

Turning Socio-Political Risk to Your Brand's Advantage

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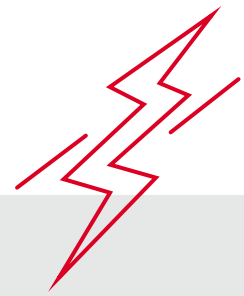
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Socio-political risk is now marketing's third rail ✕ In search of value-creating cultural resonance, proactive brands, large and small, have joined the fray with marketing campaigns around various socio-political (SP) issues including race, gender, diversity, climate, privacy, economic inequality, the #MeToo movement, BlackLivesMatter and more. From gun ownership to free speech to immigration, the list of SP issues is long and getting longer. In the news, there are stunning execution errors with campaigns that run obviously afoul of newly evolved norms on gender, diversity and other social issues. Examples of attempts that have gone awry in trying to leverage opportunities presented by the contemporary socio-political environment abound and big brands are often in the crosshairs. Box 1 lists just a few of the more than 2000 U.S.-based brand risk events we studied to assess the heightened and enterprise-level risks that SP issues present. These missteps are not inconsequential and often precipitate devastating consequences to firm and brand value. [Aon's 2019 Global Risk Management Report](#) identified "damage to reputation and brand" as the number two risk concern among executives worldwide.

Risk-laden landmines lie everywhere ✕ The conduct of corporate executives and employees, the execution of marketing campaigns and strategies, employees' engagements with customers, basic operations of the company and regulatory reporting and behaviors can create risk events that damage a company's cash flows and stock market valuations (see Figure 1). When these company behaviors fail to live up to new societal expectations, entwine with politically charged cultural hot buttons or somehow run counter to evolving societal norms, misalignments can trigger what we call socio-political risks. SP risks can fundamentally damage and dilute the equity of the brand.



BOX 1

Notable Examples of Mismanaged Socio-Political Risk Exposures

Unilever Dove's "body positive" packaging (October 2017): Marketing Execution Risk ignited a firestorm on social media through an ad that depicted a Black woman apparently being "whitewashed" upon using Dove's body wash product.

H&M (January 2018): Marketing Execution Risk event triggered when the company depicted a young Black boy modeling a hoodie bearing the words "Coolest Monkey in the Jungle," evoking a familiar racist trope. The gaffe ignited worldwide condemnation, the storming of some H&M stores by protesters in South Africa, and condemnation on social media by the likes of LeBron James and pop star The Weeknd, who cut promotional ties to the brand.

Starbucks (April 2018): Customer Engagement Risk event in the wake of an apparent racial profiling incident at one of its locations, causing the company to temporarily close its 8000 stores to conduct anti-bias training for staff.

Wayfair (June 2019). Over 500 employees stage a walk out in protest of the company's sale of mattresses and bunk beds destined for U.S.-Mexico detention facilities. Under the hashtag #BoycottWayfair, customers and businesses took to Twitter to announce they were canceling orders from the online home goods retailer, returning purchases, and boycotting the retailer until the company apologized.

Peloton (December 2019): Marketing Execution Risk triggered by misalignment with gender equity narratives. Peloton experienced a stock price downdraft triggered by a holiday ad that inadvertently suggested a man was giving his wife a Peloton exercise bike because she "needed" to get in shape – an overtly sexist gaffe.

Coca-Cola (March 2021): When the branding icon issued statements opposing new voting regulations in the company's home state of Georgia it created a political issue alignment problem. Republican Georgia lawmakers demand removal of Coke from state offices and Trump himself called for a Coke boycott.

General Motors (March 2021): When asked by a group of prominent African-American business executives to increase low ad spending levels in Black-owned media, General Motors initially did nothing. This diversity/inclusion issue came to a head when GM's CEO was forced to intervene.

Nike (May 2021): Well-known for skirting controversy in its socially progressive company messaging and advertising, Nike is called out in counter-advertising that highlights the company's many supply chain failures, including using Chinese factories utilizing forced labor. The price for Nike: more reputation damage and negative headlines.



SP-triggered brand risk events are dramatically on the rise.



