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The New Business Significance of Branding

Douglas A. Galbi
Senior Economist
Federal Communications Commission[2]
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Abstract

Understanding of the future for media industries can benefit from a look backwards. In the era before radio and television, print media alone were highly successful in creating new consumer visions and aspirations, building national brands, and establishing significant brand equity. The advent of radio and television did not change total advertising spending as a share of total economic output, nor did it change significantly total advertising spending per adult media hour. Even rudimentary media technologies are sufficient to support highly salient brands, and constraints on the extent of advertising revenue do not appear to be linked to media technology. In order for media industries as a whole to grow relatively rapidly, branding efforts must shift toward collaborative market-building to develop user routines, comfort, and trust in new types of media interactions and transactions.

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[2] The opinions and conclusions expressed in this paper are those of the author. They do not necessarily reflect the views of the Federal Communications Commission, its Commissioners, or any staff other than the author. I am grateful for numerous FCC colleagues who have shared their insights and experience with me. Author's address: dgalbi@fcc.gov; FCC, 445 12'th St. SW, Washington, DC 20554, USA.

What's new? How does it matter? Interactive television, video-on-demand, online music distribution, streaming media – on and off and on again flash an array of opportunities in the ever-refreshing picture of digital media. To understand better this picture, it's useful to look beyond the box, back over the connections that lead up to it.

History suggests that changes in media technology, such as higher bandwidth and greater inter-activity, will not provide more powerful branding capabilities and will not generate relatively rapid growth in advertising revenues for media industries as a whole. In the era before radio and television, print media alone was highly successful in creating new consumer visions and aspirations, building national brands, and establishing significant brand equity. The advent of radio and television did not change total advertising spending as a share of total economic output, nor did it change significantly total advertising spending per adult media hour. Even rudimentary media technologies are sufficient to support highly salient brands, and constraints on the extent of advertising revenue do not appear to be linked to media technology.

Media industry growth is likely to depend on shifting a significant share of brand-related spending from individual products to higher levels of generality, including new types of transactions and new business areas not closely linked to a particular company. Information and communication technologies foster product differentiation, personalization, and shortened product life-cycles. Such factors limit the potential for branding individual products. On the other hand, the convergence of digitized content and the growth of electronic commerce destabilize existing industry boundaries and create a wide range of opportunities for new types of transactions and businesses. The growth of new media highlights that traditional branding concerns such as consumer awareness, acceptance, and trust are now connected to broader issues such as patterns of personal expectations and behavior, general industry standards, and government regulatory policies. For new media to generate relatively rapid economic growth, branding must be understood within the more general challenge of market-building.

I. The Power of Print for Branding

Television, and to a lesser extent radio, are now widely considered necessary for emotion-laden, affective branding. Yet before radio and television, print advertising successfully built brands based on general visions and aspirations for a better life. Print advertising in the US in the early 1920s was largely about creating images, imagined experiences, and sense impressions. As a leading advertising agency explained in 1926 (Marchand 1985, p. 20), 'To sell *goods* we must also sell *words*. In fact we have to go further: we must sell *life.'*

Print media were sufficient to create many strong brands. In 1909 a competitor to Ivory (a brand of soap) lamented that Ivory '…is about 99 45-100 per cent imbedded in the broad American mind….' (Strasser 1989, p. 57). Leading brands in the US in the early 1920s included many that are still part of consumer culture in the year 2001: Gillette (razors), Crisco (shortening), Coca-Cola (drink), Eveready (battery), and Lipton (tea). These and other strong brands were established early in the twentieth century, before the growth of radio and television.

