



GolinHarris Frankfurt is a communications agency with three main focal areas: corporate and financial communications and brand communications. We support our clients in these areas with PR as well as advertising from a single source: from strategic consulting and press work to targeted opinion polls; from annual reports to promotional videos for companies; from financial and corporate advertising to media training. The Frankfurt office, founded in 1969, is part of the international GolinHarris Group network, which has 500 employees and 31 offices world-wide.

Dear readers,

Communication needs to adapt to new developments, but as it does so it must keep sight of the essentials – things that do not change with short and medium-term trends. This edition of trust will be talking about both of these topics.



Al Golin, our agency's founder, takes a look forward at our profession's future. When a man with his experience and success offers his views, they're certain to make for fascinating reading.

Dirk Held and Dr. Christian Scheier, on the other hand, will be taking a look at the essentials and attempting to answer the often-asked question of what makes a brand successful. In the financial and B2B communications sector in particular, they will speak of the force of rationality which is of course an important factor that brings brand success. As the article by the two authors illustrates, even this prejudice needs to be thought beyond.

The Frankfurt office of GolinHarris has joined forces with a cooperation partner from France to offer a new service package aimed specifically at customers from the finance and investment sector: GH Web TV Solutions. More about this shortly.

For now, I hope you all enjoy reading this edition of trust. And of course, as you already know, we are always delighted to hear about any suggestions you may have.

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WHAT BRAIN RESEARCH CAN TEACH US ABOUT BRAND MANAGEMENT

That gut feeling always wins.

Why did you fall in love with your partner? For the people attending our seminars and lectures, it always seems very difficult to answer this question without resorting to interchangeable, general statements such as he or she is funny, attractive, etc. Somehow, this person is the just the right one; you're on the same wavelength with each other. Somehow, that gut feeling just fits. Choosing a partner is something we do without an explicit understanding; our choice is implicit.

If one of life's most important decisions is made based on this intuitive gut feeling, how likely is it that consumption and brand choice are determined by rational, reflected decision pathways? On the book market, in fact, over 70 per cent of all purchasing decisions are made at the shelf, i.e. they're intuitive. All in all, it has been shown that for the vast majority of product and brand decisions, the choice is intuitive, i.e. made based on gut feeling. The renowned Harvard Professor Gerald Zaltman estimates that 95% of decisions about brands and products are made based on intuition. The reason for this lies, as we shall see, in our brain. Brands and products are thus successful if they trigger the right gut feeling in their customers. Only then can a brand stand out from the vast number of competitors. In recent years, brain research and psychology have revealed how this gut feeling develops and how it works.

We fly on autopilot

Researchers such as the Nobel Prize winner Daniel Kahnemann, or the neuropsychologist Matthew Liebermann, postulate that our behaviour is controlled by two systems.

The first, an older system in evolutionary terms, processes no fewer than 11 million bits of information per second and is primarily designed to help us decide and act efficiently. There is also a second system that only processes 40 bits and is primarily intended for thinking. These systems are comparable to the autopilot and the pilot in an aircraft. The autopilot controls the flight most of the time without us even knowing what it's doing. The pilot only intervenes in certain situations.

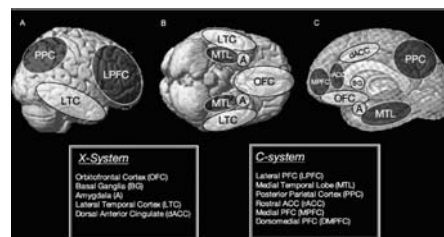
1. The implicit system – the autopilot (X-system): the code for this system is "ACTION". It works extremely efficiently, processes 11,000,000 bits per second and is largely unconscious. The implicit system includes emotions and motives as well as cognitive processes. This system is what controls gut feeling.

2. The explicit system – the pilot (C-system): with the explicit system, we think (working memory with 40 bits per second), draw up cost/benefits analyses and plan for the future. In consumer questions, this system provides the answer of "I've compared prices and chosen the best offer", or "I don't understand this advert".

