glass barrier for four reasons:

- The investment barrier: companies not consumers will put the real money behind brands;
- The category barrier. Do consumers really want to become experts in every category? Are we all that likely to spend hours on a blog discussing brands of toothpaste?

- The demographic barrier. Not everyone has access to, is good at or likes the Internet as a way of interacting with brands.
- Consumers don't want to build brands. They want to consume them, talk about them and sometimes engage with them. But it is companies, motivated by profit, which want to build them and will manage brands on the Internet.

The power of blogs

Seconding the motion, Gary Lockton, Founder Strategically Communications Ltd, accepted that brands are created by professionals, but argued that once they have been created the consumer has control.

When the concept of branding was first created, the customer was king. Now it is not about amateurs, as Jasmine Montgomery suggested, but about the new power consumers have. The consumer view of the product is very valuable. The brand is not being managed; consumers themselves decide where they want to go. Gary Lockton suggested that consumers even smelling a whiff of being managed today are almost certain to turn the other way. They now have the power at their fingertips to influence many other consumers: those that they know and even those that they don't through digital media.

As companies have started to learn, the online hordes can quickly turn against them. He instanced bike-lock manufacturer Kryptonite which tried to downplay a blogger video that showed how to open its bike locks with a Bic pen. Thousands of links had grown to the BikeBiz index of Kryptonite vs Bic stories, a series of articles appeared in national media, the story spread to the Net with more then 4 million people downloading the video. The company was forced to spend more than $15 million on 40,000 lock replacements. In addition enormous damage was done to the brand. The information about the Bic pen lock pick is not new. It was first mentioned in a bicycle magazine in 1992. It is information which now has new power through digital media.

Companies are realising the power of blogs. However it is dangerous to try and fake it. McDonalds' attempt to create a fake blog to promote its Lincoln Fry product was so poorly received that it was taken down almost immediately. Mazda had a similar experience when it tried to pass off a blog to promote its M3 as a website created by a passionate fan. Now the legendary blogger Robert Scoble, aka The Scobleizer, at Microsoft is one of a strong team of bloggers. Collectively they are known as Channel 9 and effectively allow outsiders to tune into what is happening inside the megacorporation and listen to an authentic uncensored exchange of views between some of the world's most wired individuals. This is an open democratic system.

In 2006 *Business Week*/Interbrand Global Study ranked Google 24th overall, worth an estimated $12,376 million, a rise of 46%, without any traditional advertising or marketing. This is a word-of-mouth product. One-third of product development at Procter and Gamble, the home of branding, now makes use of consumer views via online. The barriers of time and money are not relevant to consumer power. They don't need money to disseminate their views – only the cost of broadband. They don't need time: Google does the search. Brands are no longer owned and managed by corporations. comScore Media Metrix recently announced the result of an analysis of worldwide videos streaming activity from YouTube.com confirming that an average of 100 million video streams were served to 40 million people per day. A recent Hitwise report showed My Space is leading the pack for the first time, surpassing long time leader Yahoo. A Double-Click survey has shown that 60% of purchases are influenced by Internet research, via search engines, even if not completed online.

Consumer use of the Internet has grown enormously in the last couple of years. It all means that brands can no longer be managed by businesses.

Dangerous nonsense

Seconding the opposition Patrick Barwise, Professor of Marketing and Management at the London Business School argued that the motion was nonsense, dangerous nonsense and the kind of nonsense

which brings marketing into disrepute. He is not against technology or consumers, but the motion helps neither consumers nor the promulgation of technology.

The motion suggests that digital technology has created a qualitatively different system – once upon a time companies could manage their own brands, but now the Internet empowers consumers so that companies can no longer do so. Professor Barwise argued that this is a wild exaggeration. It is now 52 years since Drucker said that companies that meet customers' needs beat companies that do not. The success of Toyota and Honda versus GM, Ford and Chrysler is nothing to do with the Internet; nor is competition between P & G and Unilever. ITV is losing audiences because its programmes are not good enough. The Internet is relevant, but it does not fundamentally change the basics. There is no qualitative change.

