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GLOBAL BRANDS: TAKING STOCK*

Global brands have never quite delivered on their promise. This article focuses on why this may now be about to change. The author first addresses three basic issues: why global brands matter more now than in the past; what distinguishes them from national brands; and the main building blocks for a global brand. He then moves on to some of the key problems which face managers of international brands today: the new Euro-zone, instability in emerging markets, the problem of diversion, and management of global relationships with advertising agents and market researchers. He concludes with a discussion of the issues involved in deciding whether brands should be taken global.

It is now over fifteen years since Ted Levitt's classic article „The Globalization of Markets" appeared in 1983. Yet the share of world GDP related to global brands is still remarkably small – no more than five per cent at most. What then is the significance of the phrase „global brands", now so fashionable in marketing circles? What has changed since 1983? And if, as I believe, global brands are now at last starting to come into their own, what are the key points for managers to focus on, to exploit the benefits and avoid the pitfalls?

This article first addresses the basic questions of why global brands matter more now than in the past, what distinguishes them from national brands, and the main building blocks for a global brand. It then moves on to key issues which managers have to face today if they are to build and maintain successfully their global brands. These include how to respond to:

- the new Euro-zone;
- the current instability in emerging markets;
- the problem of diversion;
- management of global relationships with advertising agencies and market researchers; and
- calibration of global opportunities for different brands and products.

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Global Consumers

Why do so many international marketers increasingly focus on the importance of global brands? The short answer lies in two words: telecommunications and youth. We all know the reasons for the global convergence in consumer tastes and values in the last two or three decades. It arose primarily from increased cross-border population mobility - whether as a result of leisure travel or for work - and from electronic mobility facilitated by cross-border television and the internet. These trends resulted in faster transfer of ideas than in the past: consumers in one culture learned what was going on in another culture more readily.

These forces have made it more possible even than ten years ago to identify similar segments of consumers across different country markets. Typically, these cross-border segments are younger, richer and more urban than the rest of the population.

Older consumers are more set in their ways than younger consumers and are less receptive to the telecommunications revolution. Younger consumers are much bigger consumers of global brands. This distinction has already intensified rapidly and will continue to do so. Among the results of a 1996 survey of 6,500 teenagers in 26 countries by advertising agency D'Arcy Masius Benton and Bowles (DMB&B) was the following: (Table 1, page 109):

We have no comparable data for a generation ago. But it would be remarkable if the proportion of teenagers who expect to live outside the country of their birth were not much higher now than at any time in the past.

Cross-border segments are more evident the further up the income and education pyramid you go. If we polled international managers in Seoul, San Francisco, Sao Paulo, Stockholm, and Sydney about their preferred brands of cars or brandy, the chances are they would all come up with much the same brand names. But if we went down into the guts of the mass market in Korea, the US, Brazil, Sweden and Australia, we would be much less likely to come up with similar brand names – in the case of distilled spirits, even the product might be unfamiliar.

It is also true that you are more likely to find consumers of global brands in urban than in rural environments. Many consumer tastes and behaviours may be more similar between New York and Tokyo than between Tokyo and Hokkaido. The further from the international urban centres you go, the less likely it is that you will find convergence.

A final point is the degree to which the importance of global brands varies from one product category to another. In product categories that are culture-bound - like food prepared at home in the kitchen - we obviously find large cultural and national taste variations. On the other hand, consumers around the world buy personal computers on the basis of much the same performance criteria wherever they are. As a result, the chances are that there will be more convergence - and therefore more chance of identifying global segments.

What Distinguishes a Global Brand?

In 1997, Financial World magazine published a list of its top ten global brands ranked by market capitalization (Table 2, page 109). For the global manager, a fascinating question is: what features do these ten brands have in common?

Apart from the fact that they are easy to pronounce (with the possible exception of the „e" in „Nike"), we can distinguish seven common features of all ten global brands:

➨ *Strong in home market:* The cash flow you generate from domestic market share is what enables you to fund a global rollout. This may partly account for the fact that nine are owned by firms based in the US (the world's biggest national market) and one by a firm based in Japan (the second biggest national market).

➨ *Geographical balance in sales:* There is no global brand that is extremely strong in Europe, for example, but hardly known in Asia. By definition, a global brand has at least a minimum level of awareness, recognition and sales all over the world.

