# DISRUPTION

CHALLENGES SERIES

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# CHALLENGE: DISRUPTION

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# Content

**LLYC**

# PROLOGUE

# Disruption in Communication and Successful Business

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As you read these first lines, the technical revolution will exponentially accelerate its transition to the technological revolution. The first industrial revolution, the second electric revolution and the third electronic revolution span just over 200 years and now they are history. At this time, we are amid Industry 4.0, the technological revolution, and, from this point onward, our way of life is going to change much more radically than in the three preceding revolutions combined. It can be reasonably said that, in just a few years, we will very likely see changes that today are fantasy.

We may not realize it, but exponential technology advances relentlessly in our lives. It has changed the underlying patterns of work, business and relationships. We are immersed in a digital transformation that implies profound cultural change, above all else. Today, all effective strategic plans take into account artificial intelligence, big data, blockchains, 5G, the Internet of Things and virtual reality. Computing and the use of data have grown to such a level that we must all acquire some knowledge of science, technology, engineering and even mathematics. However, as we become more technological, we must also develop skills such as critical thinking, creativity, emotional intelligence, anticipation and cognitive flexibility.

More than anything else, today's digital transformation has made social dialogue more universal and, at the same time, more individual. Its new channels are hyper-transparent, omniscient, instantaneous and global, and they disseminate everything without filters. When we use these channels, we can take proactive roles as influencers, critics, proponents, activists, detractors and, above all else, citizens. Each individual's capacity of influence is exponential, as are the simple tools at his or her disposal. New leaders appear in new forms and the public at large is what guides them and feeds them, not the other way around. Traditional media no longer shines the light, because, in real time and through its own applications, society is establishing a reality that is as polymorphous as it is chaotic. For example, 4.5 billion Internet users are online every day and YouTube alone receives over 500 hours of new videos every minute.

Thanks to exponential technologies, the oxymoron "massive personalization" has become a day-to-day reality. Anyone with a social-network profile can become a micro-influencer and have a bearing on the "massive" shutdown of any company. The shadowy realm of the past, in which companies could leave customers unsatisfied, has simply ceased to exist. For this reason, dividends are no longer the only goal or prime objective of companies, and it is no longer enough just to meet certain information requirements before regulatory authorities, markets, press and analysts. In the business world, profitability is no longer enough to get by.

Clearly, digital technology has ceased to focus on the upgrading of equipment and devices. Above all, it is changing the way work is done and value is contributed to companies and their customers. It is impossible not to be swept up in the new digital environment. For this reason, one of the biggest concerns among companies in 2019 was digital transformation, and investment in digital-transformation projects continues to grow year after year. It is a necessary corporate reaction in order to deal with the power of influence that citizens have won.

All companies are facing a growing need to contextualize and make sense of the sea of data that are as computable as they are unrelated. They are in need of a corporate purpose that their customers may embrace. They need to define a real and well-reasoned corporate narrative, to engage in dialogue with different interest groups, to interest their customers and attract their attention, to safeguard data and Internet safety and to promote at its core practices of good governance and corporate social responsibility.

As if that weren't enough, companies must refine that dialogue with their interest groups within a context of growing unruliness and uncertainty. In English, this is often referred to as VUCA, which stands for volatility, uncertainty, complexity and ambiguity. It was coined by students at the U.S. Army War College in the wake of the Cold War as a means of describing the unforeseeable and random scenario that was emerging at the time and that has only grown more complex since then.

In the VUCA world, there is such an abundance of coexisting threats that the only sure thing is uncertainty. This becomes clear after just a glance at the headlines: stalled elections, trade boycotts that pit one half of the world against the other, unexpected parliamentary shutdowns, impeachment processes, the shadow of corruption and unscrupulous practices, fake news, shareholder activism, hostile and other takeovers, the climate crisis, polarization and simplification of debate, populism, design and unforeseeability. To paraphrase software engineer Linus Torvalds, simple solutions to simple problems is a thing of the past.

In order for companies to emerge successfully from the labyrinth, their communication must anticipate, innovate and disrupt. But what does that mean? Most dictionaries will say that a disruption is a sudden rupture or interruption and that it comes from the Latin *disruptio*. Nothing new under the sun, then. The only novelty is how we deal with the rupture, how we view it and how we anticipate it.

Disruption is an urgent necessity, as a means of minimizing all of these potential conflicts and of moving closer to meeting business objectives, because the methods used in the past have long since proven to be useless. We must embrace the technological revolution, because technology advances exponentially and its impact is evident in nanotechnology, computing systems, robotics and self-driving cars, just to name a few examples. A Spiceworks survey shows that 40% of US companies with over 500 employees used chatbots or virtual assistants in 2019. With these new developments and those to come, our ability to communicate is once again increasing, although the ultimate goal of the process remains unvarying: to establish with different interest groups dialogue that is constant, fluid, true and bidirectional while making use of the significant advantages of the new digital channels and transmedia.

Now then, we must also be disruptive in our communication. We are at the beginning of a desperate race toward innovation, and this applies to communication. Companies will fare well if they know how to provide bidirectional experiences and are able to instill affinity and loyalty in customers, investors, professionals and analysts. In this day and age, businesses no longer crumble and fall as a result of mere problems with products or services. Their demise nearly always has to do with problems that affect reputation and confidence, whether this is a matter of ethical conduct of management or the handling of certain issues that are of great importance in today's society, such as gender equality, workplace conditions and transparency.

Clearly, any relevant business process must make intelligent use of communication: a transformation process within a company, a flotation, a merger or acquisition, a lawsuit, public-opinion debate, a product launching, any problem related to governments, lawmakers, employees, customers, investors, neighbors or citizens. He who communicates well will triumph, and he who hesitates is lost. In the unstable, demanding and innovative world of tomorrow, the single most important rule is to keep moving. In the digital transformation, he who insists on using analogical, repetitive, vertical, fragmentary or monophonic communication is doomed to failure. Channels of communication have changed, and, at this time, disruption is more necessary than ever. As singer-songwriter Serrat might say, the only way to beat disruption is to fall headlong into its embrace.

*Embrace disruption.*

# PUBLIC AFFAIRS: NEW COMMUNITIES EMPOWERMENT

# Co-regulation: Working with the State

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In coming years, public policy must be driven in part by private institutions. A democracy which draws its impetus solely from the public sphere is doomed to erosion, both in efficiency and productivity. The symptoms of this can already be seen today.

Legislative sluggishness has had long-lasting effects. Since 2015, the Confederation of Spanish Industries and Employers (CEOE for its Spanish acronym) has published an annual report on legislative activity. Its most recent, published February 2019, shows the lowest levels of administrative activity since 1970.

This downturn is the product of multiple factors combining to catalyze government inaction. The quantitative change is notable, but even this is not the greatest concern for private industry and the Spanish public. The people desire quality more than quantity. As the CEOE report states, "Discussion must center on improving the legislative framework's efficiency and stability, reducing its complexity, consolidating its standards and ensuring the overall health of the legal system. Likewise, regulations and standards must be clear and simple so as to avoid misinterpretation, European legislation must be transposed without any unnecessary administrative burden and public administrations must adopt a system to coordinate legislation."

Multiple experts agree with CEOE. Legislative activity must be not only frequent, but worthwhile. Noncompliance with transposed legislation can result in multi-million euro fines from Brussels, which has served as an effective incentive in recent years. Fines are best avoided.

So, what factors are leaving legislative bodies in a state akin to paralysis? We have identified three:

1. Political instability. In recent years, the government has been destabilized by the introduction of new entities, new political considerations and more unstable legislative bodies, in addition to the added difficulties presented by the sliding scale of standards that has become essential to government action. To top this off, there are no absolute majorities in the foreseeable future of this cycle, rendering legislative activity complex and sluggish.

2. Legislative obsolescence. Legislation is infrequent, underwhelming and low-value. Whereas political instability leads to legislative production becoming more tedious, the increasingly dizzying pace of business innovation leads the two sectors to appear irreconcilable. Though they need each other more than ever, they have never understood each other less. Regarding this, Antonio Garrigues states, “Regulations today have a high risk of obsolescence, delegitimizing regulations in favor of case law,” concluding that “regulation as an institution is in danger.” Two examples of this can already be seen in residential tourism and urban transportation, areas in which actors are unsure of which regulations they should abide. This has led to legal misunderstandings born of technicalities. And this does not even touch on the associated risks. With an overly slow legislative process, regulations may be based on circumstances that have changed by the time the regulations are put into effect, rendering them obsolete on arrival. Regulation must aim to respond to circumstances promptly and appropriately, without trailing behind the times.
3. The elusive “new”. New, constantly changing and technologically complex developments pose a daunting and continuous problem for regulation. Cryptocurrencies, artificial intelligence, digital taxation, robotization and similar phenomena are examples of issues which must be understood before they can be regulated. Until the phenomena are themselves clear, it will remain unclear which bodies are fit to regulate them. Similarly, regulation of disruptive industries has not been sufficiently considered.

## Building trust

Early this century, the operational gap between public administration and private industry appealed to those companies that preferred to apologize rather than build trust. They did this as a way to immediately enter the market and press regulatory bodies to act promptly. The strategy was effective for a time, but it quickly became apparent that the economic and social cost was massive for meager returns.

At present, society as a whole wishes the public and private spheres to be as clear as possible regarding statutes and standards. They are too important to neglect, now more than ever. In this, both parties are equally liable. Public administration must improve and expedite its decision-making process, and the private sector must cooperate actively and responsibly.

Regarding the public sphere, authors like Beth Simone Noveck have called for administrations to "reinvent their political processes," stating that they must update their decision-making and become more agile, transversal and intelligent (in essence, *smart*). Regarding the private sphere, there is little precedent, but the complexity of today's issues means companies' involvement in democracy is paramount. Companies must play an active role in the decision-making process, clarifying priorities, assessing risks, offering knowledge and experience and proposing solutions to the problems and challenges which may arise. The most feasible options for this arrangement are test benches and self-regulation, as innovation cannot stop and social challenges will continue to mount.

## New regulatory approaches

The speed at which our economic and social reality evolves is such that it requires new regulatory approaches. This is even more true when dealing with Latin American legal systems, in which written regulations outweigh precedents set by previous rulings.

Just a few decades ago, during a period of economic stability, law could attempt to preempt new developments, set appropriate limits on industry activity and enforce these limits effectively. But at present, changes occur at such a rapid pace that by the time a problem is detected, let alone a solution being executed, circumstances have already changed. Consequently, solutions are often ineffective within new parameters.

For this reason, public administration must develop much more agile decision-making, and affected companies must participate in this process.

Test benches (or “sandboxes”) and self-regulation are two possible manifestations of the public-private cooperation necessary for building appropriate and effective regulatory frameworks that can protect economic and technological development while simultaneously affording appropriate responses to any societal risks which may be posed by this development. Sandboxes are provisional, flexible regulatory environments where, without risk of regulatory infringement, new operators in disruptive markets may test their goods and services under the direct supervision of a relevant regulatory body using a controlled user market. The goal is to calibrate regulations to what is appropriate for the product or service while also assisting in a company’s entry into the market.

Meanwhile, self-regulation refers to a company voluntarily developing and committing to standards beyond those set by regulatory bodies. From a legal standpoint, self-regulation can only occur properly when a set of standards is adopted by a representative number of companies within a given sector, and when supervision of compliance with those standards is given to an independent party with the power to enforce them should the need arise.

Self-regulation is not a novel concept, and today, sandboxes are being acknowledged as a legitimate response to regulatory obsolescence in emerging markets. In certain sectors, such as advertising, there is a long tradition of self-regulation, and public health sectors in particular have greatly benefited from this practice's contribution to industry control and standardization—enough so that it has been invariably and enthusiastically adopted by the sector. But in recent years, self-regulation has extended even further, partially due to increasing community regulation.

Pure self-regulation, or co-regulation, is the practice of giving the power to enforce a company's own standards to the public administration, ameliorating the kinds of regulatory inefficiencies discussed above. This arrangement entails firm commitment from an economic sector to restrict its own activity and minimize potential harm. Additionally, giving this position of power to public administration creates a short- and mid-term incentive for regulatory action, which can reduce potential future harm.

As a result, proper self-regulation not only allows for measured responses to as-yet unregulated issues, but also prevents inappropriate regulation in the future. In our time of constant social and economic disruption, this kind of collaboration between the public and private spheres is essential for the success of either. In a sense, an economic sector's commitment to serious self-regulation in accordance with the desires of public authorities becomes a positioning mechanism. This positioning is especially efficient in that it allows for easy public-private regulatory collaboration in the future, when defining and implementing new regulatory standards may become necessary.

An important aspect of these self-regulation systems is their exceptional flexibility. This is due not only to increased agility and decreased complexity in the process of violation detection and punishment, but also in how quickly and easily these self-imposed standards may adapt to unexpected changes. In this way, regulations can be constantly adjusted and enforced should any problems arise.

It is important to emphasize that the success of a self-regulation system requires sincere and transparent collaboration between the private and public spheres, as well as the continued, active and unconditional involvement of all participating companies. This is true not only regarding compliance to self-imposed standards, but also regarding detection and reporting of potential violations of those standards.

As such, the success of a self-regulation system depends heavily on two things:

1. The capacity of the regulatory body to understand new business models.
2. The economic sector's sincere commitment to understanding potential risks of harm inherent in its activities and the subsequent necessity for appropriate restrictions on those activities.

Our tradition of combativeness between the public and private spheres, as well as the constant arrival of new actors in sensitive markets, creates significant difficulty in establishing proper self-regulation systems or test benches, but the fact remains that society's current trajectory will eventually require that shift. It would behoove both public administrations and private industry to participate sooner rather than later.

## How Brazil’s pharma industry faces new challenges

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An infusion that saves the lives of patients suffering from a rare disease, an electronic cigarette, a child nutrition formula, hair straighteners, insecticides for crops and household sanitizers... There is a universe of products our bodies absorb in a wide variety of ways, and all are subject to more stringent regulations than other kinds of products. In most of the Western world, these regulations establish how an item is labeled, applied, packaged, sold, distributed and promoted... if the product in question is even allowed. In Brazil, the agencies, foundations and offices in charge of these regulations are housed within the Ministry of Health.

Between 2014/2015 and 2019/2020, Brazil had five ministers of Health and three national presidents. Although the political ideologies of each leader have swung from left to right, the actions each has taken—and, especially, those taken by the technical personnel in the Ministry, its agencies and subordinate bodies—continue to be extremely important for companies regulated by the country's health structures.

Despite the limitations regulatory agencies have imposed over the past five years, we have seen how associations (including patient, medical and consumer, among others) have become empowered, helped by the ubiquitous involvement of macro- and micro-influencers, as well as the inescapable world of social media. Thinking of political mobilization through the lens of social media was a novelty in 2011, when the Arab Spring changed North Africa's status quo by organizing gatherings via Twitter (something that led to Egyptian President Hosni Mubarak blocking internet access in the country).[1] Since then, LLYC's Center for Ideas, Analysis and Trends[2] described the power of grassroots campaigns and astroturfing to mobilize public opinion in 2016[3] and 2017.[4]

> The number of influential political stakeholders and active interest groups is increasing. It is no wonder that, once many people gain access to decisionmakers, the

1 https://oglobo.globo.com/mundo/sem-internet-celular-egipcios-tem-que-driblar-manobra-de-ditador-para-protestar-2830631

2 https://ideasbr.llorenteycuenca.com/

3 https://ideas.llorenteycuenca.com/wp-content/uploads/sites/5/2016/12/161216_DI_artigo_Grassroots_BR.pdf

4 https://ideas.llorenteycuenca.com/wp-content/uploads/sites/5/2017/06/170601_DI_Articulo_Grassroots_PT.pdf

> press and social media, messages are diluted, lost or forgotten. Thus, third-party mobilization is a frequent practice among lobbyists, who use it to endow projects with more representation and legitimacy, as well as gain more attention for certain matters within the political and media agendas.[5]

The same general concepts apply to mobilizations led by a cause's ambassadors, i.e., its advocates. Besides, lobbying is still somehow taboo among Latin societies (unlike in Anglo-Saxon societies and in the countries that have worked to regulate the practice— such as Chile— where it has a profound influence). However, the evolution of the matter can be seen when comparing the most emblematic cases and the corporate profiles that have marked and mobilized grassroots campaigns over the past five years.

## A new setting

In this context, sharing economy companies like Uber and Airbnb have paved the way for the use of big data to acquire in-depth knowledge of and influence in (and through) their communities of interest. In turn, there is another sector—both traditional and innovative—exploring a road that, through advocacy actions, leads to a common and essential goal: Social license to operate, sell and market products.

These are the pharmaceutical industry clusters spearheading the development of disruptive and highly specialized therapies, including gene-therapies, to treat diseases or ultra-segmented groups, which are, as a result, as costly as they are effective.

5 Ref. Ideas 2017

After observing the Brazilian scenario and facing the growing demand for grassroots action, we have noticed a higher success rate in the pharmaceutical industry—or at least one less questionable in public opinion—than other sectors (telecommunications, finance, defense, aerospace and food, for instance). Positive regulatory response, even with restrictions, is considered essential for this success.

In the case of Brazil, this procedure entails drug registration with ANVISA[6] and its inclusion in the public (SUS)[7] or private health system (ANS)[8] for sale and distribution.

If volatility, uncertainty, complexity and ambiguity are features of a world where success, or even the sole existence of a business (from a legal standpoint) increasingly depends on communication, aka the ability to engage, what challenges is the pharmaceutical industry successfully addressing that could serve as a benchmark for other sectors?

> There will always be a group of people who may not be connected, but who share a series of common causes and needs that may match the interests of a sector, company, institution, etc. If a need is identified and stakeholders and leaders are discovered, pooled together, organized and prepared, new social change will take place.[9]

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6 The National Health Surveillance Agency (*Agência Nacional de Vigilância Sanitária,* ANVISA) is in charge of the regulation, registration and marketing of drugs, food, cosmetics, agrochemicals and other items in Brazil.

7 The Single Health System (*Sistema Único de Saúde*, SUS) guarantees comprehensive, universal and equal access for the Brazilian population, ranging from simple outpatient care to more complex procedures. The SUS was modeled after the British public health system, and it currently covers about 74% of the Brazilian population.

8 The National Supplementary Health Agency (*Agência Nacional de Saúde Suplementar*, ANS) is the regulatory agency linked to the Ministry of Health, in charge of health plans in Brazil. This agency also defines what drugs and equipment will be provided by health plans, in addition to overseeing services and values.

9 Ref. Ideas 2016.

## Challenge 1: Listening to and Understanding Communities

The first challenge for evolution, since the time when Uber allowed users to request a car and send an email to the mayor demanding friendlier regulations,[10] arises from government and law-maker responses to the use of personal information obtained by apps and tools that gather, store and resend big data.

The Brazilian General Data Protection Act and its European counterpart GDPR are creating legal barriers that hinder the thorough and extremely segmented knowledge of communities, their motivations and the less-apparent flows of change.

Apart from the legal aspect, which still forms the basis of discussions on how to enforce regulations in practice, these laws are a symptom of a broader awareness across different sectors of society regarding the collection and use of personal data for political or commercial purposes. In our hyper-transparent world, there have already been signs of people rejecting certain social media and brands.

It is also worth noting that, in the face of this challenge, cutting-edge pharmaceutical companies' success comes from before the use of big data, stemming instead from the identification of a common message between industry and society.

This consideration lies within the strategic thinking of the business itself or, at least, of those who use the latent need to develop the responding product as a basis. The pharmaceutical industry, of course,

10 https://techcrunch.com/2015/07/16/uber-launches-de-blasios-uber-feature-in-nyc-with-25-minute-wait-times/

benefits from the fact that the physiological need for health, more time and quality of life are at the top of Maslow's hierarchy.

However, any sector can start with generic needs, like more freedom (of election) or more ability to socialize (connectivity), to reach both niches and patients suffering from rare diseases, but are capable of supporting a storyline that goes from local to universal.

## Organized and Hyperconnected Communities

A good example is the community around spinal muscular atrophy, a serious and rare disease considered to be the leading genetic cause of death in infants and children up to two years old.

Even before the first drug for the disease was approved, the local community was following its development and communicating the need to make it available in Brazil. After its approval in the United States, the community grew even closer and, together, they were able to promote collective funding campaigns to directly import the drug, with massive participation from local authorities and celebrities. As a group, they fought for its registration and, later, inclusion in the Brazilian public health system.

This process is considered a benchmark in the sector, hitting various records. For example, it organized two public consultations that, combined, gathered almost 90,000 contributions in 30 days. It also achieved one of the shortest periods between sanitary registration and inclusion.

Certainly, the drug license holder's commitment to ensuring the community's access to the medication—

given that it was sustainable for the health systems—was a crucial factor, one constantly mentioned in all communications between the company and its many stakeholders.

In that sense, the industry's role—or even a possible new role for the use of big data—is less related to using information to guide the story and more related to analyzing data flows to understand the loops and asymmetries in information, then act specifically as a specialist and propose other spokespeople who fit the storyline.

## Challenge 2: Protagonism

This response by the industry leads to the second challenge: Protagonism. Traditional grassroots campaigns or pre-Brexit political campaigns always engineered digital campaigns for a candidate or corporation with a clear selfish interest (winning an election or making profit), even though they could also result in potential benefits for the community.

An email could be sent to regulators through the corporate platform, or a campaign committee could send posters or stickers to voters' homes or cars.

Brexit and the elections of leaders (such as Donald Trump in the United States and Jair Bolsonaro in Brazil, despite both questionably lacking transparency) have clarified the fact that distrust has grown widespread among both voters and consumers regarding a system that requires large capital investments. The question is now, "What do they want in exchange for so much money spent on that campaign?"

In the case of the 2018 election campaign in Brazil, this was reflected by statements claiming "I am

Bolsonaro's *caixa 2*"[11] on T-shirts or signs voters made to support their candidate.

Sending political information over WhatsApp, despite suspicions that they had access to a professional structure and sponsors, was successful precisely thanks to the feeling of closeness with the supposed sender, who forwarded it to their direct contacts on a shared social network.

Although there are effective short-term solutions to dealing with the challenge of protagonism—such as falsely unbranded campaigns, data base tampering or use of robots as disseminators in the virtual environment—these are not only ethically condemnable, but they also pose a permanent risk for reputation and business. Furthermore, they could even be subject to legal penalties.

Thus, in the analyzed Brazilian cases, the solution adopted by the pharmaceutical industry by way of advocacy is far more sustainable.

Similarly, in terms of response to regulatory restrictions on direct communications, the solutions that established horizontal communication channels with their stakeholders (patient associations, medical societies, academia, class associations) have been most successful, acting only in educational, transparent and collaborative capacities. They have done so even when they could take a naturally prominent position, such as in press relations (grass-tops) or in the case of other influencers.

