



# *Worth Noting*

*Volume V, Issue V, May 2005*

***Worth Noting is the journal of research and conferences company L21. It is focused on issues of relevance and interest to senior executives.***

Several years ago, a book by Canadian Naomi Klein took the world by storm. *No Logo* became many things to many people: a Bible and textbook for anti-globalisation activists; an analysis of the contemporary capitalist system a little like Marx's *Capital* was in the mid-late 1800s; a thought provoking and insightful read for lay people who viewed with concern or dismay the rise of brands and emphasis on branding in markets; and a prime illustration of immature and disingenuous criticism of contemporary marketing to those who saw the virtue of brands or at least saw nothing harmful about them.

Like most books that make commentary on some issue and capture the attention of the public, it is likely that most people who feel one way or the other about *No Logo* have never read the book. Rather, such books are catapulted into public discussion because they introduce a line of argument that can be quickly summarized and enters eloquently into an existing debate. In this case, the issue is the rise of globally recognized brands and an increased emphasis on branding in marketing.

Some see the value of brands; others are extremely cynical about them. *No Logo* tries to present an argument as to why this cynicism is not only justified but why the rise of the brand is possibly harmful.

In this edition of *Worth Noting*, we thought it would be interesting to go through some of the main arguments put forward by Klein as they relate to brands and their impact on marketing, the economy and for capitalism as a whole to see how persuasive they are.

*No Logo* is not an easy read – the arguments can be complex, dense (as in profound) in style and tangential points frequently add to or confuse the main thrust of the argument put forward. We will therefore do our best to summarise accurately a number of the key points made.

## **1. We are in the age of the ‘brand’**

The beginning point is that in this age of globalization, Klein believes we are in the age of the brand or the logo. We live in a “branded world” that invades every aspect of our life: at home, at work, at leisure, even in the bathroom. We cannot escape these brands because we rely so heavily on them. Our car is branded, our furniture and clothes are branded, and even our toothbrush and toilet paper is branded.

## **2. The age of the brand changes the relationship between producer and product**

We might be tempted to ask ‘so what?’

The ‘so what?’ for Klein is that because we live in a branded world, tastes, cultural standards, and even values are determined by mega-brands.

This is significant because this fundamentally determines the (new) relationship between producer and the product. Klein has no problem with what she sees as the original usefulness of ‘branding’ which was to reassure customers that a particular product was of a particular nature or quality. Brands were also originally there to assure accountability if that product did not fulfill the brand promise.

What then, according to Klein, has happened since?

According to Klein, this is what has now happened:

**“Many brand-name multinationals are in the process of transcending the need to identify with their earthbound products. They dream instead about their brands’ deep inner meanings—the way they capture the spirit of individuality, athleticism, wilderness or community. In this context of strut over stuff, marketing departments charged with the managing of brand identities have begun to see their work as something that occurs not in conjunction with factory production but in direct competition with it. ‘Products are made in the factory,’ says Walter Landor, president of the Landor branding agency, ‘but brands are made in the mind.’ Peter Schweitzer, president of the advertising giant J. Walter Thompson, reiterates the same thought: ‘The difference between products and brands is**

**fundamental. A product is something that is made in a factory; a brand is something that is bought by a customer.’ Savvy ad agencies all have moved away from the idea that they are flogging a product made by someone else, and have come to think of themselves instead as brand factories, hammering out what is of true value: the idea, the life-style, the attitude. Brand builders are the new primary producers in our so-called knowledge economy.”**

Klein makes a couple of points here. First, the actual manufacturing of a product is becoming more and more meaningless. A product becomes defined more so by the branding thought up by marketers, not the physical product itself. To put it another way, the customer now isn't interested in the product so much as the brand. Second, because the manufacturer becomes meaningless, the wealth creator is the brand builder, not the people that actually physically build the product.

Klein looks at many brands to make her point – Levi Strauss, Pepsi, Walmart, McDonalds, MTV – but she reserves her most pointed barbs at Nike.

Nike began as a 'high-tech' shoe during America's jogging craze in the 1960s and 1970s. For Klein, this was fair play: creating a superior jogging shoe. However, when the jogging craze died down in the mid 1980s, Nike changed from a 'shoe producer' to a 'lifestyle promoter.' In other words, Nike now had less to do with what they sold (ie., shoes) and more with the brand values they were trying to promote (ie., "essence of athleticism").