What is true, is that the Internet, like previous technologies, adds further pressure, provides another commercial channel and accelerates word-of-mouth. Tesco has beaten M & S and Sainsbury's by good use of online as a contributory factor in its real-world business strategy.

You still have to manage your own brand. Branding is about making a clear promise and then reliably keeping it – that is brand equity. You have to that yourself. Consumers won't do it for you. When your brand doesn't work, the news gets around fast.

Professor Barwise used P & G as an example of 'dangerous nonsense'. The views of the previous CEO promulgating thinking 'outside the box' had resulted in 40% off market value in two years. In 2000 P & G went back to basics with a focus on big brands, understanding what consumers want and then providing it. The share price has now more than doubled. P & G uses the Internet but it is peripheral to the main Drucker message.

Professor Barwise's final argument that the motion brings marketing into disrepute is based on his disapproval of a world where CEOs listen to finance people but don't take marketing people so seriously.

Discussion from the floor

For the motion

- The contributor believed that brands are now more accountable. The balance of power is still with the brand manager, but in two or three years' time it will shift. The role of the brand manager is to listen to opinion out there.
- The contributor emphasised the power of the Internet. Brand managers are losing control of their brands.

Against the motion

- The contributor believed there is an element of truth in the motion but not the whole truth. The online world is decentralised. Consumers are massively important with a great deal of power, but it does not make them brand managers. Image and intangible elements account for the success or otherwise of brands. Professional services, the public sector and business-to-business companies are all busily branding themselves and brand managers manage this. The challenge is to make good use of the Internet.
- The contributor stressed the changes brought about by the online age. Blogs cause information overload. BMW and Mercedes made themselves more powerful through the Internet. M & S did not have brand managers before the online age. Companies are driving these situations not consumers. Consumers respond to brand managers. Brand managers are still managing their brands in the online age.
- The contributor claimed that he did not suffer from information overload. But he suggested that the role of brand managers is changing. They have to engage consumers, let people in.
- The contributor pointed out that it is the brand manager who has to make the promises, not the consumer.

- The contributor pointed out that there are millions of consumers who might well have diametrically opposed opinions. Consumers are not rational and often make emotionally-based decisions. Brands rely on emotion, stance and loyalty beyond function. News of a bad product will get communicated very quickly. What may change is the way we manage brands, not that we manage them. This is not a threat but an opportunity.
- The contributor stressed that the Internet is just another medium, which does not replace other media. Blogs are just another form of sales promotion. There is a big influence from the Internet and online activities but this is part of the marketing mix.
- The contributor argued that branding relies on trust. On the Internet you don't know to whom you are talking.

Summing up

Summing up for the opposition, Jasmine Montgomery picked up several points made by the proposers to further her argument.

- Simon Waldman's comment that online was at the 'black and white TV stage' underlined her argument that the economic model does not change. A lot of brands have humble origins: this is an old model.
- Gary Lockton's example of P & G emphasised her view that companies are driving the interesting stuff that is happening online.
- The exploding Mentos is an example of mismanagement of a brand. Consumers sometimes do silly things with brands. Managers want what is good for their brands.
- How do you find blogs? Consumers put a great deal on blogs but they are not always easy to locate.

Jasmine Montgomery concluded with a reality check. She maintained that a world where children sit 24 hours at a computer is not one that we would want, nor is it likely to happen.

Summing up for the motion, Simon Waldman pointed out that managers get other people to do their work. Brand managers are getting consumers to do their work for them. Consumer feedback is now a permanent item on their agenda. The real power and control is coming from consumers. They are shaping the way brands are seen. The challenge is to keep up with this change: in five years time it will not even be a matter for debate.

The result

The motion was defeated by a show of hands.

Next Debate

The next debate will take place on Monday 27th November 2006, sponsored by the Periodical Publishers Association. Details from Debating Group Secretary, Doreen Blythe (Tel: 020 8994 9177) e-mail: dblythe@varinternational.com