11 During the 2018 presidential election, there were suspicions that companies were receiving funds in exchange for WhatsApp messages with information against Bolsonaro's main rival. To fight these accusations, voters defended Bolsonaro on social media and through public demonstrations, as if only they were responsible for sending these messages—that is, as if they were working for free for their candidate's campaign. Thus, the voters themselves would be the "*caixa* 2," an expression referring to undeclared financial resources.

When appropriately executed, disease awareness campaigns, developed transparently by patient associations and sponsored by companies (whether from the health sector or not), are considered extremely useful for increasing knowledge and understanding of pathologies. They provide an excellent way to help spread relevant content and knowledge without the industry being centerstage.

For instance, the multiple sclerosis-focused NGO *Amigos Múltiplos pela Esclerose Múltipla* (AME) has organized an event called “Bike for a cause: Multiple Sclerosis” for the past five years. This event, which started small, now takes place in 18 Brazilian cities and had 3,500 participants this year.

It is worth noting that, to conquer this space, organizations must go beyond financial support. It is paramount to produce relevant content, have access to the media and build connections among patients and communities. These play a key role in the same area of interest, so are therefore key supports for actions of common interest. As a result, the event become recognized for its relevance among different stakeholders, gaining support from companies in different fields and from various technical backgrounds, ultimately endowing this specific community with a stronger voice.

## Challenge 3: Fake News

More than acting as a campaign catalyst or spokesperson, playing an educational role—again, whether as a specialist or by identifying, empowering and giving visibility to other specialists—allowed the analyzed pharmaceutical companies to overcome the third challenge looming in today's world: Fake news.[12]

One example of the harm fake news has caused, both in society and among corporations, is the flare-up of diseases that appeared to be under control. In Brazil, a good example of this is the currently worsening measles outbreak and damage caused to vaccine companies as a result of the anti-vaxxer movement.

This is precisely one of the sectors where the pharmaceutical industry cannot yet be considered successful in terms of its communication strategy, despite the Ministry of Health's proactive measures. For example, the entity created a WhatsApp number for the population to ask questions about these news pieces and find out about joint actions between the industry and medical societies, hoping to raise awareness on misleading information.

Part of the reluctance is the difficulty of finding a prominent figure or training specialists outside their sphere of direct influence, or that of the government's. This highlights how disruptive it is for this sector—just like for most corporations—to follow the path of joining vertical knowledge and horizontal communication. It is a road some companies—though only a few, and usually small—have been proving, at least for the time being, leads to success.

And it is a road that is disruptive by nature.

As with any financial investment, past return does not guarantee future return. Identifying these challenges and analyzing the pharmaceutical industry's responses mark an evolution in the process, highlighting

12 Referring to the phenomenon, the word of the year, etc. https://www.telegraph.co.uk/news/2019/08/18/pm-say-social-media-firms-must-share-responsibility-rising-spread/

trends for those sectors still learning to survive and create business opportunities in a VUCA world.

At the end of the day, we are all part of this scenario, alternately playing the roles of subject and object.

For companies in highly regulated industries and that increasingly depend on the approval and support of citizen-activists to successfully carry out their activities, the choice of role is between telling their own story and only passively responding, being dragged to the center of a conversation they really should be leading.

For the companies and sectors that choose to pave the way and contribute to the storylines that will have an impact on their businesses, this road's nature is *per se* disruptive. This means there will be new challenges lying ahead, for which we must find new solutions.

On the other hand, it also means the lessons learned about the importance of being transparent, investing in information and giving up the spotlight are part of a legacy that may lead us safely into the future.

# REPUTATION:
# A NEW STRIKING RELEVANCE

# Dircoms and the challenge of reputational management

**Carlos Llanos**
Managing Director at LLYC in Ecuador

There has been an undeniable evolution in corporate communications, which has changed in parallel with an increasingly demanding hyperconnected world that provides and consumes an immense amount of information. Against this backdrop, it is possible to look at the current role communication managers play and see how it is likely to change in the near future—or sooner—to make them the heads of their companies' reputations.

## Traditional communications manager: If you identify with this description, be worried

Dircoms (Directors of Communications) have historically been tasked with defining internal and external lines of communication, using their knowledge of both what their company does and the sector or industry in which it operates to do so. They determine the contents, forms and channels used to inform stakeholders of the organization's daily work, aiming to boost the company's image and identity.

Under this, the Dircom's daily duties include organizing corporate events; preparing basic messages and news releases; acting as a company spokesperson; and managing relationships with the media, collaborators and other stakeholders (both internal and external) to reach predetermined communication targets. They report and boost each company department's actions, based on the organization's overall strategy.

As a field, communications has traditionally acted in response to company goals for sharing messages regarding the organization, its philosophy and its values, constantly updating information and managing both the media and internal relationships within the company.

This definition comes from the idea that communications is an administrative, or even operative, task rather than a strategic task in its own right. If your duties fit in with this description, be worried; you may soon cease to be valuable to your organization.

## The "reputation" factor was always there, but we did not see it until the day it was discovered

Several years ago, and even today in certain organizations, communication departments only discussed image, identity, culture and institutional relations, ignoring a concept we now consider decisive for a company's success: reputation. Now, perhaps because of interactions with consumers, organizations have started to look at the value reputation and its effective management can contribute to businesses by winning customer trust.

By definition, reputation is “the recognition by other people of some characteristic or ability” and “a place in public esteem or regard.” Based on these definitions, we believe reputation has always been manageable. Maybe that opinion or prestige is built along the lines of strategic communications that clearly explain what the company does well.

However, we might not secure user, customer or consumer loyalty even if our company works well. If our communications do not have the necessary impact, or if we do not see the acceptance or response we sought, that’s when we should ask what we’re not taking into account. Something must be causing the strategy to work inefficiently. This is when we should assess the need for reputation management, which aims to position the company at the top of user preference ratings.

There is another common, though undesirable, scenario that also reveals the importance of having an integral strategy to shield, protect or rebuild reputation: times of crisis. These situations require the company to rely upon contingencies to avoid losing the trust it has cultivated within the community and the associated negative impact on business.

Reputation is often built silently, without any direct indication it’s there or of the contributions it makes. The Dircom’s job is to manage that reputation and bring out its value to highlight their company’s good performance and growth.

These strategies must be led by a person or team within the company, an expert who knows the best way to handle the interplay between what the company is, what the company *does* and what the company says to maintain the organization's license to operate—an intangible asset that portrays the company as fair, ethical and sustainable.

However, this is not the work of a single person. Reputation depends on everyone, from senior executives down to the lowest collaborators on the organizational chart. Everyone is responsible for building, maintaining and enhancing a good reputation.

## Reputation is what the CEO does and says in the present, future and past too

In this information society, where individuals can produce and access content immediately (not to mention influence and distribute it), companies are more at risk of being criticized or judged according to their actions. There are two ways this happens: a company can build its own reputation and manage it for its stakeholders to assess, or it can let everyone judge how it does things without providing its own perspective.

For the leaders of organizations, especially in the largest global organizations, it will always be important to know how people see their company, what they say about it, how they judge it and, above all, what bearing all that will have on their business. "Reputation is fundamental to everything in our business," says Andy Pharoah, Vice President of Corporate Affairs, Strategic Initiatives and Sustainability at MARS, Inc., on the Reputation Institute portal. "It influences our strategy and the commercial gains that go with it."

As shared in *A Memo to CEOs about Reputational Risk*, an article on the Reputation Institute portal that quotes figures from a study on corporate communication officers around the world, 67% of executives believe reputation is a high-priority topic for their companies. Furthermore, 75% of executives said reputation has become more important in recent years, but only 36% are ready for proactive reputation management.

CEOs used to be concerned only with behavior, not communications, but it is no longer possible to separate these concepts because how I communicate is how I behave. Therefore, communications has become a transformational force that forms part of a company's behavior; now, it's *storydoing* (telling it while it's being done).

Now that reputation has been recognized as a valuable resource for a company's success, CEOs consider it one of the pillars to be managed under internal leadership, and Dircoms are receiving increasing pressure to help them understand where they are, what influence reputation has on their business and how it contributes to long-term decisionmaking. The growing concern among companies seeking to top the reputation rankings challenges the Dircom's job and encourages them to take the next strategic step forward.

## The Chief Reputation Officer

We live in the era of ethics, in which companies are perceived and ranked according to their behavior. Now, whether they are fair, ethical and sustainable adds value to their management in the eyes of stakeholders. In this context, the Dircom's job takes a leap forward to focus on getting the company positioned in terms of its reputation—the essential intangible asset that will sustain and protect the organization's leadership.

We are talking about becoming reputation strategists. The Chief Reputation Officer (CRO) leads the corporate communication strategy, working to consolidate trust and boost credibility in line with the company's goals, target storytelling and storydoing toward stakeholders, generate interactions, listen to what people say about the company and analyze and evaluate its results. Along the same lines, positive reputational ratings work as a good indicator, showing that the company does things well and successfully communicates what it does. It's a reflection of a sufficient focus on communications.

One of the CRO's most important tasks is to interpret and integrate reputational information into the corporate strategy so they can identify advantages and opportunities to enhance success. Their main job is to advise the CEO and contribute toward making decisions based on the company's KPIs. To do all this, the CRO must possess strong economic, political, social affairs and environmental skills, as well as the ability to handle any other issues that may affect their organization's business.

Rather than just providing information, it is more a question of highlighting the company's impact on the various business sectors to generate meaningful conversations that connect with stakeholders. To do this, it is important to stop seeing communications as an administrative task and consider it part of the strategic area.

In Mexico, 52% of companies said protecting and enhancing organizational reputation is one of their main goals, according to the *Perspectivas de la Alta Dirección en México 2018* (Senior Management Perspectives in Mexico 2018) study by KPMG. The fame of any company worth highlighting here is synonymous with good reputation. In this respect, it is not only company image or identity; CRO's must make communications work for the company's reputation, while also generating business value.

## Even if you did not identify with the above, you still have time! Bring on the challenge

According a poll conducted by PwC (quoted in the Reputation Institute portal's blog) that surveyed CEOs across the world, most senior managers are not entirely satisfied with what is available in terms of the information necessary to help them understand corporate reputation. This falls within the CRO's mandate. Advising the CEO is a new challenge, and it requires professional development for the Dircom.

A communications and reputation strategy is key for any organization. The CRO will reveal that hidden value, which can now be measured and is potentially beneficial for the company. The growth this brings is accompanied by growth in whichever professionals take their position to the next level to turn reputation into an economic multiplier.

Companies like Nestlé or AB InBev could be considered benchmarks in terms of reputation management. While taking care of communications, their teams work on strategies that enable them to climb the reputation rankings, holding and maintaining the top positions at both regional and global levels. If you're not yet on this path, it's time to take up the challenge. You still have time to prove a company's reputation is built on communications.

## And what should you do if your CEO underestimates the importance of managing reputation? The following may help you change that opinion

It is no coincidence that the companies at the top of the global reputation rankings are those who most value trust. Each one of realized the importance of being valued and respected a long time ago. One example is LEGO, who ranks second worldwide in terms of reputation, according to the Reputation Institute. The brand is a leader in transparency and social contribution, basing itself on making a positive impact and building trust among stakeholders. As we can see, LEGO speaks of transparency and trust, two key words when it comes to reputation.

According to *Mantener identidad y reputación corporativa (Maintaining corporate identity and reputation)*, an article published by Forbes February 2019, some recent studies valued intangible assets at over 70% of total assets—and the only ones that cannot be duplicated. In order to rouse your CEO's interest and communicate the real value reputation management has for the company, it is necessary to speak of ethical behavior, fairness, product/service value and transparency as decisive factors for protecting the company during possible times of crisis. It's an investment with a strong impact on business, reducing risk exposure and generating value.

On the other hand, when we talk about reputation, it's important for us to consider not only external stakeholders, but the internal ones as well. One of the most powerful assets underpinning a business is its collaborators, stakeholders whose expectations must be met by the company. Once again, ethics and transparency are important here. Along with attributes such as sustainability, growth, projection, flexibility and a good work atmosphere, they make a company desirable to potential employees. It is important to have a good reputation as an employer, especially among millennials, who habitually use new technologies and trends to challenge companies to be more aware of the need to establish a balance between industry, human beings and the planet. According to Expoxnews, the ten global leaders in their ranking have stronger reputations among millennials.

If your CEO does not yet see the value reputation has for the company, these arguments will help begin to change their mind, making them reflect on this asset's strategic value. In practice, you should begin to seriously evolve and develop your contribution by linking reputation to the business.

# Challenges of HOT and COLD Crises and How to Address Them

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## A changing landscape

The circumstances around risk have changed. It is imperative that we understand the new corporate landscape and change our approach, moving away from traditional strategic and tactical crisis management procedures. A thorough understanding of the current paradigm shift is essential for successfully implementing preventive strategies and management procedures for critical situations.

A crisis' disruptive component cannot be analyzed without first understanding the digital transformation brought about by the fourth industrial revolution. Companies are more exposed than ever, leading to new and more hazardous challenges, which results in more complex crisis management needs. We now live in a digital, hyperconnected, VUCA (Volatile, Uncertain, Complex, Ambiguous) world undergoing constant evolution, one in which, according to cyber-anthropologist Amber Case, we are all cyborgs due to the simple merit of carrying a smartphone—an essentially permanent extension of ourselves. Thus, there is now constant risk of public exposure, as well as other potential risk areas (including cybersecurity and business-unrelated issues), which all companies must consider. These changes are largely a result of the social and environmental justice movements, shifts in public perception and the spread of fake news campaigns.

Analysts have shown that technological risks and cyberattacks are a new fixture of our reality. They are expected to rise dramatically in coming years, requiring a radical change in approach. According to the 2018 Cyber Safety Insights Report, one in three Spanish citizens have been the victim of a cyberattack, and out of the 32,500 cybersecurity incidents reported in 2018, 2.8 percent were rated "Very Dangerous" or "Critical" by the National Cryptologic Center. On top of the rise in cybercrime and increased risk regarding both internal and third-party data leaks (malware, ransomware, DDoS, etc.), there is also potential risk regarding

Machine Learning's progressive development and the continued evolution of the internet (AI, bots, IoT, etc.). This new world of data, born from device connectivity, poses great challenges and new threats, but also presents huge opportunities if handled strategically and proactively.

Meanwhile, there has been an increase in crises regarding social activism, loss of trust, media discreditation and disinformation on a massive scale, not only in the form of fake news, but also manifesting as fake people giving fake opinions. Apart from social media, instant messaging has lent momentum to the spread of propaganda. The structure and function of apps such as WhatsApp, Telegram and Slack provide ideal mass dissemination tools for nearly untraceable messages. This phenomenon is known as Dark Social, referring to those apps and media that, due to their nature, make it very hard to monitor message origin, reach and content. According to a 2019 Social Media Study by IAB Spain, the most-used social media is WhatsApp (used by 9 out of 10 internet users, with Spanish citizens spending an average of 1.5 hours a day using it).

In this new era of hypervulnerability, the best ways to mitigate risk and manage efficiently all revolve around investing in anticipation, with every possible solution carefully considering the technological revolution. A common problem is basing solutions for new crises on outdated ideas, forgetting to make the necessary adaptations to our VUCA world. Crises are now fast, multifaceted and asymmetrical right from the outset, changing the crisis management landscape itself. We are facing a new reality, one where an organization must deal with any reputation crisis in real-time.

Since outright prevention is no longer an option, every company should know how to address these new risks, as well as how to allocate resources for management to minimize negative effects and protect the company from potential future issues. The only feasible option is to foster a deep understanding of this new landscape, where company reputations are made and unmade—all while identifying how to respond to new issues and train management in these new parameters.

## Types of crises in a world of disruption

Disruption has led to two major types of crises, separated by their main characteristics: HOT and COLD crises. Their names are acronyms for their key features.

### HOT Crises

In line with the current digital landscape, HOT crises arise quickly and abruptly, with strong immediate impacts and short-term effects. They occur quite often and usually attract significant media attention. The name stands for:

- High Velocity: Spreads quickly thanks to the hyperconnectivity of "cyborg" citizens, who are constantly connected via their smartphones, acting as an additional body part
- Over Information: Infoxication surrounds the event, often including fake news, partial or out-of-context information and hoaxes
- Tricky Context: Stakeholders are more involved, with increased pressure from organized social activism and opposing digital entities

## COLD Crises

Unlike the HOT variety, COLD crises pose a high risk of long-term repercussions. They can have extended impacts and stronger effects on company reputation. Strategically preparing for them is essential. The name stands for:

- Calm Development: Issue develops slowly, potentially laying dormant in an organization's core or resulting from a recurring problem
- Old Issue: Often originates from an old risk that was not fully controlled
- Low Digital Initial Spread: Slow initial spread in digital media, with risk of acceleration once it becomes public
- Damage: Once public, potential for serious damage to the business and its reputation

When considering possible strategies for addressing these two types of crisis, we can isolate two types of company: Slow and Fast. These distinctions refer to a company's capacity to deal with crises using the resources they have in place, depending on their investment in anticipation.

### Slow Companies: Minimal Reaction Capacity

These companies are characterized by the following:

- No crisis manual or updated risk management policy, no digital aspect to its procedures
- Inefficient or nonexistent digital communication channels
- Very small communications team or communications duties delegated to other teams

- No designated spokesperson
- Minimal or nonexistent digital monitoring
- No secure internal communication channels for emergency use
- Spokesperson not trained for critical situations
- Infrequent or nonexistent crisis drills

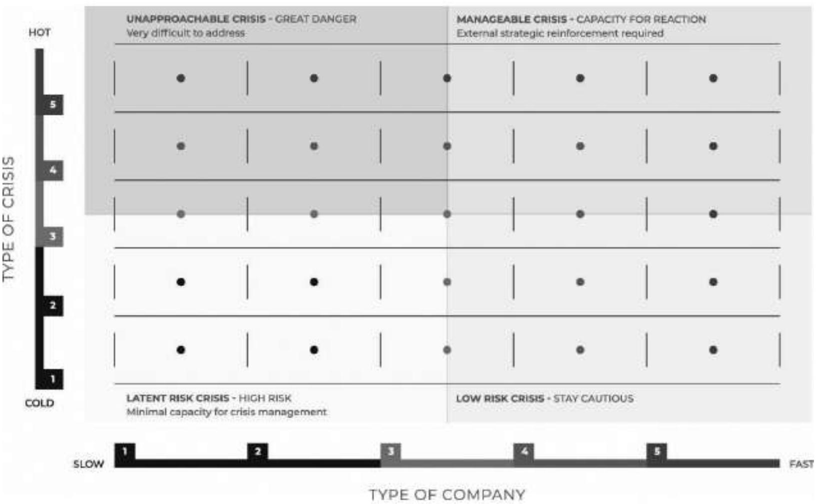
### Fast Companies: Maximal Reaction Capacity

In contrast to slow companies, these companies are characterized by their foresight and proactive approach to protecting their reputations and managing critical situations:

- Established crisis manual and updated risk portfolio, with digital risks taken into account
- Every procedure includes a digital perspective
- Established apps and/or digital tools for crisis management
- Active digital communication channels and reactive procedures for potential risks
- Ready network of digital influencers to utilize in case of crisis
- Well-defined communications team and a trained spokesperson
- Secure internal communication channels
- Frequent crisis management drills

These crisis and company distinctions give rise to a new reputational risk matrix (HOT-COLD/Slow-Fast), reflecting both the given situation and company resources. The following is a description of each of the four possible scenarios in this matrix, laying out the probability of success in each circumstance:

Escenarios de crisis y capacidad de recursos




- COLD/Slow Scenario: Unprepared companies with no clearly defined protocols are very exposed due to their insufficient risk identification and preparation. This scenario keeps companies in a state of perpetual latent risk, which they will not be able to effectively address should it become a serious issue.
- HOT/Slow Scenario: Companies unprepared to manage a critical situation and act in real time have a much higher chance of making decisions that will ultimately worsen the crisis and call into question the organization's integrity. Additionally, they likely lack a network of allies (digital or otherwise) to support them in their time of need.
- COLD/Fast Scenario: Companies with a weak but established procedure to utilize in case of crisis, as well as spokespeople ready to appear in the media, suffer little exposure, creating a low-risk scenario. This company will be able to successfully

face the first stages of a longer-term crisis, but will still require external support for strategic implementation and tactical management.

- HOT/Fast Scenario: Companies with the tactical elements of management under control can face this kind of crisis, only requiring external support for strategic elements. These types of companies cleanly execute their crisis protocols, have a Crisis Committee prepared to respond and maintain internal channels to communicate regarding the incident. They practice constant communication and have an established network of allies for support if needed.

## How has disruption affected recent crises?

The current, heavily disruptive environment, with all its resulting changes to crisis management, may cause organizations to long for the simpler times before the technological revolution. Back then, they had longer response windows, no social media presence or pressure and traditional media as the only channel to reach the public. We have analyzed some specific cases of organizations seeing the immediate effects of this hurricane of technological development and digital disruption, as well as how well- or ill-prepared companies were for the subsequent new methodologies and mindsets required.

Let us analyze a well-known case involving clothing brand H&M. In January 2018, a tweet by influencer Stephanie Yeboah led to a highly negative viral sensation across social media. The discussion centered around an H&M ad featuring a black boy wearing a sweatshirt reading "Coolest Monkey in the Jungle," and whether or not this was racist.

The product had been in physical and online stores for a month prior to the tweet, eliciting no reaction whatsoever. The product was a non-issue until this influencer with a strong presence in the fashion world and black community expressed her outrage to her 15,000 followers. In a matter of hours, the sweatshirt went viral, became a Trend on Twitter, led to all sorts of memes, crossed borders and reached the mass media. The crisis became global and multi-faceted.

Due to the high volatility of the interconnected populace, diversity groups and human rights movements joined several public figures to quickly adopt an adversarial stance against the company. Celebrities who had collaborated or co-designed with the brand also terminated their contracts.

In response, the company removed the image of the boy and replaced it with an image of the sweatshirt alone, continuing to sell the product on their website. In addition, the brand issued statements to various agencies apologizing to anyone whom they offended. However, the company continued to monitor conversations on social media, which proved tenacious and ultimately resulted in public demonstrations in South Africa and Europe. Ultimately, the company decided to recall the product. One day later, they issued their first statement on both their website and social media, with a targeted message for each channel. Their bios on all social media (including Twitter, Instagram and Facebook) were all replaced by the same message: "H&M issues an unequivocal apology for a poorly judged product and image."

After acknowledging their mistake, apologizing and clarifying the facts, the company announced concrete action, notably including the creation of a new position within the company: A global Diversity manager. This HOT crisis originated on social media, quickly found its way to digital media and finally reached traditional media. It caught the company entirely off-guard, as they had not anticipated an incident of this nature. Both the resulting message and measures taken had to be fully aligned with public demand, with thorough consideration for the population's hyperconnectivity in a liquid, borderless industry environment.

