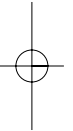
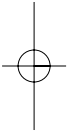
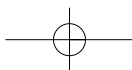


Global Brand Strategy

Unlocking brand potential across
countries, cultures and markets



Sicco Van Gelder



To Helga, David and Joost, for their love

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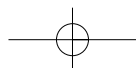
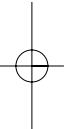
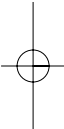
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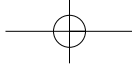
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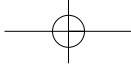
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Preface

Globalization was the battle cry of the last decade of the 20th century. This phenomenon is not new or unique to this period. In the 19th century, colonialism was a potent force of globalization and created a multitude of cross-border trading links. For the first time, goods bearing a brand name were sent abroad in large quantities. Many of the cross-border trade links bearing branded goods, however, were limited to directly neighbouring countries and to the countries' colonial empires: British brands found their way to India, French branded goods to Indochina and Dutch brands to the Netherlands' East Indies. The reasons for exporting these branded goods lay in the demand that existed in the foreign markets for quality goods – especially among the colonial populations – and the ability of manufacturers to produce goods at a low enough unit cost to be able to transport their wares halfway around the world. This was the effect of mechanization of both the means of production and transportation, and resulted in low marginal costs for each additional unit produced and shipped.

The next big spur for globalization came after the Second World War when, often in the wake of US military forces, new consumer brands came to Europe and Asia. The difference with the colonial era was that although these were foreign brands, production facilities were largely located in the markets that they served, as were the companies' subcontractors. The reasons for arranging matters in this way were that because of increased affluence among the general populations in Western Europe, Japan, and urban areas in East and South-east Asia and Latin America, there was such a demand that a local presence became not only affordable but also necessary. Branding also became very much a local phenomenon, as the local representatives were responsible for marketing the brand.



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The third big push for branding came in the wake of the erosion and subsequent demise of communism. The fall of the Berlin Wall opened up previously inaccessible markets to foreign brands, not just in Eastern and Central Europe, but also markets that had previously been off-limits due to political sensitivities, such as Chile and South Africa. However the biggest impetus came from the opening up of China, which is not only a massive market, but also a massive production location for US, Japanese and European brands. Deregulation of markets has allowed for flexible production and has led to increased competition. Spurred on by logistical and IT developments, manufacturers constantly seek configurations that best suit their production needs. This has led to a fragmentation of once monolithic company structures. Branding has become separated from other company functions. The closure of local production facilities often also leads to company management questioning the need for supporting brands locally. These developments have put pressure on companies to rationalize their international brand portfolios, to harmonize their international brands, to co-brand or even merge with other global brands.

The effect that this intensified globalization has had on brands has been spectacular. New brands are seemingly born global, or at the very least experience a quick roll-out from home or lead countries into other markets. Many traditionally local brands are sold, phased out, or face transition to a new regional or global brand name and subsequent harmonization. Brand portfolios that have been built up through decades of acquisitions are rationalized in order to focus attention and resources on a limited number of strategic brands. Long-established brands have enhanced their dominant positions across the globe, threatening less marketing-savvy local brands, but are also encountering stern opposition from local brands that find ways to fight back. Some of the global brands manage to become local institutions by filling a local role in the societies where they operate, while others dominate their category as global monoliths.

Debates have also flared over the supposed supremacy of global brands and the inadequacy of (multi-)local brands. In his seminal manifesto for global brands, a 1983 *Harvard Business Review* essay entitled 'The globalization of markets', Levitt argues that consumers across the globe are becoming more alike, require the same mass-produced products at reasonable prices, and that brands should not bother with adapting to local needs and cultural preferences. Levitt's prime example is the way Japanese car manufacturers were able to trounce European and American car makers in the 1980s because of their lean production technologies. The Japanese were able to produce better cars at lower cost, something that American and European consumers were happy to lap up. However, the past decade has shown the adoption of lean manufacturing and quality control have

made non-Japanese car makers competitive again and that, particularly in Europe, issues such as design, prestige, national pride, excitement and so on have become of primary importance. The rather bland Japanese cars have not been able to keep up, and their market share has slipped.

This book argues that Levitt's conclusions that consumers are becoming more similar are incorrect. Far from homogenizing, markets have fragmented over the past decade, and people around the world have asserted their local identities and idiosyncrasies. This has happened not despite, but because of globalization. As people interact more with the outside world, they become increasingly sophisticated in their attitudes and behaviours, not content to take foreign brands at face value. This book also argues that each individual global or international brand has specific opportunities and limitations when it comes to standardization or localization. Only a thorough understanding of a variety of factors that influence brands in their global and local contexts helps determine the best course for them.

SENSE AND SENSITIVITY

One of the key issues facing the management of brands today is how to deal with a brand as it stretches across multiple societies and geographies. This is not just a question of management scope (How do we control and monitor the brand?), but of reaching the full potential of a brand in diverse markets. There is often a tension between finding an optimum fit of the brand with local circumstances, and the desire to obtain brand consistency across markets. More often than not, decisions are made on the basis of organizational constructs rather than on the basis of an understanding of the brand and the various internal and external influences on it. This leads to tensions between global and local brand management that can result in power struggles about the ownership of the brand.

Instead, global and local brand management need to understand each other's viewpoints on the brand and the resulting need for adaptations, the possibilities for obtaining sustainable competitive advantage, and the opportunities for standardization. In the end, a compelling brand is in the interest of all those affected by it. The first thing that global and local brand management need is a common basis for their brand strategy and planning work. This common basis needs to provide a shared language, definitions, interpretations, assessments, and most importantly a clear understanding of the relationships between the factors that shape a brand in its global and local contexts.