Some systematic quantitative evidence is available for assessing the breadth and depth of early US brands. In 1917, 1921, and 1925, academics in the fields of marketing and psychology conducted pioneering social-scientific studies of public familiarity with commercial brands (Geissler 1917; Hotchkiss, Burton & Franken 1923; Hotchkiss, Burton & Franken 1927). The general approach was to give subjects lists of generic items and ask them to write down the first brand, if any, that came to mind in association with the generic item. Scholars in geographically dispersed universities administered the tests to sets of local subjects, based on standardized methodology and instruments that the primary investigators designed. Results were then collected to form samples of sizes 300, 1024, and 1000 for the 1917, 1921, and 1925 studies, respectively. Overall, an explicit, convincing theme of these studies was objectivity: 'There was no attempt to prove or disprove any preconceived opinion. The object was to find the facts' (Hotchkiss and Franken p. xi).[3]

Across a wide range of products, the studies show that more than two-thirds of purchasers were aware of some brand for a product. The 1921 study covered 100 generic products, including food products, types of clothing, home furnishings, scholarly supplies (pens, ink, paper), personal care products, and a range of other items. On average about two-thirds of the subjects could identify some brand for a given item. Women and men each probably had brand identification shares above two-thirds for 60 or more items. Soap, soup, and crackers – items for which consumption patterns were not strongly linked to income or social status – had brand awareness above 85% for both women and men. The 1917 and 1925 studies covered only 20 and 10 commodities, respectively, and brand identification shares for women (1925 study) and men (1917 study and 1925 study) were above 90% for all items but four in the 1917 study. Brands were a pervasive aspect of the US commercial economy in the early 1920s.

[3] For details and analysis of the samples used in these surveys, see Galbi 2001a, pp. 27-30.

Not only were brands relevant for a wide range of products, there were also a large number of brands for specific products. Ask to list the first brand of toothpaste that came to mind, 300 subjects in the 1917 study came up with 25 brands of toothpaste. Subjects in the same way identified 17 brands of underwear, 37 brands of tobacco, 42 brands of soap, and 78 brands of shoes. Similar results are apparent in the 1925 study. Brands in the early 1920s were not just about a few, large corporations creating a mass market; many companies large and small pushed their brands into persons' consciousness.

Some brands succeeded in acquiring significant national mind-share without the benefit of radio or television advertising. Table 1 shows the share of women and men who cited the most commonly cited brands in the 1921 study. Eighty years later most of these brands are not well-known, but the level of awareness that they garnered in the early 1920s, without the powerful medium of television, is astonishing. Consider the fact that more than 80% of the subjects, when asked to identify a brand of camera, wrote down Eastman (Kodak). Most persons do not purchase or use a camera regularly. And there were other brands of cameras; subjects noted 18 brands of cameras in the 1917 study. Yet in 1921 over 80% of the subjects' first brand association for cameras was Eastman. That's a feat that probably would impress even a twenty-first century Coca-Cola advertising executive.

Table 1
Brands Associated with a Commodity, 1921
(% of subjects naming brand as first brand associated with commodity)

Women			Men		
Commodity	Brand		Commodity	Brand	
cameras	Eastman	82%	cameras	Eastman	90%
cleanser	Old Dutch	79%	collars	Arrow	82%
soup	Campbell	78%	fountain pens	Waterman	81%
coffee substitute	Postum	75%	sewing machine	Singer	80%
sewing machine	Singer	71%	chewing gum	Wrigley	74%
fountain pens	Waterman	65%	crackers	National Biscuit Co.	72%
collars	Arrow	64%	soup	Campbell	70%
toothbrush	Prophylactic	60%	coffee substitute	Postum	70%
crackers	National Biscuit Co.	58%	rubber heels	O'Sullivan	70%
dyes	Diamond	57%	cleanser	Old Dutch	67%
Source: Galbi 2001a, p. 31.					

While use of a branded product helps to build awareness of the brand, high brand awareness in the early 1920s was not just about having a large share of users of the branded product. Table 1 shows that 64% of women associated Arrow with collars. This brand awareness could not have come from purchasing or use: only men wore collars, and only men bought collars. Moreover, as Table 2 indicates, many brands had a relatively high level of brand awareness among subjects who had never used the brand. Creating a national brand was a distinct, well-recognized task prior to the development of radio and television. Company leaders believed that building a brand made an important contribution to commercial success, and they spent significant sums on printed advertising in order to do so (Koehn 1999, pp. 349-93).