Next, we look at the case of Nike. This company was also recently taken off-guard by the highly volatile social media environment with regard to issues such as gender equality. In a series of interviews, videos and editorials published by The New York Times, multiple female U.S. sports stars—including Allyson Felix, the only woman to win six Olympic track and field gold medals, and Olympic athlete Alysia Montano, 3-time National US Champion—asserted that Nike reduced funding from their sponsorship deals when they became mothers. Other elite athletes supported them and raised similar complaints.

Devastating headlines appeared, such as "Nike told me to dream crazy, until I wanted a baby," directly referencing the company's slogans and brand. Nike had to respond. The sports gear giant declared that they would no longer reduce funds to their sponsored female athletes who became pregnant, with a company spokesperson stating, "We've recognized that Nike, Inc. can do more. This is an important opportunity for the sports industry collectively to evolve to better support female athletes."

The case of Boeing, the largest aircraft manufacturer in the United States, was another instance of high-profile crisis management. Over the span of six months, there were two accidents with the same type of Boeing aircraft, the Boeing B737 MAX, with 157 and 189 casualties respectively. The company faced a massive loss of trust and the model of airplane was banned from the airspaces of the Australia, Canada, the European Union, the United Kingdom and, later, the United States.

This crisis could be categorized as COLD because of the intensity of its long-term impact on the company's reputation. This was further worsened by poor communication at all levels: Stakeholder relations, digital messaging and social media all demanded a real-time response reconciling the brand's image and the severity of the events. The company's continued silence and refusal to ground their aircraft led countries themselves to close their airspace to the 737 until the accidents' origins were investigated.

It was not until nine days after the second accident that the CEO of Boeing spoke publicly, offering only contradictory messages and not living up to new societal expectations for "CEO activism" in any capacity. Societal pressure demands CEOs communicate proactively and take a firm stance on even areas outside the scope of their company's business, including political issues, social movements and cultural shifts. However, the company did succeed at sharing technical explanations for the incidents. Boeing practiced transparency with its users, explaining the workings of its MCAS (Maneuvering Characteristics Automation System), why it was installed in the 737 MAX and how pilots could utilize it. It also explained that the company had worked for months to update aircraft software after the accident in Indonesia, and the update would soon be implemented in all of its aircraft.

On top of financial losses, estimated around USD 20 billion, the crisis led to new aeronautics regulations (similar to so-called "Dieselgate"), delivery suspensions, decreases in new aircraft orders and a massive loss of credibility for Boeing's CEO.

The disruptive landscape has forced companies to confront risks outside the scope of their businesses. In the case of IVECO, the company faced the suicide of an employee after an emotional video became viral. This did not directly relate to the company's operations or activity, and yet had an impact on its reputation. The company initially treated this as a private matter, which was a grave error. The second error was to remain silent and refuse to take preventative measures. Today, it is common knowledge that employee wellbeing is inextricably linked to company reputation, and companies must behave as such.

A more widely felt, global case was that of Huawei, a company which faced a crisis directly related to political and economic relations. U.S. President Donald Trump had finally lifted the country's export ban on Chinese tech companies, but Huawei was left extremely vulnerable, partially due to its operational methodology.

The brand reacted with a strong advertising campaign in traditional media, using no digital channels or tools, an effort which ultimately did little to maintain consumer trust. Past dissemination methods for brand messaging or influencer creation now no longer work, or must be propped up with additional digital approaches.

To deal with crises in disruptive contexts, multiple strategies must be considered. These include those discussed above—such as offering real-time responses;

aligning strategies with universal, transversal values; and working to identify potential risks even outside the scope of your business—but other new ways of addressing communication crises are important to consider as well.

First, businesses must utilize the existence of Key Opinion Leaders (KOLs), who are found outside traditional company scope. At the same time, they must explore channels and languages adapted to new forms of interaction and understand their use. Let us analyze some examples of this.

After the Spanish brand Correos (National Postal Service) underwent an image change, the public company was highly criticized on social media. This was the result of an oversimplification of the company's circumstances by its users, who were angry about the company's investment of $250,000 euros in a "mere" logo change anyone could have done.

During that time, influencer and architect Ter, with more than half a million followers on YouTube, posted a comedic yet thorough video that went viral, explaining everything the branding company Summa had done to modernize *Correos'* image, concluding that the $250,000 euro investment was perfectly reasonable. The message was presented in a bold, clever and nuanced way, and as a result, it reached a new audience that may not normally have received it.

Even elite soccer players, such as Brazilian front player Neymar, have begun utilizing new communication methods in times of crisis. After being accused of sexual assault, Neymar posted a 7-minute video on Instagram in which he claimed the situation was a "setup," showing screenshots of conversations and private photos. He was heavily criticized for this content.

## What we can learn from a disruptive world

The following are the lessons we can learn from the current landscape and the strategies we can take away from them:

### We live in a volatile, hyperconnected world

Firstly, never underestimate the influence of anyone in the digital world. We must always listen and empathize. Secondly, we must learn to analyze elements which may cause a piece of content or event to go viral, identifying aggravating factors in order to plan strategic action for any possible escalation. Finally, we must act in real time. This is the only way to demonstrate control and competence, showing we are one step ahead of potential incidents and taking appropriate preventative action.

### Crises are global and borderless

Technology and digitization have placed us all in a fluid, borderless environment made up of interconnected masses able to effect wider and wider change. Therefore, we must be prepared to respond globally, with high fluidity and a capacity to influence many different demographics.

### Anticipate risks outside normal business scope

Risk anticipation is essential and must be an integral part of all operations. A company's departments must not be insulated. The better your information flow, the more accurate your assessments and efficient your responses. You must not forget activities not directly related to your business operation; remember Iveco and Huawei. Proactive and astute social media monitoring is the secret to staying ahead of the game, allowing you to establish management tools both for damage control and message dissemination.

## Social hypersensitivity: Ethics and action

The current landscape is defined by individual empowerment. Social hypersensitivity causes sudden societal shifts on issues such as the environment, gender equality, diversity, human rights, etc. Subsequently, corporate narratives and values must be organically adopted, genuinely applied and adhered to in all areas of an organization. It is no longer enough to speak of change. Companies must *make* change, ensuring their actions are ethical in order to gain much-needed long-term credibility.

## Influencers as "reputation shields"

Businesses must be able to identify influencers and bond with those who have a presence in relevant social conversations. *Correos* executed this masterfully, showing how activating an influencer in the digital sphere can create a powerful shield for companies. In a HOT crisis, you must be able to deploy such a response as quickly as possible.

Dare to explore new frameworks created by social media and adapt to modern forms of consumption and new demographics. Using only conventional channels, such as traditional media, is a sure way to give an inadequate crisis response.

## Companies must act on an individual scale

Nowadays, in times of crisis, companies must focus on messaging at the level of individual people due to the public's increased ability to influence others, speak out publicly and directly affect businesses. It is also no longer sufficient to communicate through public statements. Messages must be human, humble and empathetic. Though this can make it more difficult to act quickly and stop a crisis' spread, it remains an essential factor.

In summary, organizations must be aware of potential crises subject to disruption and must plan around several factors, including response times, fluidity, demographics, response channels and societal demands. However, companies must not wait for a crisis to occur before finding solutions to these problems. Proactive risk anticipation methods that understand, accept and cleanly integrate these factors are key to maintaining industry leadership and building a solid reputation among all target demographics.

# 8 Ways to Win Back Stakeholder Trust in 2020

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Several of the world's leading CEOs have recently been making big claims regarding sustainable economic models, designed to benefit all stakeholders. Are these statements credible? Are we witnessing the birth of a new management model? How should we interpret what we are hearing?

Aug. 20, a declaration signed by 180 U.S. business leaders and CEOs received major national and global media coverage. The declaration argued in favor of a business model that values the interests of all stakeholders, as opposed to only those of shareholders.

"Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country," concluded the statement.[13]

Two weeks later, on Sept. 3, roughly 200 European business leaders and CEOs published their own declaration, "For a Sustainable Europe," which made the UN Sustainable Development Goals[14] into a framework around which organizations could create value for all stakeholders during the coming decade. "We as business leaders use the United Nations Sustainable Development Goals as a compass to guide the transformation necessary to deal with new challenges," states the document.[15]

Both these declarations call for the redistribution of value across a wider array of stakeholders, emphasizing a need for long-term perspectives. Notably, both serve not only as a consensus among some of the world's top business leaders, but also as a call to action for how to proceed in the coming years.

There has been intense debate regarding the authenticity of these declarations and their practical consequences. While they are indeed grand declarations with their own merits, there is no doubt that this event will once again stoke the debate on multi-stakeholder business management, a conversation begun by R. Edward Freeman[16] in 1984 with his theory on stakeholders in his book, *Strategic Management: A Stakeholder Approach*.

13 *Business Roundtable*. https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans.
14 https://www.un.org/sustainabledevelopment/
15 https://www.csreurope.org
16 https://en.wikipedia.org/wiki/R._Edward_Freeman

## Just another declaration?

The first question is whether these declarations are genuine. The answer to this is apparent from observation alone—all signs suggest the world's leading companies are rapidly approaching a responsible leadership model, going beyond established corporate social models responsibility by aiming to remain competitive and gather resources through much more proactive trust-building among stakeholders.

The truth of the matter is that these declarations did not come out of nowhere. They are the culmination of a gradual realization, one which began with the end of the century's anti-globalization movements and accelerated during the "no logo" movement,[17] which marked the first phases of "corporate resistance" among the public. Over the last two decades, business leaders' change in perspective has developed intelligently,[18] recognizing the connection between finance and social unrest, especially in the wake of the 2007 economic crisis.

In his 1999 book *The Crisis of Global Capitalism*, George Soros was already warning of the market's trend of neglecting collective societal interest, referring to social values not expressed via the market. "Ultimately, it all comes down to monetary value," Soros argued. "As a market stakeholder, I try to maximize my benefits. As a citizen, I am concerned about social values."[19] Soros argues that a focus on purely financial value is the root of social detachment from capitalism, a school of thought that gained popularity

17 https://en.wikipedia.org/wiki/No_Logo

18 See Chomsky, N., "Malestar Social," Sexto Piso, 2017; Sandel, M., "Lo que el dinero no puede comprar," Debate, 2018; GIRIDHARADAS, A., *Winner Takes All. The Elite Charade of Changing the World*, Allen Lane, 2019.

19 Soros, G., "La crisis del capitalismo global," p. 27.

in the early 21st century. To a large extent, this view has endured—and even evolved—over the last 20 years. As a result, businesses have been increasingly implementing initiatives with an emphasis on corporate social responsibility,[20] shared value,[21] long-term capitalism,[22] sense of purpose[23] and so-called "conscious capitalism"[24] ever since.

Over the last decade, companies have seen corporate reputation deteriorate and reputational risks continually mount, catalyzed by hyper-transparency and fake news. This matter was addressed openly at the 2019 World Economic Forum in Davos, and it represents a blow to financial models that revolve entirely around short-term shareholder gains. Solvay CEO Ilham Kadri, an advocate for the European declaration, recently said, "We are experiencing growing social inequality and diminishing trust in traditional politics, authority figures and institutions."[25] Major figures, such as Steven Pinker, insistently state that progress indicators remain healthy, but the so-called "global misunderstanding," as Garringues calls it, still prevails throughout society, affecting all corporations' reputations.

To combat this negative perception, corporate social initiatives attempt to exemplify the values of the

20 https://eur-lex.europa.eu/legal-content/ES/TXT/?uri=LEGISSUM%3An26039
21 https://www.harvard-deusto.com/entrevista-a-michael-porter-la-creacion-de-valor-compartido
22 https://hbr.org/2011/03/capitalism-for-the-long-term
23 https://corpgov.law.harvard.edu/2018/01/17/a-sense-of-purpose/
24 "We believe that business is good because it creates value, it is ethical because it is based on voluntary exchange, it is noble because it can elevate our existence and it is heroic because it lifts people out of poverty and creates prosperity. Free enterprise capitalism is the most powerful system for social cooperation and human progress ever conceived. It is one of the most compelling ideas we humans have ever had. But we can aspire to even more," Conscious Capitalism Manifesto.
25 https://www.csreurope.org/sites/default/files/uploads/CEOs%20Call%20to%20Action%20Ilham%20Kadri%20Speech%207%20May%202019.pdf

capitalist model, as based on the basic premise that capitalism has generated wealth and employment for all of society. "Companies play a vital economic role in creating jobs, promoting innovation and providing essential goods and services. Companies create and sell consumer products; provide medical attention; generate and supply energy; and offer financial services, communication services and other services that sustain economic growth," reads the beginning of Business Roundtable's statement.[26]

Last August's and September's declarations agree on one crucial point: More must be done to reconnect with stakeholders.

## A New Management Model

Ultimately, the world business leaders' declarations herald a new age of corporate leadership model development. The classic model of producing and selling in predictable environments is evolving into a new model, one centered on forward thinking and excelling in competitive, volatile and unpredictable environments.

In the following graph, it is clear that at the turn of the century, companies were basically closed systems, organized with maximum efficiency in mind. They were a product of the desire for the maximum alignment between mission, policy, strategy, structure and management.

Since 2010, companies have been preparing themselves to adapt to unpredictable changes in the environment and develop social responsibility programs. New and developing models have involved

26 Business Roundtable. https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

establishing certain voluntary limits (such as voluntary codes of ethics regarding liability), more thorough coordination measures and the overall development of supervision and compliance functions with respect to local governance.

Given the recent declarations from both the United States and Europe, we can expect to see a new type of business model in 2020, one which develops this “open organization” model even further. The purpose of this advancement is to proactively win back stakeholder trust through a new stakeholder-centric management model and achieve an end result that will have significant benefits for all of society. This model aims to revitalize corporate coexistence with society at large, the most important element of which is corporate empathy.[27]

Corporations will need to take a leading role in changing society’s widespread skepticism of the capitalist business model. “Mobilization requires not only for structural conditions (such as the development of corporate social responsibility) to ripen, but also requires a critical mass of people who collectively define the situation as ripe and persuade others that their version of reality sounds good.”[28] This is precisely the movement that started with world business leaders’ two declarations this year.

## What Now? Practices for 2020

To create more empathetic management models, companies must embody exceptional leadership in

27 https://ideas.llorenteycuenca.com/2018/01/empatia-corporativa-un-nuevo-enfoque-en-la-gestion-de-la-reputacion/.
28 Benford, Robert D., *The Sociological Quarterly* 4, 1993, p. 199.

strategy, management and corporate communication to translate good intentions into real actions.

Despite consensus among leaders, there remains the possibility that corporate inertia will prevent tangible results without thorough changes to management. Below are eight key transformations essential to this process.

- From Singular Goal to Shared Purpose. In recent years, "corporate purpose" has become one of the financial world's most common buzzwords. Many companies have certainly taken this idea to heart and reevaluated their mission statements, but the spirit of the phrase has not been widely realized. In many cases, this reevaluation remains centered on the vision of the business owner or board, lending insufficient weight to stakeholder interests. To avoid this, companies must set their sights higher. It is imperative to consider the ethical angle when rewriting or reconsidering corporate purpose. Comprehending today's ethical dilemmas, many of which arise from social change and digitalization, is imperative to exemplifying businesses' social function as society's economic driver. When companies develop well-considered purposes and commit to them, they are then able to offer products and services in response to new needs or meet existing needs in a manner more appropriate for target demographics. The Sustainable Development Goals (SDGs) form a good basis for what companies should achieve in the coming decade, while also providing a perfect framework to communicate those achievements. Corporate purpose is an excellent opportunity to generate value for consumers, employees and stakeholders alike. This equitable distribution of value is key for aligning stakeholder interests, illuminating the company's societal contribution and reaching out into new networking arenas.

- From Short-term to Long-term. To build credibility among all stakeholders (as opposed to simply among shareholders), companies must reinvigorate their considerations of long-term business prospects. A common issue in this regard is that short-term shareholder interests are often incompatible with long-term ones. In the United States, the conflict between short- and long-term goals has centered around abolishing quarterly investor reports. More and more business leaders are speaking out against "the tyranny of quarterly reports." A November 2013 EU directive eliminated companies' obligation to issue quarterly financial reports, although Spain, Poland and Romania continue to require them. Though Spain still mandates quarterly reports, the current president of the National Securities Market Commission (CNMV), Sebastian Albella, has voiced support for an end to this policy. The absence of quarterly reports will no doubt help redirect managerial commitment toward stakeholders beyond shareholders and investors.
- From Risk Management to Opportunity Management. "Long-term perspective" means identifying macro trends. If companies can generate a culture of proactive innovation and openness to change, they can then "ride the wave," live on the edge and embrace the inherent risks that opportunity brings. Organizations must understand that noth-

ing is permanent except change. By constantly listening to their stakeholders, companies will secure an indispensable advantage, allowing them to get ahead of the curve and embrace the many opportunities generated by change. The best way to remain relevant is to be the first to meet new consumer needs as they arise, giving those who do an edge over all their competition.

- From Responsibility to Commitment. Social responsibility revolves around analyzing benefits and consequences, with the subsequent establishment of voluntary limits. But winning back stakeholder trust requires stronger leadership. Inaction is not neutral; it only allows the social skepticism surrounding businesses to fester. If companies want to effectively improve their social standing, they must develop good governance systems that do not simply comply with local laws, but also evaluate and respond to stakeholder interests in terms of both opportunity and risk. According to LLYC's reputation model, to become an authentic, credible leader, a company must focus on impeccably managing the five key stakeholder expectations that form the basis of perception: Image, Credibility, Transparency, Integrity and Contribution. Only companies that set goals for and commit to each of these factors will make a true connection with stakeholders.
- From Dialogue to Conversation. In recent decades, leading companies have improved their two-way communication through stakeholder dialogue channels. Many have developed whistleblowing channels, allowing stakeholders to report bad practices. However, today's new social leadership

model requires companies move from mere dialogue channels to authentic conversations. This can be accomplished by creating collaborative platforms and commitments that allow stakeholders to actively participate in developing solutions. Conversation is a fundamental tool for truly integrating internal processes (culture and innovation) with external ones (communication, marketing and social responsibility) across a company's brand, products and services.

- From Working For Stakeholders to Working With Them. One of the most exciting challenges for any CEO lies in changing a rigid culture revolving around isolated units at different points in the value chain, molding it into a culture of openness, where the process of value creation goes beyond the organization's bounds and value can be co-created with customers, employees, suppliers, shareholders and society at large. Giving the company's target demographics a leading role is a sure way to create sustainable value. Collaboration is essential. The cultural challenge before us is to leave behind the idea that business must be competitive and realize they can, in fact, be collaborative.
- From Result to Impact. Some key elements of responsible leadership are the management, measurement and communication of the impact a business' activity has on society. In recent years, financial models and indicators have advanced a great deal, offering companies new ways to measure their activities' socioeconomic impacts. A company will impact society when it creates innovative products and services to satisfy consumer needs. Ford did this when it popularized the motor

car, Boeing did it with aviation, the Pascual milk company did it with its milk packaging techniques, Google did it by providing straightforward access to the wide reaches of the internet and Apple did it by turning cellphones into smartphones. The results of these innovations have been a massive impact on society, from job creation, the stimulation of economic activity among suppliers, tax payments and dividend generation for shareholders. When a company stops creating value for its stakeholders, it ceases to have any connection to society and quickly disappears. The business world continues to be based on "survival of the fittest." In this case, companies must carefully monitor stakeholders' commitment levels, revisit classic concepts of materiality and give management reports with a wider scope.

- Newly Systemized Search for Excellence. The success of these transformations hinges on the coordination of a proper management system, one that allows and encourages day-to-day excellence, integrated stakeholder management, listening systems and the proper communication of corporate purpose. By finding the ideal mix of culture, strategy and management, you will enjoy the best possible stakeholder perception. This is today's challenge. The problem of economic management has given way to the issue of managing human, environmental and intellectual capital, among others. This exciting prospect requires leaders with enough vision and aspiration to create a legacy.

# The Tyranny of Likes. Or Maybe Not

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The woman (young, beautiful, blue eyes and perfect blond hair) always smiles. In public she walks (you might say glides), impeccably dressed, phone in hand, giving out real compliments and virtually rating everyone she interacts with. She's attentive, friendly, congenial, trying to be liked by everyone. Her life revolves around a social network that dictates the rules: the higher the rating, the greater the prestige. This rating goes from zero to five and is calculated from the average scores others give you. This number dictates your job, your home, your friends... To give one example: You can only own a luxury apartment if your rating is over 4.5.

When she's alone, Lacie rehearses different reactions in the mirror, reactions that must come across as spontaneous, showcasing the anxiety of living under the weight of other people's expectations. She is the protagonist of the episode titled "Nosedive" in British TV series Black Mirror, which speculates on the social consequences of technological developments. This young woman plummets from the top of the pyramid to the bottom, where she finds herself on the same level as society's outcasts. The aesthetics of the episode also help carry off this metaphor: The 63-inute episode is done in pastel tones, as if it were all happening under an Instagram filter.

Lacie embodies a "satire about accepting yourself, about the images of ourselves we want to convey and about the way others see us," explains Charlie Brooker, the author of this story. Brooker believes that, like Lacie, "we're all a bit false." He also adds that "we're all a bit scared," as his story clearly isn't set in the future, but rather in the present day.

A few months after this episode aired, Wired magazine reported on Zhima Credit, a "personal credit" system linked to Alipay, the leading mobile phone payment system in China. It is remarkable because it works based on each user's consumer data. As in the Black Mirror episode, a low rating indicates a second-class (in the best-case scenario) citizen and a high rating gives access to countless privileges, including a short-stay visa for a European country.

But there's no need to use such an extreme example to show that getting likes has become a fundamental part of life for those who spend their time online—and that number is now 4.4 billion people, or 57 percent of the planet.

According to the Global Web Index, users spent the equivalent of one seventh of their waking lives on social media in 2019, or 2 hours and 16 minutes a day (one minute more than in 2018), accounting for close to a third of the total time they spend online. Or, looking at it another way, in 2019, one million people access their Facebook accounts, 4.5 million people watch a YouTube video and 347,222 people scroll through Instagram every minute. It's undeniable that social media is now at the center of relationships for most people, and all the more so in terms of the relationship between brands and consumers.

This paradigm change has multiplied opportunities (distance now has a new meaning, and it's shorter, so it's much easier for a brand to treat the whole world as its market) but it's also set off a few alarm bells. The pace of daily life has sped up and the duality between our real lives and the lives we want to project could bring along serious consequences, especially for younger people (and it could be sooner than we think.)

The World Record Egg campaign, launched on Instagram at the start of this year, is a good illustration of how far the competition for likes can go. The aim of this initiative was to get a photo of an egg (yes, an egg) to beat the world record for likes, a record held until then by U.S. influencer and businesswoman Kylie Jenner, who had 18 million likes on one photo. The egg photo eventually made it to 54 million likes, three times what it needed to beat the record. The day the egg hatched, it was revealed that the campaign was seeking to raise awareness of mental health issues in the online community, especially those suffered by young people due pressure from social media.