Our research shows that brands' confrontations with socio-political issues are dramatically on the rise. The many answers to the question of "why now" include the immediacy and consequence-free soapbox of social media, increased ideological polarization of media, increased anxiety in a hyper-charged society, growing inequalities and socio-economic pressures, the politicization of the corporation and

the rise of environmental, social and corporate governance (ESG) considerations in the boardroom. Conditions setting the stage for SP risk events can simmer for some time and reach a boiling point on the heels of red-hot cultural change. In summer 2020, for example, in the wake of George Floyd's death at the hands of police officer Chauvin and an eruption of protests across Europe and the U.S. in support of Black



FIGURE 1 > A typology of brand risk events

| Key Personnel Risk | Customer Engagement Risk | Marketing Strategy/ Execution Risk | Operating Risk | Regulatory Risk |
|--|--|--|---|---|
| When company leaders behave or speak in ways that hurt a company. | When a company mistreats or insults its customers. | When advertising, pricing, packaging, design, distribution or marketing strategy create negative consumer or press reaction. | When the company missteps or fails in its day-to-day production and operations. | When the company violates laws, rules, or regulations relating to corporate behavior, reporting and compliance. |
| Socio-political Risks | | | | |
| Triggered when company behaviors in the above five risk categories run afoul of contemporary social norms, fail to live up to evolving societal expectations or entwine with politically charged hot buttons in the culture. | | | | |

FIGURE 2 > How to identify and assess value-creating SP opportunities for the brand



Evaluate the attractiveness of an SP opportunity

- > Cultural currency
- > Endurance
- > Polarization
- > Tonality
- > Resonance
- > Resistance



Evaluate brand fit with a given SP issue

- > Brand heritage and DNA
- > Brand baggage
- > Credibility and authenticity for the issue/cause



Troubleshoot before launch

- > Brainstorm potential consequences
- > Plan possible scenarios
- > Use SP risk event precedents
- > Prepare action plans



Go/no-go decision relating to activism-based campaign





To navigate this increasingly treacherous terrain, companies need renewed frameworks and tools rebuilt with these socio-economic-political risks in mind.



Lives Matter, dozens of CPG brands rushed to re-brand legacy supermarket shelf stalwarts such as Uncle Ben's Rice, Aunt Jemima's pancake mix and Mrs. Butterworth's maple syrup.

To navigate this increasingly treacherous terrain, companies need renewed frameworks and tools rebuilt with socio-political risks in mind. The game is not just a defensive one in which companies seek to manage downside risk of unintended SP risk exposure. SP risks are powerful cultural phenomena, and for a proactive approach, companies need to be able to assess whether and when to pursue SP marketing opportunities that can renew brand resonance, without backfiring.

Playing offense: Choose your SP battles wisely ✕ Proper risk analysis and monitoring systems can identify value-creating opportunities for a brand's SP alignment. Done well, SP risk analysis can uncover opportunities for a renewed and culturally resonant brand positioning that can lend the brand much-coveted authenticity credentials. Done poorly, the brand will be charged with issue "coat-tailing," which creates enterprise risk events that need to be managed. We offer three principles for doing it well (see also Figure 2).

- > **Evaluate the attractiveness of an SP opportunity.** ✕ SP-led opportunities are not created equally, and some pose greater risk potential than others. Weigh six factors: Currency – is the issue a part of the cultural conversation? Endurance – is the issue a stable part of cultural bedrock or only a fad with passing interest? Polarization – are there clear and identifiable proponents and opponents on the issue and can they be sized and targeted? Tonality – is the SP trend uniformly positive, negative, or mixed? Resonance – what is the reaction likely to be among loyal customers, millennials and desirable new customers? Resistance – what is the potential for backlash and boycott? The goal of such analysis is not to ensure that companies take on only mom-and-apple-pie issues, but that they fully understand what they are getting into when hitching the brand to an SP issue.
- > **Evaluate your brand's fit with the SP issue.** ✕ The power and potential of the SP trend is one thing, your brand's fit with it another. Weigh three factors: First, brand

heritage – Does the issue align with your brand's history, core values and DNA? Second, brand baggage – Are there elements in your brand's history that misalign with a particular SP issue and could present an insurmountable hurdle? Lastly, authenticity – Is the brand's engagement on the particular social issue genuine and credible?

