



MC BRANDNEWS

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INTRO

Sponsorship Profits – World Champion-Style

At the brand World Cup in South Africa, not only the adidas ball was rolling, coins were too, more precisely plenty of Swiss Francs. The sale of advertising rights for the World Cup 2010 alone brought FIFA €2.8 billion. Sixty per cent of this amount was generated through the sale of television rights, and another 25 to 30 per cent through the sale of marketing rights. And what is all of this money spent on? For brands such as Coca-Cola, McDonald's, and battered BP can advertise as partners, sponsors, or national supporters at the FIFA World Cup 2010. The question remains as to whether the payoff is really worth it. Studies show that brands which are active in advertising on the periphery of major events without being actual sponsors are often just as well-recognised (sometimes better recognised) than official sponsors. This form of advertising is referred to as 'ambush marketing'. The fact remains that an average 21 per cent of communication budgets is invested in sponsorships. In Germany alone, the "Sponsor Visions 2010" study has shown that €4.2 billion have been spent for this purpose. A good 60 per cent, or €2.6 billion, of sponsorship payments are sports-related. And what is all of this for? For our brands, because they are worth it!

BRAND NAMES

The Brand LeCoultre Reaches Summit

Many well-known brand names were originally derived from geographical designations – for example, from names of towns or mountains. Various names come to mind: Berliner Kindl, Bitburger, Erdinger, Krombacher, Radeberger, and Warsteiner. The German brewery brand Karlsberg, for its part, came from a castle on a hill called Schloss Karlsberg. In contrast, the Danish beer brand Carlsberg was named after their newly-built company location on a hill near Copenhagen (hence "berg", meaning "hill"), combined with the first name of the founder's son.

Other brand names that have been directly derived from more or less well-known mountains include Montblanc, K2, Schneekoppe, and Holmenkol (Holmenkollen). The watch brand Montblanc and the food brand Schneekoppe also feature the snow-capped peak of their

respective mountain in their logo. Similarly, the logo of Swiss chocolate brand Toblerone features the Matterhorn, and the mineral water brand Evian has established the silhouette of three mountains near Evians-les-Bains as its pictorial brand.

Now Jaeger-LeCoultre is showing us that the reverse is also possible: naming a mountain after a brand. Under the auspices of the Swiss watch brand, three distinguished mountain climbers, each sporting one of this luxury watchmaker's products on their wrist, climbed an as yet unconquered summit in the Himalayas for the first time at the end of 2009. The 6,589-metre high mountain was recently named after Antoine LeCoultre, in honour of the company's founder. This should bring LeCoultre to the top of its luxury class, at least for the mountain stage.

> BRAND QUOTATION

"Brands get built through experiences, through people ... making them part of the fabric of their lives."

(Erich Joachimsthaler)

> BRAND TIP

Brand Trail in Munich



Feinkost Käfer promises its customers high-quality gourmet products and excellent service

Munich is primarily known for its Oktoberfest and the surfers on the river Eisbach. But internationally known brands also offer refreshing experiences and brand adventures.

The highlights in the Bavarian metropolis include Munich's original Feinkost Käfer (Käfer Delicatessen), Alfons Schubeck, Schumann's, and Dallmayr's Delicatessen. Also worth the trip are visits to the Maggi cooking studio, the o2 Munich Flagship Store, and the Wash & Coffee, a high-end laundromat serving both as a café and a trendy meeting place.

In the next issue of the MC BRANDNEWS we will feature the sixth part of our Brand Trail, through which we will introduce you to exciting brand locations in Stuttgart. Details regarding the brand excursion in Munich, including addresses and a route plan, can be found at:

www.mc-brandnews.com



Welcome!

Brands gain additional strength through unusual promotions and campaigns that represent their image. A perfect example is Jaeger-LeCoultre, who proved the performance of their watches under extreme conditions, as we will be showing you in the current volume of the MC BRANDNEWS.

We will also reveal how brands can work together to launch new products together or to open up desirable target groups. Activities in the "social media" also help in this area, as they can identify self-proclaimed brand advocates and integrate them into the brand work. The possible scope of such activities is shown in the "Facebook brand ranking", which is led by brands such as Nutella, Disney and Starbucks. To finish off our trip around the "social media world", we will look at various assessments of MC's international network agencies.

On the other hand the results of the current study "Swissness Worldwide 2010" clearly show that a brand's country of origin can influence how people perceive it. For example, the brand BMW benefits to a great extent from being "Made in Germany". We will introduce the brand core and brand values of BMW in the first part of our new series "Brand profiles" and lead you to brand locations worth seeing on our Munich Brand Trail.

