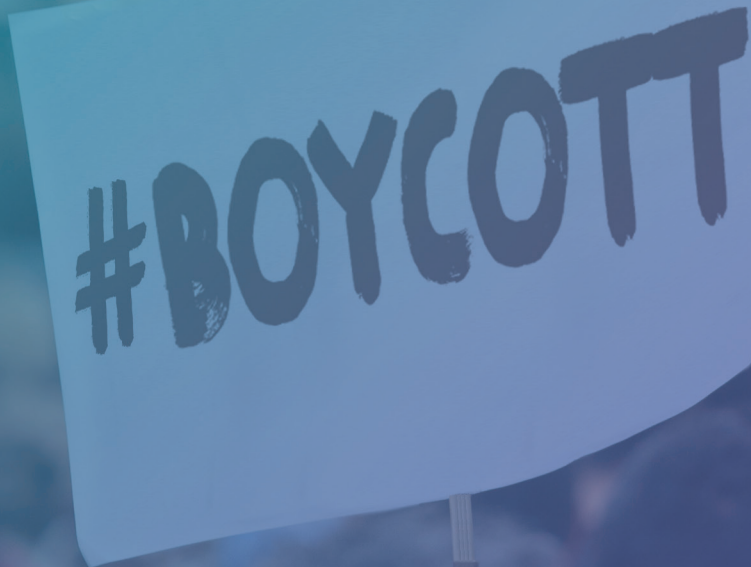# Brand Risk in the New Age of Populism: Four Key Tactics for Surviving Hyper-Partisan Consumers

In an era where politics often overtakes the best cared-for brands, how do responsible stewards prepare their organizations to navigate ideological consumers?

Chris Jackson, Vice President, Public Affairs US

Clifford A. Young, President, Public Affairs US

POINT OF VIEW

Brand Risk in the New Age of Populism

Our Point of View: *Politics has long been an arena that caretakers of corporate reputation and brand health prefer to avoid. However, since the election of Donald Trump, it is clear that avoiding politics is not always in a brand's control. With the President's habit of directly tweeting his thoughts to his 30 million-plus million plus followers, and the insta-reaction from the many who oppose him, how does a brand 'manage' when the leader of the free world blasts them in his 5 a.m. tweet?*

President Trump's blunt comments epitomize a long-running trend that has equipped most consumers with the ability to tune in from anywhere across the globe and encouraged them to provide their immediate hot takes. Brands are still learning to cope with a fragmented media environment providing a platform to anyone with a complaint. Recent high-profile examples show many brands are still struggling with this. Now the landscape has shifted again with intense partisan reactions to the President causing a sudden and unanticipated political and ideological realignment of customer bases.

## What are the greatest risks to brand health?

The first questions we must answer on the topic of brands and politics is, "is this really something we have to worry about, or is it just passing noise?" By one metric – stock price – the answer appears to be that there is minimal impact on brand health. Valuations of the nine publicly traded brands Donald Trump has mentioned by name are mostly unchanged.

But we need to look closer. Politicization is about mass movement, not the actions of one person. In February 2017, Ipsos conducted original survey research with American consumers to investigate the nexus between brands, politicization and President Trump. We investigated 28 brands, some of which have been mentioned by President Trump, some of which have had their own political issues and some that have had no issues. Our findings were surprising and suggest that planning for political impacts will be vital for brand health moving forward.

The ever-expanding targets of politics:

Americans are increasingly combining their behavior as consumers with their beliefs as citizens and partisans. A quick analysis on Google Trends shows that, over the last few years, there has been a spike in searches for the term "boycott." Our survey indicated that fully one-quarter (25%) of Americans say they have stopped using products or services from a company because of its political leanings or because of protests or boycotts.