For instance, thus began the mutually beneficial partnership between basketballer Michael Jordan and the Nike brand. Jordan made Nike a superbrand and Nike made Jordan a superstar.

From this point onwards, Nike was no longer about shoes but about an image. Nike sponsored sporting events and put the Nike name on those events. The Nike tick was placed on everything Nike could get their hands on. For Klein, the purpose of all this was that:

**“By equating the company with athletes and athleticism at such a primal level ... Nike ceased to merely clothe the game and started to play it. And once Nike was in the game with its athletes, it could have fanatical sports fans instead of customers.”**

Nike became synonymous with sport and athletic pursuit. Nike also became the model for other superbrands and the desire of these brands to dominate not just their product market but a significant part of the consumer's very life. Klein makes the argument that the brand started to form the intention of defining the values for the consumer, influencing their daily behaviour and ultimately creating a branded world for that consumer which blocked out other brands or influences in the consumer's life.

The competition in the system was no longer between companies trying to get you to buy tuna rather than salmon but between “between warring branded camps that are constantly redrawing the borders around their enclaves, pushing the boundaries to include more lifestyle package.”

For example, brands now not only tell the youth market what to buy but what it is to be ‘cool’ both in what you might wear but also how you should behave and think.

### **3. The age of the brand leads to exploitation of those who make the product**

At this point, Klein has argued that the shift from product to brand marketing relegates manufacturing to an almost insignificant role in contemporary capitalism. By ‘outsourcing’ production to cheaper production factories in undeveloped countries, the owners of brands save money that can be poured back into marketing and brand promotion:

**“Traveling light” came into vogue, that is, shedding your own factories, cutting your workforce, and passing the dirty task of production to fly-by-night Taiwanese or Korean operators moving from one Asian export processing zone to another.”**

Much of this section is then devoted to describing appalling conditions faced by factory workers:

**“Here the illusion of the benefits of foreign investment for developing countries is dashed to pieces by the reality of young lives wasting away in factories that are more like prisons; of wages so low that most of the workers’ pay is spent on shared dorm rooms, transportation, and basic sustenance; of government officials so scared of investors leaving for Vietnam or China that they offer the footloose subcontractors all sorts of tax breaks and dare not allow unionism.”**

As the differentiation was in brand, not product, there is often the bizarre scenario where contracted workers were making almost identical products for competing brands.

### **4. Superbrands are becoming vulnerable to their own revolution**

In a piece of Karl Marx like logic and rhetoric, Klein then argues that the very revolution and system these brands have created will come back to haunt and perhaps destroy them.

The argument goes as follows.

First, as the combination of invasive advertising, cultural privacy, desertion of communities and commoditisation of the labour force increases, resistance from particularly the youth sector – the prime target of most brands – will increase. Opinion will turn against the superbrands and Klein cites as evidence several high profile examples such as the widespread condemnation of Nike's 'slave production' methods, the exhausting libel case prosecuted by McDonalds in London that dragged on and damaged the brand, and Shell's defeat by Greenpeace over oil-drilling in the North Sea.

Second, and put forcefully, Klein believes that the very strength of the multi-nationals – their powerful brand – is the source of their ultimate vulnerability.

Because these multi-nationals are powerful and profitable by virtue of their brand and not their actual product, by the same logic, these brands cannot defend themselves when they are attacked by activists and lose the respect of consumers, because these brands do not in fact have better products. Once a brand's image suffers, consumers have no reason to remain loyal to that brand because they have not been offered an inherently better product. Moreover, with technology making widespread communication easier and cheaper, such as through the Internet, the resources needed by activists to take on and discredit a brand are not large. An increasingly branded world would therefore allow anti-globalisation and other activists to become more powerful and multi-nationals to become more vulnerable.

It is worth noting that *No Logo* was written just before the anti-globalisation uprisings in Seattle against the WTO Ministerial in 1999 and the walkout of many Third World delegates. From that moment on, *No Logo* developed a prophetic feel about it and the book took off worldwide.

Klein observed herself at the time that:

**When I started this book I honestly did not know whether I was covering marginal atomized scenes of resistance or the birth of a potentially broad-based movement. But as time went on, what I clearly saw was a movement forming before my eyes.”**

## **Brilliant but significantly flawed ...**

Are successful brand managers really inadvertently contributing to the demise of their brand?

In our view, *No Logo* presents a brilliantly conceived argument but is significantly flawed both from the point of view of its argument and its predictions.