In the third part of our BRIC Brand Report, we will describe the diversity of the Indian subcontinent from a brand point of view. We will also explore the future significance of the four BRIC countries, in which five of the ten largest metropolises are already located and in which nearly all major brands influence people's lives.

Wishing you a sunny summer,

Your

Harald Zulauf

CEO MEDIA CONSULTA International Holding AG

Choosing the Right Brand Partner

More and more brands are presenting themselves to their customers in conjunction with other brands, as was clearly shown by the latest screening by Noshokaty, Döring & Thun. In 2007, there were on average only 175 brand and marketing cooperations in Germany; in 2008, there were already over 230. This number increased further, reaching an average of 310 cooperations in 2009, which is the same number registered for the first quarter of 2010.

A vital factor in the short-term or long-term cooperation of several brands is the related growth opportunities, for example, due to complementary abilities to create new or modified services. Moreover, brands involved in cooperations are often strengthened and able to reach new target groups. In addition to common brand products (co-branding), royalty businesses, common advertising and promotional measures (co-advertising/co-promotions) are among the most common forms of cooperation.

As an alternative to Young & Rubicam's "Y&R Brand Fit" approach started in 2008, in 2009 Connecting Brands started offering another, unusual approach called "Cooperation speed-dating". During the "Cooperation speed-dating" day held annually in Spring, up to 100 prospective cooperation partners can be matched. Prior to this unusual form of brand partner matching, those in charge of the participating brands are asked to provide their cooperation profile. Matchmaking software is then used to determine possible partners for discussion. Afterwards, the participants have the chance to look at other participants' profiles and to arrange meeting times themselves. During the event itself, each participant has ten conver-

sations lasting 30 minutes each with potential cooperation partners to discuss the possibilities for working together.

Building on this, Connecting Brands, in conjunction with QLT insights, recently developed a "brand cooperation test". The goal of the online panel test is to test the success of possible brand cooperations in advance through consumer ratings. Influencing factors used are the attitude towards the participating brands, brand familiarity, transfer, product and brand fit, as well as brand complementarity. The brand cooperations presented can also be described from different angles, for example, by being rated as useful, original, creative, innovative or unique. Finally, the significance of the influencing factors on the overall rating of each specific cooperation is determined, which can be used as a basis for the brand cooperation's decision-making process and communication strategy.

The report entitled "Marketing Co-operations: A Review" by Noshokaty, Döring & Thun, as well as further details regarding the brand cooperation test by Connecting Brands and QLT insights, can be downloaded at:

www.mc-brandnews.com



BRAND ADVOCATES

A New Type of Advocate Shapes Brands

Until just a few years ago, it was primarily for monetary reasons that someone would endorse a brand. With "self-proclaimed brand advocates", however, a new type of advocate has arisen, which reaches a broad audience thanks to "social media" without dipping into any type of media spending. These advocates are primarily loyal customers who use weblogs, forum entries and comments on user forums and social networks to make themselves widely heard. The main reason for their involvement is enthusiasm for a brand, which they express through Facebook, Twitter, etc.

However, even self-proclaimed brand advocates are rewarded for their efforts. This is not

expressed in euro, but in a gain in social status among their own circle of friends or among the wide-reaching internet community.

The greatest challenge in dealing with these types of brand advocates is that they can only be controlled in a very limited way or not at all. It is therefore advantageous to involve casual, unintentional and unauthorised brand advocates as much as possible in your own brand work. It is often a good idea to purposely provide them with news and with comprehensive access to information and innovative services. By using the right tact, self-proclaimed advocates can in time become exceptionally reliable brand ambassadors.

BRAND RANKING

Nutella Leads Facebook Ranking

All of the established brand rankings by Interbrand, Millward Brown and others have one thing in common: they fail to provide enough insight into their rating methods. It always remains unclear how exactly the brand values they base their calculations on have been worked out. Moreover, the various models lead to very different absolute brand values and relative rankings. For example, in April 2009 Millward Brown assigned Google a value of US\$100 billion, and one year later a value of US\$114.3 billion, placing it in first place each time. In contrast, Interbrand valued the leading search engine brand at only US\$32.0 billion, which put it in seventh place in the ranking of the 100 highest-valued brands in the world. Meanwhile, a brand like Walmart has been assigned a brand value of US\$39.4 billion by Millward Brown in 2010, whereas Interbrand did not even include the brand in its ranking because less than one third of its profits are generated outside the US.

For this reason, Markenlexikon.com has deliberately chosen another approach with its "Facebook Brand Ranking 2010". The sole basis for the ranking is brand popularity, expressed

through the "like" button on Facebook, among the social network's current users, estimated to be over 475 million worldwide. The ranking is then plausible for all.