Search Trend for 'Boycott' in United States 2011-2017

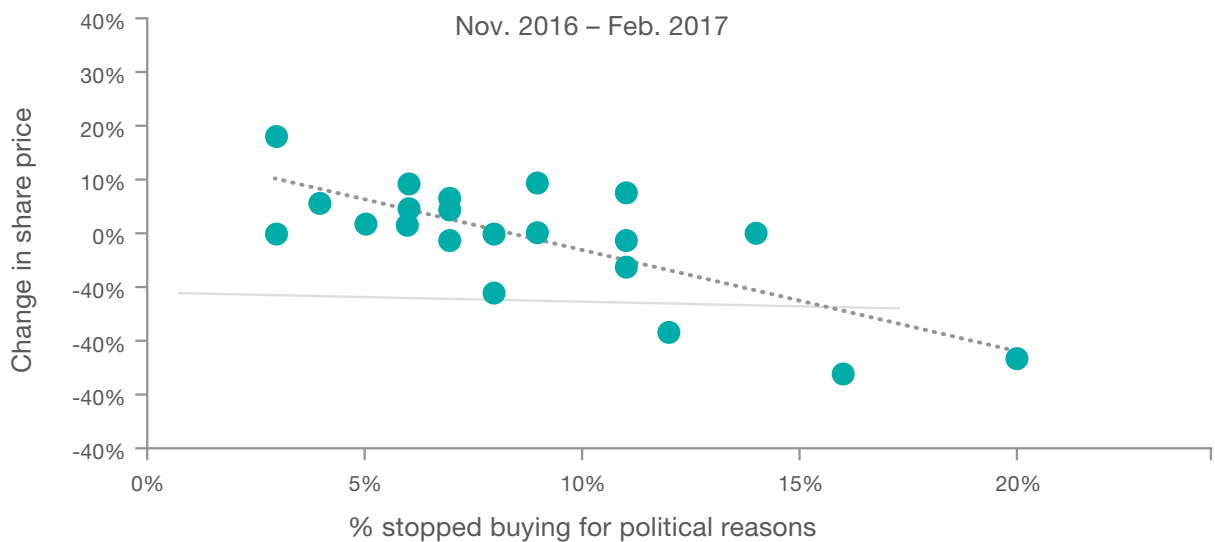2011   2012   2013   2014   2015   2016   2017
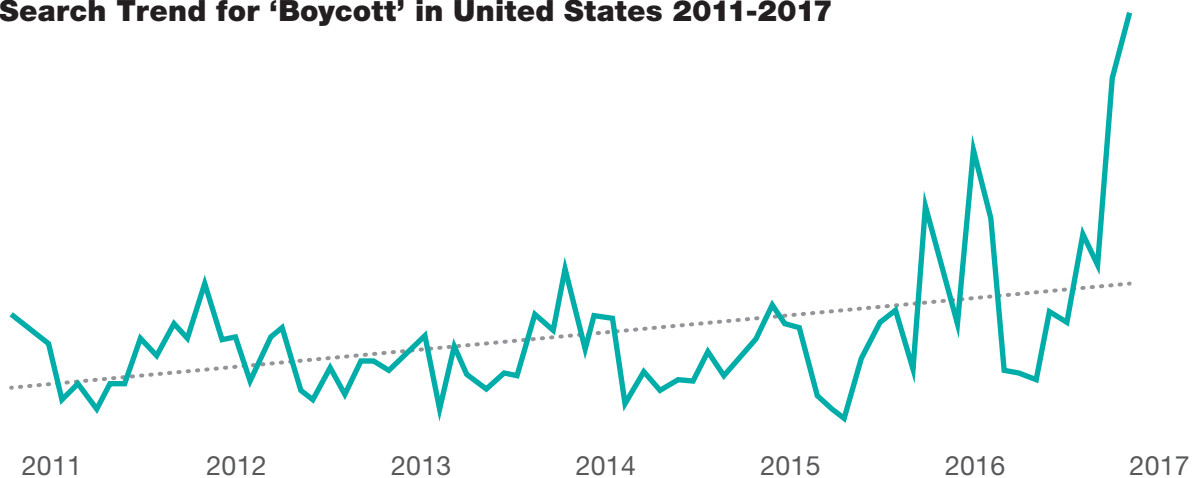
Google Trends 'Boycott' in the United States

These politically-minded boycotts appear to be having real business impacts. Our data indicates among the 28 companies that Ipsos measured in the February 2017 survey, those with the highest rate of consumer boycotts also experienced the worst stock market performance over the last three-month period. Three of the four companies with the highest level of boycotts in our study sample posted market losses above 15% over the time frame, which starts days after the Presidential election.