- > **Troubleshoot before launch.** ✕ To forecast how risks might unfold from a proposed SP-based marketing campaign, assemble a multi-disciplinary team for a scenario planning exercise. Brainstorm potential consequences among various stakeholder groups. Confront the team with possible scenarios including media reports, legal interventions, regulators' questions, customer/consumer/supplier complaints, protests and social media reactions. Use SP risk event precedents to reference how similar risks have unfolded previously. Have the team work through these scenarios with an eye to action plans for mitigating unacceptable risks they identify and for preparing to manage acceptable risks. Can the inevitable fallout be managed?

SP marketing done right and wrong: What matters?

✕ To understand how attractiveness and fit play out – and why troubleshooting is advisable – we deconstruct several examples. In Box 2, we first turn to two classic examples and contrast Pepsi's disastrous collision with the Black Lives Matter movement to Nike's largely successful embrace of it. Given the contentious landscape brands negotiate in this divisive space, rigorous assessments of SP exposures are critically important, as these examples clearly show. The careful sifting of societal and branding issues illustrated in these cases should become standard practice in marketing decision-making.

- > **Brand heritage matters** ✕ Why did SP marketing around Black Lives Matter work for Nike when "talking politics" has landed so many others in trouble? Objectively viewing previous branding history matters, it is all about fit with the company's brand heritage. Nike has a long history of courting controversy with socially controversial marketing: Ageism with 80-year old runner Walt Stack (1988), racial discrimination with the "I am not a role model" campaign featuring Charles Barkley (1993), discrimination against the physically challenged

BOX 2



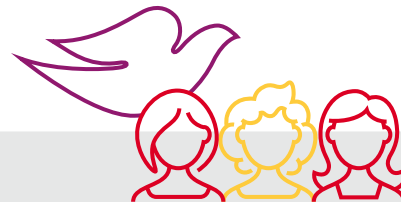
Pepsi, Nike and the Black Lives Matters movement

Pepsi's infamous 2017 ad features supermodel Kendall Jenner engaged in a photo shoot near a street demonstration watched over by humorless police. Jenner wades into the demonstration with a Pepsi in hand and defuses the social tension by giving the beverage to a cop, who smiles while the crowd cheers. The backlash for what was widely seen as blatant coat-tailing on the Black Lives Matter movement was so severe that Pepsi pulled the ad within 24 hours. What went wrong? Given the company's "Pepsi Generation" credentials and previous use of celebrity endorsers including Beyoncé and Michael Jackson, the social issue was arguably not a bad fit. But what about attractiveness? The issue of unarmed Black men being shot and killed by police was certainly current and important. The Black Lives Matter movement was also polarizing, with fervent adherents and critics. With Pepsi referencing this activist movement, the potential for vigorous backlash should have been clear. Instead of directly addressing the manifold issues around the attractiveness of this social issue and either fully embracing it or tactfully avoiding them, Pepsi seems to have wanted it both ways, producing a watered-down ad that connected with the issue half-heartedly, but clearly enough to provoke outrage.

Nike, by contrast, wholeheartedly and explicitly embraced Black Lives Matters through an anniversary "Just Do It" campaign starring Colin Kaepernick, the former San Francisco 49ers quarterback who knelt in protest during the national anthem to call attention to police brutality. The launch on Twitter showed a black and white image of Kaepernick's face with the caption "Believe in something, even if it means sacrificing everything."

Nike apparently believed that the company could afford to take a controversial stand, even around a politically hot issue involving the American flag. The initial reaction was negative with Nike's stock falling nearly 3% and with critics posting images of burning Nike shoes on Twitter. Subsequent reaction, however, suggests that Nike was right. For the quarter in which the ad was released, sales rose, with the company reporting a 10% jump in income to \$847 million. Nike stock rose 7.2% on the news.

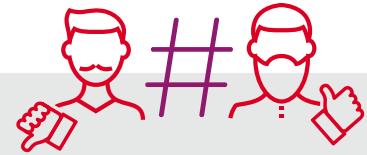
BOX 3



Dove redefines the concept of female beauty

When Dove asked fathers during the Super Bowl to "talk with their daughters before the beauty industry does," the brand did so on the authority of a research program at Harvard University designed to understand women's self-perceptions. The campaign included short films illustrating wide-ranging redefinitions of beauty, a corporate social responsibility partnership with the Girl Scouts and women's foundations, and television advertising that targeted both men and women as participants in a cultural conversation intended to help change dominant attitudes about unattainable definitions of beauty. In a ten-year run of the campaign, sales increased to \$4 billion from \$2.5 billion. After navigating a hit to credibility through a citizen journalist's exposure of advertising for the misogynistic AXE brand at the hand of parent Unilever, Dove is back on track with efforts to continue the brand's ardent support for women's rights. The brand is currently sponsoring a nationwide Indian film entitled "Stop the Beauty Test," an Indian societal practice emphasizing female physical attributes when choosing marriage partners. The idea is to nudge society gently, but firmly, to stop the "ugly" practice by sending the message that "there cannot be one definition of beauty; Beauty comes in all shapes, colors, and sizes."