The implicit system controls 95% of our behaviour. It makes the decision for us when (a) we are under time pressure, (b) we have too much information (overload), (c) our decision is plagued by doubt and (d) the decision is so complex that we are unable to process everything with our very limited working memory. In financial matters especially, the implicit system or gut feeling is greatly underestimated. Economic theory assumes that people act rationally. This is not so, since if it were, the stock exchange would be one of the most boring places in the world. But the stock exchange is a place where time pressure, information overload and decision-making uncertainty and complexity are extremely marked. The implicit system is responsible for the psychology of the markets.



Dirk Held

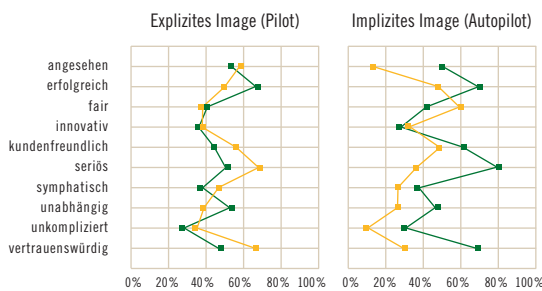


The implicit system is key for brands in the financial sector too. An analysis of the image of Deutsche Bank and Commerzbank illustrates how differently the two systems evaluate the brands.

The left-hand graphic shows a brand image assessed using conventional, explicit questions (pilot). In this graphic, the differences are relatively small and the Commerzbank's image appears to be somewhat better overall than that of Deutsche Bank. This profile thus reflects the poor press that Deutsche Bank has had. To the right is the image measured implicitly (autopilot). This is measured using implicit methods that disengage the pilot in order to access the unconscious. Here, the differences in image are much more marked and Deutsche Bank is significantly superior to Commerzbank.

A meta-analysis of 126 studies shows that explicit and implicit opinions correlate only very slightly ($r = .24$). Deviations between implicit and explicit brand preferences and associations arise because

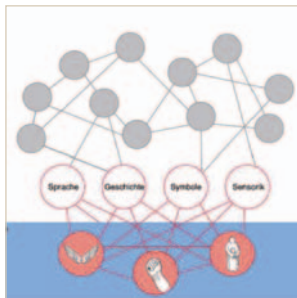
the test subjects do not want to reveal their "true" opinions because they are embarrassed, because they do not have conscious access to them or because the autopilot in their head has learned something different from an advert for the brand than the pilot, for example. Consequently, we frequently find that explicit brand images barely differ, whereas implicit brand images form clear and significant differences. Explicit image measurements therefore do not go far enough. We need to measure and control the implicit image in the autopilot.



Dr. Christian Scheier

Brand code management – controlling gut feeling

The implicit system is crucial for the success of brands and products. In the implicit system, brands are stored in neuronal networks. These are made up from underlying, deep psychological motives (brand values) and the perceivable brand signals (brand codes). Only if a brand serves up the relevant brand value does that brand have the energy required to trigger behaviour. These motives cannot be addressed directly; they must be addressed in an encrypted, coded way via brand signals.



Brand management can thus only be successful if this brand network triggers a positive gut feeling in the implicit system, the autopilot. With brand code management, a neuropsychological approach to brand management, the crucial brand network can be controlled efficiently and systematically.

Dr. Scheier and Dirk Held are the authors of the best-selling book "Wie Werbung wirkt" (How Advertising Works). Decode is a team of experts led by the neuroscientist Dr. Christian Scheier, one of the leading experts in neuromarketing. Decode specialises in implicit marketing – a neuropsychology-based marketing approach for innovation and brand management.



B-TO-B COMPANIES ALSO NEED STRONG BRANDS – NEW CHALLENGES FOR COMMUNICATION

Who are we? What do we do? And what makes us different?

B-to-B companies are nowadays increasingly having to ask themselves these questions. And deliver the answers in a rapid, precise and traceable manner. Otherwise they have a perception problem: they do not occupy a clear position vis-à-vis their customers and the outside world in general. This is something that no B-to-B company can afford now, let alone in the future. The competitive advantages that their rivals secure for themselves by providing the right answers in the form of a clear brand profile are just too great. This opinion is one shared by, among others, the well-known and globally-acknowledged American market expert Professor Philip Kotler.