Boycotts and Market Performance

Nov. 2016 – Feb. 2017

Change in share price (y-axis): 40%, 30%, 20%, 10%, 0%, -40%, -40%, -40%

% stopped buying for political reasons (x-axis): 0%, 5%, 10%, 15%, 20%

Three-month change in company's (or parent caompany's) share price through February 23, 2017. (Source: Yahoo Finance)

Conventional wisdom recommends that brands respond to hyper-partisan consumers by keeping their heads down and trying not to be drawn into debates. For the most part this is prudent advice. Our investigation found that virtually all 28 brands tested have customer bases with a fairly balanced mix of Republicans and Democrats. This data shows that no matter which way a company moves politically, there are quite likely going to be customers who object.

" This data shows that no matter which way a company moves politically, there are quite likely going to be customers who object "

Percentage of Partisans Using Particular Brands
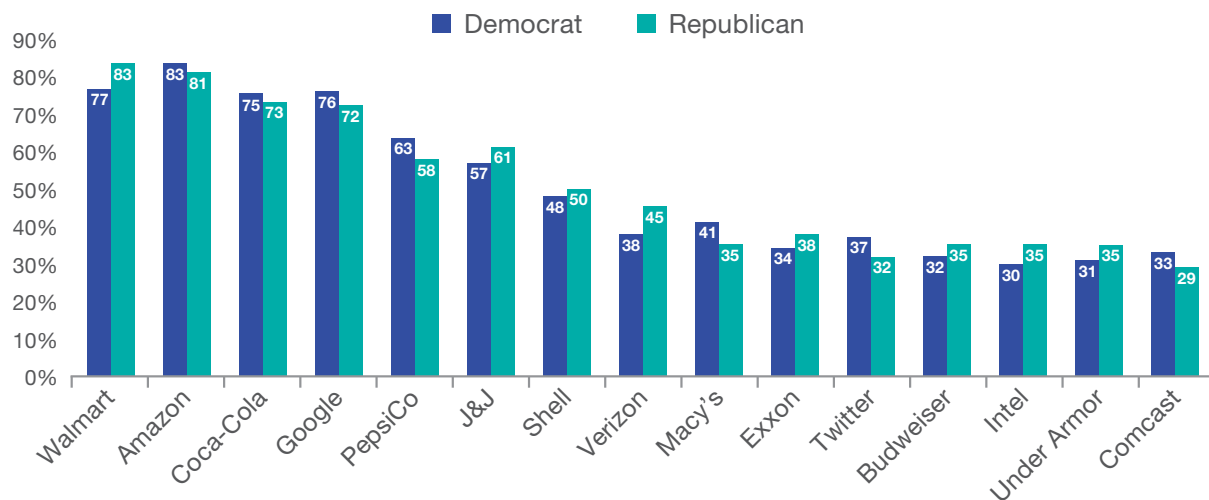
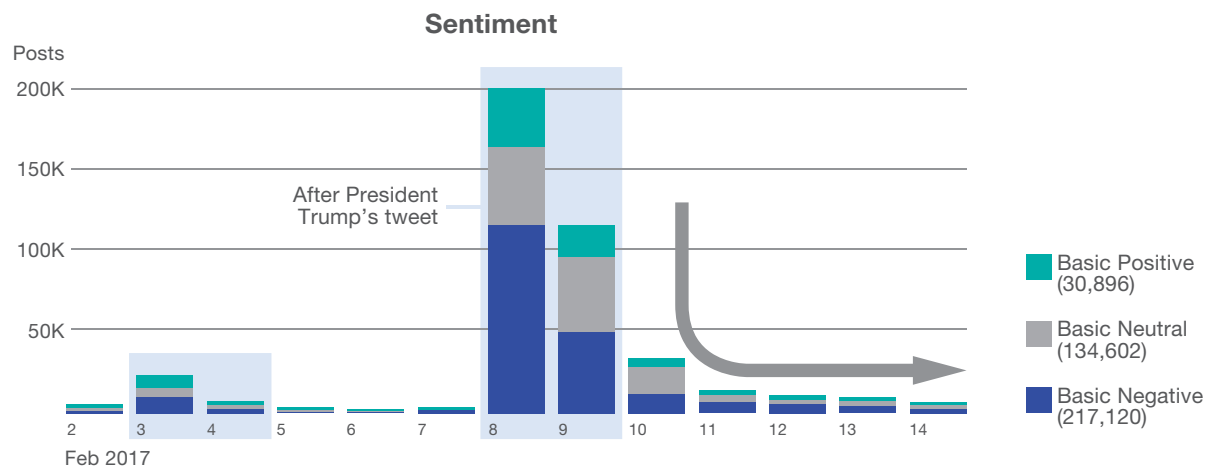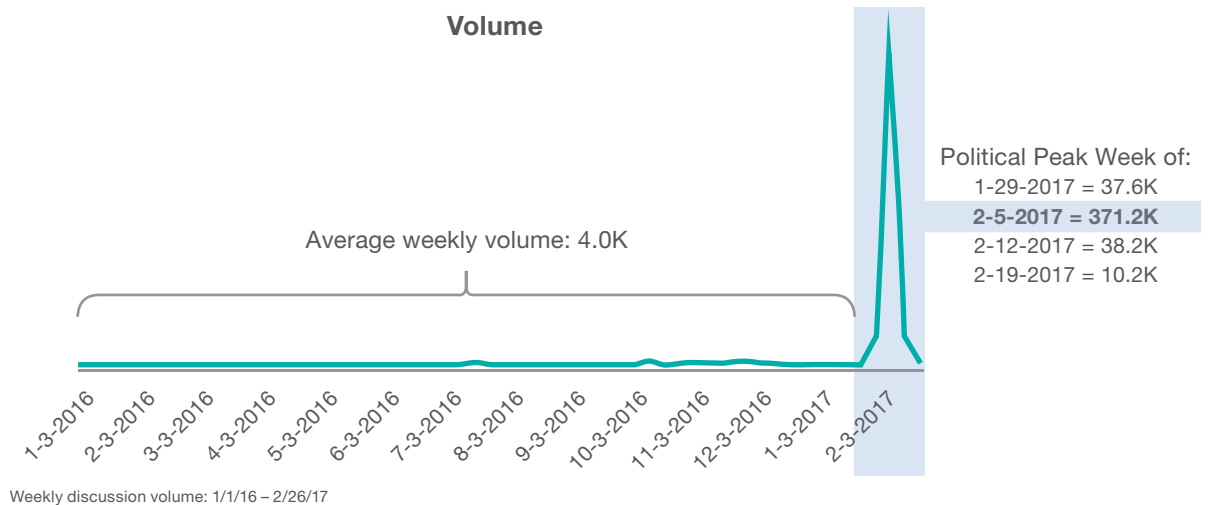Source: Ipsos poll, February 16-21, 2017, n=2,016 adults. © 2017 Ipsos