Table 2
Brand Recognition Among Non-Users of Brand
(% of subjects naming brand among top 10 brands)

Women			Men		
soap	Ivory	97%	typewriters	Remington	93%
cigarettes	Camel	83%	tooth paste	Colgate	91%
typewriters	Remington	83%	cigarettes	Camel	90%
tooth paste	Colgate	82%	watches	Elgin	82%
fountain pens	Waterman	69%	typewriters	Underwood	78%
cigarettes	Chesterfield	68%	cigarettes	Lucky Strike	75%
watches	Ingersoll	66%	cigarettes	Chesterfield	73%
typewriters	Underwood	63%	soap	Ivory	71%
cigarettes	Fatima	63%	hats	Stetson	68%
cigarettes	Lucky Strike	60%	fountain pens	Parker	64%

Source: Galbi 2001a, p. 32.

Brands have long created significant commercial value recognized as a financial asset. In the antitrust case that broke up American Tobacco Co. in 1911, the company estimated the value of its trademarks as $45 million out of total assets of $227 million. About 1911 an officer of Coca-Cola placed the value of its trademark at $5 million, perhaps slightly less than half the value of its yearly sales. Trade names such as Mennen’s Talcum Powder, Royal Baking Powder, Quaker Oats, and the Gold Dust Twins and the Fairy Soap Girl were asserted by various authorities to be worth over $8 million in the late 1910s (Galbi 2001a, pp. 32-33). Table 3 shows a selection of companies with large amounts of 'good will' listed in their financial statements in *Moody’s Manual of Investments*. While these figures should be interpreted cautiously, they suggest that brand equity and brand management were important financial concerns even when print media were the only media for brand creation.

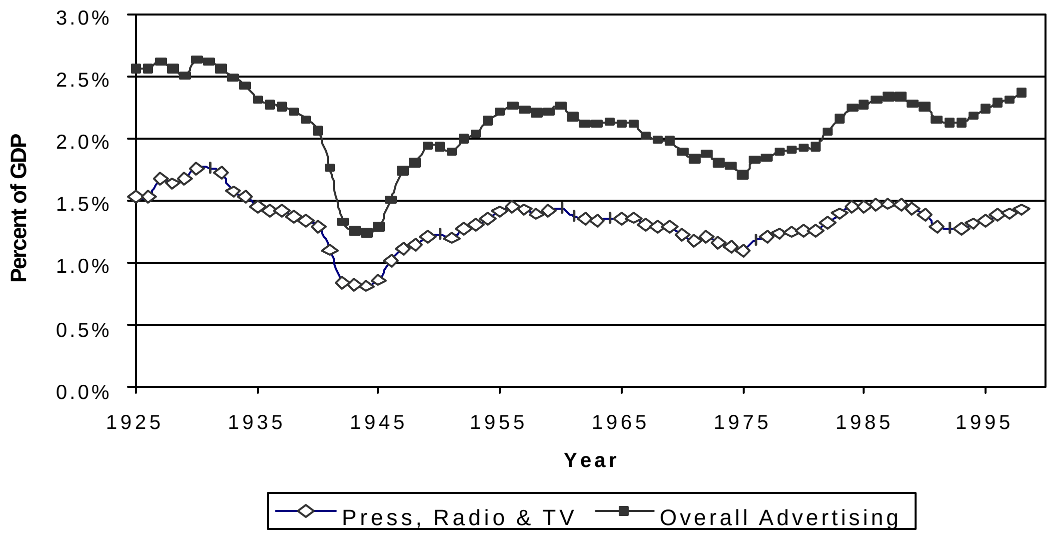
Table 3 Good Will on Financial Statements, 1925				
Company	Products	Good Will	as % assets	as % op.prof.
Lehn & Fink	Cleansers/ personal care	$6,214,421	64%	492%
Coca-Cola	Drink	$20,740,677	63%	209%
Bon Ami	Cleansers	$2,850,000	50%	132%
Remington Typewriter	Typewriters	$14,023,555	45%	435%
American Tobacco	Tobacco products	$54,099,430	28%	243%
Underwood Typewriter	Typewriters	$7,995,720	26%	241%
Pyrene	Cooking utensils	$1,002,450	26%	
Pond's Extract	Personal care products	$544,570	24%	162%
Quaker Oats	Food	$9,258,421	19%	129%
Wrigleys	Chewing gum	$6,000,000	15%	33%
Source: Galbi 2001a, p. 32.				