A study by toy brand Lego could also help us to better understand the scope of this challenge. Data for the study was taken from interviews with children aged

8-12 in China, the U.K. and the U.S. The study showed that 29 percent of children dream of bring YouTubers, three times more than the number who want to be astronauts. And when we say YouTubers, we could just as easily say influencers, as other studies show.

At the latest F8 (Facebook Developer Conference). the owner of Instagram announced, among other news, that in some markets (including Australia, Brazil, Canada, Italy and Japan), the number of likes on publications would be hidden from users' followers. This measure aims to "lead the fight against online bullying" by stopping the social pressure these numbers are accused of generating. The brand stated that it is "rethinking the whole Instagram experience to meet this commitment." Although there is no news on the results of these experiments thus far, it is clear this tweak will change the way social media is used (since if Instagram changes, other sites will follow), including for those whose businesses depend on it, such as influencers, brands and communication professionals—and specifically monitoring tool specialists. There has been unanimous praise for the initiative, although there are risks brands must bear in mind.

Ana Garcia Martins, author of blog A pipoca mais doce, which has been going for over 13 years, is one of Portugal's leading influencers, with 335,000 followers on Instagram. Garcia Martins applauds the measure, saying it has the potential to "put an end to the tyranny of likes" and the subsequent "social anxiety and pressure" it causes, especially among young people, "who have an exacerbated presence on social media." She also says she isn't afraid of the change: "I'm not afraid, maybe because I already have a well-supported presence on social media and the feeling that my work doesn't just come down to my number of likes."

Although others will stop seeing the number of likes, "the current model could end up being more attractive and effective for getting new partners, as content generators will continue to have access to statistical data, and can pass it on to those brands they work with and other interested brands." Garcia Martins explains that "brands don't use the number of likes as the only factor. There are other things they take into consideration when deciding to invest in an influencer: Audience type, reach, influencer personality, how they fit the brand, etc." And she adds that "there is a trend where the older the audience is, the lower their interaction, but that doesn't mean the content no longer has an impact on them." Furthermore, "teens leave likes and comments more freely and instinctively."

Garcia Martins highlights one specific aspect: "It's possible that when likes are no longer visible, users will feel like there's no longer any point in interacting through them, with that button, which could imply a drop in the numbers and level of interaction." Despite this, she stresses the importance of influencer transparency toward brands and defends the measure. "I think the social impact this measure could have is much more important than the potential damage it could do to influencers who make a living from creating content," she stated.

Joana Garoupa, Communication and Brand manager for the Portuguese energy company GALP, sees the measure as a positive. "It could increase user freedom to post only the content they really want to share and that interests them the most, without fear of being judged," she sayd. As for the impact it will have on brands, Garoupa believes "this measure will force brands to review their communication strategies for this platform" and find alternatives "to spark interest in their user communities." She claims "the creation of relevant content that seeks out authenticity and humanization will continue to be essential," adding that "interactions that seek to understand the community's interests, respond to their needs and get closer to people will be more and more important." She believes little else will change on an Instagram with no likes. "Likes cannot and must not be the only recipe for success."

Nor will there be strategies for how brands access data. "In Instagram stories, the number of views isn't public either, which doesn't stop brands from analyzing content to find out what the community appreciates," says Garoupa.

Jorge Garcia Perpiña, account director at social media monitoring company Brandwatch, believes this initiative is not only necessary, but should be carried out in parallel with Facebook (the social network with the most users in the world, at 2.27 billion). That way, the two social networks could be compared. He explains that, to evaluate the full extent of the impact, some aspects need to be clarified beforehand—namely, whether the change affects just the user interface or also the Graph API, through which data is obtained from social media, then passed on to companies. "If it were possible to continue extracting data from this source (something which is considered to be highly likely), then capacity for monitoring won't be affected." Garcia Perpiña sees likes as simply part of the equation. "It's important to wait to assess how user behavior evolves in brand interactions, but the biggest impact could come from how important brands consider this information once it ceases to be public. Whatever happens, there have always been other kinds of public interactions, like comments, mentions, tags, etc."

Like Garoupa, Garcia Perpiña believes brands will focus on the essentials: Content and trying to tell even more interesting and relevant stories to the audiences they want to reach. "The key is always to know your audience inside out," he adds. Ultimately, "this change will turn likes into a tool that will allow us to filter content," telling Instagram what kind of posts each user prefers, as is the case with Spotify. "Also, the private aspect of each like will make the user's experience more authentic," he concludes.

The uncertainty caused by updates such as Instagram's latest one always leads to concerns among those who choose social media to communicate. This is because of the ways it could impact their business, whether they are a brand, influencer, monitoring company or even communications agency. However, it also gives us a chance to redefine the relevance we give to these tools and remember that the decisive factor in any kind of communication continues to be content authenticity and quality. Success, not just in relation to this change but others too, goes to brands that listen, think, prepare and adapt; those who work hand-in-hand with the right partners and become specialists in developing and implementing the right strategy at all times. The risk is not the change itself, but facing up to it as if it isn't permanent. The "business as usual" idea is no longer enough to identify and leverage opportunities. For social media users, we just have to wait and see how far from the "tyranny of likes" this new measure takes us.

# EMBLEMATIC STORIES: THE STORYTELLING RENEWAL

# The Sixth Language: a new code

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According to a global survey by Cisco,[29] digital natives are people who value internet access as much as the air they breathe, the home they live in and the food they eat (56 percent) and say they could not live without it (60 percent). Their lives are organized around their internet connections, touch screens, wireless connectivity and the physical objects and people that surround them. Digital natives experience and move through the world in an entirely different way. They are neurologically different and will likely soon be anthropologically different as well.

29 "The Cisco Connected World Technology Report," Sept. 21, 2011.

The world has changed since 1995 and, naturally, our students have changed with it. Change did not come from a single platform or person, but has come about from a convergence of events that built up in 1960's and '70s, then came together starting in the 1990's.

The World Wide Web was created just a few years before 1995, but by then, there were already some 15 million internet users. There were, however, good arguments to suggest that it was a wholly American phenomenon, as 85 percent of users lived stateside. Just three years later, Stanford University Ph.D. students Larry Page and Sergei Brin created Google Inc. With a free search engine as its only device, Google's mission was to "organize the world's information and make it universally accessible and useful."

This was not the first search engine to come out of Silicon Valley (Alta Vista had been around since 1995), but it was the one that fundamentally changed the way information around the world is organized and shared. The 1990's also saw the birth of the free open-source software Linux (1991), Bezos's online Amazon store (1994), the eBay internet auction platform (1995), Netflix (1997), PayPal (1998), Napster (1999), Survey Monkey (1999), Salesforce (1999), Alibaba (1999) and Despegar (1999), to name just a few giants. The birth of these internet business platforms occurred in a climate of stock market euphoria—one that came to an abrupt halt in March 2000, when the dotcom bubble burst.

In 2001, once the collapse in stock market value of new tech companies had passed, Jimmy Wales and Larry Sanger gave life to another equally ambitious project: An online encyclopedia, free of charge and universally accessible, whose content could be created, corrected, and supervised via collaboration with a non-expert user community. Wikipedia, launched by the Wikimedia Foundation, set out from the beginning to "empower and engage people around the world to compile and develop educational content under a free license or in the public domain, and to disseminate it effectively and globally." With a small organizational and administrative structure, without advertising or equity partners, financed entirely by microdonations, the emblematic encyclopedia came into being, disregarding all the business standards codified during the industrial revolution.

Facebook was created in 2004 and YouTube the following year, two platforms deeply rooted in the idea of a society starting to link together to share, tag and produce online content. They took what previous social networks (SixDegrees, Friendster, MySpace) had done and applied those ideas to a community of internet users that already numbered 500 million. They offered users streamlined, clean interfaces with effortless access and navigability that allowed them to view simple, fun, social content. Over time, these principles would become the ABCs of social media, all of which had to be social, simple and fun.

Between Wikipedia's creation and the advent of these social networks, the number of cellphones in the world had reached 1.1 billion, finally exceeding the number of total landlines. This jump happened even before smartphones or the mass use of global broadband.

As the internet continued to grow exponentially, *Time* magazine honored internet users in its 2006 Person of the Year special. On the cover the word "You" was displayed on a computer screen and under it, the legend read "Yes, you. You control the information age. Welcome to your world." In the same year, microblogging site Twitter came into being, as did streaming service Spotify—and Julian Assange brought WikiLeaks to life. We now know how these platforms brought down longstanding institutions, modified the dynamics of political debate and brought many governments, companies and conventions to their knees. But when they started out, few could have predicted they would have such a transformative impact, and even fewer predicted it would occur in such a short period of time.

In June 2007, Apple launched the iPhone, the first truly "smart" phone and the precursor to a wide category of devices, including all touchscreen tablets. Just a few months later, Amazon launched its first generation of Kindle e-readers. In 2008, Airbnb entered the scene, challenging the hotel industry, and Uber did the same thing with the road passenger transport industry in 2009. During the same period came the advent of the Android operating system, which would later take over 80 percent of the world's cellphone operating system market, and the introduction of the Bitcoin protocol—quasi-money supported by blockchain technology.

These beginnings have led to many significant ends. In 2010, after a 305-year history, global online newspaper advertising surpassed print advertising for the first time, and two years later, the *Encyclopaedia Britannica* announced it would cease to produce its printed version after 244 years.

To date, there are some 4.5 billion internet users who go online every day, even though internet coverage reaches only 54 percent of Asia and less than 40 percent of Africa. Wikipedia is up to 40 million articles in over 290 different languages (despite the resistance it continues to face in older generations), Facebook is worth over $500 billion just 15 years after its creation, there are 4 billion smartphones in the world, over 500 hours of new videos are uploaded to YouTube every minute and Google not only has self-driving cars, but also acknowledges that its Google Brain project spans across all the company's major future developments. In 2014, Amazon announced it would start delivering books by drone, then announced the launch of an online tool for elementary school teachers in 2017, displaying an interest in education management.

Though they were all created in the last 50 years, Microsoft (1975), Apple (1978), Amazon (1994), Google (1998) and Facebook (2004) are the most valuable companies in the world today. These five have been key players in this new emerging world, fundamentally reshaping communications, institutions and educational practices.

You do not need to be an expert to see the tension currently present in every level of the education system. These problems are not unique to any one institution, country or format, but rather reflect an industry's consistent failing to adapt to the digital age.

We must reflect on the fact that, on any given educational blog, you can find a list of items, situations and school practices obsolete in the 21st century. The list includes computer rooms, building isolated classrooms, the absence of Wi-Fi covering every inch of a school building, bans on using smartphones and tablets in class, the presence of an IT director with an access profile as general system administrator and overseer, schools with no active social media profile, traditional libraries and classes for teenagers that start at 8 a.m., among other outdated practices. We must consider what basic structures and practices have begun to hinder us in an age where information is at our fingertips.

Schools, like universities, have many clear and everyday manifestations of this tension. Setting aside extreme cases of physical, verbal and psychological violence, more mundane trends come to the surface, including selfishness, lack of interest, an absence of love and charity, detachment from essential norms of coexistence and behavior and, perhaps most noticeably, a lack of respect for authority.

One particularly uncertain territory adults handle incorrectly is language. If one condition distinguishes the human species, it is our capacity to develop communication systems that give shape to and transform our thinking. Language enables conceptualization, abstraction and reflection. Through this, humans have increased our collective ability dominate our environments and utilize them for our benefit. Animals also have communication systems, albeit rudimentary, limited and static, with at most some 50 combinations of sounds and gestures. In contrast, humans possess a generative communication system, with infinite combinations, allowing us to put together, take apart and reorganize meanings and formats to our liking. Human language is a kind of living, dynamic organism, constantly growing, mutating, evolving and becoming more sophisticated. The fact that Diderot's *Encyclopédie* condensed all the knowledge of his time into just 64,000 definitions at the height of Enlightenment France, while Wikipedia now stores tens of millions of definitions gives us some indication of the way our species makes use of this vital survival tool. Language, therefore, not only allows us to communicate and inform, but above all else, it allows us to discuss and manage problems, conflicts, conventions, inheritances, challenges and opportunities.

According to Robert K. Logan, an MIT physician and disciple of Marshall McLuhan, the evolution of language is presented as a continuous, sequential chain. Spoken language appeared as the first form of communication and information, then written language and mathematics, which appeared around 3500 BCE, followed by scientific language around 2000 BCE, and then the great leap in time to computational language (around the 1950's), before coming finally to internet language, which arose at the start of the 21st century. Logan's studies led him to firmly state that education should be concerned with developing the necessary skills to use all available forms of language. According to Logan, the two new forms of language that have appeared in the last 70 years should be absorbed and integrated into the education system.

Elsewhere, writer Edith Litwin encouraged us to think about texting language as a decomposition of literary, narrative and conversational genres. She claims that textspeak—Logan's sixth language—is the most fragmented and conversational of all written languages. Think for a second: When you read a message from your child on their wall or social media profile, do you often feel like you are looking at a piece of writing, or part of a conversation? Many adults interpret it as a piece of writing, but children and teenagers view it differently. When they are texting, they are conversing, and so they therefore take the same liberties and make the same concessions as you or I do when we speak. These conflicting meanings and practices cause tension between teachers and students.

Digital natives will continue to grow more sophisticated in their skills and abilities to successfully use cultural codes and languages rather than just the externally visible skills of utilizing tools, platforms and technologies. While the education system continues to ignore this and fails to adapt to changing circumstances, it will have no choice other than to step to aside to let other institutional formats arise, one better adapted to the needs, practices and realities of this era, and teach our youth.

# Storytelling vs. Storydoing: how to regain citizen trust

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In our era of fake news, deepfakes, bots, farms and other "Goebbelsian" methodologies, manipulators will not hesitate to repeat lies until they sound true, all while using big data to tell their audiences whatever they want to hear. In this contentious environment, why do we put facts before words?

As a result of the digital revolution, communication and marketing professionals (ourselves included) have begun focusing on companies' story*making*, putting story*telling* on the backburner. Both ethics and aesthetics are in a constant battle for consumer trust. For this, we must ask: Are facts more powerful than words, or does reality follow perception? To use a Mexican saying: Is it a matter of laying an egg, or merely crowing?

The Netflix documentary *The Great Hack* explains the role Cambridge Analytica (now known as Emerdata) played in the most recent U.S. presidential elections, as well as the ongoing Brexit referendum. It is clear to see that we are currently living in an age of misrepresentation via data manipulation. It would seem that technology ultimately feeds the conspiracy theories that the world is being controlled by big data corporations at the behest of global powers. Are we as citizens really better informed because of the internet, or are we actually more misinformed? Are we the victims of new technologies, only seeing what we want to see and having our positions reaffirmed and radicalized? Jehane Noujaim,[30] the documentary's co-director, says "data has now become the most valuable asset in the world, more than oil."

In 2018, the prestigious journal *Science*[3132] published a study by MIT specialists Sinan Aral, Soroush Vosoughi and Deb Roy. Analyzing over 4.5 million messages from roughly 3 million people between 2006 and 2017, they estimated there are 48 million bots on Twitter and 60 million on Facebook, though their numbers are increasing exponentially. A major conclusion of the study was that untruthful content travels further and faster, moving more deeply and broadly than true content. This is especially true when the misinformation is

30 BBC News, July 26, 2019: Cambridge Analytica: how Netflix portrays the biggest privacy scandal on social media in *The Great Hack* https://www.bbc.com/mundo/noticias-49122905

31 D. Lazer at Northeastern University in Boston, MA el al., "The science of fake news," *Science* (2018). science.sciencemag.org/cgi/doi... 1126/science.aao2998

32 S. Vosoughi el al., "The spread of true and false news online," *Science* (2018). science.sciencemag.org/cgi/doi...1126/science.aap9559

related to urban legends, terrorism, natural disasters, science or finance. "Fake news has a 70 percent chance of being replicated… while the truth is rarely shared with over 1,000 people, 1 percent of the most viral fake news is routinely shared with 1,000 to 100,000 people," said the study's authors.

## Why is this?

According to the same study, bots do not distinguish between real and fake news; they disseminate all information similarly. As such, the biggest perpetrators of misinformation are, in fact, people. Human beings are more likely to share fake stories that induce intense anger, distress or fear than they are to share true news, which often spark sadness, apprehension or trust. These latter emotions do not spur us to action in the same way, instead leading us to interact with this information more passively.

As such, it appears as if there is much cause to be pessimistic. Modern society is falling victim to a veritable tsunami of campaigns to manipulate and poison information. To make matters worse, rather than fighting this phenomenon, it is we the public who appear to be fake news' greatest ally, letting ourselves be driven by our knee jerk reactions instead of reason.

## Do we believe the lies?

According to a July 2019 study by the Pew Research Center,[33] Americans distrust the media, but consider

33 *El Universo*, July 3, 2019. "Estadounidenses "desconfían" del gobierno y los medios, según una encuesta del Pew Research Center." https://www.eluniverso.com/noticias/2019/07/22/nota/7437978/estadounidenses-desconfian-gobiern o-medios-segun-encuesta-pew

government figures and political leaders even less trustworthy. Nearly 69 percent of U.S. citizens believe the federal government intentionally hides important information from the public, while 61 percent believe the same of the media. Almost two thirds of respondents believe it is difficult to ascertain the truth from what elected officials say, and almost half feel the same way regarding information on social media. This study underscores Americans' growing distrust in institutions and public officials, circumstances which could make finding solutions to social and political problems even more difficult.

This phenomenon is not limited to the United States. According to the "Latin American Economic Outlook 2019" study, carried out by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC),[34] around 64 percent of Latin Americans distrust their national governments.

A good example of this distrust was seen in Mexico after the Sept. 19, 2017, earthquake, which measured over 7 on the Richter scale, leaving dozens dead and thousands affected. The hashtag #verificado19S ("19Sverified") spontaneously went viral, completely independently of the media and the government. Meanwhile, the government and media were heavily criticized and accused of capitalizing on the disaster to curry political favor. The hashtag helped prevent the dissemination of rumors and fake news, while itself disseminating actual resources for victims. Google Maps was used to chart building collapses, shelters and collection centers, and rescue teams were mobilized to save those trapped. As the www.verificado19s.

34 "Perspectivas Económicas en América Latina 2019: Desarrollo en transición." OECD. https://repositorio.cepal.org/bitstream/handle/11362/44525/1/S1900182_es.pdf

org website explains, the hashtag enabled resource needs to be met in real time, as they were detected. The public became significantly more aware, and any fake news was quickly detected and debunked, with the source then pressured to delete it.

This presents a paradox: The rise of online falsehoods that do not gain credibility, but in fact create a lasting state of skepticism. In extreme cases, such as the aftermath of the Mexican earthquake, this skepticism can even give way to dissident activity by the public. Today, the administration, congress, armed forces, police and church, as well as corporate figures, companies and brands, all face heavy scrutiny. This leads us to infer that the role of fake news is not to misinform, but to erode trust and indiscriminately destroy the bonds of trust. That said, misinformation campaigns are becoming increasingly common, both in the business world, where companies and brands must contend with attacks from competitors and governments, and in the public sphere, where bots and farms take point on persuading an increasingly distrustful and skeptical populace.

Many communication professionals believe the key to rebuilding this trust is transparent and proactive communication. However, it is important to consider that we live in an age of information overload, and a story that does not immediately grab the reader's attention will not reach people's hearts, regardless of how well-executed it may be.

## Rational vs. Emotional

The digital revolution is far from over; in fact, what we are seeing is only the beginning. Ten years have passed since smartphones and social media became commonplace, and still technology continues to transform global society every day. Regulation and self-regulation on digital platforms, supported by technology such as blockchain, will certainly help regain trust through transparency, but the influential power of communication should not be overlooked. We must consider not only the rational aspects of messaging, but also the emotional, which play a large role in guiding human behavior.

We as people are moved by feelings, and more specifically, by expectations born of prior knowledge or experience. Trust comes when there is a connection along these channels. “When we think quickly, we often don’t do it right,” says Daniel Kahneman,[35] a cognitive psychologist and winner of the 2002 Nobel Prize in Economics despite not being an economist by trade. “And the reasons we don’t are simple: Because we don’t feel good, or because we’re not in the right mood. Ultimately, we as people cannot choose the way we feel, and when more complex emotions take control, reality becomes more complicated.”

Prestigious neurologist Antonio Damasio explored this idea further, claiming that the world we live in is too fast-paced to allow for proper reflection, so affectivity becomes the heuristic on which we base our decisions.[36] “What makes humans different from animals is that we make use of fundamental regulatory processes, including things like emotion and feelings, but we also connect them with intellectual

35 “La heurística de la afectividad: como sentimos es como pensamos,” Feb. 10, 2019. https://lamenteesmaravillosa.com/la-heuristica-de-la-afectividad-como-sentimos-es-como-pensamos/

36 MIT Technology Review: "The Importance of Feelings,” June 23, 2014. https://www.technologyreview.com/s/528151/the-importance-of-feelings/

processes in such a way that we create a whole new world around us."

The test of time is slowly but steadily showing us that storytelling and storymaking are no longer at odds, and in fact must exist in tandem, feeding off of each other. One must lay an egg, but the other must then crow to share the news. Successful communication strategies work on both fronts, on both *doing* (including efforts to meet shareholder expectations) and *telling* (creating an emotional experience and connections).

This is the only way to win back trust and let people believe in us. This leads to a co-created, cooperative structure, requiring closeness with shareholders to both understand their feelings and to include them in developing solutions. This, in turn, bolsters company strengths and creates opportunities. The institutions, organizations, people and brands that achieve this—using big data to their advantage, understanding stakeholders' thoughts and feelings and giving a coherent response through their actions—will surely find success and transcend the current business environment. Those unable to meet these demands will likely be condemned as irrelevant or outdated, as ethics and aesthetics are indeed becoming one and the same. A picture may be worth 1,000 words, but as Solon of Athens said, speech is the mirror of action. Solon was one of the Seven Sages of Greece, so he surely had more experience managing a volatile citizenry than any of us.

# Disruption and Reputation: Tailoring Changes to Consumers

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As Pablo Picasso, one of the original disruptors in the art world, once said, “If there were only one truth, you couldn’t fill a hundred canvases with the same theme.” When thinking about disruption in the business world, the reality is similar. It is helpful to recognize that there is not only one truth, one idea or one single way to innovate.

The term “disruption” appears frequently when discussing management and business administration. In fact, disruption is a major focus of our operations here at LLYC, where we encourage our business partners and clients to embrace the concept as an essential element of success.

The term is not a simple buzzword for fledgling brands and companies to use as a positioning tool. It evokes the idea of a new company in the public psyche, suggesting an organization that promises to completely reinvent an industry or business model.

According to the Royal Spanish Academy's dictionary, disruption is merely defined as an "abrupt break or interruption," but according to the Fundación del Español Urgente, in recent years its meaning has broadened to include a "process or manner of doing things which implies an abrupt break or interruption, imposes itself and ousts those previously in use."

The term is in its golden age, and the media clearly recognizes this. Use of the word "disruption" increased 440 percent between 2010 and 2015, according to the "The Advantages of Disruption. Megatrends for the Future" (EY, 2018) report.