However, the conventional wisdom of keeping one's head down is no longer sufficient for many brands. We now have a Commander in Chief who may, with little to no warning, use his social media following to force a brand into the political limelight. Even if they are not targeted by POTUS, it is hard to predict what combinations of factors will cause a bad political story to go viral online to the detriment of a brand. This singling out of companies propels consumers to reevaluate the brand through a partisan lens and can break existing brand loyalties. Consumers are also increasingly organizing their behavior around their political identity. With consumers demanding a certain political behavior, the ability to stay on the sidelines is disappearing. The recent experience of Nordstrom and Uber is illustrative, both companies feature customer bases that skew Democratic, but include significant amounts of Republicans. Both companies have seen major politically themed public relations events incubated on and spread by social media since Trump's election. However, Nordstrom was clearly driven by President Trump's actions while Uber's ongoing challenges have only tangentially brushed against the White House.

Recently, Nordstrom announced that, in the regular course of product line maintenance, the company was going to discontinue sales of the Ivanka Trump brand clothing and shoes. Liberal activists seized on this as a sign that anti-Trump pressures were having an impact on corporate behavior. Then President Trump noticed and tweeted his disagreement. Nordstrom's social media mentions increased a hundredfold overnight, most of which were negative.

Nordstrom Social Listening Sidebar

Volume

Average weekly volume: 4.0K

Political Peak Week of:
1-29-2017 = 37.6K
2-5-2017 = 371.2K
2-12-2017 = 38.2K
2-19-2017 = 10.2K

Weekly discussion volume: 1/1/16 – 2/26/17

Sentiment

After President Trump's tweet

Basic Positive (30,896)

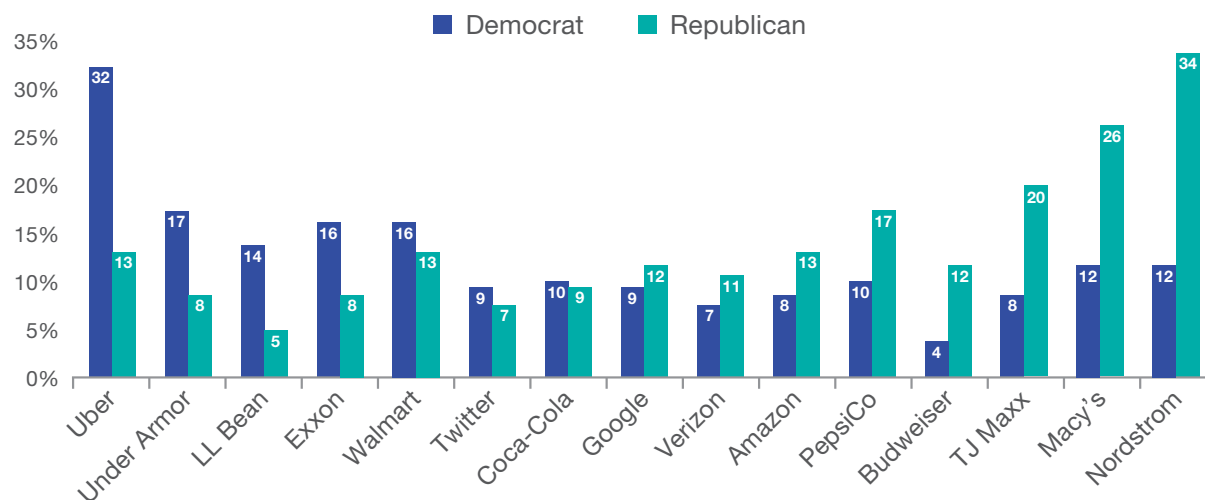Basic Neutral (134,602)

Basic Negative (217,120)

Feb 2017

Automated sentiment data: 2/2/17 – 2/26/17

Brands are not impacted by politics equally; some brands see exaggerated impacts based on their exposure to market or consumer forces while others seem to have a certain measure of resilience to political effects "baked in" to their operation. Our study finds that the public is not equally divided when it comes to boycotting brands with individual segments of the population varying widely in behavior. In our limited data, Nordstrom and Uber are the two most boycotted brands and the data shows the boycotts are highly asymmetric. Those who report boycotting Nordstrom strongly skew Republican, while those who report boycotting Uber strongly skew Democratic. Several other brands that have recently been in the political fray also see asymmetric hostility, e.g., Under Armour and L.L. Bean from the left and Macy's and TJ Maxx from the right.

Party ID of those Reporting Brand Boycotts

Democrat   Republican

| Brand	Democrat	Republican
Uber	32	13
Under Armor	17	8
LL Bean	14	5
Exxon	16	8
Walmart	16	13
Twitter	9	7
Coca-Cola	10	9
Google	9	12
Verizon	7	11
Amazon	8	13
PepsiCo	10	17
Budweiser	4	12
TJ Maxx	8	20
Macy's	12	26
Nordstrom	12	34

Source: Ipsos poll, February 16-21, 2017, n=2,016 adults. © 2017 Ipsos

Why is this happening?

At a time when it seems that no brand is safe, we must understand why partisanship is defining how consumers act. It is important to start this analysis aware of how contradictory our world is. On one hand, humanity has never been safer, healthier and more prosperous as a whole than it is today. On the other, some people, particularly in developed economies, feel more at risk, are dying younger and face bleaker prospects than in generations. The economic forces driving this transformation have been shorthanded (accurately or not) as globalism and liberalism. And, as a consequence, the suffering populations — usually semi-skilled, non-urban working class — have risen in protest and embraced a full-throated populist, nationalist sentiment.