➨ *Addresses similar consumer needs worldwide:* The physical products and services are identical, or almost identical, worldwide and meet the same widely-held human needs. In some cases the physical product may vary for local reasons while still meeting the same needs. For instance, McDonald's – the one food company in the list – has a beef-based menu in the US but a chicken-based menu in India.

➨ *Consistent positioning:* The way in which Coca-Cola, McDonald's and Disney are positioned around the world is very consistent: Disney, for example, represents the same special set of family values worldwide.

➨ *Consumers value the country of origin:* For many global brands, consumers value the country of origin; paradoxically, the country of origin is therefore a factor in making them global. Thus Coca-Cola and McDonald's and Marlboro cigarettes are all very much associated with securing a piece of American lifestyle or American entertainment culture – and as a result you often find there is an association between the brand itself, the loyalty to the brand and the fact that the brand is embedded in a particular national culture. Consumers associate countries with expertise in particular products: French perfumes; Japanese consumer electronics; American movies, computers and mass-market packaged goods; German cars and sausages. These associations are globally-shared.

➨ *Product category focus:* In the list in Table 2, the brand which probably comes closest to not having a single product category focus is Sony. But even Sony has developed a great reputation for being the world expert in small consumer electronic goods and has exploited that very successfully. Could a Samsung or a Hyundai ever be a global brand of this stature? I suspect not – simply because they are so diversified and spread across so many categories.

➨ *Corporate name:* In all these cases except one (Philip Morris's Marlboro) the corporate name is the same as the brand name. The importance of corporate brand names is exaggerated in Table 2 because it favours firms that put all or most of their eggs in a single brand-name basket. But it does reflect an underlying trend towards focusing resources on a few big brands, especially corporate brands. Of course one can always argue that no umbrella brand could be stretched from detergent to food and that, accordingly, Unilever and P&G would never be able to use a single brand name.

Benefits of Global Branding

There are four benefits of global branding:

Added value for consumers
Lower costs
Cross-border learning
Cultural benefits for company

Added value for consumers

Certain consumers perceive a value added when an international or global brand name is attached to „emotionally involving" or „aspirational" products. So, for example, a car is a highly-involving purchase; you are seen driving it by other people and your brand choice reflects the way you would like to be seen. The car category therefore offers an opportunity for global brands to add value in the minds of some consumers. Or, as we saw earlier, the country of origin itself may be an indicator of performance superiority, as in the case of the French perfumes. Unilever has six centres of research excellence around the world for each of its six main product categories: the centre of excellence for perfume is located in France. (However, we should not perhaps follow this line of logic too far: the fact that the Unilever centre of excellence for deodorants is based in England may not be quite fair to the English.)

Lower costs

Most global marketers claim that efficiencies can be derived from having a single global brand worldwide. Not only are there economies of scale in terms of logo development, packaging and trademark registration, but some marketing options are open only to global brands. When it comes to the World Cup and the Olympics, only global brands can afford to take advantage of the communications leverage that sponsoring these events can offer. There is less administrative complexity inherent in managing a single global brand than a series of national brands. In addition, brands with global reputations can enter new markets at lower cost than national brands: if you move into, say, Eastern Europe with a brand that is already global in scope, you will not have to fight as hard or spend as much to secure distribution.

A global brand can also facilitate the launch and distribution of line extensions and other brands in your portfolio. Coca-Cola has more than 20 very significant national brands of carbonated soft drinks (beverages) around the world in addition to the Coca-Cola brand. All these national brands secure much better distribution by virtue of being in the Coca-Cola portfolio than on their own:

It is significant that Coca-Cola – the company most often cited as the leader in managing a global consumer brand – also has this vast number of national brands. Coca-Cola recognises that, in every country market, there is not only a group of consumers interested in a global brand, but also a large segment of consumers who prefer the flavours of the lower-priced national brand. To maximise in-country production and distribution efficiencies, Coca-Cola needs a piece of both businesses.

Cross-border learning

Whether it is tennis or marketing, the way you get good at something is by practising. One of the advantages enjoyed by global brands is that the companies marketing them can practise in every country in the world. A key way in which corporate headquarters adds value (the only way, some might even argue) is by facilitating the cross-fertilization of ideas across national boundaries. Part of the job of the international market planner at head office is to integrate information across the whole organization so that corporate energies can be deployed most effectively.