BOX 4



Gillette and Egard Watches ride the #MeToo movement

In January 2019, in a bid to regain lost market share to Harry's and Dollar Shave Club, popular with younger consumers, Gillette released an ad on YouTube addressing issues of "toxic masculinity" – sexual harassment, bullying and abusive behavior – and calling for men to hold themselves and others accountable for their actions. The ad replaced the brand's longtime tagline "The Best a Man Can Get" with "The Best a Man Can Be." While celebrities and others praised the ad, blowback on social media was immediate and overwhelmingly negative: "Dislikes" outnumbered "likes" two to one on YouTube. Boycotts were proposed and employees of the company's ad agency received death threats. Commentary in the days following was almost unanimous: The "company blew it," antagonizing its core target comprising millions of men.

Gillette chief executives were quick to defend the ad and its message, supporting the effort to "actively challenge the stereotypes and expectations of what it means to be a man ... in the ads we run, the images we publish to social media, the words we choose, and so much more." Still, actions sometimes speak louder than words: The ad has since receded into the background with the brand's traditional product-focused advertising placed in more prominent media rotation.

Egard Watches is hardly a well-known powerhouse brand like Gillette. The small Swiss watchmaker rapidly produced an effective and stirring ad in response to Gillette's gaffe. "What is a Man" depicts men fighting fires, caring for children as fathers, and protecting families as soldiers. Each image is punctuated with a researched and relevant fact such as "men comprise over 97% of all war fatalities." Egard says: "Now is not the time to put men down. Now is the time to build them up." Egard's ad garnered 1,566,765 views on YouTube in less than 24 hours, with a like/dislike ratio of 75 to 1. A majority of comments were posted not just in support of Egard, but as direct backlash against Gillette.

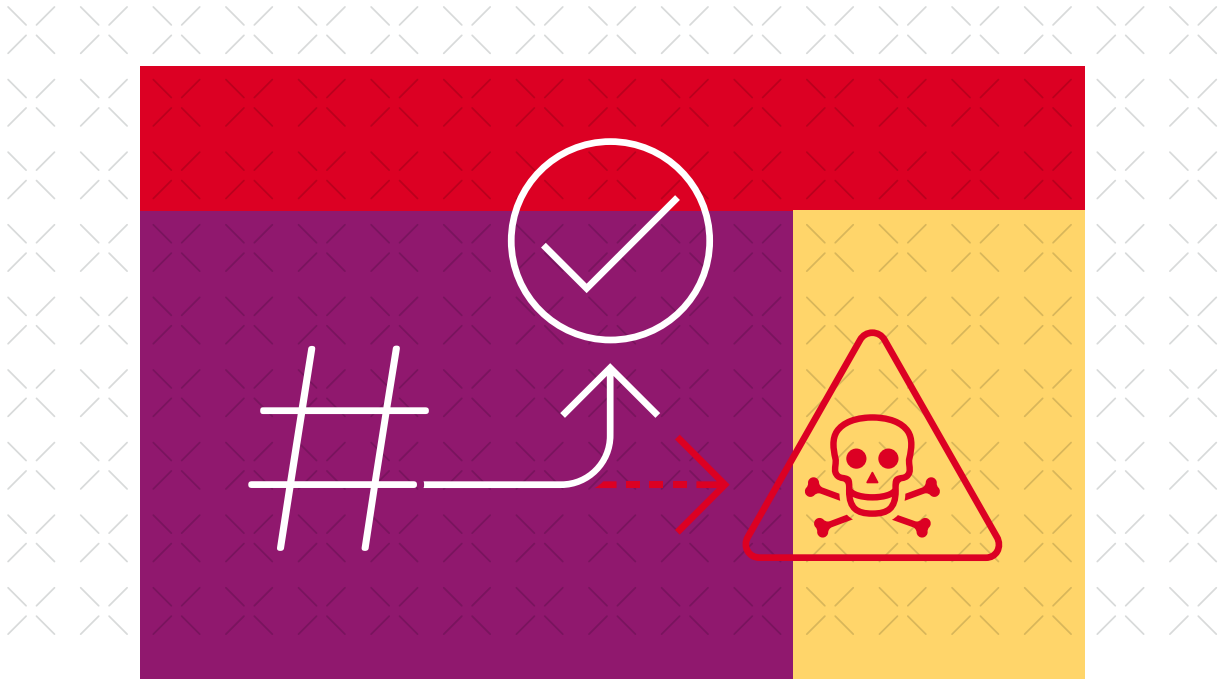
with Cate Blanchett and wheelchair athletes (1989) and HIV/AIDS with distance runner Rick Munoz (1995). One of the company's most memorable public stances was its advocacy for equal opportunity and women's rights in the 1995 "If You Let Me Play" ads. With social advocacy embedded in the brand's DNA, the company had long resolved questions of attractiveness around political issues. Further, consumer polling indicated that Kaepernick enjoyed strong support, especially among young athletes and superstar endorsers – pivotal consumer groups the company decided to hang a hat on. In the final calculus, Nike favored fit with the cultural landscape and brand DNA, with an eye toward future growth segments, over anticipated marketplace backlash in the short run. What was radioactive for Pepsi was pure gold for Nike.