Polarization of society / identity

This populism has propelled a long-running decline in trust of the establishment, including institutions across both the public and private sectors. For brands, this means that consumers are less trusting of communications and more likely to believe claims of malfeasance.
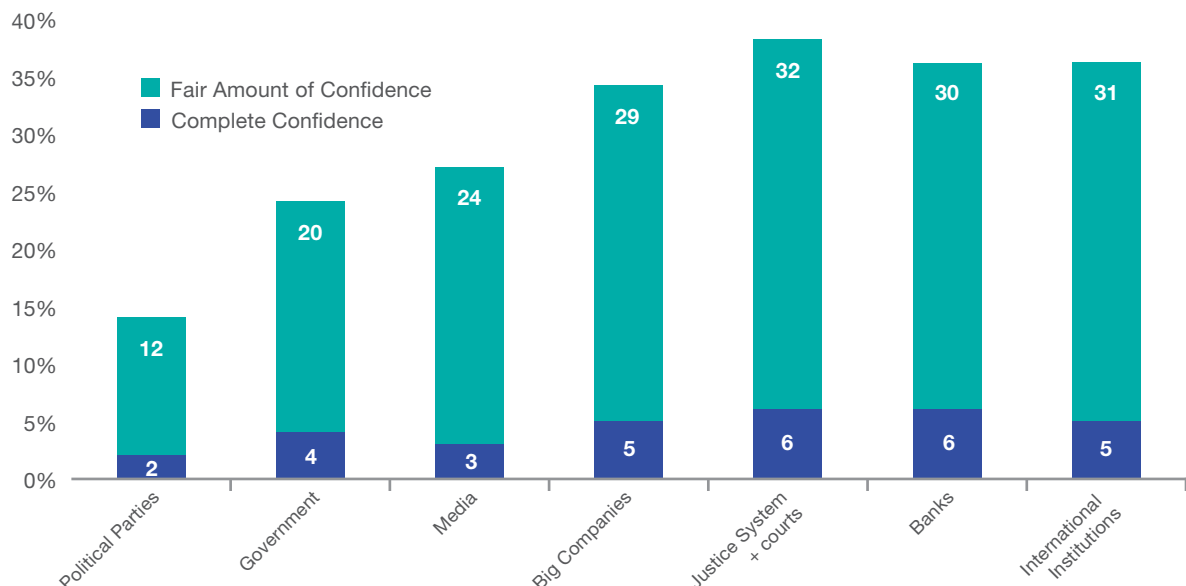
Source: Ipsos Global @dvisor October 21-November 4, n=16,597 global respondents 16-64. © 2017 Ipsos

As far as the people running these institutions are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them? A great deal/only some.
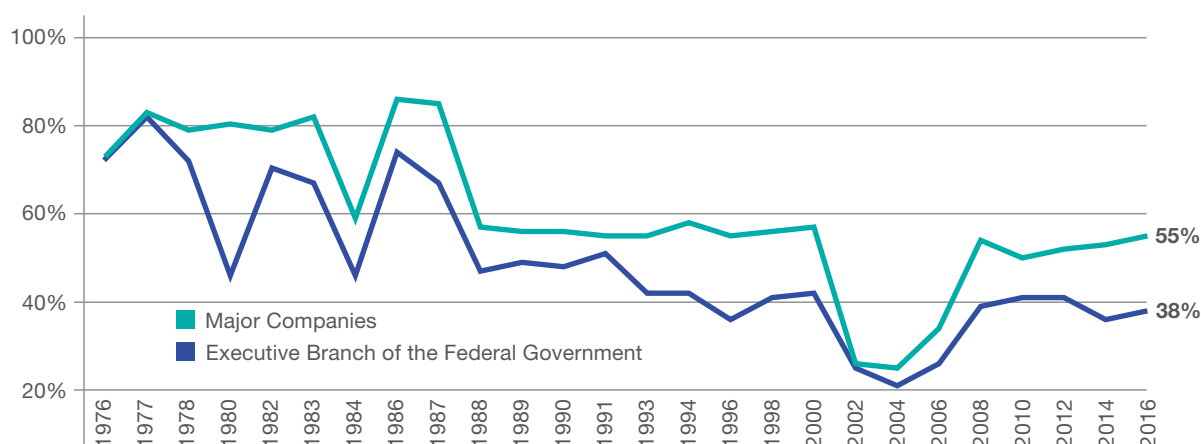
Source: GSS poll 1973-2014, n=39,290