Widespread use of the concept ballooned in tandem with the rapid appearance of many radical startups aiming to change how their sectors operated. This was when we witnessed the reinvention of sectors like transportation (Uber), hotels (AirBnB), media (Facebook, Twitter) and retail (Amazon, Alibaba), among others.

In the wake of these companies' appearances, we needed a word to define the great changes occurring, setting this new approach apart from traditional, contiguous innovation. The so-called "disruptive innovation" pioneered by these companies almost always began with a major technological development. They were born not only of a desire to better address user demands, but also to become relevant features of the communities in which they operate.

Overtime, repeated “disruptive successes” in various industries, combined with increasing public activism, have created a new environment, one in which it is no longer enough to bring about that “abrupt break” for financial gain. Companies must now respond to much more complex demands to win consumers’ hearts—namely, they must utilize their capabilities to aid and innovate regarding the current challenges facing modern society and our planet.

We are currently in a continuous race for innovation on a scale vastly different from traditional business operations. There have been changes to how products and services are released, with continuous launches of new and improved versions (whose technical specifications, materials, components and other functional features have changed, sometimes significantly) becoming the new norm. There have been changes in operations, with frequent variations becoming commonplace not only in manufacturing, logistics and distribution, but also in management methodologies for both people and operations. Furthermore, there have been significant changes to marketing, where there is a constant contest of one-upmanship in an attempt to surprise users in terms of production, price and even through a recent trend of incredibly in-depth product presentations.

Intel’s Andy Grove once asked marketing guru Clay Christensen what effect disruptive innovation might have on his company. Christensen did not have any particular opinion on Intel specifically, nor did he have an intimate understanding of the company’s operations, so instead of telling Grove exactly what he wanted to know, Christensen responded with advice about new assessment methods, giving Grove the tools to reach his own conclusions. Grove was then able to examine the implications of disruptive innovation for Intel on his own, and he thanked Christensen for the assistance. According to Christensen, that same idea is central to his methodology for teaching classes, advising companies and relating to others in general. Often, the solution to any disruption lies within.

It is almost certain that new and exciting advances are still to come in many sectors, including new concepts such as integrating AI into products (such as self-driving cars) and services (from chatbots and virtual assistants to personalized medical diagnosis and treatment aides). Furthermore, today's industry increasingly incorporates the "Internet of Things," drones, 3D printing and augmented reality, even utilizing blockchain technology to increase digital security for users and contracts. Business frameworks are changing in ways never before imagined.

However, as we become accustomed to such innovation, new questions begin to crop up. How do these innovations positively impact our lives and the environment? How have they changed our ideas about brands or products? What innovations make us want to actively recommend those products? How can an innovation make us believe a brand is more valuable than the sum of its products?

It is on this track that the race to disrupt is run. We live in a time when the majority of people claim they would not care if almost all existing brands disappeared (Meaningful Brands, Havas Media Group, 2019). Thus, the challenge facing companies today is to disrupt through meaningful action within the communities in which they operate .

"Who says everything has already been invented and progress is no longer surprising? There are so many things we still don't know about the origin of the world, about the species that live on our planet, about how our brains work and about how to solve major problems like pollution, batteries or starvation in Africa." These are the words of Sandip Tiwari, professor of Engineering at Cornell University (USA), and we could not agree more. Our goal is to develop methods of disruption that will efficiently and dramatically appeal to as many consumers as possible.

Companies and brands that succeed in this race see not only financial gains from speeding ahead of their competitors, but also find their innovations have a tangible effect on their reputations, social licenses to operate and emotional connections with users, consumers, regulators and employees alike.

Companies that maintain a keen understanding of sustainability (beyond the financial) know how to read and respond to consumer insights and demands, even acknowledging that this could have a short-term negative impact on their bottom line. We believe this is at the heart of disruption.

## Learning from prime examples

"Clear is the new clever." This slogan is closely associated with Patagonia, a brand founded in California in the 1970's to produce and selling outdoor clothing and sportswear. From the outset, the company's founder was known for his environmental concerns. The company ran its first environmental campaign in 1988, taking specific actions to reduce the brand's pollution, including using recycled paper in its catalogues, making jackets out of recycled polyester and later using 100 percent organic cotton in its garments.

The fashion industry has a positive impact on many countries' economies, employing over 300 million people and generating over $2.5 trillion in revenue, but it is also the industry responsible for the second highest level of pollution, resulting in 20 percent of all waste water and 10 percent of the planet's carbon emissions. From how clothes are manufactured using toxic chemicals and large amounts of water to the huge quantity of textile waste one person will produce in a lifetime, the fashion industry's negative impact on the planet has become a sticking point for many consumers—and they want to see tangible solutions to current problems.

It was in this context that Patagonia[37] launched The Footprint Chronicles initiative, enforcing total transparency regarding the origin, manufacturing process and environmental impact of each of its garments, including reasons consumers might not want to purchase them. Additionally, Patagonia puts a hefty price tag on many of its products in an attempt to force potential buyers to reflect on the necessity of their purchases. The company even offers environmentally-friendly alternatives, such as a repair service and secondhand clothing marketplace.

But what effect did this initiative have on their business? Did consumers stop buying Patagonia products and opt for competitors offering lower prices but no transparency instead? Quite the contrary. After launching this initiative, Patagonia not only succeeded in cementing its brand image of environmental activism, but simultaneously positioned itself as offering the

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37 https://www.youtube.com/watch?v=JIC9DUkbic8

most expensive—and thus highest quality—outdoor garments. Patagonia's current estimated annual profits reach over $4 billion.

Taking a stand on social issues

A more recent case is that of DICK'S Sporting Goods, a leading U.S. sporting goods vendor founded in 1948. The company currently employs over 30,000 staff across over 850 stores. In its lifetime, DICK'S has positioned itself as the country's leading seller of firearms, an area that accounts for a significant portion of the company's profits.

Throughout its history, the United States has been known for citizens' constitutional right to bear arms. However, the last 37 years have seen 113 mass shootings in the country, sparking widespread opposition to that right. Many believe a significant part of the problem is the ease of purchasing a firearm in the country.

After the shooting at Stoneman Douglas High School in Florida, in which 17 people died, it became public knowledge that the shooter bought his gun at DICK'S. In the wake of this, and keeping societal pressures in mind, the company made the decision to stop selling assault-style rifles and high-capacity magazines, as well as raise its age requirement for purchasing a gun to 21. This policy went into effect in all DICK'S stores nationwide in February of last year.

By year's end, the company's sales had dropped by $150 million, a 1.7 percent decrease from their average annual sales. However, the brand stood firm in its decision, stating that this decision was not an economic one, reasserting its moral conviction and even calling on other companies to join the initiative.

This perseverance bore fruit. In 2019, the initial negative impact subsided and DICK'S sales began to rise significantly. The brand closed the first quarter with its highest profits in three years, outpacing its competitors by a considerable margin. DICK'S now enjoys its new position as one of the United States' major leaders in gun control responsibility.

Understanding society and consumers

Adidas provides another notable example. Founded in Germany in 1949, the Adidas brand is constantly reinventing itself, weaving disruptive innovation into its DNA. The company specializes in sports and fashion wear manufacturing, employing over 60,000 staff worldwide and reporting revenue of over $14 billion, making it the second most profitable brand in its sector.

Adidas uses large quantities of unrecycled "virgin" plastic in its garments and footwear. Virgin plastic is sturdy, low-cost and indestructible, making it very attractive to product manufacturers. However, it is also significantly harmful to the environment. Figures regarding plastic's effect on the planet are alarming. Eight million tons of plastic enter the world's oceans each year, destroying marine life and adversely affecting the maritime landscape and climate. Plastic pollution in the ocean is a major concern for conservationism.

With this in mind, Adidas aimed to become part of the solution. The company cofounded the environmental group Parley for the Oceans, then developed a new sneaker model constructed from plastic bottles salvaged from the ocean. Adidas even took its commitment one step further, banning plastic bags in all of its stores worldwide and declaring it would transition to utilizing only recycled plastic by 2024.

Once again, consumers responded positively to the initiative, and despite the high cost of Adidas products (a pair of sneakers costs up to $220), the company sold all 5 million sneakers it produced last year.

And the impact on the company's reputation speaks for itself. With its newfound commitment to the environment and new product releases, Adidas has significantly increased its brand value and connected with the large number of consumers willing to pay extra if it means helping decrease plastic pollution in the oceans. Adidas disrupted its operations and, as a result, gained immediate popularity.

## What can we learn from these companies?

Some might say the word "disruption" has seen some overuse (and different people may have different opinions on its value), but it is irrefutable fact that successful, aspirational companies all share the understanding that they cannot make an impact in their fields without disruptive innovations. The major point we wish to illustrate is that attaining that "break" is no longer the sole purview of engineers. All professionals who wish to develop and manage their reputations must be prepared to make it happen themselves.

In order to design the kinds of disruptive innovations that have positive impacts on brand reputations, it is imperative to study and understand their fundamental workings. Business leaders aspiring to capture consumers' hearts must step up and ask the question: How can my company disrupt its field to contribute to solving society's problems and become valuable in the public consciousness?

At LLYC, we are thoroughly convinced that all companies should embrace disruption.

# BRAND AND IDENTITY:
# A DISRUPTIVE DIFFERENTIATION

# From Tribes to Communities: Toward a Flexible Brand Identity

**Ana Folgueira**
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Poet Alejandra Pizarnik once wrote that "no fear is as intense as that of losing one's identity."[38] The digital revolution has created a new multi-identity consumer profile. When grouped into communities built around a cause, they share a series of values. But how do these communities, which are located around the globe, build their identities?

Like technological revolutions in the past, today's digital revolution is beginning to create a social transformation. This change is driven by the immediacy and abundance of available information and knowledge. We are witnessing an unprecedented cultural exchange that dilutes geographical and conceptual borders, making us more permeable to people and ideas different from us.

38 Alejandra Pizarnik. Poesía Completa, La noche, el poema, 1969.

TRIBES VS. COMMUNITIES

| | PRIMITIVE TRIBES | URBAN TRIBES | COMMUNITIES |
|---|---|---|---|
| GEOGRAPHIC REACH | Local | Dispersed | Dispersed |
| CHANNELS OF GROUP ADHESION | In person | Mass Media | Social media |
| CAUSE | Defense against the environment | Rebellion against the environment | Diverse, compatible causes |
| EMOTION | Fear | Rebelliousness | Undefined, dependent on the community |
| MEMBERSHIP | Exclusive | Exclusive | Non-exclusive |
| LEADERSHIP | Leader or tradition | Aspirational or inspirational leader | Guides rather than leaders (if any) |
| DISCOURSE | Internal | Unique and shared | Unstructured |
| VISUAL IDENTITY | Artistic expressions, decorative objects, symbols, etc. | Music as artistic expression, clothing and accessories as symbols | Multifaceted and flexible |

■ Opportunity of brands

Connectivity and lower transaction costs have multiplied our ability to choose what, when, where and how we want to consume. Today, we get to choose almost everything, from our workplace to our acquaintances.

Through social media, the new digital environment allows us to connect with individuals from any location, in any language and in any way, giving us the opportunity to group ourselves in communities based on shared interests, values or ways of understanding life. Unlike the tribes of the past, these communities do not belong to a specific region and are not exclusionary. This encourages the creation of a flexible and multifaceted individual identity that allows us to belong to as many communities and causes as we can relate to.

Brands seek to connect to these communities as a way to reach individuals with purchasing power.

However, for this strategy to be effective, the group must have solid identifying characteristics in terms of the purpose, discourse and images its members share. Consistency is essential for these communities to exist in the long term, which is of vital importance for the brand's initiative to be worth the effort.

## Tribes and brands

Let us stop for a moment to consider the relationship between brands and urban tribes, which reached their peak in the second half of the 20th century. To a certain extent, it can be said that urban tribes inherited many characteristics from primitive tribes: They emerged as a group's response to its environment, they are exclusive from one another, they follow a leader and they place great importance on the external construction of their identity. However, they also build on characteristics of their own, which are especially relevant to brands:

- Belonging to an urban tribe is a voluntary choice, and, thanks to mass media, it is not limited to a specific region.
- These tribes appeared as a form of rebellion against the system, seeking to convey a specific message to the rest of society.
- The role of the leader is both inspirational and aspirational. Group members are not forced to follow their leader, but wish to do so and to emulate them.
- Their need to convey their purpose to society lends significance to their external signs of identity. Personal appearance, clothing, musical tastes and other accessories allow members to show who they are and display their sense of belonging.

In the 1979 British film *Quadrophenia*, directed by Franc Roddam, the lead character Jimmy openly states that he does not want to be like anyone else and that's what lead him to become a mod. Despite this declaration, as a member of his tribe, Jimmy wants to be like the other members of his group, with their clothing, music and Lambretta scooters.

*Quadrophenia*, based on The Who's rock opera, tells the story of a violent confrontation between mods and rockers over a weekend in 1964 in the coastal town of Brighton.

Both tribes emerged in the 1950s', the mods in the United Kingdom and the rockers in the United States. Both subcultures had highly defined visual identities. The mods, with their short hair, tight-fitting dark suits and long green parka coats, considered themselves intellectuals akin to the beat and modern jazz generation. The rockers, with their pompadours and long sideburns, were rock and roll fans with a more progressive ideology linked to social injustice.

Motorcycles were an object of desire in both tribes: Lambretta or Vespa scooters, in the case of the mods, and larger motorcycles such as the British BSA, Triumph or Norton for the rockers. In this sense, Jimmy's striking Lambretta, with its 10 mirrors, practically shares the spotlight with the lead character in *Quadrophenia*.

The film was not received particularly well by audiences or critics at its release due to the harshness of certain scenes, but it has become a cult classic. Jimmy's Lambretta sold for 54,000 euros at a 2008 Bonhams auction[39]—a lot of money considering the scooter was originally designed to motorize war-torn Italy and was

39 "54.000 euros por la Lambretta de Quadrophenia," Solomoto.

therefore inexpensive, easy to maintain and reliable; hardly a luxury item.

In the context of urban tribes, brand outreach efforts are justified by the possibility of being acknowledged by tribe members as creators of certain symbols of identity, such as the Lambretta was for the mods.

Hippies, mods, rockers, hipsters and goths have all built a story around shared values and aesthetics. Brands play a key role in this story by providing the material objects necessary for each group's expression of identity.

However, the fact that belonging to one tribe makes it impossible to belong to another requires a serious commitment from the brand. When their product is linked to a certain tribe's values, it shuts down the brand's opportunity to appeal to other tribes, excluding a large portion of the market.

## Communities and brands

Under the assumption stated in this article, new online communities seem to hold greater appeal for brands. Since they function as permeable groups whose members can join all the communities that relate to their identities, brands don't face the same issues of exclusivity. However, precisely because they are made up of individuals with wide-ranging interests, they do not have clear leaders—aside from the occasional influencer, who acts more as a guide than an actual leader. Although their identities are clearly defined in terms of purpose, they are not always as clear in terms of their message or image.

Another challenge is that brands can no longer use the same strategies they used in the past to connect to these groups. Group members flat-out reject being targeted for connection. This rejection is based on decades of advertising and an environment in which we seem to have lost our ability to distinguish true from false. Consumers are aware of their power and demand a functional relationship from the brand: they accept it only when it provides them with a clear benefit.

Therefore, they accept being targeted by brands whose value proposition fulfils at least two requirements:

- True and real. Modern consumers are unforgiving toward brands that lack authenticity,[40] and they highly prize coherence between storytelling and storydoing. When a brand targets a community, it must never be perceived as opportunistic. Furthermore, the company's value proposition and purpose must not only be compatible with the community's cause, but complementary. In other words, brands must seek to connect with communities with standards that allow them to fulfil the company's purpose.
- Non-exclusive. As mentioned above, community members join many communities and take part in all causes that interest them, as based on their own individual identities. Companies must therefore define their purposes based on strong value propositions that can relate to various causes in a coherent way.
- Beneficial for members. Benefits must not come solely in terms of products or services, but be for members of the community, favoring its devel-

40 "El consumidor coherente. Marcas Auténticas," Quiero (2017)

> opment and its continuity. To help sustain the group, brands can help communities build public and recognizable identities by contributing specific content and experiences to each community. This content can be shared by members of the group to create a sense of belonging.

La connection, using a more flexible message and more adaptable identity. This is an opportunity for any brand willing to engage in an exercise in humility by creating proposals based on listening to communities, then offering them tailor-made experiences in an ongoing feedback loop.

The identifying features individuals relate to within each community are determined by how they consume and share content, leaving out those not to their tastes or any they find unrelatable. The ability to convey emotion is crucial, as emotions are the key to holding a group together. To paraphrase acclaimed speaker Simon Sinek, if you speak from the heart about your beliefs, you will attract like-minded people. The more dispersed the group is, the greater the value of sharing the same emotion.

A good example of the way strong audiovisual content can mobilize a dispersed community that rarely comes together can be found in the advertising campaign “Dad, why is Atleti our team?” Launched by soccer team Atlético de Madrid in 2001, the campaign used emotion to maintain cohesion among its supporters. In the original ad, a child asks his father why they support the team, and his father is unable to answer. The content immediately struck a chord among the team’s supporters, who probably all shared memories of similar conversations they had with their fathers or their own children. The ad evoked the vibrant energy of the soccer field and the feeling of belonging to a community that takes pride in its values. Since then, each new version of the ad with a new claim[41] is featured in the sports section of the evening news. The agency responsible for the ad says the campaign provides the best explanation of what it means to be an Atleti supporter: passion shared from one generation to the next.[42]

## Visual experience

We know the human brain processes images up to 60,000 times faster than text, and it has a greater capacity to retain visual content than any other form of information. A total of 40 percent of users react better to image-based content than plain text,[43] and publications with visual content are visited 94 percent more often.[44] It could even be said that today's communication needs to be visual or it won't reach its audience at all.

People's natural knowledge of visual and graphic language is so vast that their adhesion to or rejection of our brand depends almost entirely on the quality of what we produce. As companies, we must introduce ourselves with the prevailing tools and languages our target communities use. More than ever, we must assume the medium is the message: our visual communication is the most powerful way to convey our brand identity.

41 Such as "Nuestra verdad es Nuestra verdad" or "Celebra lo que eres"
42 Case Study, Señora Rushmore
43 https://www.puromarketing.com/42/22337/poder-imagen-contenido-visual-nos-atrae-tanto.html
44 http://contentmarketinginstitute.com/2016/10/research-b2c-content-marketing

If we want our content to express our value proposition and purpose while helping define the identity of our target communities, we should reconsider how far we are willing to go to make our brand identity flexible, which would allow individuals from different communities to relate to it.

A good example of this is Vodafone's content strategy in its official social media profiles. If we analyze the language, tone, formats and visual identity of Vodafone YU, Vodafone Giants, Vodafone TV and Vodafone Empresas, we see that each channel adapts to its target community: *yusers* (young users), gamers, TV show and film fans and companies interested in the digital transformation, respectively.

Banco Santander is also a leading name in social media branding, with the promotion of the 1/2/3 Smart Account designed for customers between 18 and 31 years of age who want not just money, but new experiences. The website's design and language appeal to a younger audience and focus on vital experiences, and the product was presented through the award-winning brand film "Cuánto."

In the fashion industry, a well-known case is that of Louis Vuitton. With the launch of their new "V" leather line, featuring a practical design, they were able to show that luxury is compatible with a hectic urban lifestyle. The line's designs feature a different signature, one consisting of a V-shaped pattern designed by Gaston-Louis Vuitton that he used on his own briefcases. The company also launched their "MoVers" series, done in collaboration with young professionals linked to artistic and aspirational lifestyles, such as famous skater Alex Olson or digital artist Ryoichi Kurokawa.

Using this strategy, Louis Vuitton targeted a group of young urban professionals who are not traditional consumers of its products. As an aside, it is worth noting that users on several skate-related forums and blogs envisioned Louis Vuitton becoming a brand used by skaters worldwide. This dream is not far from reality, considering the relationship between luxury brands and the world of rap music.[45]

As stated at the beginning of this article, no fear is as intense as that of losing one's identity. This fear is also a privilege, because you cannot lose what you don't have. From the moment our parents name us, we spend the rest of our lives trying to discover who the person in the mirror is. We consider how we wish to present ourselves to others, whether we are alone or in a group. Individuals welcome any help in this pursuit of identity. Those brands capable of embracing this have an unparalleled opportunity; the intersection between their identity and that of their target communities will provide an opportunity to convey their value to consumers and achieve the brand engagement they so long for.

45 "A cada trapero su marca de lujo: una historia de amor recíproca," Smoda

# Cultural transformation for survival

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In the novel *Il Gattopardo*, Tancredi says to his uncle, “If we want everything to remain as it is, everything must change.” This may seem like a paradox, but it is a reality applicable beyond politics, touching all aspects of life.

Detecting new trends and predicting changes brought about by them are two indispensable skills for a business’ longevity. Kodak kept an iron grip on the photography market for over a century, but fell during the shift to digital. VHS and other 80s' paraphernalia have become mere objects of nostalgia, and currently even digital cameras are being left behind following the integration of cameras into smartphones. But despite this, Fujifilm was able to see this change as a chance to reinvent itself and maintain its prosperity; the Japanese multinational corporation, which was founded in 1934, still stands today.

Many companies tend to focus on tried-and-true business strategies that have worked for them in the past. However, success is situational, and the parameters that led to the success of any given strategy may have changed. Corporate cultures that cling to old methods will struggle to survive.

It is not easy to define the concept of "company culture," nor is cultural change easy to implement or consolidate in an organization. In fact, culture is often the primary obstacle to organizational change, leading to its downfall.

In our opinion, an organization's culture can be defined in one word: personality. Akin to a genetic code, it is comprised of an organization's values, procedures and practices. Employees who do not put themselves in the company mindset do not belong there.

Companies usually make cultural changes to adapt to changing talent and market demands. At present, rapid technological change begets a need for organizations to undergo a generalized cultural shift. But there are many other factors that may drive a company to evolve, such as changes to their business models, internal restructuring processes or shifts toward increased employee involvement.

The end goal of cultural transformations is optimization. To successfully transform the workforce, implementation goals must be SMART— meaning Specific, Measurable, Achievable, Relevant and Timely. Employees are a key factor in this process. If they feel a sense of ownership over this change, they will readily adopt it and make it their own.

Zappos is a good example of a successful cultural transformation. When Zappos' CEO wanted to redefine his company's culture, he asked all his employees for their opinions. With input from his entire workforce, he decided on the set of values that would become part of the company. He then asked the employees to change one company process or policy to even further accentuate the new corporate values, and in doing so, he was able to leverage those new values immediately.

Another example of a successful cultural change is W.L. Gore.[46] In 2017, despite the company's great success and highly consolidated market position, Terri Kelly and his team of executives determined their workforce was dissatisfied with the low-risk decision-making and extreme caution in new business initiatives. The company's sluggishness on the innovation front was particularly dangerous, so they decided to alter their decision-making process.