But how do corporate and product brands reach their intended audiences? Through the right communication! It forms the crucial linchpin between what the company offers and its commercial implementation on the market. Only well-positioned – in other words, well-communicated – corporate and product brands can provide answers to the growing demands from customers for orientation in an ever-more complex world. Corporate communications are facing ever greater challenges when it comes to brand management, and are constantly having to adjust to changing demands. Imitation products, advertising reactance and overloading the customer with information are just some of the factors that mean management need to come up with a perfect communications strategy.

The marketing of B-to-B products is subject to its own rules

There are also a number of other specifications that need to be taken into account when marketing B-to-B products. Consequently, companies need to orientate their brand management and the associated communications activities differently to companies who offer consumer goods. On the one hand, the high level of complexity of what's on offer, as well as the overall relevant environment, are in more urgent need of explanation. On the other hand, industrial goods are frequently integrated as components or subsystems into larger performance units and are perceived per se only indirectly by the target group or indeed not at all. This means that they often stand in the shadow of the consumer goods brand. Consequently, there are specific requirements on B-to-B management and systematic, integrated communication.

The development and success of strong product brands for his or her own company's components and systems is one of many challenges that a B-to-B manager has to contend with. External communications professionals who are well-versed in the particular communications requirements of the B-to-B sector can offer effective support in this situation. Crucial here is the preliminary clear definition of the addressee, the subject and the communicative goals. This ensures that communication achieves its objective as an integrated campaign over several levels and through the inclusion of all necessary communications tools: to strengthen B-to-B brands and cast them in the right light.



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THE FUTURE OF PR: ABOUT THE “ERA OF THE INDIVIDUAL”, SPECIALIZATION, INTEGRATION, GLOBALIZATION AND MULTICULTURALISM

I've been asked to predict the future of PR – and what will happen in the next 50 years to change our industry. Before I take on this formidable task, I better tell you that I am the same person who, about 30 years ago, told my guitar-playing teenaged son that rock 'n roll was a passing fad and it would fade out in a year or two! My son never lets me forget that one. Despite that failed attempt at being Nostradamus, I am willing to give it another try.

I spent a lot of time talking to colleagues, clients and others about the topic. We had a lot of discussions about the demise of newspapers, the changing landscape in advertising, and all the high-tech gizmos out there today that are changing the way we communicate. Our firm was launched the same year the Russians launched their sputnik one in space and a baby boy named Bill Gates was born. (I wonder what happened to him.) Our business was a lot simpler then, with no emails, voicemails, faxes, or color TVs. I used to write press releases out long-hand. And then hand-type them on my Smith Corona and deliver them in person to the media. Clearly, times have changed. And they will continue to change. That's a given.

Are we ready for the “era of the individual”?

And it's why I challenge all of us – agency people and corporate communicators alike – to ask ourselves: are we ready? Are we ready to help our clients and bosses communicate 24 hours a day, worldwide, in dozens of languages? Are we ready to define success not by the amount of newsprint or air time we generate, but by the number of blogs on which we are mentioned? Are we ready for what I call: “the era of the individual”? It was truly an era of the masses – a handful of media outlets had the power to influence just about everyone. It's so much more complicated now. I'm saddened when I read that fewer and fewer young people pick up a daily newspaper, let alone watch the evening news or listen to news on the radio. But I also think about what this trend means to our industry.

Now, it's all about blogging – and podcasts – and online diaries. It's about wikis (which sounds like a Hawaiian dance) and instant messaging. It's about specialization. It's about individuality, and influencing one person at a time. Because of this technology, for the first time, we have truly ceded control of the message to the audience. So we have to be more creative and focused in our work to ensure that our target doesn't tune us out. We have the opportunity to do precisely what I've advised my clients to do for the last 50 years. We can take action and fix it before it breaks. My very un-favorite saying is: “if it ain't broke, don't fix it”. We have to “fix it before it breaks”.