Cultural benefits

A fourth set of benefits, often overlooked, pertains to the culture of the company: good people want jobs with important global companies and to continue to work for them. If you have a strong global brand, you are in a position to recruit and retain better people than you would otherwise be able to do. This motivational benefit, the pride that emanates from being part of a company that has a global reputation, should not be underestimated, especially in emerging markets.

Building Global Brands

How do you build a global brand? Figure 1 (page 109) shows how the process relates to corporate structure. As with national brands, there are four main communications building blocks: advertising (copy tone and content), brand slogan, brand logo and brand icons. An integrated communications effort, consistently executed often over decades, can create a brand meaning to which the target consumer can hopefully relate.

Let us again take Coca-Cola as an example. It has a range of advertising - typically a pool of advertisements around the world all of which reflect the current brand strategy but from which different country subsidiaries can select. It has a brand slogan. At the time of writing, this was „Always Coca-Cola": every time you think „soft drink", they want you to think „Coca-Cola" – almost to the point of pouring it onto your cornflakes! The brand logo is the round red circle that we are all familiar with, with the contour shape Coca-Cola bottle in the middle of it. In addition to the icon of the contour bottle, the polar bear serves as a second icon, used more frequently in some markets, such as the US, than in others.

All these communication devices are building a consistent visual imagery for the brand around the world every day. Beyond developing awareness and recognition of these logos and icons, there are three steps to building brand meaning. Consider Heineken. Imagine you are the Heineken international brand manager and you plan to launch Heineken lager in China. Heineken's first wave of advertising will simply show someone pouring the pure gold lager into a glass: it will show a close-up of the green Heineken bottle and the red star on the label - but the emphasis of the ad will be on establishing the quality of the beer, the fact that Heineken has been in business for decades and uses only the finest of ingredients. That is stage one: to establish the quality basis of the brand, often by emphasising its historical roots.

The second step is to overlay information on who the users are and how they use it. You will never see an ad for Heineken where anyone drinks it out of the bottle: it is always drunk out of a glass. Nor will you ever see any beer bash or beach party involving the consumption of Heineken: it is a beer that is always drunk by good friends in a relaxed but not excessively informal setting. This usage positioning is followed consistently worldwide.

Third comes the toughest step: identifying those enduring values that the target consumer can associate with your brand so that a bond or a relationship is built up between the consumer and the brand. At best, this will ensure repeat purchases. At the least, it inoculates the brand against one or two possible failures in delivery. For instance, British Airways wants to build a sense of customer service to such a level that, if the customer is disappointed on one occasion, he will let the brand off the hook and still stick with BA. Only with this deep relationship between the brand and the customer will brand loyalty be able to survive occasional instances of dissatisfaction.

Pitfalls of Building Global Brands

These building blocks for brand meaning are of course applicable to both global brands and national brands, although the three stages require a far broader fit in terms of audience for global brands. The brand-building process at national and global level also diverges in the possible pitfalls. Three common mistakes are forcing excess standardisation, ignoring the differences between the extent of the brand's and the product's development in different markets, and imposing total headquarters control.

Excess standardisation

The first common mistake is to standardise everything: in other words to assume that if you have a global brand, you have to standardise the entire marketing programme. There are a whole host of different decisions involved in developing any marketing programme. The trick is to decide what to standardise and what to adapt in each country. This is a long-standing debate in marketing. In my view, the more strategic elements of the marketing mix can be standardised successfully, but the less-strategic are often better adapted. Figure 2 (page 109) illustrates a typical situation: a diagonal line from the top left corner down to the bottom right corner would indicate the cost/benefit divide between standardisation and adaptation.

Every time you adapt something, it costs money. The key question therefore is always whether the costs of adaptation are exceeded by additional profits either from higher unit margin on the same sales volume or from a deeper penetration of the market – more unit sales and the same unit margin. What research suggests is that standardisation is easier in the strategic than in the execution-oriented elements of the marketing mix. It is also easier for back office than for front room functions: in other words, those aspects of the marketing mix where the customer interfaces directly with the company tend to need more local adaptation. In addition, it is easier to standardise from the start when you are launching a new product. On an established product, it is difficult to turn the clock back and create a single standardised programme where previously there were several locally-adapted programmes.