The company created an internal team called the *Innovation Center of Expertise*, whose goal was to promote the most promising employee proposals. In addition, the company created small start-up teams so its professionals could explore new projects. Most of the ideas failed to become successful businesses, but Kelly allowed employees unsatisfied with the new

46 Fortune

initiatives to return to their old jobs. This arrangement was met with much enthusiasm. It acted as an outlet for frustrated Gore employees and was ultimately a great success.

Last is an example of a company facing a cultural transformational challenge that has become very common: addressing diversity as a distinct value with avenues for improvement. SAP, a U.S. software development company, realized its workforce was comprised primarily of a single demographic, so it decided to promote diversity in its corporate culture. In 2013, the company announced that 25 percent of its global leadership positions would be occupied by women, a goal that was reached in 2017. At present, SAP is still introducing new measures and initiatives to promote the incorporation of women on all levels. In the company's words, "Diversity drives innovation and generates a variety of enriched perspectives that empower engagement both with SAP employees and consumers, which in turn supports and promotes business success in the changing digital world."[47]

## People addressing change

People shape their identities through their relationships with their environments, emotions, values, etc. These details form an idiosyncratic profile for each individual. As Ortega y Gasset once said, "I am myself and my circumstance."

No two people are alike, and this manifests in an obvious way: Different people's reactions to change vary greatly. TED speakers have shared techniques for adapting to a changing world, but how can we improve

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a new culture's implementation process for a broad spectrum of employees?

Innovation diffusion theory3 can help for gauge responses and willingness to participate in change. With this Gaussian curve, we can analyze different profiles in terms of their willingness to embrace change.

This theory puts forth five categories:

- Innovators (2.5%): Those who volunteer to try new things and are ready to take risks.
- Early adopters (13.5%): Those who are potential leaders and instigators of change in their company. They feel comfortable with change even if they are as proactive as the Innovators.
- Early majority (34%): Those who are not leaders but likewise are not averse to common changes, such as updating to state-of-the-art technology.
- Late majority (34%): Those who are skeptical and will wait for the majority to have implemented a change before putting in the time or effort themselves.
- Laggards (16%): Those who are a challenge involve in the change process.

In addition to an analysis of the time it takes for professionals to get involved, we can also analyze the qualitative profiles that arise based on these reactions to change.

These profiles are divided into 4 groups:

## Apostles

A company's cultural forerunners, they have a positive attitude toward change and will use their emotional attachment to motivate others to implement the company's initiative. They are committed to the company and quite possibly feel responsible for the change themselves, so they will make it their own and automatically become ambassadors (promoters) of change.

### Hostages

These professionals are committed to the company and their job, but have some difficulties implementing change, which may put them off from their initially positive perspective. They are most comfortable with what they know, so they feel intimidated when faced with change. If they are left unassisted during early implementation phases, they may get overwhelmed and become mercenaries.

### Mercenaries

These professionals work for their company as they would any other, with no sense of company loyalty. Since they have no attachment to their company or team, there is no personal stake in their work there. When faced with a cultural change, they may adapt reluctantly, but they only distantly acknowledge their company's goals.

### Toxic

Toxic professionals dislike the company and their job. Their reaction to change is completely negative. They don't want it, and they cannot implement it because of a total lack of predisposition for company initiatives.

## Communication's role in change management

A cultural change may fail for any number of reasons. Below are some obstacles that usually lead to failure:

- Lack of commitment from company leadership[48].
- Resistance among employees, which is a very common issue. This risk cannot be ignored during the planning process.
- Poor or infrequent internal communications. Insufficient communication is the most common cause of implementation failure.
- Lack of strong employee commitment. Without employee involvement, creating a new culture is impossible.
- Unclear culture definition.
- Lack of planning.
- Improper leadership.
- Prioritization of the system above the people.
- Lack of vision.
- Overlooking short-term goals and small victories.
- Failure to anchor change to corporate culture.
- Premature declaration of victory.

Risks may arise as a result of workforce rejection or a disorganized transition. If a culture change goes off-course, it can result in issues such as:

- Creation of a confusing culture.
- Detachment of professionals from values.
- Employee demotivation.

To guarantee success, it is important to emphasize minor victories and allow everyone to feel the beneficial effects of the changes. This helps them get motivated to continue involving themselves in the process. In short, good communication is the key to success, enhancing culture transformation through knowledge, inspiration, activation and participation.

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## Knowledge

A good starting point, in terms of both spreading news and determining your workforce's mood, is to ensure everyone understands and know how to promote a given initiative.

Remember that communication can be mutual. For quite some time now, communication in both the media and business has moved not only downward, but upward as well. Thanks to this multi-directionality, managers are easily able to get opinions from employees about the company's new face.

## Inspiration

Good communication can inspire. The same way an advertising campaign can evoke an emotional response, communication (both internal and external) around a company's cultural change can generate fluctuations in employee attitudes. If they become enthusiastic, the heightened mood will act to promote involvement.

When putting together speeches outlining the shared vision, aim to inspire to add to your workforce appeal.

## Activation

Activation goes one step beyond inspiration. In this case, it is bidirectional, or even multi-directional. When implementing cultural change, start with the leaders. If they are aligned with the new values, they will become key internal allies in the transition process. Their role is to promote change among their teams and other coworkers.

There are various tools to activate and orient leaders, as well as provide them with the knowhow to empower them during the transition process.

### Participation

One way to help professionals develop sense of ownership of company change is to get them directly involved. This may seem obvious, but it remains oft-forgotten. Motivation and commitment levels increase exponentially, expediting the transition. Employees are bestequipped to deal with what happens in the company, and their ideas may be very beneficial due to their clear perspectives on existing business opportunities and improvement areas. Basically, co-creation of a new culture optimizes its organization and implementation.

## Phases of change

Culture must change and adapt to current demands for a company to survive. Specific tools exist for this purpose, such as specialized work spaces, information and communication systems, incentive systems, etc.

Devices, systems, rituals, organizational charts, etc. are all tools that can help smooth transition, but there are certain unavoidable phases of cultural change that must be accounted for. These phases include:

### Phase 1: Analyze, Diagnose and Understand

Thorough analysis is required to determine the starting point for any cultural change. It is essential to assess the current situation; clarify the company's vision, mission and values; and define the gap between what the entity currently represents and the strategic goal it seeks to achieve. An analysis of the current state of the organization, including its strengths and weaknesses, allows you to chart a realistic course toward your goal.

Without this analysis, it is impossible to properly align the transition or determine which factors are necessary in the company culture's evolution.

There are many tools that can be used in this diagnosis, from surveys to focus groups and even largely unexplored methods, such as agile methodologies.

In fact, many companies are already using these resources, though they are usually utilized for other purposes, such as evaluating the work environment, leadership 360º assessment, worklife balance, etc.

This first phase is often most difficult, due to the large amount of effort required to achieve sufficient discovery and self-knowledge. A common but serious error is approaching this phase with a negative attitude or with excuses. Do not deceive yourself; nobody likes to hear what they don't want to hear.

It is important to acknowledge that preparing the company to face future challenges is the reason for change. Thus, it is essential to know what factors to change and which problems to address. For example, neither individualism nor teamwork is inherently better than the other, but in your specific case, a lack of teamwork may put your company at serious risk.

## Phase 2: Design and Align

When planning to implement change, it is essential to not only consider the company as it is now—your starting point—but also include all collaborators and anyone else who may exert influence to help you maximize the alignment of your goals. Maximal participation is vital to sufficiently define the vision, values and internal processes that will support cultural change in your organization, such as incentives or remuneration policies, among others. Change must be integrated into all of a company's operating processes to guarantee success.

This can be achieved through an inspirational and exciting speech to all members of the organization. Communication and thoughtful execution are paramount, and again, the involvement of all departments will aid in this. The goal is to generate a positive attitude, and a little fun never hurts.

### Phase 3: Implement, Measure and Review

Many companies invest efforts and resources into the previous phases but forget project success requires not only on implementation, but also continuous improvement of the plan.

This is where clarity, honesty and coherence come into play, even more so if the company is able to send a message that emotionally impacts the transformation's main actors. In this phase, it is important to inspire and involve as many collaborators as possible to cultivate positive attitudes throughout the organization. If possible, generate a positive attitude within the organization. The changes we consider essential for achieving cultural transformation are:

- Leadership: Inspire and coach employees toward the desired future, providing directors and top managers with the tools they need to successfully take on this role.
- Communication: Involve every group in the new vision and relevant key messages at each stage of the transformation process.
- Training: Cultural transformation, quite often, is associated with the need for new behaviors, which

implies both acquiring new skills and organizational support to help employees learn them.

- Employee Experience: This responds to questions team members may ask themselves. How will this cultural change transform their job expectations, customer relationships, team coordination tools, job measurements and working conditions? In short, what benefits will they gain by embracing the new culture?

The truth is, despite making these changes, any organization's cultural change will be a longterm endeavor. The results of this sort of project are never seen instantly. It is necessary to set benchmarks that guarantee continued optimal management and change implementation.

Consistent review allows you to set the pace of implementation, and, if needed, drive its acceleration. In this phase, it is especially important to acknowledge the efforts of those involved as progress is made and important milestones reached.

In this last phase, you must also focus on project goals and, if possible, use tools and methodologies to hasten the transition. A consistent communication plan that supports the transformation and involves all employees is the best way to achieve strong and clear results.

## Key success factors

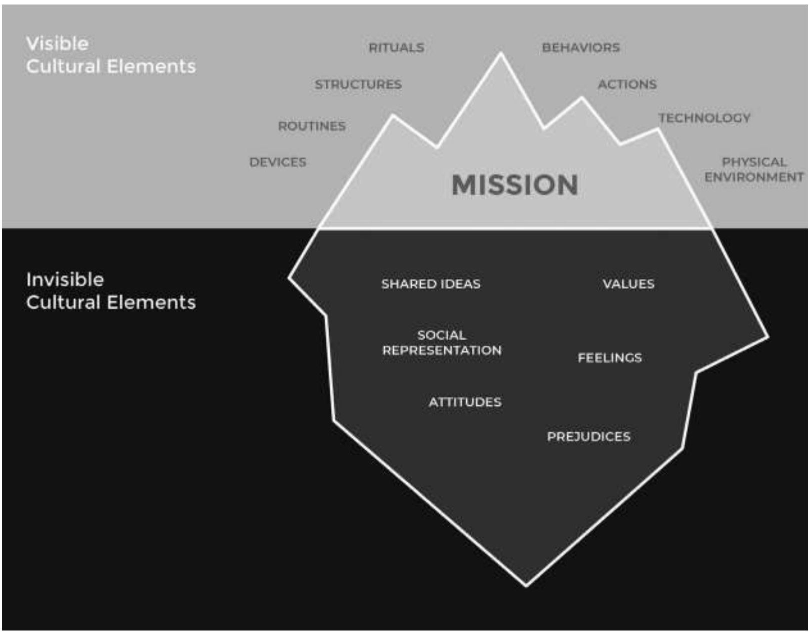
Studies have shown that one in three companies fail in their attempt to implement a new cultural model. The need for a roadmap with clear, efficient goals that involve all employees is clear.

There are many factors that can have a positive effect on cultural change. In our experience, some of them include:

## Long-term vision and planning

Any organization's culture is made up of both visible and invisible elements, such as:

Cultural elements




An organization's visible elements are easy to mold, while the invisible elements are concepts whose evolution can only be expected to take place over the long term. This is why sustainable roadmaps require proper planning and prolonged follow-up from those involved. Even a long-term approach will not guarantee an attitude change across the entire organization.

A tool that can be useful in the long term is your recruiting process. Sustained incorporation of people who share the values of your desired culture will naturally facilitate that change.

## Holistic and Consistent Vision

Coherence provides security during the cultural change process. If visible elements are not cohesive with the intended change, you will lose credibility and failure is guaranteed.

For example, you cannot ask your sales force to work as a team if you only offer individual incentives. You cannot ask your manufacturing plants to improve production quality if you only measure productivity in terms of volume. All visible elements of culture (systems, processes, politics, physical environment, etc.) must be aligned with the culture you are aiming for.

## Leadership and participation

The element of change most visible to an organization's members is the direct involvement of leadership and management teams during the transition. In the cultural transformation process, it is necessary to ensure the organization's top management is thoroughly prepared so they can act as enablers and facilitators that during the change process. Leading means facilitating action and inspiring others. Leaders who use their positions well are capable of influencing behaviors and molding attitudes.

This type of leadership, based on collaboration and the creation of flat organizational structures, enhances organization members' participation in the change process. When all members are able to participate in cultural change initiatives, it not only generates a more powerful shared vision, but also adds another essential ingredient: the desire to change.

### Accountability and Continuous Information

Lastly, you must remember to follow up with the metrics that allow you to quantify success and uncover any need to implement adaptability or enhancement processes.

Through accountability, you can concretely give good news about company development to organization members, and with this, you generate commitment to change.

There is nothing more gratifying than seeing a transformation come together. Conveying that success through data generates a feeling of pride and sense of belonging, both of which are key to the success of your cultural transformation.

# Generating impactful content

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The most effective and profitable companies are those who have digitally transformed themselves using a partnership between communications and marketing. Consultancy firms specializing in strategy, communications and marketing now collaborate more closely than ever before, offering clients multifaceted solutions for our modern world. The centerpiece of this previously unimaginable union is content, which has gone from being a mere communications tool to transforming entire business models, with a direct impact on the bottom line.

Stakeholders use the content they consume to promote the company, which promotes itself using data from that same content. Consultancy firms' strategic and marketing plans are moving away from using large-sample surveys to inform their decisions, turning instead to content (90 percent of which is digital) as their primary analytical tool.

But what is content? It is what happens when a company shares any expression—intentional or otherwise—that leaves an impression on the receiver regarding that company's brand, product or service. A chatbot's script in a call center, an Instagram story, a blog post and a reply from Amazon's Alexa are all examples of content. The data generated from content (number of clicks, number of visitors, reading time, subject, related keywords, etc.) then becomes a company's nexus of strategic information.

People think, browse and consume content with very different goals. Companies' content-generated goals must change, as we no longer merely gather information, but also interact, express ourselves, gain attention and offer enjoyment and entertainment. Put simply, sales no longer equal success.

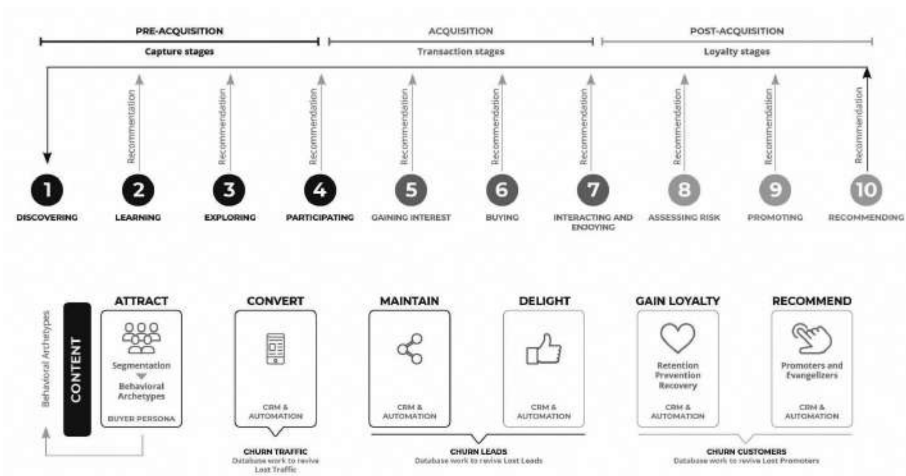
## Forms of content

Content has recently shifted from being a mere communications tool to becoming a focal point of business models and directly influencing the bottom line. But who controls content, marketing or communication? To reconcile any confusion, we can define three distinct types of content:

- Corporate Content: This content relates to the company's values, mission statement and reputation. It includes media relations, reputation and crisis management, brand expression, public and investor relations, events, engagement, social responsibility initiatives, etc. Corporate content is managed by traditional communication departments.

- Content Marketing: This content entails a major commitment to personalization and automation. Its purpose is to raise interest and stimulate audiences to seize leads, uncover acquisition opportunities and increase brand loyalty, leading to retention and positive word-of-mouth. This type of content is managed by marketing departments.
- Disruptive Content: Traditionally known as advertising, this type of content covers traditional media, billboards, mass email marketing, cold calling, digital banners, remarketing, etc. Disruptive content is managed by both the communication and marketing departments in tandem, as best suits the company's needs.

Focus model digital experience LLYC



The combination of these three content types has made the traditional push-and-pull of past monodirectional corporate structures obsolete. The current digital transformation offers a higher degree of interaction and content personalization, with a greater scope—and therefore impact.

## Strategies for Content Marketing

At present, 90 percent of impactful marketing and communications are carried out, directly or indirectly, within the context of a company's digital ecosystem. All interactions or communications, whether corporate, operational or business-related, is in one way or another a component of a digital ecosystem.

Whether developed by the marketing or communication department, any digital ecosystem must be guided by five strategic goals:

- Generate traffic to the platform, website, blog or loyalty club. Content should be created with a focus on improving traffic and lending credence to messaging, thus increasing interaction, content usability, loyalty and retention.
- Increase engagement and recommendations. To achieve this goal, content should focus on raising awareness of the brand, product or service. This will lead to increased demand and deeper customer connections, consequently resulting in a willingness to recommend the brand, product or service to friends, family and colleagues.
- Avoid bouncing and fleeing. The digital ecosystem allows heightened awareness of customer experience, which helps companies create content with an eye to changing expectations. Done intelligently,

this reduces the likelihood of hitting "pain points" and their resulting loss of customer satisfaction. This is among the most potent innovations in customer experience management.

- Increase conversion. Though it is often defined as the purchase of a product, there is also digital conversion via this type of content. This type of conversion focuses on convincing customers to move from one stage to another, such as from "discovering" to "learning" or "learning" to "participating." To accomplish this, content should utilize automated workflows, which can deepen customer interactions with content based on their behavioral patterns.

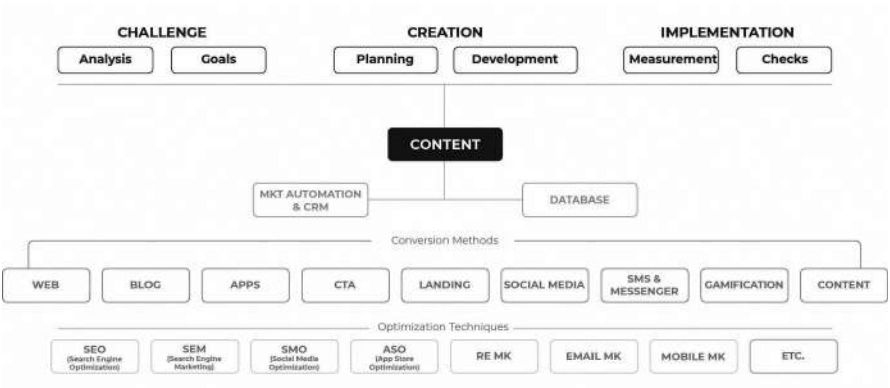
Launch a product, service or brand in the market. The ultimate goal of content marketing is to facilitate the successful launch of a new brand, product, service or platform. This step, commonly known as "going to market," is one of the most recognizable features of this type of compelling content. Launches proceed in a structured manner, moving through the discovery, information, evaluation, decision, enjoyment, repetition and recommendation phases. As such, content tone, format, frequency and goals are similarly structured in terms of these stages.

## Measuring Content Marketing Strategies against Business Strategies

Peter Drucker (1909-2005), the father of modern business management, is credited with the well-known maxim "If you cannot measure it, you cannot improve it." However, this quote was first coined eighty years earlier by British physicist and mathematician Sir

William Thomson, the First Baron of Kelvin (1824-1907), when he said, "If you cannot define it, you cannot measure it. If you cannot measure it, you cannot improve it. If you cannot improve it, it will always deteriorate."

Content management




Keeping this guiding principle in mind, it is clear that content marketing must be measurable in the form of KPIs. It is no secret that communication directors are often reticent when it comes to business-related data analysis, but just as marketing professionals must learn to understand the essence of content, communication professionals must learn to analyze data regarding their companies' fields and its impact on the bottom line. This will not only add value to those professionals' work, but will also allow them a greater role in decision-making and—most importantly—contribute to their budgets.

As such, all content marketing plans must relate directly back to the company's business and operations. Below are ten KPIs that every marketing or communications director should consider when creating this—or any—type of content:

### 1. Return On Investment (ROI)

When including content marketing in a business strategy, it is important to consider its possible results and profitability. ROI evaluates profitability, which is to say, it measures the difference between resources invested in creating the content versus resources generated by the content, whether in terms of direct sales, visits, page impressions or potential customers reached. It can be calculated using the following formula:

ROI = (Benefit – Investment) / Investment

To learn more about ROI, you can look into the financial concepts of Internal Rate of Return (IRR) and Net Present Value (NPV).

### 2. Average Revenue Per Account (ARPA)

Sometimes called "average revenue per user," ARPA is especially useful during launches and ongoing projects, as it provides an easy way to track revenue. It is calculated by dividing the total income over a given period by the company's total number of active customers to highlight the average revenue obtained from each one. A high ARPA indicates high customer spending.

ARPA = Total revenue obtained / Total active accounts

### 3. Customer Acquisition Cost (CAC)

It is essential to consider CAC in any content marketing strategy. We must ask how many marketing and communication resources, on average, must be invested to secure one new customer in a given period. This is calculated by dividing total invested sales costs (marketing, sales team, sponsorship, engagement, etc.) by the total number of customers captured in the given period.

CAC= Marketing costs / Number of customers

### 4. CAC payback period

The CAC payback period is one of the major challenges facing companies today. Telecommunications, banking and insurance can have a CAC payback period of over as many as 36 months—thus the high importance of loyalty plans, recommendations and brand engagement.

If we know retaining a customer's loyalty costs half as much as capturing a new customer (and bearing in mind that CAC recovery is long-term), the big question becomes "How long does it take for a customer to become profitable?" To calculate this, CAC is divided by ARPA. This is a key element when designing conversion, adhesion and business strategies in the short-, medium- and long-term.

CAC payback period = CAC / ARPA

### 5. Lifetime Value (LTV)

Customer Lifetime Value (LTV) measures the value a customer has throughout their lifecycle with a given organization, showing how much each customer is worth during their time with a company. This represents the total net profit a customer offers a company, and there are two ways to optimize it: lengthening customer lifecycles (loyalty, recommendations, retention, connections, etc.) and optimizing the value a customer provides during the standard lifecycle (utilizing parallel sales, for example).

This information allows us to estimate the margin of benefit each customer offers, broken down into behavioral groups based on common interactions with the company. This behavioral data is not exact, but uses historical trends to generate predictive models. This allows us to optimize and strengthen each group's relationship to a product or service.