Specialized and integrated

There are three trends that directly impact our own business: consolidation, specialization, and integration. In the future, because of continued consolidation, we may all shop at one discount store, fly on two airlines and deposit our pay checks at three banks. There will be a new level of specialization. A general knowledge of how media relations works, or how web communication works won't be enough for tomorrow's communicators. Instead – whether you are working for an agency or a company – you will truly need to understand how discrete parts of the business work, and how that translates into the public interest. For example it won't be enough any longer to consider ourselves “healthcare experts.” We will have to have proprietary knowledge of a specific disease like diabetes and aids. The same applies to technology and even consumer communication. It won't be enough to simply understand packaged goods. We are moving into the era of the individual, and we must be prepared to meet those individuals on their terms – on what is important to them. A third key PR industry trend is that of integration. In the past, you had marketing or advertising and you had PR. Then there was investor and financial communication and public affairs. Those gave way to employee communications, web relations and corporate social responsibility.



Al Golin
Founder and Chairman of
Chicago based GolinHarris.



Go global ... or go home

Now, let's step away from the PR industry and talk instead about three important demographic and geographic trends. Everyone is talking about the first one – globalization. All business people deal with the reality that their world is shrinking. Brands are universal. Time zones are meaningless. Go global... or go home. It is imperative that we develop customized communications tools for international markets. This is happening, but not enough. Successful communicators in the near future will be those who understand and embrace what it means to communicate globally. This leads us to the second trend – and one that we are seeing very clearly now in the United States. That's multiculturalism. It doesn't take much insight to identify this as an emerging priority for communicators. We have to be cognizant of and sensitive to global multiculturalism. Along the same lines, we must also understand and react to the issue of longevity. People are living longer, and the largest group – baby boomers – is now entering into their retirement years. Currently, there are some 80 million baby boomers. The longevity of this age group and those that follow represents a huge business opportunity for communicators. It is also a significant social challenge. People are living longer and governments alone can't answer all the issues related to this explosion. Business will have to help. These questions have enormous impact on the health care and pharmaceutical industries ... but also on any organization with retired workers. What does this all mean for us as communicators? Those of us who recognize this trend and find ways to capture the attention of the aging society will benefit our employers and clients. We will help them proactively communicate about the issues important to this specific demographic, thereby building trust and affinity between the company and the aging customer, employee or investor.

Our world is becoming fully "digitized"

Beyond people, it's obvious to say that technology plays a major role here. There's no question that our world is becoming fully "digitized." In 2005, worldwide computer sales reached one billion and it took 30 years to get there. It will take only three years to sell the next billion computers. Consumers worldwide purchased 800 million cell phones in 2005. By 2009, millions will watch TV on their cell phones. And analysts predict Apple will have sold 24 million iPods by the end of this year. These devices will carry the messages of the future. Fortune magazine speculates that within 50 years, your constant connection to the network will include a tiny camera located in your glasses or hat that can be trained on any person you pass on the street. Instantly, you will retrieve as much information on that stranger as you want – age, job, family, income, criminal record, etc. It sounds futuristic, for sure, but I don't think any of us believe it is outside the realm of possibility. Look at how technology has changed communication over even the past five years.

While I still believe that "high-touch" is needed to balance, the "high-tech" communication, there's no denying that learning how to communicate efficiently in the digital world is only becoming more critical for professional communicators. We'd be foolish to turn a blind eye to whatever technology the next 50 years will bring – beyond video phones and blackberries. And the impact that will have on our business. Through this digitized world, we will arrive at the "era of the individual." Tomorrow's adults are coalescing at an unprecedented rate in the new world of social networking. Gen X is history. Gen Y is yesterday. Today it's all about generation MySpace. If you think that's exaggeration, consider this. 50 million people around the world have set up their own personal pages on MySpace, in just two years time. This is almost the same number of individuals who read daily newspapers in the US. It is the fastest growing site on Google with more page views than eBay. Membership is expanding by five million a month. In ten years, it could easily be 500 million, which is why Rupert Murdoch paid \$580 million to own it. In other words, it's the poster child for new media – and I predict the emerging replacement to newspapers, television stations, magazines and radio stations as we know them today.

Read more about personalization and authenticity in the next edition of trust.



A CIRCLE CLOSES ...