Ignoring levels of development

A second pitfall is to ignore market development differences. Every global brand faces the predicament that it is at different stages of its development cycle in different markets. Typically, in the domestic market it is likely to be a mature and advanced brand – while in many emerging markets it is hardly developed at all. The way to deal with this is to examine cross-border differences in terms of both category development and brand development. For instance, Heineken management looks at how both beer consumption per capita (category development) and Heineken's market share (brand development) vary across country markets. Do the variations from one country require a different marketing approach? If so, the extra cost of adaptation from one market to another has to be weighed against the extra profit margin or extra volume of sales generated by the adaptation.

These points are illustrated in Figures 3 and 4 (page 110, both of which come from Heineken itself). Figure 3 shows development of the beer category by country. In Africa and Eastern Europe, the category is relatively underdeveloped and fragmented. On the other hand, the US is an increasingly mature market with a high degree of market segmentation and many different brands addressing different consumer segments.

Figure 4 shows the position of the Heineken brand. This chart clusters countries into four groups: one group where Heineken's principal aim is to build its visibility and market share; a second group where it has achieved awareness but needs to enrich the brand imagery; a third group where the brand is well-known but the market is volatile (competition is stiff so Heineken constantly has to reaffirm with existing customers that they are doing the smart thing in choosing Heineken); and then, finally, the domestic Dutch market. Here in its home base Heineken is actually losing market share and, more than anywhere else, the brand needs to be reinvigorated.

What these charts do not show is that Heineken has a different approach from many companies in the way it goes about its worldwide marketing. For organisational reasons, multinationals often manage their marketing strategy on a geographical basis: they have an organisation in Europe, an organisation in Asia, an organisation in North America, in Latin America and so on – and so they also have a corresponding series of regional marketing strategies. If you follow the Heineken approach, you end up with countries that are in different regions organisationally being in the same cluster when it comes to working out the required marketing strategy.

Figure 5 (page 110) summarises the category and brand position in each type of market. Country indices can be calculated both for the development of the product category and for the development of the brand. The matrix in the figure positions four countries in relation to the development of both the beer category and the Heineken brand. Different objectives make sense for each of these cells. The clusters of countries that would appear in each cell would of course be quite different for other products and brands.

Excess headquarters control

There is perpetual tension between headquarters and the operations in the field. This occurs on a global basis but it also occurs nationally as well. For example, a retail bank may have a national headquarters but branches all around the country that may want to do things differently. Ted Levitt once defined a country manager as someone who is paid to identify differences: if you are a country general manager and you cannot come up with ten reasons why France is different from Germany, then why is the multinational paying you $250,000 a year to run France?

It is true that headquarters has the big picture and that headquarters control can ensure speedy worldwide new product launches and enforce minimum quality standards. However, excessive headquarters control has several disadvantages too:

- domestic market bias;
- reduction in motivation for those in the field and possible loss of key local managers;
- no reverse learning and sharing of best practices from the field back to headquarters;
- consumer differences glossed over;
- missing out on the two scarcest resources – great ideas and great people.

Obviously there is a balance to be struck which can perhaps best be summed up in two quotations. The people at headquarters who think everything should be done exactly the same way everywhere should never forget John le Carré's bon mot: „a desk is a very dangerous place from which to view the world". But people in local subsidiaries who constantly go on about how different their situation is from everyone else's should never forget Percy Barnevik's bon mot: „the cost of delay exceeds the cost of chaos". In today's global market we rarely have the luxury of waiting for everybody to get comfortable before rolling out a new product or a new idea: we usually have to get it out fast to pre-empt the competition.

The Main Challenges Today

The discussion so far has been largely conceptual and generalizable. What about the particular problems and emerging challenges faced by global brand managers in 1999? I identify five:

- The implications of the Euro-zone;
- Financial and economic instability in emerging markets;
- Diversion: the more uniform the brand name and packaging, the more widespread the leakage of product and profit from low to high-price country markets;
- The relationship between advertising agencies and managers of global brands: although the agencies have consolidated globally, that does not mean that advertising has to be managed through one agency or that a single campaign can necessarily be run worldwide.
- The evolving external threats and opportunities for each brand and product category; these determine which are ripe for being „taken global" or should be kept national.