Powerful national product brands preceded radio and television. Product brands grew in importance with increases in the scale and scope of industrial enterprises (or "structural pluralism"; see Demers, 1994) and increases in personal purchasing power. The relationship between media messages and brand creation is complex. Personal experience and imaginative resources, dynamics of personal status, social interactions and communication, and myriad other factors affect responses to products. Changes in media technology do not appear to strongly affect branding possibilities.

II. Advertising’s Share of the Economy: No Secular Change for 75 Years

While the development of radio and television provided important new media for branding efforts, total advertising spending as share of the economy shows no secular

Chart 1: U.S. Advertising Spending as Share of Output



change over the past seventy-five years. Chart 1 shows US advertising spending, including direct mail advertising, as a share of the economy's overall output (GDP) from 1925 to 1999. The advertising share dropped sharply, and not surprisingly, during World War II, and experienced a dip in the late sixties and early seventies. There is no evidence of a long-term upward trend. As Table 4 shows, overall US advertising spending as a share of GDP was 2.6% in 1925 and 2.4% in 1998. Similarly, UK advertising spending as a share of GDP is roughly horizontal in the long run, with a somewhat greater reduction associated with World War II. UK advertising as a share of GDP was 1.7% about 1925 and in 1998. The advent of radio and television does not appear to have influenced total spending on advertising relative to over-all economic activity.

The large differences in the development of commercial radio and television in the UK compared to the US have produced only subtle changes in aggregate advertising spending. Despite much stronger focus in the UK on public broadcasting and much slower development of private broadcasting, in both the US and the UK radio and television advertising amounts to about 30% of total advertising. In the US the advent of radio and television shifted about half of the print advertising share to these new media. In the UK the growth in radio and television advertising came about equally from the shares of print and other media. Overall, print, radio, and television advertising in the US and UK amount to about the same shares of GDP. The most dramatic differences between the US and the UK are the much greater significance in the US of direct mail advertising, directory advertising, and other media. These differences existed before 1938, and hence they are probably not a feature of the growth of radio and television.

Table 4
Advertising's Share of the Economy
(ad spending as % of GDP)

Location/Type	Year 1925	1938	1952	1998
UK				
Press	1.2%	1.0%	0.7%	0.9%
Radio & television	0.0%	0.0%	0.0%	0.5%
Other	0.5%	0.5%	0.3%	0.3%
Total	1.7%	1.5%	1.0%	1.7%
US				
Press	1.5%	1.2%	1.0%	0.7%
Radio & television	0.0%	0.2%	0.3%	0.7%
Other	1.0%	0.9%	0.7%	0.9%
Total	2.6%	2.2%	2.0%	2.4%

Source: Galbi 2001b, p. 8.

The long-term constancy of advertising spending relative to total output suggests that advertising revenue growth will not support relative rapid growth in media industries as a whole. Radio and television, dramatically new media, did not affect the relative amount of revenue generated by advertising. Such evidence is good reason to think that in the future new media technology, such as broader bandwidth and more interactivity, will not affect revenue flow from media advertising. New media can attract advertising revenue from old media, but the historical evidence also suggests that aggregate changes in the composition of advertising spending are likely to be slow. Relatively rapid revenue growth in media industries will have to come from sources other than advertising spending.

III. Real Advertising Spending Per Media Hour: Constant Long-Term

Internet advertising presented the promise of a more powerful form of media advertising. Internet advertising provides for interactivity in advertising, permits much more information to be made available to interested potential customers, and also enables more specific and sophisticated discrimination and segmentation of advertising audiences. How important are such technological developments likely to be in creating value in media advertising?