LTV answers the question of how profitable any given customer is during their relationship with a company. Below are two different formulas to calculate this:

LTV = Average gross spending x Recurrence rate
LTV = ARPA x Average time spent

### 6. Capture Profitability Ratio (CRC)

CPR is an essential KPI for making predictions and adjusting content strategies accordingly. It indicates the efficiency and profitability of converting people through content marketing.

For investors, this is the magic number. Why? If, for example, I gain €5,000 per customer lifecycle after investing €500 in capture, I now know that the gross margin per customer (CPC) is €4,500 (9 times the cost). CPR is calculated by dividing LTV by CAC.

CRC = LTV / CAC

For this to be effective, LTV and recurrence measurements (discussed below) must be accurate.

### 7. Monthly Recurring Revenue (MRR)

Modern digital consumption is leading the industry toward subscription models, and companies like Amazon and Netflix have already successfully made this transition. We will soon be living in a subscription economy, where ownership of goods will be relative.

MRR measures use or purchase frequency of products and services, and it is one of the most impactful profitability metrics for any business—especially for subscription models, where loyalty is essential due to the high CAC. The key here is understanding that once a new customer has been acquired, they represent recurring income. This model offers unique challenges compared to traditional sales, such as retention and churn. MRR is a measurement of predictable and recurring income in a subscription model, and it is directly related to CAC. It can be calculated with the following formula:

MRR = ARPU X Total number of customers

## 8. Churn/Abandonment Rate

This is another KPI for gauging customer loyalty, or in this case, disloyalty. The churn rate represents the percentage of customers who abandon a brand over a given period and at what stage in their lifecycle they leave. It also shows the rate at which these customers are lost. Failure to retain customers long enough to at least counterbalance CAC is a negative indicator.

To calculate churn, we first must know the number of lost customers. This figure is obtained by subtracting the number of current customers from the number of customers there were at the beginning of the period in question.

Churn rate is calculated by dividing customers lost by initial customers, then multiplying this by 100. Then we can see that, for example, a 5 percent monthly churn would mean 60 percent of existing customers are lost annually, and that on average customers are retained for 20 months (100/5). If we analyze this with respect to CAC, it will highlight the viability of the business model's content marketing efforts.

Churn = (Customers lost/Initial customers) x 100

Churn is often caused by two dangerous mistakes: unattractive content and an unsuitable or unstructured digital ecosystem.

As a general rule, the lower your churn is, the greater your customer loyalty. After taking this measurement, it is important to work to understand why you lose customers. Surprisingly, one of the main reasons behind churn is a lack of content marketing due to lack of data analysis.

### 9. Click Through Rate (CTR)

CTR measures the number of clicks your content marketing pieces generate. It is calculated by dividing the number of interactions with your content by the total number of clicks. Many different things can result from a click, giving way to many entirely digital KPIs. The following are some of these:

- Visibility. Percentage of times a brand/product appears in search results. In advertising, defines wheter an ad has been seen or not.
- Saturation. Number of times a brand appears in search results.
- Engagement (web/blog). Can be defined using permanence criteria such as average session time, number of page views, number of sessions, percent bounce, etc.

- Rich Snippets. Enhanced results, such as stars, addresses, telephone numers, reviews or links to internal pages.
- Crawl Rate (CR). Time searc engines spend tracking websites. Increases according to a site's SEO relevance.
- Relevance. SEO authority that Google and other search engines give a site, according to its SEO optimization.
- Reach. Number of people an ad or publication has reached.
- Impressions. Number of times an ad or publication has been shown (includes multiple instances per person).
- Impact. Viewing an ad or piece of content.
- Lookalike. Similar audiences (based on criteria defined by the advertiser, such as social demographics, interests, geolocation, behavior, etc.).
- Retargeting/Remarketing. Impacting a user who has previously been impacted.
- Engagement Value (SM). Percentage of social media reactions (likes, comments, shares, clicks, reach, etc.).
- Search Engine Marketing (SEM) Value. Search results corresponding to a perticular advertisement (text or display).
- Display Value. Advertising in the form of images (banner ads) in search results or on a website.
- CPT. Cost Per Thousand Impressions.
- CPC. Cost Per Click.
- CPL. Cost Per Lead.
- CPA. Cost Per Action.
- OR. Open Rate.
- Soft Bounce. Email that wasn't delivered because the recipient's mailbox was full.

- Hard Bounce. Email that wasn't delivered because the address wa wrong, the email did not exist or the account was automated.
- Thank You Page (TYP). Page where user is redirected after sending a lead.

## 10. Net Promoter Score (NPS)

This last KPI has transformed entire companies since it was discussed in the *Harvard Business Review* article titled "The One Number You Need to Grow." In this article, Frederick Reichheld used a simple model to determine the most reliable method for quantifying stakeholders' loyalty to a company. This model revolves around the importance of recommendations and word-of-mouth.

Reichheld asked customers the following question: "On a scale of 0 to 10, what are the chances you will recommend this product?" In doing so, he showed that customers can be categorized into three general groups: promoters (responses between 9 and 10), who will defend the brand and recommend it no matter what; passive customers (7 to 8), the largest group, who have a high degree of satisfaction but would neither recommend nor criticize the brand; and detractors (0 to 6) who are more likely to criticize the brand.

NPS has become a factor all companies utilize to identify their market value. It can be calculated as follows:

NPS = Promoters (%) - Detractors (%)

If you keep a close eye on this figure with regard to not only your brand, but also your content, style, format, tone, frequency, etc., you will be much more able to see to see how your company's content marketing efforts influence recommendations.

Lastly, do not forget that the most successful digital transformations begin with communications and client interaction. Unlike digital transformations centered around IT or systems, this investment is gradual, so immediate supplementary benefits and short-term income can help ease the transition. Business- and stakeholder-centered content marketing, digitalization and all the steps necessary to achieve those things (personalization, automation, experience, recommendations and data), can and will come together to thoroughly transform your company.

# How brands should react to media disruption

**Gonzalo Carranza**
Managing Director at LLYC un Peru

In the last decade, The New York Times has been the subject of two documentaries. In the first, Page One (2011), life at the venerable daily still revolved around the printed word and a major financial crisis loomed. In the second, the Showtime documentary series The Fourth Estate (2018), financial anxiety was no longer a major theme, and the show instead focused on the newspaper's revamped editorial decisionmaking process. This change is clearly reflected by a few key moments that would have been unthinkable in Page One. For example, an investigative scoop concludes not with the story going to print, but with a click of the "Publish" button on an editor's computer, sending it straight to the paper's website. There's no longer any need to keep the best material "for the print edition," and shots also show recordings of "The Daily," the now-iconic podcast that has set iTunes download records.

The media has gone through a period of major change in recent years, moved by a digital revolution that strongly impacted them long before other industries, many of which now find themselves immersed in similar transformations. The media started to think about adapting as soon as the digital ecosystem we know today came into being, some 25 years ago. Back then, Netscape and Yahoo made browsing and searching for online content something everyone could do. Then came Google, YouTube, Spotify, Netflix, social media channels, the iPhone, the smartphone boom and the iPad and its (unfulfilled) promise to enhance publications.

What really catalyzed these changes for media was the boom in access to all these technologies, which, though they appeared in the most developed markets first, have recently come to emerging markets as well. This is a phenomenon that has been going on for 5 to 15 years, depending on the data you look at. The number of people with internet access jumped from 1 billion in 2005 to an estimated 3.9 billion by the end of 2018, according to International Telecommunication Union figures. Even more notable is the expansion of Wi-Fi networks, going from 15 million in 2008 to 493 million in 2018, according to Wiggle. If we look only at developing countries, internet penetration went from 7.7 percent in 2005 to 45.3 percent in 2018, almost reaching the global average of 51 percent.

The media disruption caused by this mass access to new technologies—which has, in many cases, meant the fixed sunk cost of disseminating content is now zero—has led to a paradoxical situation. On the one hand, many traditional media outlets have responded by reducing their size, cutting staff and decreasing space for journalistic content. Nonetheless, even with fewer people, the editors of these outlets are producing more content than ever due to the need to populate their websites and apps. Depending on the strategy, this content may truly offer value (investigative pieces, exclusive analyses, multimedia material) or it may minimally informative, conceived solely to gain a better position in Google searches or capture "easy" clicks with sensationalism, entertainment and clickbait.

This newfound access to technology also means there are more content producers than ever. Web pages, blogs, forum participants, podcasters, YouTubers, independent niche journalism platforms, journalists and communicators with their own digital platforms and social media users and influencers all generate content. These new producers are shattering the traditional oligopoly on information, formerly ruled by established media outlets. This had been enforced by both an economic structure (with fixed and distribution costs) and purely technical restrictions (the limitations of the electromagnetic spectrum, for example.)

Although there has been talk of a media crisis for years, the media is more important today than ever before. It is more present in consumers' lives now than it was when print newspapers were thriving. In 2018, the average American consumed 12 hours and 9 minutes of media (understood as content diffusion platforms) every day, of which 6 hours and 35 minutes was digital media—making last year was the first time digital consumption exceeded that of traditional media. This is a brutal statistic; the average person spends half their day in front of a device that transmits information, opinions and entertainment. They must also work, study, sleep, eat, spend time with family and use other forms of entertainment somewhere in this media-saturated day. Even if we take the substantially smaller numbers from major developing markets, we see media still occupies large blocks of time in people's lives: 6 hours and 39 minutes in China and 4 hours and 59 minutes in India, for example.

Despite its predominant position, the "post-disruption" media economy is still a work in progress. Many digital platforms have found ways to make a profit off large volumes of data-based micro-advertising on Google, YouTube and Facebook. There are also those who use subscription models, such as Spotify Premium, Netflix, Amazon Prime and The New York Times itself, which now has over 3 million digital subscribers. In these cases, the new structure requires major investments in content creation and purchase, but it has proven effective, especially for platforms with an international reach. It is up to traditional media to reinvent itself or be trapped in a vicious cycle of smaller audiences, less advertising income and less investment in product quality, leading to further drops in audiences, income and quality.

This new media perspective creates both opportunities and challenges for brand reputation managers. One new factor is the increased number of "agenda setters," i.e., people and platforms that influence what issues, news and opinions are important to the public and determine how this content should be ranked. We must increase our efforts to communicate our brand's narrative, which must now not only reach the four or five media editors who used to monopolize content, but also an ever-changing world of influencers and connectors in our communities of interest.

Another newfound challenge lies in managing faulty information and fake news, which are related but not identical problems. In the case of faulty information, we have increasingly stressed writers who are being forced to multiply their output rate to win battles against SEO and clicks. It is not merely inaccuracies or mistakes in journalistic content, but changes in production models, which now have fewer filters. Under tight time constraints, journalists do not hesitate to be "flexible" with certain basic precepts of their work, such as calling the parties involved to fact-check. Today, that call can form a second "follow-up" or "reaction" article. To combat this, it is essential to maintain ongoing monitoring, as well as a high enough reaction speed to make contacts and fine-tune information.

Fake news, however, is a different species. This deliberately false content seeks to appear believable and is produced to chase audiences, damage reputations or defend ideological positions. In this case, careful listening and quick reactions are essential, but an additional line of defense is to have advocates—such as our collaborators—already active in the digital world, ready to share the real version of events. We can tackle fake news with radical transparency. The more we open up to our different communities and interest groups, the less traction fake news will have.

It is not all challenges in this new media world, though. With the ever-rising number of agenda setters, brands can take on the role of agenda setters themselves. To do so, they must have clear goals and identify their conversation areas. This will allow brands to develop emblematic stories that capture media interest and imagination, even creating opportunities to work in partnership with them.

To sum up how brands should manage their reputations in a disruptive media context, there are 4 key C's:

- Construct your brand narrative. We can no longer afford the luxury of drifting along. Today's consumers and stakeholders are looking for brands with a purpose, a positive social impact and a story that conveys these characteristics.
- Communicate intensely. Given the increase in relevant stakeholders, it is not enough to have text on a website, get an interview with the CEO in a leading outlet or create an "institutional branding" campaign to tell our story. We have to communicate our brands all day, every day.
- Converse, don't announce. With so many content options, it is no longer beneficial to simply announce information about a company or brand. Consumers and citizens have been empowered, and they expect brands to show humility and engage in conversations on equal footing.
- Counter crisis situations quickly. By now, most people are aware of successful crisis management cases. A prime example is the incident with Starbucks in 2018, when a store manager called the police on two African Americans he found suspicious because they were sitting in the store without making a purchase. He assumed, because of their ethnicity, that they were criminals, when in

> fact they were waiting for a third person. Starbucks avoided crisis by mounting a swift counterattack. They publicly accepted their mistake, apologized and embraced the need to combat racism in their operations, starting with closing 8,000 stores to provide training on racism and other biases

In short, in an era of profound and exponential change in both the media and communication channels, brands not only face great challenges, but also find an important opportunity to take a hand in defining and sharing relevant narratives with numerous protagonists (including the brand itself). Furthermore, they can now do this without depending solely on third parties, as was once the case.

# CONSUMER EXPERIENCE: CONSTANT INNOVATION

# Conversation and Conversion: Customer Experience Challenges in B2B

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We often talk about how the digital disruption is transforming the panorama of B2C (business to client) companies, but what about B2B enterprise, and what challenges are facing customer experience in this sector as technology transforms commercial relationships? According to a Gallup report, just 41 percent of B2B customers strongly agree their companies are perfect for people like them, and 49 percent do not feel proud to be a company customer.

Many challenges B2C has recently confronted in the areas of communications, branding and marketing also affect the B2B customer experience. Therefore, rather than mere conversion, it is the challenge of winning customer loyalty that becomes paramount. This is where the need to establish relationships based on ongoing, valuable contributions and coherence across all points of contact becomes critical.

Little is said regarding the key role communication plays in the customer journey, much less how it is increasingly used as a basic tool to create a coherent, satisfying experience. We have identified four critical challenges for the future of B2B companies, based on valuable conversations and a conversion strategy closely associated with communication.

## The challenge of personalization

All new developments in the business-customer relationship (blockchain, Internet of Things, augmented and virtual reality, data analytics, etc.) are based on one thing: being able to speak to and interact with customers as if we were lifelong friends.

Although it may seem a little obvious, a new world opens up when we consider the two ideas revolving around this goal:

If I understand my customer's fears and concerns, I can anticipate them to show empathy, increasing effective communications and interactions and ameliorating the bounce rate.

If I understand my customer's motivations, desires and interests, focusing on those that drive their actions, I can fine-tune my content and interactions to point people toward my product or service.

With all of this in mind, we strive to achieve hyper-personalization/integration (referring to grouping similar behavioral archetypes, also known as buyer personas), offering more and more unique, tailored products. Hyper-personalizing customer experience is an issue companies must work on, because they currently confuse the three types of experience management:

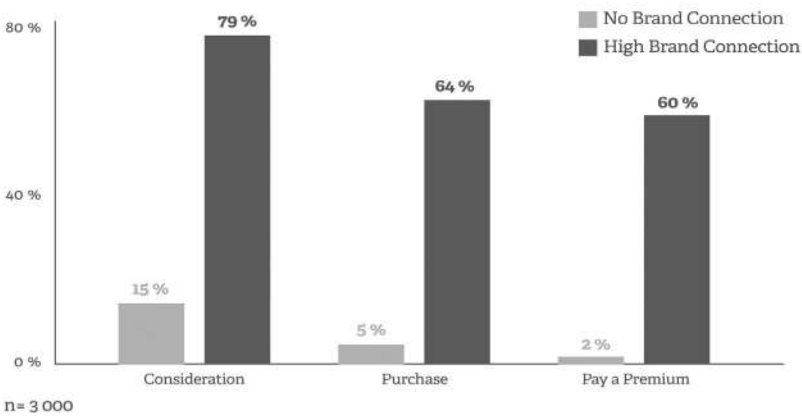
- Customer's ultimate reality, one which, unfortunately, often differs from the experience the company believes it is delivering. Customer feedback techniques gauge the degree of satisfaction, net promoter score, etc. as a means of measuring the delivered experience and obtaining information to move it closer to hyper-personalization.
- Desired experience: This type of experience is designed so all points of contact and brand interactions with users create positive, memorable impressions. The biggest problem companies are facing is confusing personalized interactions with offering a painless experience. They fail to realize that, in order to positively build effective and memorable experiences, discomfort is necessary. It generates user satisfaction after they move to your brand. Living perfect experiences is tedious; we fall in love with the imperfections that make us feel understood and require some economic

and emotional effort. For example, the line at Starbucks, carrying home furniture from Ikea, waiting for acceptance to enter a gated community, etc.

- Effective experience: Manage your delivered experience and combine it with desired experience, and that's where you'll find hyper-personalization. Identify its differentiating possibilities before rivals with greater resources by "thinking more and spending less," a core principle of marketers.

This new focus on hyper-personalization takes the "customer-centric" mantra a step further, and it will be key to creating memorable experiences for B2B companies.

Impact of B2B Brand Connections




Source: "From Promotion to Emotion," a CEB/Motista survey

## The challenge of branding

Let's say there are two types of brands: those that use emotion to drive purchases, and all the others. If we define brand role to be the part of a purchase decision that can be directly attributed to a brand (excluding other factors, such as prices or intrinsic product characteristics), then historically, the role of emotion has been vitally important for luxury items, beverages, fashion and hospitality, and less so in industrial services, financial services, pharma and logistics.

But things have changed. The amount of demand a branded product or service obtains over that of the same unbranded product or service grows every year in all the aforementioned sectors. This tells us that branding and identity, linked in the service of emotion, are now an indispensable part of any purchase process.

The fact is, marketing heads at B2B companies are turning to brands to increase preference, purchase capacity and price premiums. A Gartner survey suggests that brand is the second-highest priority for marketing executives.

The B2B environment, like so many others crowded with rivals, suffers from an increase in commoditization that makes us fight against prices as the sole driver of purchases. B2B professionals are realizing that increasing brand awareness among customers leads to broader margins, generating loyalty that can protect them against even competitors with lower prices. Making a sale in the professional environment is more difficult than in others due to demand complexity and delays in closing commercial agreements.

In addition, someone purchasing professional services is better prepared and more experienced than consumers in B2C environments, creating a more deliberate experience that requires brands to more heavily rely on their identities as a means of signaling confidence and reliability. Conversely, earning a certain amount of trust results in greater loyalty. When the brand journey is sophisticated and decentralized (multi-contact), brand identity must be coherent, firm and well-established so the company can create many stories inspired by a single purpose.

In the difficult task of converting a stranger into a loyal customer, identity acts as an effective and necessary integrator for the experience. Brand development reduces commercial risk, insulates companies in times of crisis and provides a common purpose to connect all the company's stakeholders.

## The challenge of thought leadership

Looking beyond conversion, conversation is a top-drawer tool, to be used not only when drawing the attention of potential customers, but also when developing richer relationships with existing customers to foster their loyalty. In recent years, thought leadership has become a powerful solution that adds value to B2B commercial relationships and allows companies to become leaders in all conversations relevant to their reputations and businesses.

The key to a coherent, effective strategy lies first in identifying the conversation areas that can add value to commercial relationships. Understanding the communities already discussing these topics and the foci of their conversations is necessary to add value and help share the company's perspective. From that point onward, the company should spread an optimized thought-leadership strategy throughout its entire value chain, including commercial models, employees and all points of customer contact. In some cases, this has been considered merely a helpful tool for use in attraction strategies, but it is even more valuable when working to gain the loyalty from customers in later stages of the marketing funnel.

It's time for B2B companies to start sharing their specialists' knowledge with the world and offering their top executives a chance to be opinion leaders, thus strengthening relationships with customers promoting themselves in society.

## The challenge of employee advocacy

Humans can fall in love with other humans, certain ideas, good stories or aspirational images that invite us to think and dream big. These emotional ties are what move the world, driving us to make all kinds of decisions—including purchase decisions, of course. This engagement usually comes from our direct experiences with people, places, emotions and brands, creating an undeniably human scenario. However, it forms a maze-like challenge for B2B companies, which have historically ignored this valuable resource, thus missing out on an important method of directly addressing end consumers.

We humans prefer to put our trust (more generally) in "someone like me," or, when it comes to companies, in normal employees. It turns out that, for years, B2B companies have been looking outside for ways to excite end-users, but they are increasingly coming to the realization that they have always had the secret weapon they needed for success: their own professionals.

A committed professional is the most powerful and effective tool for forging sincere, profound and lasting bonds with consumers. Employee advocacy—a new term for the age-old idea of relying on employees to be ambassadors for their brand—is an essential part of customer conversion and loyalty in the B2B ecosystem. The potentially unlimited scope of social networks has given this indispensable practice a new dimension for companies willing to differentiate themselves, both now and in the future.

The cases of pioneering B2B companies (Microsoft, Hewlett Packard, Salesforce and FedEx, for examples) obtaining impressive reputational results in this area are significant. In any event, there are no simple "copy-and-paste" recipes. Although the trend is universal, each company must study the issue from its own unique perspective. Ultimately, there is no other way to find one's own voice.

# Latin American Discount Stores and Future Challenges for Own-Brands

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The popularity of discount stores is nothing new in European markets, but in Latin America, the new discount store phenomenon has revolutionized shopping, challenging traditional consumer channels.

In recent years, large retail outlets with robust and well-positioned brands have had to compete with new low-cost brands entering the market, as well as contend with major changes in consumer behavior. This is especially apparent in fledgling markets, affecting brand behavior across Latin America. In Colombia, for example, eight in ten households shop primarily at discount stores.

But in a world with increasingly mindful consumers who seek to connect with brands sharing their values, how can a purely transactional model sustain itself?

The discount store business model is undeniably popular in Latin American markets. This phenomenon poses questions about the future of consumer-brand dynamics—questions well worth consideration.

## The Origin of Discount Stores

Traditionally, discount stores are retail establishments that sell own-brand products at low prices. This model originated in Germany with stores like Aldi and Lidl, developing into a major global boom in the 1990's and early 2000's.[49] This rapid expansion created new global retail dynamics, which have reached Latin America in the last decade.

But what makes this business model so attractive? For one, it generally utilizes operational and logistical efficiencies, which are then passed on to consumers in the form of highly competitive prices for (usually) basic consumer goods. In addition, these stores are easily adapted to new spaces, requiring no major investments, unlike traditional retail models. Thus, they can expand rapidly, spreading into new territory throughout their country markets.

Aside from economic and financial considerations, Latin America is seeing an especially telling paradigm shift in consumption habits and consumer preferences, one that is, in many cases, challenging fundamental ideas regarding the consumer-brand relationship.

49 Sachon, Marc, *The Hard Discount Model in Retailing*, International Center for Logistics Research (CIIL), 2010.

## Transformation of Consumer Habits

According to Nielsen Homescan's 2018 report on *Colombian self-service spending*, this model, including in traditional stores, discount stores, cash & carry and independent chain stores, was responsible for 47 percent of Colombian household spending. This figure is not insignificant, indicating very positive growth in Colombian economic indicators. The high performance of the hard discount and cash & carry formats were primarily responsible for this large amount of spending. These models' accelerated growth (60 and 15 percent, respectively) took ground from traditional stores, gaining increasing consumer favor.