The Euro-zone

What does the Euro-zone mean for global brand management? It will encourage further movement towards pan-European branding, a process that was stimulated by the market integration programme of 1992. Whether the consumer pays for a brand in Euros or in a national currency is unlikely to affect brand loyalty, though it will make differential pricing more transparent across borders.

The 1992 programme to eliminate non-tariff barriers in the single European market made Europe a more attractive market for non-European firms. Until the late 1980s, the position of vice president for Europe in most multinationals was regarded as powerless and unattractive, but this changed with the launch of the EU market integration programme. Indeed, these multinationals often assumed European unification to be far more advanced than it actually was. Most moved closer to a regional structure to extract scale and scope economies. Companies that pursued pan-European branding have enjoyed mixed success. Consider two examples: Snickers and Whirlpool.

The chocolate bar which had long been called Snickers in the US had been sold by Mars in many countries but under different names (eg Marathon in the UK). In 1991, Mars invested in what many thought was a very risky move: to create a pan-European brand with the same product formula. Arguably, in so doing Mars risked losing the value of its past efforts to build the local brands in each of the national markets. So, not only did it have to bear the cost of the Snickers launch but it also faced the opportunity cost of prior brand equity-building activity. On the other hand, past efforts had built distribution for the product and consumer acceptance of the product formula. The name change, if well-managed, represented news for the product and therefore an excuse to restage the local national brands but on a pan-European platform. The lesson from Snickers is that a company can extract a net gain from taking the initiative to develop a European brand where previously only local equivalents existed and where the target market sees a value in consuming an international brand that can be advertised in pan-European media.

The Whirlpool initiative has not proven nearly as successful as Snickers. Using a three-tier branding structure, Whirlpool tried to force-fit an agglomeration of acquisitions and brand names onto its European channels and European customers. The three brands are Bauknecht, characterised by robust German engineering, at the top, Whirlpool in the middle market and Ignis at the budget level. The recent announcement from Electrolux that it is developing a series of common global „platforms", using a common basic framework to build each „white good" product, provoked comparisons with what commentators referred to as „Whirlpool's unsuccessful attempts" to produce a single „world washer" (Financial Times, February 17 1999). The challenge for Electrolux is to develop a limited number of platforms (to provide economies of scale) while still providing a range of specific products under different brands and at different price ranges to satisfy the different market segments within and among different European countries. In cars, VW has pursued a similar strategy with a limited number of product platforms (eg Polo, Golf/Rabbit, Passat) used to support four brands with different price points and positionings (Skoda, Seat, VW, Audi).

In contrast to Whirlpool, Siemens stuck religiously to its long-standing policy of decentralisation in the marketing of its household appliances for food preparation and laundry processing. This strategy recognised the different consumer preferences for different brands and for different types of equipment and product features in different national markets.

Central and Eastern Europe

So pan-Europeanism benefits brands in some product categories but can be a red herring or even a disadvantage for others. However, there is a further wrinkle to the argument: whether the fall of the Berlin Wall and the development of markets in Central and Eastern Europe (CEE) complicates the regional strategy in such a way that it becomes harder to implement a pan-European approach successfully even for products which a priori should benefit; and, if so, what strategy to adopt to address this challenge.

Many multinationals are wrestling with whether to include Central and Eastern Europe in their European operations or whether to tackle them through an „emerging markets" portfolio which might also include Africa and the Middle East. Incorporating them in the European market makes sense because most of the consumers in these countries view themselves as Europeans in cultural terms - and in terms of their brand aspirations. Moreover, in this European context, the imagination and innovation that marketing in an emerging Central and Eastern European markets requires of managers can inform and provide ideas to the corresponding brand managers in the mature West European markets. Thus, including the CEE in the „Europe" portfolio can have a reverse-learning benefit back from the emerging European markets to the developed European markets. A parallel example can be drawn in Asia. In China, the largest and most profitable fast-food restaurants are in Shanghai and Beijing. From its experiences in these cities, Kentucky Fried Chicken (KFC) has learned how to run efficiently large-scale sit-down restaurants, in addition to small-scale takeaway restaurants.