We will go through why we disagree with several crucial aspects of what Klein has written.

### **1. The product still matters**

It is crucial to Klein's whole argument that product differentiation between rival brands is insignificant and that the only area of difference is in the brand. As she puts it:

**“Many brand name multinationals are in the process of transcending the need to identify with their earthbound products.”**

To establish this, she cites examples such as rival brands of athletic shoe makers who outsource shoe production to the same factories and focus on brand differentiation.

It might be true that the consumer is exposed more to what the Nike brand stands for rather than what is different about the Nike shoe compared to the Reebok version. But does it therefore follow that the Nike shoe will always be exactly the same as the Reebok shoe? Are technical advances in products really all a bit of fluff? Would Michael Jordan really have worn Nike on court if he did not believe the shoe was a superior shoe? The fact is that Nike spent a small fortune developing a shoe that met the expectations of the world's best basketballer. Brand marketing hyped up the relationship between brand and player but the quality of the shoe did matter.

Moreover, Klein focuses almost exclusively on high profile consumer brands but conveniently does not focus on superbrands such as Cisco, Boeing or Intel. These brands are not obsessed with portraying a brand lifestyle. Cisco offers superior network systems and Intel offers the best state-of-the-art computer chips. These superbrands do what brands say they do – offer a guarantee of quality and reliability for any product or service that carries their name.

Finally, Klein does not engage with the history of what influenced companies like Nike to focus on brand promotion rather than product promotion. Much of this basic strategy was as a response to cheaper Asian copy-cat products flooding the American and other developed markets. Many of these products successfully

replicated the shoes produced by Nike, Reebok etc but many of these products were of inferior quality. The only common element was that they were cheaper.

One response was to rely on government initiatives to try to stop this. But a more pro-active response was to take matters into their own hands and begin branding their products and rely on international Intellectual Property and Trade Mark law to protect them. In this sense, there were very good reasons why the rise of the brand made life for the consumer better. At least the consumer knew that a shoe with the Nike brand enjoyed a certain level of quality. That is the whole point of branding which is hardly insidious.

In essence, Klein gives what we believe to be an over zealous and extreme criticism of brands as signifying nothing but fluff. Encapsulated in a brand image are intangibles that may or may not have anything to do with that product or product use, but actual aspects about that product is also captured. The best brand managers know their product, not just the brand's image.

Brands play a role in minimizing risk and eliminating nasty surprises for the buyer. We know what a Nike shoe will feel like, what a McDonald's hamburger will taste like, what Microsoft Windows can (and cannot) do. This is enormously useful information for any buyer.

## **2. Arguing that the 'age of the brand' leads to labour exploitation does not necessarily follow**

It is true that this led to major brands out-sourcing production to cheaper regions. Is that really so unusual or unexpected? Of course companies will choose production choices that are cheaper. This doesn't mean that product development (to complement brand development) doesn't continue to occur at substantial levels.

What about exploitation?

Genuine instances of exploitation of workers in poorer countries cannot be tolerated but this is really a red herring thrown in by Klein and quite a different line of argument from Klein's main arguments. Companies like Nike were rightly hauled over the coals for unethical labour practices but this is more of an issue about Nike taking cost savings to unethical levels, not about why brands are inherently responsible for certain evils in the economic system.

Unbranded products produced in less developed countries have had just as poor a record of unethically exploiting workers as branded products. Indeed, if the exploitation is by a branded company, accountability in the form of damage to brand image is greater for a branded company than for unbranded companies.

For example, Klein tells how North Vancouver councillors changed their petrol contract from Shell to Chevron because of human rights abuses in Nigeria, particularly after the killing of Ken Saro-Wiwa. Within a year Chevron had their own human rights violations (also murder) in Nigeria to defend. She wrote that "It is sadly ironic that Chevron had undoubtedly benefited from the fact that activists have made a strategic decision to focus their criticism on Shell, rather than on the Nigerian oil industry as a whole". This is true but is, for instance, the Indonesian oil industry any better? Why does Klein choose only to target highly branded companies for human rights violations? Are violations a function of unethical management choices that any company might be tempted into or directly related to the age of brands? The fact that a superbrand might be committing certain unethical acts does not automatically follow that such unethical acts are perpetrated only because superbrands exist. That is a clear logical and factual fallacy.

For companies like Nike, there was clearly a need to repair the damage and practice better ethical standards in using cheaper labour. Whether Nike chooses to do this or not is clearly a matter for their management and any choice is not precluded by the iron laws of the 'age of the brand.'