With less confidence in formal institutions, people have turned to social groups and ideology as the organizing forces for their identity. Paradoxically, while formal political parties have declined in stature, the power of partisan identification (party ID) has exploded. Party ID now ranks as one of the most central aspects of how consumers organize their lives and increasingly, how they relate to brands. Data from dating apps indicates the extent to which ideology and partisanship are important factors for American. They are among the most important just behind race, and equal to education level and entertainment preferences.

This group identification has led to a resurgence in populist and nativist sentiments. Nativism correlates particularly highly with support for President Trump beyond the more traditional indicators such as social or economic conservatism.

> "Party ID now ranks as one of the most central aspects of how consumers organize their lives and increasingly, how they relate to brands."

What can be done? How to prepare for hyper-partisan consumers

Now comes the hard part, what can an organization do to manage the politicization of their customer base? Unfortunately, there is no one-size-fits-all answer, but here are a few recommendations suggested from our research:

1. *Understand your brand's risk profile:* Just like every brand seeks to have a unique value proposition, each brand has a unique profile when it comes to politics. Smart brands should undertake a top-to-bottom evaluation of potential political risks. By cataloguing exposure, a brand can work to minimize the opportunities for issues to explode into public. Risk factors we have seen in the last few months include:

- Political statements from company leaders;

- Association with divisive political figures;

- Actions or statements associated with protests;

- Carrying products associated with divisive political figures; or

- Contributing funds towards political issues.

2. *Understand your customers:* Fundamentally, the politicization of consumers is a problem of reputation management. Customers abruptly shift from viewing an organization as a purveyor of goods and services to viewing the brand as a political entity. In order to manage this shift, brands must understand the political beliefs of their customers AND customer perceptions of the brand's reputation. Given that these perceptions are liable to shift abruptly, companies should undertake regular research with customers to maintain an updated snapshot of the brand's image.

3. *Track social media:* The rapid expansion of social media has provided a platform for any consumer to express their opinions and find like-minded people. As a consequence, social media has become the ground-zero for most brand crisis. Especially as consumers have become polarized, they have sorted themselves into online communities of like-minded people. These communities allow for the politicization of brands to "go viral" and spread from consumer to consumer rapidly. Monitoring conversations about a brand on social media is a necessary early warning system for any aware organization. Tracking the early conception and spread of brand-political connections will give a necessary warning before market impact occurs.

4. *Prepare a communications plan:* All this research should be undertaken to help develop contingency plans for organizations to respond in the event of a political crisis. Responding early, aggressively and smartly is key to prevent a potential crisis from metastasizing into a full-fledged emergency.

Conclusion

Economic, social and technological changes have created an inflection point in 21st century society. New populists and the defenders of globalism are squaring off and increasingly dividing the world into tribes. Smart brands try to stay out of the fray but bare knuckle politics doesn't respect even the best intentions. Brands need to be ready for what happens if they become a political flashpoint.

These steps do not guarantee that a brand will weather a political storm unscathed, but they do improve an organization's chances. Ipsos is uniquely suited to help guide brands through this landscape. With multidisciplinary expertise ranging from social trends to social media, from political prognosticating to risk mitigating, Ipsos has the skills, tools and understanding to help adapt to this new age of populism.

Chris Jackson
Vice President,
Ipsos Public Affairs US
Chris.Jackson@ipsos.com

Clifford A. Young
President,
Ipsos Public Affairs US
Clifford.Young@ipsos.com

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

At Ipsos we are passionately curious about people, markets, brands and society. We make our changing world easier and faster to navigate and inspire clients to make smarter decisions. We deliver with security, speed, simplicity and substance. We are Game Changers.

With offices in 87 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management.

Ipsos researchers assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media and they measure public opinion around the globe.

Visit www.ipsos.com to learn more about Ipsos' offerings and capabilities

GAME CHANGERS Ipsos