What about European countries which stay outside the Euro-zone? Will they be excluded from the global brand managers' vision? This will vary according to market size. Most non-European multinational firms view Britain as an important part of Europe for operational purposes. Some with regional headquarters in the UK may decide to relocate which might reduce the UK marketing manager's influence on a brand's regional strategy.

An intriguing question is the extent to which Europe-based multinationals will themselves develop a pan-European stance. For most multinationals, their home markets are among their best developed, with market penetration typically going deep into layers of the culture. As a result, the marketing mix that exists in the well-developed domestic market is often hard to transfer. Multinationals headquartered in small countries like Sweden and Switzerland are less impeded by this constraint. The extent to which domestic bias distorts the marketing mix for global brands also depends on the proportion of senior management that is of domestic market nationality: one of the challenges for European multinationals is that this percentage is often much higher than the proportion of total sales derived from their domestic markets.

Instability in Emerging Markets

For the growth of firms like ABB or Enron which are involved in giant infrastructure projects, the importance of emerging markets is huge: companies like these are also sensitive to a sustained economic downturn. For consumer brand companies, growth will be slower than it would otherwise have been. However, there is a common aspiration among mass market consumers to test out, experiment with and enjoy the use of Western brands if at all possible. While fewer people in Indonesia are going to be able to afford to buy a Gillette Sensor razor – and fewer of those who buy Gillette Sensor razors will be able to afford to shave every day with them – there will nevertheless be a small segment of the market that will still buy that premium Gillette brand. And of course Gillette's approach to product line management has been classic in trading the consumer up from the basic blue blade through a disposable to an Atra and then to a Sensor.

Within this overall picture, the key point is that the emerging markets are not homogeneous, even within geographical areas. They vary in their level of economic development as well as in their financial and economic stability. Latin America is not looking too good at present – but Chile is still quite robust. Asia has problems – but Korea is already showing signs of rebound.

For the time being, multinationals and global brand owners are going to have to be more selective and attentive to where they allocate their resources and place their bets – rather than simply spreading their investment across all emerging markets roughly in accordance with population or market potential.

On the other hand, there is no better time than a recession to invest in growing market share – an extra percentage point of share costs less in a recession than it does in an up market. So, there are also tremendous opportunities for multinationals to acquire local brands, especially in fragmented consumer goods markets.

Global brand owners will continue to develop and sustain a portfolio of global, regional and local brands. The per capita income in each emerging market will determine how large is the consumer segment that can afford the price premium charged for the global brand.

Diversion

The more global the brand and the more you derive cost efficiencies from standardized branding and packaging, the more vulnerable you are to diversion: that is, parallel imports from low-price to high-price countries. The sources of the diversion are often your largest customers, both because the diverted merchandise is a small part of their total purchases – so they can hide it – and also because they can use diversion to unload surplus stock in a soft market. The brand's own sales people are often aware of what is going on and turn a blind eye to it - because their own sales performance may be boosted as a result of purchases that are ending up in other markets. Of course, the salespeople in the markets where the merchandise ends up, who may suffer a loss of commission, are the first to complain.

Diversion primarily affects low bulk, high value items. Kodak and Gillette are vulnerable, for example, as are perfume brand owners. Some multinationals deliberately differentiate the packaging and/or the brand name from one country to another in order to identify and therefore to discourage diversions. The classic example here is Procter & Gamble's Oil of Olay, which is Oil of Ulay in Britain, Olay in America and Olaz in Spain. This of course sacrifices some of the benefits of global branding. A second approach is to code each of the packages shipped to each customer and country to enable the company to trace them wherever they show up. If diverted merchandise is showing up in the US, it can be traced back to, say, the Hong Kong distributor and action can be taken. The problem becomes more complicated when you are dealing through a fragmented network of agents and independent distributors. For this reason - and because of the sheer volume of their sales - companies pursuing standard global marketing programmes often have their own sales organisations.