- > **A second instructive example comes from another classic case: Unilever's Dove brand.** ✕ Like Nike, Dove also enjoyed similar success with its long-running "Campaign for Real Beauty" – and for many of the same reasons. For Dove, attachment to the issue of female beauty was an authentic and credible extension of the brand's heritage.
- > **Be aware that it is not just what you say, but how you say it** ✕ Gillette's jump into a similar cultural conversation – this one around male behavior in the context of #MeToo – provides a reminder that cases of SP marketing may involve subtleties that are not immediately apparent and whose payoffs will not come for years – if at all. As a consequence of its foray into a political cultural conver-



Use SP risk event precedents to reference how similar risks have unfolded previously.





sation, Gillette triggered marketing execution risks, while other brands, such as the small Swiss Watchmaker Egard Watches, addressed the same issues with noted aplomb, not only averting, but capturing the opportunities afforded in these risks. More rigor and a disciplined analysis using SP risk frameworks could have led Gillette to a different, socially positive message, thereby accomplishing their goals and impacting audiences more favorably. Both cases are presented in Box 4.

Retooling for SP analytics × Today's risk-laden world requires savvy skills in SP analysis. Specialty risk monitoring companies such as [Brand Watch](#), [Marketing Scenario Analytica](#), [Yonder](#) and [Spotted Risk](#) can provide tracking help. Spotted, for example, uses a 200+ factor model that scrapes the Internet for evidence of corporate leader and celebrity spokesperson misbehavior to form the basis for "Disgrace Insurance" protection for brands.

From analysis of monitoring data, brands can, among other things, assess the level of severity of a specific SP issue, the frequency of certain types of events, how brands typically respond, and how effective their actions are. These insights and information can help brands develop early warning indicators of potential trouble. For example, increased media coverage can serve as a leading indicator of key personnel risk if the CEO is tweeting multiple times a day – take Elon Musk, for example – or holds high-profile celebrity status and visibility like Martha Stewart in her heyday, with non-

company-related public appearances and vibrant communities of supporters and detractors.

Brand stewardship requires brand risk management

× Today's challenging branding environment calls for reimagining classic brand marketing through a refreshed and updated SP risk management lens. This involves not just identifying revenue generating opportunities, but also identifying, cataloging and tracking SP risk types in order for managers to understand the new landscape brands must now navigate and then, importantly, implementing a framework to manage a brand's SP risks and take advantage of potential opportunities. Fully embracing this responsibility changes the marketing executive's role in a significant way: from top line revenue generation to a dual role that includes managing risks as well as returns. ×



FURTHER READING

Fournier, Susan; Srinivasan, Shuba; & Marrinan, Patrick (2020): "Re-envisioning marketing for an age of risky business," Working Paper, Boston University Questrom School of Business.

Srinivasan, Shuba; Fournier, Susan; & Marrinan, Patrick (2021): "How to assess your brand's Socio-Political Risks?" Working Paper, Boston University Questrom School of Business.