The original hard discount model came about as a response to the economic crisis in Europe, but in countries like Colombia and Mexico today, it has become an effective alternative for many consumers, who find these models meet their shopping needs. In fact, there is such diversity among discount store consumers that variations within the model have emerged. Today, not only are there hard discount models, but also hybrids: Stores that exist at a crossroads between traditional retail models and these new models of efficiency.

But how is it that a model attains such positive results across so many sectors with little or no investment in brand development or positioning?

Consumers have begun to branch out and explore uncharted waters. The emergence of new, apparently more attractive alternatives is rapidly beating out customer loyalty.

As a result of wider access to information and the "Amazon phenomenon," consumers now want to operate independently from retail models. They wish to access a different kind of supply, one emphasizing purchase functionality, ease of purchasing and integrity of development, with a close eye on quality and value.

The discount store model's arrival to Latin American markets has only bolstered this paradigm change, making own-brands the current stars of retail.

## Future Challenges for Own-brand Engagement

Own-brands are not a new factor in consumer dynamics. Large retail outlets have long maintained basic own-brand products in their portfolios, playing a strictly functional role for consumers. Naturally, these products have grown in sales and popularity in recent years thanks to the advent of discount stores.

According to Spanish newspaper ABC Economía, Spain spends the second-most on own-label brands in the European Union. According to data from May 2019, 42 percent of bulk purchases in Spain are of own-brand products.[50]

This phenomenon has encouraged large brands worldwide to develop an own-brand area to strengthen organic business growth. Two major examples of this trend are Walmart and Target, whose own-brand numbers spiked in 2017 and continue to increase each year.

This area may enjoy sustained growth in North America and Europe, but there undoubtedly remains a great opportunity for Latin American own-brands to participate and bolster their continued growth. Octavio

50 "Casos de éxito en los que productos de marcas blancas se volvieron «verdes»." *ABC España*. https://www.abc.es/economia/abci-casos-exito-productos-marcas-blancas-volvieron-verdes-201906121212_noticia.ht ml

Blasio[51] believes Latin America is in an early stage of own-brand development, but will soon undergo the same natural evolution other world markets have seen. This transition can be envisioned thus:

1. Initial stage
   a. Limited supply
   b. Simple presentation
   c. Emphasis on price
2. Development stage
   a. Greater supply
   b. Better presentation
   c. Economies of scale
   d. Emphasis on both price and quality
3. Maturity stage
   a. Plentiful supply
   b. Considerably improved labeling and packaging
   c. Emphasis on quality

However, the number of consumers willing to try new brands continues to grow, especially in the Colombian market.

## Representation of Own-brands in the Latin American Retail Market (2018)[52]

Colombia is the country with the greatest weight of own-brands in the region, with 15, 4 percent; followed by Peru with 12 percent, Central America with 8 percent of participation and in the Southern Cone, Chile and Argentina, with 6 percent and 5 percent respectively.

51 "Marcas propias en LATAM: Oportunidades y retos." *Merca 2.0.* https://www.merca20.com/marcas-propias-en-latam-oportunidades-retos/

52 Kantar Worldpanel 2018

Consumers are becoming increasingly informed, with access to new experiences and a previously unheard-of market dynamism (aided by the advent of e-commerce). The concept of traditional brand loyalty no longer applies.

Nielsen's 2019 *Global Loyalty-Sentiment* Study shows that 92 percent of consumers lack brand loyalty, and in countries like Colombia, only 7 percent consider themselves loyal to their favorite brands. At first glance, this figure appears apocalyptic for communications and marketing. This state of affairs raises several questions which beg consideration from all self-service channels with own-brands:

## Are you anticipating consumer needs?

Consumers have always changed, and companies have always needed to adapt in turn. The key to distinction in this new market environment lies in anticipating new consumer needs. Consumers will favor whichever brand is swift and efficient enough to generate a memorable experience, be it an own- or traditional brand.

The global green sector is a good example. In Spain, the consumption of products packaged with green labels has increased by 14 percent. Large discount retailers have adapted to this shift with remarkable speed: Carrefour now offers Carrefour Bio, Lidl has Lupilu and Bio Organic and Aldi created Gutbio. These are just some examples of a market opportunity being anticipated and leveraged.[53]

53 "Casos de éxito en los que productos de marcas blancas se volvieron «verdes»." ABC España. https://www.abc.es/economia/abci-casos-exito-productos-marcas-blancas-volvieron-verdes-201906121212_noticia.html

## How can you compete if price is no longer king?

It is true that discount models are based on price differentiation, but how sustainable is this model over time?

No matter how inexpensive, consumers will not stay loyal to a product which lacks a simple return on quality for the price paid. Additionally, competition based solely on price will not generate brand equity, and in some cases, it could even inhibit purchasing.

In Colombia, brands such as Jeronimo Martins' Tiendas Ara have increased their perceived value through a model characterized by closeness, efficiency, quality, good service, strong own-brand products and, above all, low prices. As seen in this example, many factors must be incorporated into creating lasting value for companies like Tiendas Ara, which are new to these dynamic and diverse markets.

In Latin America, 42 percent of consumers are willing to actively try new products and brands. However, quality is a key factor is securing purchases. In Colombia, consumers base purchasing decisions primarily on product quality and performance, valuing price secondarily and discounts only after that.[54]

## How are you positioning yourself as a market leader?

Today's own-brand development struggles to distinguish itself in terms of consumer experiential and emotional connection.

To attract new consumers and maintain a distinguished position, a clear strategy is indispensable. Today's consumers are more sophisticated than ever. They

54 Revista PYM. Nielsen Global Loyalty-Sentiment Survey 2019

will readily invest in brands that concretely improve their lives over brands that are simply well-known.

Douglas Mello, planning chief of the Mexican advertising agency J. Walter Thompson, says own-brands must consider four key areas to strengthen their consumer connections and communication:

- Education
- New experiences
- Vocal engagement
- Social responsibility

As Blasio says, "[the brand] should be capable of establishing a clear strategy and solid infrastructure, supporting the launch of new products capable of reaching more shopper demographics. There must be a proper mix of low-cost and premium brands[55]

## Are you giving convenience the importance it deserves?

Consumers all over the world are searching for ways to make their lives easier. To build long-term relationships, linking products to brand messaging is essential. At the same time, however, consumers are constantly seeking convenience in their purchase decisions, putting newfound emphasis on a brand's ease of access and usefulness.

According to a Nielsen study, the driving forces behind this newfound reliance on convenience can be summarized in six factors. Although these may vary according to the exact political and cultural context in a given market, they all share some common threads that drive consumer decision making:

55 "Marcas propias en LATAM: Oportunidades y retos." Merca 2.0. https://www.merca20.com/marcas-propias-en-latam-oportunidades-retos/

- Rapid urbanization
- Diminishing household size
- Urban transport saturation
- Changes in gender roles
- Generational changes
- Increasing reliance on technology

It is important to realize, especially for self-service establishments like cash & carry and discount stores, that convenience refers to more than company sales portfolios or physical closeness of stores.

According to a study published in journal PyM, 46 percent of Latin Americans consider grocery shopping to be a tiresome, boring chore and seek to minimize their time spent shopping. For this reason, implementing digital services, single channels and other retail models will inevitably play an integral role in determining consumer preference. Thus, these differing models will eventually become inextricably linked with market value.

In this manner, environments in which multiple self-service channels are implemented will see convenience become a sort of currency, facilitating interaction by satisfying consumer demand for efficiency.

## The Illusion of Amazon's Own-brands: A Lesson for the Market

Approximately 78 percent of consumers base their purchase decisions on brand communications.[56] For this reason, it is necessary to build a transparent, active relationship infrastructure to help you form ever-stronger bonds with consumers.

56 Green Study, carried out by green business directory Las Páginas Verdes and consultancy firm Kantar Millward Brown (2017). https://expansion.mx/mercadotecnia/2018/01/19/cuatro-formas-de-posicionar-las-marcas-blancas

Amazon has over 400 own-brands in various areas to appeal to different consumer demographics. However, a Marketplace Pulse study shows that just 10 of these own-brands account for 81 percent of the company's own-brand sales, which in turn represent only 1 percent of its total sales.[57]

One reason for this "failure" of Amazon's own-brands is the technology giant's apparent branding and positioning strategy. Amazon's example is clear-cut evidence that a product by itself, relying solely on price, will not get through to consumers.

Thus, we are presented with the challenge of not only making major investments in publicity and marketing (which have a direct impact on a discount model's effectiveness), but also creating two-way mechanisms to transcend perceptions of having a solely functional purpose. Achieving this balance is key to creating products and services that satisfy consumer interests.

57 "Amazon tiene más de 400 marcas propias, pero sólo 10 de ellas tienen éxito: ¿Por qué no funcionan?" *Merca 2.0*. https://www.merca20.com/amazon-tiene-mas-de-400-marcas-propias-pero-solo-10-de-ellas-tienen-exito-por-que-no-f uncionan/

# Chatbots and Artificial Agents: The challenge of machine conversation

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Some 40 percent of large U.S. companies—those with more than 500 employees—will have incorporated chatbots or virtual assistants by the end of 2019, according to a Spiceworks survey. In 2018, around 59 percent of conversations with companies via online chat in the United States were held partly or completely with chatbots, according to a Forbes study. These studies, as well as other data, lead us to conclude that using intelligent agents to handle the growing number of conversations between brands and audiences has gone from a mere trend to an irrefutable reality.

### Immediate responses, 24 hours a day

The mass use of smartphones has meant instant messaging has become the default communication mechanism in our personal lives. It did not take long for this pattern of use transfer to corporate and brand communications as well. Now more than ever, consumers want immediate, ongoing responses in their interactions. Multiple recent studies—including those by Salesforce, ClickZ and Hubspot—confirm this. And with good reason, as the main benefits consumers associate with chatbots are:

- 24-hour service (64 percent)
- Immediate response (55 percent)
- Answers to simple questions (55 percent)

The pressure these expectations have put on companies has led to an environment that favors the use of company chatbots.

### Conversation experience: Room for improvement

However, the experiences humans have with today's chatbots are still far from ideal. According to a UJET survey, 58 percent of people stated their experiences interacting with chatbots were not as effective as they had hoped. Along the same lines, 47 percent of respondents in a Statista study said they had received unsatisfactory answers during their interactions with chatbots.

### Too much focus on technology, too little on communication experience

To work properly, a chatbot system should go through a "training process" in which a human team provides it with information about the typical questions, answers and conversation flows it will be involved in. This process, though especially intensive during the initial learning stage, is present throughout the chatbot's operational life. Chatbots progressively enrich their capacity to respond to more and more scenarios as they continue to interact with people.

As often happens in the initial stages of adopting a new piece of technology, chatbot and virtual assistant rollout projects are currently most often (if not entirely) considered to be purely technical projects. However, this loses sight of the fact that they are actually communication tools with a direct impact on user experience. On many occasions, the task of training a new bot for conversation is assigned to engineers who specialize in computation rather than linguists or communication professionals with greater expertise in conversational flow.

## Chatbots and their potential impact on reputation: The case of Cleo

Not paying due attention to a chatbot's training process can have consequences beyond what one might initially think. The case of Cleo, a financial services chatbot operating on Facebook Messenger, is a good example of this. Designed with the goal of making it easier for people to administer and follow their spending, Cleo was trained to use colloquial, informal language and encourage users to communicate with her in the same way.

The week of Valentine's Day 2019, Cleo's creators introduced a special conversation mode, designed to give a touch of "romance" to the state of its users' finances. However, Cleo's creators chose some rather unfortunate expressions in this new option for users, which horrified many women. Holly Brockwell, an independent technology journalist, drew attention to these messages on Twitter, noting how some messages suggested sexual violence.

The human team responsible for Cleo were quick to respond, assuring Brockwell that the more indelicate messages had been deleted and that the (all-women) writing and training team for the chatbot had sought to subvert the stereotype of a passive, gendered artificial intelligence, rather than insinuate violence. Although the damage had already been done from the "brand reputation" perspective, Cleo's creators took measures to rectify the unfortunate situation and Brockwell appeared to be satisfied with their response.

Obviously, certain types of messages can be controversial, and what some see as black humor, others will consider unforgivably offensive. The responses to Brockwell's original tweet show precisely that, with different people reading and interpreting the comment very differently. If, in addition, these types of messages are part of an autonomously-functioning artificial system, the impact on a brand's image can be very serious indeed—not to mention harder to detect. This reality demands an additional layer of precaution and sensitivity when developing a new chatbot.

## The importance of a chatbot's personality

In his now popular presentation *Four Cs of conversational interface CX,* Microsoft's Senior Manager of Global Engagement Purna Virji demonstrated the need to build artificial conversation agents with clearly defined personalities. A fundamental feature of every voice is its personality, and intentionally designing this persona is one of the fundamental ways brands can control what users perceive and experience. A friendly chatbot, one aligned with the brand's style and tone, will be more coherent, memorable and interesting than a robotic, neutral chatbot with no personality.

## Designing conversations for artificial intelligence

It is important not to lose sight of the fact that, in conversations between humans and intelligent agents, a human brain comes into contact with an artificial one, which has a radically different architecture and way of functioning. An artificial "brain" works based on entities, variables and rules, while a human works in terms of purpose, empathy and motivation. The growing ability of machines to interpret the meanings and contexts behind messages expressed in natural human language has enabled this new communication interface, but viewing a conversation as merely an exchange of messages in natural language and not considering psychological factors is an oversimplification that inevitably leads to situations that could clearly be improved.

Carefully designing the conversations a chatbot can have to make it a more natural, persuasive and useful agent is one of the key aspects to a good conversational experience. And putting the focus on human nature instead of basic computational behavior is one of the key ways to achieve this. Most of today's chatbot conversations lack this focus. They are often developed exclusively by engineers and programmers who, due to the nature of their jobs, are especially predisposed to adopting conversational models more befitting artificial "brains," with psychological and social questions often taking second place.

## The limits of technology

As much as psychological factors are those most often ignored, it is also true that the language and purpose recognition technology artificial conversation agents are based on is far from optimal. In fact, a large part of conversation model design is often allocated to considering what will happen when a chatbot fails to understand a question or goals of the human in the conversation. Some of the main limitations in the current technology include:

- Difficulties in understanding context. This is one of the challenges that tends to cause the most frustration among chatbot users. Chatbots can fairly comfortably manage the general contexts they were trained in, but they have major difficulties inferring or remembering the specific context of a conversation and identifying the relationship between successive questions. For example, if I ask a chatbot about the cost of tickets for a play, then ask about nearby restaurants, it is unlikely to infer that "nearby" refers to the theater location because I am putting together plans for an evening out.
- Limitations in decision-making. A chatbot's intelligence is not based on models of hypothetical-deductive reasoning. Unless a decision-making process has been explicitly codified, a chatbot will be unable to use common sense when making simple decisions in unexpected scenarios.

- Problems dealing with unscripted conversations. Though this limitation can be mitigated by more exhaustive training processes, one of the weaknesses responsible for many complaints is chatbots' inability to infer the purpose behind any conversation in which the goal is expressed unconventionally.
- Difficulties identifying emotions. Although this is one of the areas in which the greatest advances are being made, chatbots continue to show limitations in inferring the emotional tone of a conversation—something that might lead a human agent to modify the way they handle the situation.

## Resistance to artificial agents

Even in a hypothetical scenario where technology overcomes all these limitations and provides an excellent conversational design that gives the bot personality and empathy, we cannot lose sight of the fact that certain user profiles are very reluctant to speak with machines. In a recent CGS survey, 70 percent of those interviewed said they were reluctant to communicate with a brand that did not have a human customer service agent available. In another survey by Drift, Audience, Salesforce and Myclever, 43 percent of participants indicated that one of the main barriers to using chatbots was their preference for human assistance.

## Customer experience as the goal

Few people appear to question the fact that chatbots, far from being a passing fad, are here to stay. Their capacity for resolving simple, common issues without delays at any time makes them ideal for a number of tasks. Their limitations in handling more complex situations, particularly those in which it is critical to understand context and manage emotions, make it essential to have people in charge of certain conversations between brands and their audiences.

Although chatbots cost much less to operate than human agents, viewing their use as a mere cost optimization process is wrong. If we move away from seeing "improving user experience" as the main goal, we lose the main value of artificial conversation agents.

These new conversation technologies have a major impact on company and brand communication and reputation, so communication professionals should play a leading role in their development processes. Not using a chatbot because of the possible risks it entails may mean being left behind. This is a technology with clear potential for disrupting the all-important relationship between brands and their audiences.

# EPILOGUE

## Disruptive Flavors and Progress

**Ramón Freixa**
Chef and Director of the restaurants Ramón Freixa Madrid, Ático at The Principal Hotel and Erre in Cartagena de Indias (Colombia)

It all changed in 1987. Ferran Adria went to the French Riviera with some friends to visit various restaurants, but especially to sample chef Jacques Maximin's cuisine at the Chantecler. There, in the lobby of Hotel Negresco in Nice (where the Spanish committee was staying), he struck up a conversation that would forever change the history of global gastronomy. Maximin, in an animated discussion with the chef from El Bulli, uttered his wisest maxim: "Creativity means not copying." Adria, 25 at the time, went back to his restaurant in Girona to turn the French chef's aphorism into a personal philosophy. "We have to use the major chefs' books less and find our own identities more," he said. This was the beginning of his disruptive culinary story. From that moment on, his genius walked an open road alone instead of following in the prevailing (and rigid) footsteps of nouvelle cuisine.

Since that year, Spain has been a forerunner in international culinary innovations, always driving change and development in an industry that has transformed many of our habits. The country's success over the last three decades is proof that its chefs did things right; their professional satisfaction didn't just come from the idea of breaking with established molds. Instead, their growth has been planetary, influencing other gastronomies and ways of operating in the business world, going beyond what may magically occur in the kitchen.

I call it "slow-cooked disruption." Back then, all the necessary foundations were in place—with Adria at the forefront—to create a gastronomy both traditional and cutting-edge, using our national foods as the pillar and R&D as supports for whatever would come in the 21st century.

Italian author Giuseppe Tomasi di Lampedusa, author of *The Leopard*, once said that "if we want everything to continue as it is, everything must change." And this, applied to gastronomy, has direct consequences, including research, new methods, the internationalization of our recipe books and creativity by design. Cuisine is an evolving industry, constantly mutating and bettering itself. It is part of a country's culture. It is the certainty of development. And this is where we chefs come in, acting as essential agents who not only cook, but also manage, create business and implement certain formulas to maintain sustainable restaurants.

Many countries have made their cuisines into successful formulas for promotion and development. With their traditional recipes, they have found a window to the world, allowing them to then implement cutting-edge techniques hand-in-hand with new generations of chefs. If Adria was a leader back in the day, one whose influence went beyond his own sector, so too are today's masters, like Gaston Acurio in Peru.

Using his restaurants, this chef was responsible for spreading ceviche across the world, as well as popularizing the benefits of products like quinoa. This has transformed the economy of whole regions. Acurio is also an example of how a chef can embody a whole country's best cultural and social values (aside from his value in promoting tourism), as well as showcase a successful business formula. He has elevated Peru's culinary standing.

The same is the case with Spanish chef Jose Andres, originally from Asturias. He has raised his cuisine beyond his kitchen, turning it into a political cause with a charitable nature. Through his organization World Central Kitchen, created in 2010, he has served food in countries in need, like Haiti was after its devastating earthquake. He has also opened kitchens in the United States to feed hundreds of thousands of families with no income, challenging President Trump's lacking social policies, and has even been nominated for the Nobel Peace Prize. This is a cross-border way to work with gastronomy and have a direct impact on the population. This is the noblest path to translating a chef's success into defending just causes.

But Acurio and Jose Andres are not the only ones. Italian chef Massimo Bottura, whose restaurant Osteria Francescana was ranked No. 1 in The World's 50 Best Restaurants Awards 2016, also campaigns to get the most out of food in *haute cuisine* establishments. Bottura has managed to get numerous fellow chefs—and even Pope Francis—involved in his Food for Soul initiative, which encourages communities to combat food waste.

Because this is another of the great challenges for global *haute cuisine* in the 21st century: Supporting sustainability and good eating in the population. It is our obligation as leaders of a sector that moves 388 billion euros a year in Spain alone—a third of the country's GDP—and which accounts for 18 percent of national employment, according to consultancy firm KPMG.

For some time now, we chefs have been sounding the alarm about caring for the environment. We are servants of the planet and its products, and our future lies in ensuring we care for it. "We work for a sustainable and responsible gastronomy that gives added value to our land, and we want to become instrumental in change." This was the first of the conclusions from the eight working tables at *Despegues 2019*, a meeting of chefs sponsored by Angel Leon that I took part in. The event's goal was to raise awareness and act as an opportunity to reflect on the sustainability of our sector.

I confess that the challenge we are now facing is a major one, an extreme one, but also an exciting one. We cannot tackle it without learning from the past and respecting the formulas our teachers taught us, as they marked the essence of our gastronomy. I always work from tradition, but experiment with new creations to surprise anyone who comes to my table. I manage others' tastes, taking care of the original flavors while I try to invent new ones. I create happiness with my hands, and that gives me pleasure every day. Sometimes, I say that without tradition there is no cutting-edge, and I know that without differentiation and rupture, there can be no progress.

LLYC

# About LLYC

LLYC is a global communications and public affairs consultancy that helps its clients make strategic decisions within the disruptive and uncertain context in which we live, while also measuring their reputational impact. It works with its clients proactively, offering the necessary creativity and seniority to help them implement decisions while minimizing risks and harnessing opportunities, allowing them to achieve their short-term business goals while defining a roadmap with a long-term outlook. This, in turn, defends their social license to operate and increases prestige.

With offices in Argentina, Brazil (Sao Paulo and Rio de Janeiro), Chile, Colombia, the Dominican Republic, Ecuador, Mexico, Panama, Peru, Portugal, Spain (Madrid and Barcelona) and the United States (Miami, New York and Washington, DC), LLYC also offers services through partner agencies in Bolivia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Uruguay and Venezuela.

Both top industry publications rate LLYC among the most important communication firms in the world, ranking the company 42nd in terms of global revenue according to PRWeek's Global Agency Business Report 2019 and 49th in The Holmes Report's Global Ranking 2019.

LLYC has won numerous awards for its clients' reputational and business results, including Communication Consulting Firm of the Year in Latin America and Europe in the 2019 International Business Awards.

## About IDEAS LLYC

IDEAS is the Thought Leadership Unit of LLYC.

We are witnessing a new macroeconomic and societal context. A similar thing is happening to communication—it progresses.

IDEAS LLYC is a combination of global relationships and knowledge-sharing that identifies, focuses on and transmits new societal paradigms and communication trends from an independent position.

IDEAS LLYC exists because reality isn't black and white.

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