### **3. The branding & product relationship and strategies are more complex than Klein represents**

Klein gives the impression that once a brand is established, the brand becomes an all-encompassing umbrella concept that can be used in an infinite number of ways and for an infinite number of products. For example, her whipping horse of Nike is cited for not only being a brand name for a shoe but the name of sporting tournaments, sponsor of sporting teams, with a goal of being a new term for "athletic pursuit and excellence" itself.

This is important to Klein's basic argument because she is trying to make the point that once a brand becomes successful, the brand can be used to sell anything because there is no longer any relationship between a brand and the product. As she puts it, the customer is no longer buying the product but the brand.

Is that really true? When Sony and Microsoft brought out Playstation and X-Box respectively, was the marketing strategy simply one that rolled out the brand name without mention of product features and advantages? Did brand managers for X-Box do nothing but repeat generic Microsoft slogans and ignored important aspects of the actual product? Did customers simply buy Playstations like hotcakes because the Sony brand and not the product compelled them to do so?

Of course not. The relationship between superbrands and product extensions within those brands is not straightforward. Nor is the world defined by two

groups: manipulative and clever brand managers versus manipulated and stupid consumers with interest only in the brand and not the product they buy.

There is no doubt that brand does not equal product alone but it does not follow that brand has nothing to do with product.

#### **4. There is little evidence that superbrands are vulnerable to a systemic revolution of their own making**

One of the reasons why *No Logo* is such a compelling read is that the book appears to have uncovered through meticulous thought and argument the operation of cause and effect in the modern capitalist system in this age of brands. Superbrands are destroying the conditions under which they positively depend. Through the exploitation of producers made possible because they are denied their economic worth, superbrands are alienating the population. In particular, they are alienating the very target group that they most depend on – the youth market – and activists are able to worsen the plight of the superbrands with relatively meager resources.

Moreover, this is also a reason why *No Logo* has been so eagerly received by the anti-globalisation groups. The book presents a vision of the potential ruin of multi-national brands that they so dearly want to see.

It is therefore worth asking a few questions begging to be asked: Are superbrands really destroying the foundations they are built on? Is the branded capitalist system anything like close to fundamental change as the book suggests? Are superbrands on the defensive against the very consumers they hope to seduce?

Disciples of *No Logo* and Klein herself believed that she was on to something big. Klein commented that her book was not *prophetic*; it was actually *descriptive*. *No Logo* is about what is happening today.

Brands come and go. That is an empirical truism. But Klein is not saying this but something much more. The major brands themselves have caused an economic revolution that is fundamentally undermining this current 'age of brands' by alienating consumers. Is there any evidence of such a revolution?

Certainly, the rise of the multi-national superbrands have helped to develop high levels of demand for genuine 'boutique' brands. These are brands that are smaller and more exclusive, linked perhaps to a region or an individual, and not mass marketed. But this is hardly any evidence of a revolution but merely an expansion of choices of brand type. Some people prefer to drink a Penfolds Grange, others a more boutique Brokenwood Graveyard.

Nor is there any persuasive quantitative or qualitative evidence that consumers are turning away from branded products as a whole. Some superbrands are on the way down and some are on the way up. That is business as usual.

As mention, Klein relies heavily on examples such as Nike being criticized for their labour practices. As we argued, this is an illustration of possibly unethical behaviour by one company, not evidence of a systemic 'age of brand' phenomenon leading to a general consumer uprising against branded products.

## **Conclusion**

*No Logo* offers a striking analysis and case study of the history of how many brands emerged and how some brands have exploited their status in the form of unethical or disingenuous behaviour. In this sense, we believe the book is an important read.

However, in making the broader, grander claims about the nature of modern capitalism and brands, the inherently insidious nature of brands, resulting injustices and the eventual decline of the current phase of capitalism, we believe that Klein offers arguments that are either seriously flawed in their logic or very speculative and without adequate evidence at best.

Extracted and simplified, much of the reasoning is in the following flawed form:

- A. We are in the age of the brand and this leads to unethical behaviour and/or undesirable outcomes;
- B. Nike is a superbrand that has behaved unethically;
- C. THEREFORE A IS PROVEN.

Imagine the fantastic range of assertions we could 'prove' if we employed this form of reasoning. We would only need to find one example of an assertion and assumed the assertion as overwhelmingly true.