Using a total of 430 million registered Facebook users in the survey period of April 2010 and the world population of 6.9 billion as a basis, the Facebook brand ranking calculated brand popularity among a good six per cent of the world's population.

The "Facebook Brand Ranking 2010" Top 10

- | | |
|--------------|----------------------|
| 1. Nutella | 6. Google |
| 2. Disney | 7. Nike |
| 3. Starbucks | 8. Converse |
| 4. Kinder | 9. Victoria's Secret |
| 5. Coca-Cola | 10. Pringles |

The complete "Facebook Brand Ranking 2010" can be downloaded at:
www.mc-brandnews.com

BRAND PERCEPTION

Brands Affected by the Way Their Country of Origin is Perceived

The country of origin often influences brand perception. Common examples are German engineers, Swiss banks, or US software companies, which benefit from the association with their home country. A particularly large number of Swiss companies purposely establish a connection with their home country; for example, by using the "Swiss cross" as part of their company logo. Some examples are Bernina (sewing machines), Künzli (shoes), Swatch (watches), Tilsiter (cheese), and Victorinox (pocket knives). A number of German companies also add "Deutsch" (German) to their brand names; for example, Deutsche Bank, Deutsche Telekom, or Deutsche

Lufthansa, while IKEA (furniture) and Wasa (crisp bread) use the blue and yellow of the Swedish flag as their brand colours.

What all these examples have in common is that an association is being deliberately made with the country of origin in order to benefit from the perception associated with the country; for example, environmental friendliness, reliability, or the price level that is associated with the country. While Switzerland is considered to be particularly appealing, according to the current study "Swissness Worldwide 2010", it ranks last in terms of its "low-price" when compared to Germany, Japan, the USA and South Korea.

| Criteria | CHE | DEU | KOR | JPN | USA |
|--------------------------------------|-----|-----|-----|-----|-----|
| Appealing | 8.5 | 7.7 | 5.7 | 7.3 | 7.7 |
| Reliable and trustworthy | 8.1 | 7.6 | 5.7 | 7.0 | 6.6 |
| Environmentally friendly | 7.6 | 7.0 | 4.8 | 6.0 | 5.1 |
| Widely respected internationally | 7.8 | 7.6 | 5.5 | 7.2 | 7.1 |
| Produces high-quality products | 8.1 | 8.2 | 6.6 | 8.2 | 7.5 |
| Innovative/modern | 7.6 | 7.6 | 6.2 | 7.8 | 7.8 |
| Highest-level technological research | 7.6 | 8.1 | 7.0 | 8.5 | 8.2 |
| Low-price | 4.5 | 5.4 | 6.0 | 4.9 | 5.6 |

Source: Swissness Worldwide 2010; n > 250 (per country)

> ADVERTISING MARKETS

Global advertising spending is expected to increase by approximately 3.5 per cent in 2010 compared to last year, resulting in projected worldwide advertising expenditure of US\$451 billion. According to the latest forecast by Group M, it is likely that there will even be an increase of 4.5 per cent in 2011. While it is assumed that advertising expenditure in the US will fall by one per cent to US\$157 billion, spending is expected to increase by 2.1 per cent to US\$102 billion in Western Europe, and by 6.5 per cent to US\$18.4 billion in Eastern Europe. The main drivers of this growth are constantly increasing investments in digital advertising. It is also expected that China will overtake Germany in the global ranking of advertising markets this year.

Biggest advertising markets in 2009 (top 5)

| Country | US\$ billion |
|------------|--------------|
| 1. USA | 158.6 |
| 2. Japan | 41.2 |
| 3. Germany | 21.6 |
| 4. China | 20.7 |
| 5. UK | 19.8 |

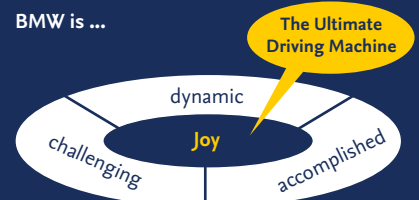
Source: PwC, Global Entertainment and Media Outlook 2010-2014

> BRAND PROFILE

BMW

Starting with this issue of the MC BRANDNEWS, we will be presenting the brand profile of one well-known brand in each issue. We will begin with the car brand BMW, whose core value of "Joy" is reflected in its brand claim "The Ultimate Driving Machine" and is illustrated through its brand values, which are: dynamic, accomplished, and challenging. Following this pattern, the topics of petrol usage and CO2 emissions are consistently addressed in the "EfficientDynamics" campaign launched in 2006. BMW chairman Norbert Reithofer is now talking about "The Ultimate Driving Machine 2.0". The declared objective, according to Reithofer, is to offer customers BMW models with "better mileage and more joy in driving".

BMW is ...