Relationships with Marketing Services Companies

Should a global brand have one advertising agency or many? As suggested by the matrix in Figure 6 (page 110) it is not essential to have one agency in order to have one campaign: a single campaign can be developed by one agency, with the implementation of that campaign around the world being carried out through the strongest local agency in each market. But more commonly, what happens is that, say, an IBM would appoint an Ogilvy & Mather because:

- ⇨ dealing with one agency is simpler;
- ⇨ it makes control easier; and
- ⇨ it consolidates resources: buying power is increased, you have more chance of having the best people in remote locations assigned to your account; and as such an important client of the agency, individual managers within the agency will be keen to work on the IBM account.

A related issue is international marketing research. A global brand manager needs a standard monitoring system to track the effectiveness of campaigns from one country to another. However, standard market research instruments and scales elicit different responses in different cultures hindering cross-border comparisons. Some companies still allow local brand managers, if they wish, to invest in testing alternative campaigns on some approved basis against the standard global campaign: if the test passes muster to the satisfaction of the market research her at world headquarters, the local brand manager is allowed to run his own local campaign. But this approach is declining: what we are seeing more of is the concept of a global pool of commercials from which the local management can select whatever mix they think is most appropriate for its country.

The development of intranets and sophisticated software now permits managers and agency representatives around the world to play simultaneously with the same advertisement on the computer screen and contribute to the design. It will become increasingly easy to orchestrate task forces with many people in remote locations inputting jointly in real time to the creative process. This may make it easier to develop excellent global campaigns – as opposed to the lowest common denominator global campaigns which we have sometimes seen in the past. Intel's global advertising campaigns represent a good current example of what the future holds in store.

Which Brands Should Go Global?

In all too many firms, globalization initiatives are driven by a desire to reduce costs or facilitate headquarters control rather than to add value to the end consumer. Often these objectives are not achieved. The cost of blockbuster global advertisements often exceed the cumulative cost of locally-developed campaigns. And, far from increasing control, globalization efforts may provoke more resistance and demands for localization. The more important question which should always be asked in considering global marketing proposals, especially where these proposals involve rolling back a marketing agenda that has hitherto been decentralised, is what added-value exists for the end consumer in Paris or Tokyo or Sao Paulo from the fact that a brand or marketing programme is global? Does it really matter to the consumer in Germany that the fabric softener Lenor is called Downy in America? Does it make the product less appealing? Is the German consumer less interested in buying this brand because s/he does not know that it is the same brand name in every other country in the world? In this case, the answer is surely „no".

At the other end of the spectrum is a product like Lego. The Lego product line and Lego marketing programme are very similar around the world. A priori, Lego would seem like a candidate for local adaptation given that it is a product that is used in the home, and that children's education might be culturally-based. In fact, the cognitive development of children is pretty similar no matter where they are in the world. Children may differ in their favourite cartoon characters: but when it come to the basic blocks for learning, the cognitive development pattern is universal. In addition, the global approach facilitates cross-transfer of ideas across markets, and it also simplifies the management task in this private company. If you have a different marketing programme in every country, it complicates your life enormously compared to having a global programme. Simple is good – unless you are leaving money on the table. The question of whether or not the incremental costs of local adaptation are more than outweighed by the extra profit that comes from adapting to the local market preferences applies in terms of managerial complexity as well as the simpler financial measures.

Beyond this general point, what other factors should managers particularly focus on in 1999 as they try to decide whether particular brands or products should be sold globally, regionally or nationally? Two types of brand which have long been particularly susceptible to the global approach - brands in business-to-business and luxury goods markets - are especially worth considering. Finally, we discuss three factors which are particularly relevant to such decisions at present: the brand's regulatory environment, its closeness to digital technology, and the costs and benefits of shedding brands.

Business-to-business markets

The debate on global marketing often seems irrelevant to purveyors of industrial goods and services. Why? The answer is that their biggest customers are often multinationals and the products and services in question are not culturally bound (although there are exceptions, such as roofing materials and other products in the construction industry). The issue of whether or not to adapt the marketing programme is not going to be the most fundamental driver of business success for Microsoft or for ABB. At the same time, although the promotional programme as opposed to price-performance relationships may not be a major determinant of success, the effectiveness of the selling process and customer service is usually vital and of course has to be adapted at the local level. One rarely hears about a global sales organisation where multicultural teams parachute in to sell to a national customer: you need local nationals to service national customers and, because most multinationals are still decentralised, you also need local nationals to service multinational customers. There are very few corporations operating in any sense as fully-fledged global corporations where more than the top 100 people in the organisation can be considered to be global executives. Most industrial products and services firms use global brands (unless they grew by acquisition in which case the retention of a local brand in the portfolio will depend on the same sort of equity issues that determine whether or not to retain local consumer brands).