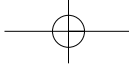
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The past decade has seen the increasing popularity of brand standardization among brand management. Brand standardization can reap huge benefits in terms of economies of scale: centralized production, increased leverage over distribution partners, one advertising campaign across markets, the same brand extensions everywhere, reductions in brand management staff and so on. This has made brand standardization into brand management's holy grail. For many brand managers, their brands can only be considered truly global if they are the same in every aspect everywhere. In reality, however, this leaves precious few brands to claim such a title. Brand management started asking questions such as 'Should all brands be standardized across markets?', 'In how many markets must a brand be present to be considered global?', and 'How much revenue must a brand generate before you consider it to be a global brand?' These are, however, the wrong questions to ask.

At the same time other voices emerged lambasting global brands for their detrimental effects on the environment, on workers in developing countries, on local brands, on the mental well-being of children, on public spaces and so on. Global brands are being portrayed as the epitomes of degradation, exploitation and manipulation. Anti-globalization activists started asking questions such as 'Are global brands forces of destruction in the Third World?', 'Should local brands be protected in order to defend local culture?', and 'How can global brands be stopped?' Again, these are the wrong questions to ask. In fact, Anholt (2003) claims that developing countries do not need to be the victims of globalization. If they can learn to use the classic rich-nation tricks of branding and marketing, they can turn the forces of global markets to their advantage.

What then are the right questions to ask? This book rests on the premise that each brand has its own specific potential for standardization across and adaptation to culturally and structurally diverse markets. One of the right questions to ask is, 'How can a brand best provide value to its stakeholders, those (directly) affected by the brand, dispersed across countries, markets, societies and geographies?' Do consumers value the brand enough to buy and use it? Do employees value it enough to want to work for it? Do distributors value it enough to carry it? Do shareholders value it enough to invest in it? Do communities value it enough to welcome it in their midst? Who these stakeholders are and how they relate to each other may differ by brand and also by location where the brand is present.

As for those critical of global brands, this book agrees with them that transgressions have taken place in the name of brands. On the one hand, to blame branding for these wrongdoings is to overestimate the role of this discipline in most global corporations. How many branding experts do you find on the boards of Fortune 500 companies? On the other hand, it is

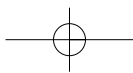
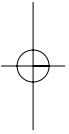
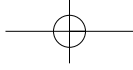


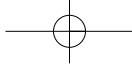
to misunderstand the discipline. This book considers branding to be a deeply humanistic discipline seeking to connect the various processes of an organization, in order to get people to rally around the purposes and principles of the brand and provide unique value to stakeholders.

This book focuses on how the unique characteristics of a brand can best be extended across societies by understanding that brand's sensitivity or vulnerability to particular factors, both internal and external to the brand's organization. Although each brand is unique, it is possible to categorize brands in a manner that helps us to understand to which factors certain types of brands are most susceptible. This kind of understanding is useful not only to all those corporate managers eager to make a success of their brand around the globe, but also to those who are responsible for a local brand that is faced with seemingly better endowed global competitors. In fact, this kind of knowledge can be useful to everyone with a vested interest in particular brands, such as governments, non-governmental organizations (NGOs), employees, distribution partners, suppliers, local communities and even anti-globalization activists.

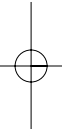
In this book, global brands are defined rather loosely as brands that are available across multiple geographies, without setting any specific lower limit or any continental requirements. The revenue these brands generate also does not matter, nor does the manner in which they present themselves in each society. The term 'global' is used in this book as shorthand for brands with varying degrees of globalness. Some may be present in dozens of countries across all continents, while others may be active only in a more regional setting.

Although it would be possible and worthwhile to address the brand from the perspective of various stakeholder groups, this book focuses squarely on the perspective of consumers. In the end, it is they who decide whether they value a brand enough to spend their time and money on it. Also, addressing each type of stakeholder perspective is outside the scope of this book. Readers are encouraged to use their own judgement when applying the thinking presented here to stakeholder groups other than consumers.





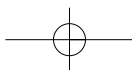
Acknowledgements



When I started work on this book, various people asked me why I wanted to write a book on branding, an area already so cluttered with titles. There was clearly nothing that had not been written already on the subject, and what hope did I have of adding anything of consequence? These remarks bemused me. I had, for a while already, been trying to find books that did not deal with global branding as an academic or elevated pursuit, or in a one-size-fits-all manner. The thing I felt was missing was a book that considered global branding in a practical way without unduly reducing the complexity of the subject matter.

My own experience, as a commercial researcher and consultant to global and international clients and as a geographer by training, had taught me that no two brands and no two countries are ever the same, and that it takes persistence, genuine curiosity, honesty and creativity to do branding well across multiple geographies, societies and marketplaces. That same experience taught me about the factors that determine whether one gets global branding right or not. This understanding, acquired through years of talking to and listening to people talk about specific brands, forms the foundation of this book. A lot of additional reading, and even more pondering about what I had heard, read and had seen in the world around me, have shaped this book. Creating this book has been a demanding task, my head spinning frequently from trying to put the words together that would make sense to others, but it has been well worth the time and effort. I believe that, although far from being perfect, this book does meaningfully increase the knowledge about global branding.

I want to express my deepest gratitude and love to my wife Helga for her patience and unwavering support during the two years that it took me to write this book. I would not have been able to complete this personal





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