



© photos : Blue Planet Studio

B. Business Impact

Brand Activism and geopolitical Crises

ESCP Impact Paper No. 2022-06-EN

Laetitia MIMOUN

ESCP Business School

ESCP RESEARCH INSTITUTE OF MANAGEMENT (ERIM)



Brand Activism and geopolitical Crises

Laetitia Mimoun

ESCP Business School

Abstract

As consumers increasingly expect brands to take a stance on societal issues, managers need to decide how to react to geopolitical crises. Given the financial and political risks on the one hand and the reputational and branding risks on the other, brands face a dilemma regarding how to act. Based on an archival analysis of brands' reactions to the Russian-Ukrainian war and the recent academic literature on brand activism, this paper sets out different potential strategies to respond to such a dilemma.

Keywords: Branding, Brand activism, Geopolitical crisis, War, European Union

Brand Activism and Geopolitical Crises

Why are brands increasingly taking a stance in geopolitical crises?

Historically, brands have often been considered as geopolitical actors, carriers of ideologies which they help disseminate to consumers (Holt & Cameron, 2010), thereby advancing the interests of their country of origin. For instance, scholars have analyzed the role of global U.S. brands such as Coca-Cola and McDonald's in supporting the "Americanization" of the world, the spread of U.S. culture and the neoliberal model, and, more generally, Western imperialism. Traditionally less at the forefront of media attention, brands as the reputational facets of corporations, also participate in geopolitical conflicts to support their financial interests, such as access to markets and resources. In the last couple of decades, the role of brands as geopolitical actors has become ever more explicit with the rise of brand activism.

Brand activism can be defined as a strategy that requires brands to position themselves as "moral actors promoting social, legal, business, economic, political, and environmental reform through their communication and practice" (Sibai, Mimoun, & Boukis, 2021, p. 1651). Brand activism has been associated with a variety of positive outcomes, such as favorable brand attitudes (Mukherjee & Althuizen, 2020) and price premiums (Sarkar & Kotler, 2018). In recent years, consumers have increasingly pressurized brands to take a stance on societal issues (e.g., sustainability, LGBTQ+ rights, fight against racism). As a result, some degree of activism and activist policies are no longer reserved for edgy, niche brands, but have spread to mainstream brands. Academic research has tried to elucidate how to practice brand activism, to delineate its outcomes, and to identify best practices (Mukherjee & Althuizen, 2020; Sarkar & Kotler, 2018; Sibai et al., 2021). While adopting an activist positioning can help differentiate the brand and generate brand loyalty and advocacy, it also carries the risk of a backlash that can damage brand equity and sales if the stance adopted is seen as opportunistic (e.g., in reaction to a brand crisis or weakness), inauthentic (e.g., accusations of greenwashing, pinkwashing, or wokewashing), or deviant (e.g., overly controversial and transgressive).

From a managerial perspective, it has thus become necessary for brands to carefully design strategies to decide on the type and scope of issues on which to take a stance, and the extent of their involvement in societal issues. When a geopolitical crisis arises, however, such as the recent and destructive war between Russia and Ukraine, brands suddenly come under heightened scrutiny from the media and public opinion. Thus, all the carefully thought-out strategies are disrupted as brands must decide quickly on whether and how to respond. We address this issue by analyzing news media data and brands' reactions to delineate different potential responses and their key trade-offs. The goal is to provide a managerial guide to the right questions to ask before deciding on a strategic response to such geopolitical crises.

How have brands reacted to the Russian-Ukrainian war?

While the conflict between Russia and Ukraine has been building up for several years, it escalated on February 24, 2022, when Russia moved forward with an extensive military invasion of Ukraine. Three months later, the crisis has yet to subside, with a death toll of around 13,300, the exodus of almost 4.7 million refugees, and extensive material damage (UNHCR, 2022). The geopolitical conflict involves the interests of many stakeholders, including the neighboring European Union, the U.S. through Ukraine's efforts to join NATO

(one of the factors at the origin of the conflict), and China by way of its usual alignment with Russia among others.

With the escalation of the conflict, Western consumers began putting pressure on brands to take a stance, and in particular, to demonstrate their condemnation of Russia. By mid-March, European and U.S. news media not only reflected, but also strongly encouraged, this type of consumer reaction, building a public opinion consensus around the need for brands to cut all ties with Russia (Adams, 2022). By mid-April (i.e., at the time of our analysis), over 600 companies had reduced or ceased operations in Russia (Yales, 2022). Some brands reacted immediately and strongly (e.g., the Irish professional services group Accenture, withdrew very early on), while others tried to find an intermediate solution (e.g., U.S. FMCG company, P&G, reduced its product portfolio to necessities and suspended advertising and capital investments), bowed under pressure (e.g., U.S. fast-food chain McDonald's ended up temporarily closing its stores following the #BoycottMcDonalds campaign), found themselves unable to act (e.g., French hotel chain, Accor, is tied to its Russian activities due to long-duration franchising agreements), or chose not to react (e.g., French retail chain, Auchan, is conducting its business as usual in Russia).