When GolinHarris appointed me last year as Account Director, we both knew what we were letting ourselves in for. B&L, the legal antecedent of GolinHarris in Germany, has been giving me corporate advice since 1993. Be it as Head of Public Relations at the Rosenheim food group Gebr. März AG, when the task was to draw up an annual report, or as the Investor Relations Manager at the long-established Nuremberg company TA Triumph-Adler AG, where capital measures needed to be drawn up. For me, GolinHarris – as McDonald's agency in the USA – became both the next step and challenge in my career. Thus closes the circle that began with my resignation as Director of Communications at McDonald's Germany at the end of 2002.

Geographically speaking, however, it is only a stone's throw. From the secondary school in the Blankenese district, which I attended as a native Hamburger, via the Axel Springer Verlag, where I learned my craft on the job as a journalist, right through to the Army University, where I passed my exams to become an honours graduate in educational theory. Inbetween these steps, however, lay an important decision that changed my life: The obligation to become a soldier for twelve years, of which I spent the final three as a youth officer for political public relations for the army.

This was the most important event for my later first job in the industry as press spokesperson for Südmilch AG in Stuttgart. As a captain in the army, I could not refuse their offer after my twelve years of service were up, and so my military days ended. My path led via Gebr. März AG, where I then headed up the PR department for around two years, to Triumph-Adler, where I was in charge of the company's corporate communications in France and Germany.

And from there, two years later, I went to McDonald's German headquarters in Munich Solln, where I spent five years as Director coordinating the company's communications activities. I got to know my Board Chairman, Gerd Raupeter, 20 years previously when he was my supervisor when we both worked in the same McDonald's restaurant in Hamburg's Gänsemarkt. I helped him organise the opening of the 1,000th restaurant in Berlin in 1999, was in charge of the company's public presence at the Expo 2000 world fair in Hannover and guided McDonald's relatively unscathed through the hype of the BSE crisis in Germany in 2001. I advised CEOs Jim Skinner and Jack Greenberg on international committees.

After many years of experience within companies, my professional move to become a PR consultant was the logical next step. As senior consultant, I moved to the Munich agency PR Partner, where I rose to Managing Director level one year later. In my post there, I looked after Süd Chemie, Henkel and the German stock exchange, among other clients. With these clients, it was only a matter of time before an offer from the communications division of the Frankfurt investment bank equinet lured me to the financial metropolis on the Main. Here, I primarily worked for the Frankfurt-based pharmaceutical group Merz. Until I met my former consultant Benedikt von Westphalen again.



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GLOBAL BUSINESS NEEDS UNDERSTANDING

The tower of Babel is the context in which the current movie by Alejandro González Iñárritu is set. The populace was arrogant at this time, when it possessed only one language. It wanted to build a tower "with its summit reaching right up to the heavens". God, outraged, confused mankind by taking their common language from them, and since then people have had difficulty communicating. The movie shows four episodes from different perspectives, all of which are ultimately linked. The movie illustrates a world which, although shrinking in terms of size, is still often plagued by a lack of understanding.

Even today, communication does not occur as one might expect and wish it. Misunderstandings between people of different nationalities are nothing unusual. But thanks to technological advances, our world is getting ever smaller. Economic structures in particular are demanding quicker processes between various nations and cultures. Companies are increasingly operating on the global stage, even smaller, medium-sized companies are obliged to orientate their activities beyond German borders in order to consolidate and drive their business. Furniture manufacturers, for example, who have their products made in Slovenia or Lithuania, or accessories that are bought in from various eastern European countries. Right through to food producers who sell their specialities all over the world. Inevitably, the world 'globalisation' comes to mind.

Today, people who do not immediately understand each other need to work under time pressure together and be successful together. Different, national horizons of experience can create expectations that cannot always be met. Misunderstandings are the order of the day. And when contact is often only by telephone, people do not always understand what their counterpart wants to say.

If people do not always understand each other straight away and are not able to explain things to each other, then mutual understanding becomes all the more important. The wheel does not turn backwards. Instead, it increases its pace forwards. And so the sooner we understand and realise that communication means meeting someone halfway, then the more successful the collaboration between different nations can be. Yet despite all the communication problems that still exist between various cultures, sight should not be lost of what those cultures have in common. We need to take a step beyond the familiar context, beyond borders, in order to ultimately achieve a global harmony and understanding. And this is precisely the message that this film wants to communicate: understanding. It's a fantastic movie, one that is more topical right now than ever.



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