The historical record shows that the growth of radio and television has not significantly changed real advertising spending per media person-hour. Advertising is typically purchased in terms related to persons reached and extent of exposure. Table 5 provides this sort of calculation for US newspaper, magazine, radio, and television advertising from 1925 to 1995. The calculation has two components. The first is total advertising spending, adjusted for inflation to get real advertising spending. The second is total hours of attention to media, which is calculated based on time-budget estimates of time spent with media (Galbi 2001b), aggregated across the relevant population. Dividing the two aggregates gives real ad spending per hour spent with media. The hours figure for 1925 has significant uncertainty, and reasonable different estimates for it would change real media spending per hour in 1925 by –25% to +50%. Given that real income probably increased by a factor of twenty between 1925 and 1995, the difference in real advertising spending per media hour across this period is astonishingly small.

Table 5 **US Real Advertising Spending/Media Hour** (print, radio, & TV)			
	Year		
	1925	1965	1995
Media Hours/Person-Year	208	728	962
Persons Ages 15-64 (ths.)	73,342	115,752	171,676
Ad Spending/Year (mil.)	$1,433	$9,761	$97,622
Purchase Power of $ (1998=1)	9.50	5.28	1.09
Real Ad Spending/ Media Hour (1998 $/mil. hrs)	**$0.89**	**$0.61**	**$0.65**
Source: Galbi 2001b, p. 9.			

This evidence suggests that new media have not provided advertisers with a distinctively powerful tool for gaining persons' attention. Real advertising spending per media hour indicates the average value to advertisers of ordinary persons' time with media. If television represented a dramatic change in technology for gaining attention, one might expect to see advertisers spending significantly more per media hour when television viewing dominates media usage. The evidence does not show this. One might also expect to see more advertising spending per media hour when the stakes – the average income level of consumers – are higher. The evidence does not show this. Instead, comparing 1995 to 1925, about the same level of advertising spending per hour is applied to about 4.6 times as many media hours. The growth of television proceeded with an accumulation of advertising time, not with an increase in advertising spending intensity.

The historical evidence suggests that media technology does not strongly affect the value associated with attracting attention to media. There are many possible explanations for this historical regularity. Perhaps the best explanation is that most media, even technologically simple ones, can effectively support the most important aspects of media advertising, such as evoking emotional images and aspirations and providing some but not too much relevant information. Greatly improving the technology of media advertising probably won't greatly enhance its value.

IV. Shifting Levels of Communication

An insightful industry analyst has argued strongly that, in terms of economic value, content is **not** king (Odlyzko 2001). Content can provide inspiration, education, and degradation, it can promote social justice, better public policy, and existing cultural stereotypes, and it can make and break the images and fortunes of politicians and other public figures. But content may not be even a major factor in determining the aggregate revenue of media industries. As Galbi (2001b) shows, growth in time spent with media is closely related to growth in discretionary time, and media use is similar across radically different content environments. Television, radio, and newspaper have succeeded economically primarily by cultivating favorable habits of use, and the same is likely to be true for new media.

Mass media, understood as the business of selling highly popular collections of symbols, may have an unpromising future. New information and communications technologies do not offer dramatically new types of content. Multimedia provides new ways of combining and using text, audio, and video, communications capabilities already widely available (Picard 2000). Moreover, since the Industrial Revolution, persons seemed to have developed a strong preference for personalized symbols (Galbi 2001d). Table 6 shows the 'market share' of personal given names in England and Wales over the past two centuries. There has been a continuing decline in the popularity of the most popular given names. The concentration in personal attention to particular media products in the second half of the twentieth century probably reflects mainly dramatic technological change (transmission of sound and moving pictures to the home), as well as limited supply of content.