One way to map out these reactions is to explore Yale Business School's "nice-and-naughty" list that classifies the top 1000 brands based on their reaction to the war. The list, which is regularly updated since February 28, has been deemed crucial in motivating companies to react given the extensive media coverage it gathered (Stewart, 2022). The list initially classified companies as ceasing their Russian activities or not, but soon had to move beyond this binary categorization. To add nuance to its analysis, it ended up classifying brands into six categories, from total inaction (a category labeled as "Defying Demands for Exit or Reduction of Activities") to the highest level of commitment (labeled "Clean Break - Surgical Removal, Resection"). What is highlighted by Yale's list is the variety of brands' responses, not only in nature but also over time (as an increasing number of brands decided to act under media and consumer pressure).

This refined categorization also reveals the complex stakes at play in brands' response to geopolitical conflicts. These include legal pressure (e.g., government sanctions on Russia for E.U. and U.S. brands), the cost of the response (e.g., the uncertain cost of the reputational impact vs. the certain loss of revenue if activities are terminated), the potential long-term implications (e.g., Russia promised future sanctions on brands that sanctioned the country), and the sector of activity (e.g., is it acceptable to punish laypeople by depriving them of necessities such as food or hygiene products?). Since morality can be understood and justified from multiple worldviews, it can be complex to delineate which brand actions truly have the higher moral ground (Sibai et al., 2021). For instance, from a "market" worldview, the cost analysis should predominate. In contrast, from a "fame" worldview, the reputational analysis should be decisive, while a "civic" worldview requires an evaluation of how the brand's actions will contribute to collective interests and well-being. What this means is that seemingly consensual media reporting hides a far more complex decision-making process, but also the possibility to justify different paths of actions when framed in the right way.

Conclusion

In conclusion, opting for a brand response to a geopolitical crisis involves a complex decision-making process. This process should be understood as a strategic decision that relies on a good grasp of the brand positioning in relation to societal issues. It requires an analysis of:

- *The brands' identity, values, and mission:* To what extent is societal commitment central to the brand positioning and practices? What is the scope of the brand's activist

activities? How has this evolved over time (e.g., stable/increasing, broadening/narrowing)?

- *The target consumers' values and motivations:* To what extent is societal commitment important to target consumers? To what degree does consumers' societal commitment translate into their purchases?
- *The competitive environment:* What are the industry standards in terms of societal commitment? How is the brand situated in relation to its closest competitors?

In other words, the brand needs to decide how it wants to be positioned in relation to its resources and capacities, in answer to consumers' motivations, and in comparison to its competitors. The following table presents some possible reaction pathways determined by the positioning adopted by the brand.

Positioning	Definition	Tradeoff	Timing of reaction	Scope of reaction
Activist brand	Proactively takes action on a wide range of societal issues, with consistent communication and policies throughout its value chain	Finds a balance between activism and deviance: the brand can court controversy but should not fall into transgression	Proactive – first actions announced within 24h	Extreme (e.g. cut all ties with invading country)
Enlightened brand	Takes action when issues are closely related to its main sector of activities	Identifies the scope of the crisis to determine the brand's reaction and timing	Between proactive and bandwagon timing depending on the sector of activity, the type of crisis, etc.	Between extreme and light measures depending on the sector of activity, the type of crisis, etc.
Mainstream brand	Limits its actions to corporate social responsibility	Finds the right time to act after enough momentum has built up, but before media/consumer condemnation for inaction	Bandwagon approach – acts once a consensus has been built	Light (e.g., condemning communication, charity work, risk mitigation)
Non-socially engaged brand	Limits its societal actions to the legal requirements	Protects short-term economic interests, but risks long-term damage to brand equity	Wait-and-see	Business-as-usual

In our contemporary world in which brands are faced with strong pressure to react swiftly to societal issues, it is crucial to plan the scope and timing of such reactions in advance as delayed responses to crises carry significant risks to brand equity.

References

- Adams, P. (2022). Brands face another test as emotions run high around Ukraine war. *Marketing Dive*, March 16. Available at: <https://www.marketingdive.com/news/brands-face-another-test-as-emotions-run-high-around-ukraine-war/620431/>.
- Holt, D., & Cameron, D. (2010). *Cultural strategy: Using innovative ideologies to build breakthrough brands*. Oxford University Press.
- Mukherjee, S., & Althuizen, N. (2020). Brand activism: Does courting controversy help or hurt a brand? *International Journal of Research in Marketing*, 37, 772–788.
- Sarkar, C., & Kotler, P. (2018). *Brand activism: From purpose to action*. Idea Bite Press.
- Sibai, O., Mimoun, L., & Boukis, A. (2021). Authenticating Brand Activism: Negotiating the Boundaries of Free Speech to Make a Change. *Psychology & Marketing*, 38(10), 1651-1669.
- Stewart, R. (2022). Many Western Brands Have Quit Russia. What About the Ones Left Behind? *Adweek*, March 31. Available at: <https://www.adweek.com/brand-marketing/many-western-brands-have-quit-russia-what-about-the-ones-left-behind>.
- UNHCR (2022). Ukraine Refugee Situation. Available at: [https://data2.unhcr.org/en/situations/ukraine#:~:text=Almost%203.7%20million%20refugees%20have,displaced%20to%20Moldova%20\(UNHCR\)](https://data2.unhcr.org/en/situations/ukraine#:~:text=Almost%203.7%20million%20refugees%20have,displaced%20to%20Moldova%20(UNHCR)). Last consulted April 15, 2022.
- Yale (2022). *Over 600 Companies Have Curtailed Operations in Russia—But Some Remain*. Available at: <https://www.yalerussianbusinessretreat.com/>. Last consulted April 15, 2022.