India is Very Colourful

Democratic India, with its population of nearly 1.2 billion, is a country of diversity – and not just when it comes to brand consumption. In addition to English and Hindi, 21 regional languages, 844 dialects and eight regions each play their part in shaping the subcontinent. While social recognition is important in the north, leading to demonstrative consumption expressing itself in purchases of big cars, large package sizes and household appliances, Indians in the south are looking for stimulation of the senses. In the south, not only are the saris and lungis more colourful, but stronger spices and incense are also used. South Indians also spend higher than average amounts of Indian rupees on shampoo, talcum powder and filtered coffee.



India is and is likely to remain a country of contrasts, as shown by a recent United Nations report: whilst only 366 million Indians have access to a toilet, there are 545 million cell phones registered. It is also not easy to do business on the subcontinent, as shown by the latest World Bank ranking “Doing Business 2010”. India is in 132nd place when it comes to “Ease of doing business” – in the lower third of the 183 countries that were evaluated. And yet: despite various obstacles, the Indian economy grew by nearly seven per cent even during the crisis year of 2009.

Another factor still shaping the country is its colonial past. Not only are British brands such as Cadbury, Lux, and Surf known to most Indians, but they are often perceived to be Indian brands. At the same time, due to regional differences, there are barely any brands that are market leaders throughout the entire country. And those that could be considered as such are almost exclusively foreign brands such as Axe, Pond’s, or Stayfree. But since these brands have in many cases also become part of the local culture, they are – unlike in China and Russia – only considered as slightly superior to local brands.

MC BRAND RADAR

Success in the World of Social Media

The following are assessments by selected MC network agencies with regard to success factors and forecasts for the future of social media marketing:

Claudio Macías P., Director of Communications, MC Chile: For us, marketing in social networks is associated with two goals: first, social media initiatives need to facilitate an open dialogue with (potential) customers and promote exchange among the customers themselves. Second, we must connect these activities as much as possible with other communications activities.

While classic communication channels function almost entirely unilaterally, social networks expand communication. They facilitate interaction with the brand and its employees. This generates a more intensive exchange with the brand ambassador, which leads to a significantly stronger emotional connection to the brand. In order to increase the success of social media initiatives, it is important to ensure that opportunities to share information and engage in dialogue function virally as much as possible. This is the only way that they can offer users an advantage from which they can benefit and ensure that they inform their friends and acquaintances about the initiative.

Andre Urban, Managing Director, MC Russia: Social networks make it possible to dialogue with potential customers in a whole new way. Companies are much better able to excite their attention and interact with them directly online. Companies and consumers meet on the same level and the company side can take an active role in potential customers’ information-gathering and decision-making processes. But tact is needed as they do so.

Janek Mäggi, Managing Director, MC Estonia: For social media marketing to succeed, it is important to avoid direct sales activities. Social media have a strong effect on the public. But as soon as potential customers get the impression that you are trying to sell them something rather than to give them advice, entertain them, or inform them, they often pull back immediately. Social media therefore offer more possibilities in the PR realm than advertising does. It is not yet clear how significant social media will be in the long term – at the moment, social media are still trying to find their feet, just as the internet did 10-15 years ago. It is a phenomenon in which rules and norms are just beginning to emerge. MEDIA CONSULTA is actively helping to shape further development through various social media campaigns.

> BRIC STATUS REPORT

It is currently expected that by 2050 at the latest, the four BRIC countries will contribute more to the world economy than the G7 nations of the USA, Germany, Japan, France, Italy, Great Britain, and Canada.

As concerns population development, it is currently assumed that India will be the most populous nation in 30 to 40 years from now. Looking at worldwide population density, India is already ahead of China. And five of the ten largest metropolises are in the BRIC countries, as shown by the current United Nations’ estimates for 2010:

| | |
|------------------------------|--------------|
| 1. Tokyo, Japan: | 36.1 million |
| 2. Mumbai, India: | 20.1 million |
| 3. São Paulo, Brazil: | 19.6 million |
| 4. Mexico City, Mexico: | 19.5 million |
| 5. New York, USA | 19.4 million |
| 6. Delhi, India: | 17.0 million |
| 7. Shanghai, China: | 15.8 million |
| 8. Calcutta, India: | 15.6 million |
| 9. Dhaka, Bangladesh: | 14.8 million |
| 10. Buenos Aires, Argentina: | 13.1 million |

Paris, the first European city, is down in 21st place with around 10 million inhabitants, followed closely by London in 27th place (8.6 million). Berlin (3.4 million) was the 13th-largest city in 1950 – but today, Germany’s capital is not even in the top 100. And yet, Berlin is still worth the trip. As is a visit to the MEDIA CONSULTA headquarters in the heart of the city.

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