Table 6
Most Popular Names in England and Wales

	Females			Males		
Birth Year	Top Name	Most Pop.	Top 10 Pop.	Top Name	Most Pop.	Top 10 Pop.
1800	Mary	23.9%	82.0%	John	21.5%	84.7%
1810	Mary	22.2%	79.4%	John	19.0%	81.4%
1820	Mary	20.4%	76.5%	John	17.8%	80.4%
1830	Mary	19.6%	75.8%	John	16.4%	78.2%
1840	Mary	18.7%	75.0%	William	15.4%	76.0%
1850	Mary	18.0%	72.1%	William	15.2%	73.8%
1860	Mary	16.3%	68.3%	William	14.5%	69.8%
1870	Mary	13.3%	61.1%	William	13.1%	63.5%
1880	Mary	10.6%	53.8%	William	11.7%	58.9%
1900	Elizabet	7.2%	38.5%	William	9.0%	50.9%
1925	Mary	6.7%	38.7%	John	7.3%	38.0%
1944	Margaret	4.5%	31.7%	John	8.3%	39.9%
1954	Susan	6.1%	32.5%	David	6.3%	37.8%
1964	Susan	3.6%	28.6%	Paul	5.6%	39.4%
1974	Sarah	4.9%	28.0%	Mark	4.6%	33.1%
1984	Sarah	4.1%	27.3%	James	4.3%	32.3%
1994	Emily	3.4%	23.8%	James	4.2%	28.4%

Source: Galbi 2001d, p. 15.

New information and communications technologies make issues associated with branding crucial to stabilizing existing industries and creating whole new areas of business. Consider, for example, newspapers. Persons are increasingly turning to the Internet as a current, diverse, and wide-ranging source of news. Newspapers can attempt to compete on the Internet by attempting to build brands associated with better content -- articles that are better written, more accurate, more objective, and more insightful. This is branding in a narrow sense, and its economic value with respect to content is questionable.

A broader approach to branding may be key to stabilizing industries. In the US, there are many newspapers primarily associated with a small geographic area.

Given this industry structure, newspapers might seek to build brands identifying themselves as the richest online source of local information and the largest and most active local discussion forums. This is a idea associated not with a product but with what persons in a particular local area do. It's also an idea that the newspaper industry could build together, because it's not related to any particular company. Moreover, it differentiates newspapers from radio and television, because, at least for the foreseeable future, text is likely to be a much more prevalent and accessible means of online communication than audio and video.

Shifting efforts associated with branding from individual products to higher levels of generality is likely to be key to developing new media businesses. Personal confidence and comfort with a type of transaction is a key aspect of that type of transaction.[4] For example, electronic money has developed much more slowly on the Internet than anticipated, while electronic payment schemes linked to established credit card transactions have become the dominant way to do electronic commerce. From a brand equity perspective, there is value associated not just with particular credit card brands, but also with credit card transactions in general. This brand equity is shared wealth for the credit card industry as a whole.

Collaborative branding efforts are neither unusual nor unprecedented. High tech industries undertake extensive efforts to promote particular types of technical standards and to influence government policy. One might call these efforts 'wholesale' communication; they directly affect what end-users or consumers get, but they don't communicate directly to such persons. Moreover, they do nothing to promote individuals confidence or trust in types of transactions. They are more likely to promote the cynicism and anger of persons treated as objects or pawns. Businesses developing new opportunities with information and communication technologies might usefully study the example of agricultural marketing cooperatives that have reached out to communicate to consumers the value of particular agricultural goods. Generating growth in media industries is likely to be much more like promoting new types of fruit rather than selling new brands of breakfast cereal.

V. Conclusion

To understand the possibilities for new media, one needs to understand the significance of what is new about new media. Historical evidence indicates that new media will not dramatically change the business of attracting attention and promoting particular products. New media is likely to be much more significant as a means for offering new types of services. Many of the issues associated with attracting attention and promoting particular products, the traditional subject matter of branding, are also relevant to promoting new services. A key difference, however, is that the latter also concerns market-building, a collaborative, industry-wide venture. Figuring out how to effectively address the challenge of market-building is crucial for the future of new media.

[4] Government communication can play an important role in shaping habits of media use and confidence in particular types of transactions (Galbi 2001c).

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