Luxury goods

Luxury goods are also good candidates for global branding. As we saw, consumers of global brands tend to be younger, richer and more urban than consumers in the mass market. Branding luxury goods globally is relatively easy: you are targeting a narrow niche, positioning yourself at the top of the brand pyramid (so you do not typically worry about other brands with a superior image trading down - it is much harder for other brands to trade up than down). As a percentage of sales, you can afford to spend more on marketing luxury goods, because the margins are less tight. A challenge for the luxury brand owner such as Gucci is to sustain growth through increasing sales without diminishing the brand equity.

The regulatory environment

Regulatory differences from one country to another have long constrained the development of global marketing programmes. Any product or service related to utilities, pharmaceuticals or retail financial services has historically been almost impossible for global marketing. Pharmaceuticals is very much a global industry - and yet still driven by the need to satisfy local regulatory agencies: the product formula may be consistent world-wide, but there is tremendous variation in what is permitted with respect to marketing in each country.

The regulatory environment has already changed a great deal (see, for example, the article on telecommunications later in this issue) and managers in areas which are now regulated must constantly consider whether the decline in regulatory barriers to globalization of their brands means that they should be moving to a global approach. The name change from British Telecom to BT is one example of such a shift from a national to a global brand identity.

The Euro-zone will reduce the national regulation of financial services within Europe. But this does not necessarily mean that retail financial services are ripe for the global treatment. Why? One of the significant early initiatives of the 1992 integration programme related to non-consumer insurance and the easing of sales of property and casualty insurance across national boundaries – without the insurer having to have an operating office in each European country. Although that initiative helped to reduce the enormous price spreads in insurance that existed across European boundaries, it has not been matched in the consumer sector. This may be because consumers feel at risk if they buy insurance from a foreign supplier because of the perceived greater difficulties of obtaining prompt and reliable claims service. That sort of issue means that even if transparent cross-border selling is permitted, there could well be a constraint on consumer willingness to buy. Brussels cannot legislate consumer behaviour.

In the case of cars, you have the same products and brands. It is easier to conceive of French consumers crossing the border to buy at lower cost in Belgium - as many already do. The right-hand drive does act as a non-tariff barrier against the British consumer purchasing in continental European markets: but only because EU regulations allow the manufacturers to control their distribution networks so tightly.

The digital revolution

It is probably no accident that the market where national regulatory control has so far given away most to global brands is telecommunications. Less than twenty years ago, this market was totally regulated by national authorities. But regulations can no longer keep pace with innovation. Any product or service close to the digital world will be particularly susceptible to globalization: from the technology markets themselves to mobile telephony, internet service providers and all products with information content.

The internet permits specialist product manufacturers and distributors to go global without investing in distribution systems in each country. Computer software for financial service brands, for example, can be downloaded anywhere in the world without having to pass through customs checkpoints. And many internet brands – Yahoo, Amazon and AOL – have achieved as much global recognition in three years as it has taken some consumer goods brands decades to achieve.

Shedding

British Airways is one of Europe's biggest brand-building success stories. It was able to successfully appeal to the business traveller while at the same time retaining appeal as the first choice of many leisure or pleasure travellers. But, over time, several airlines have cultivated more precise positionings – Malaysian Airlines, for instance, as a price-driven carrier for the pleasure traveller, and Singapore Airlines and Cathay Pacific vying for the business traveller. American Airlines too has religiously pursued the business traveller. BA is in danger of being the brand that is trying to be all things to all people in an increasingly segmented market. The debate on the BA tail fin encapsulates the difficulty of straddling multiple segments in an increasingly segmented market.

Now BA has decided that it wants a piece of the action at the lower end. Knowing the constraints of its existing cost structure, it has brought in Barbara Cassini to launch GO. BA can here be compared with VW which sells Skoda as a separate global brand: the rationale for such moves is to maintain brand portfolios with different positionings and price points. This may be a more tenable strategy for airlines and cars than in the Whirlpool case because there are fewer country-to-country variations in habits and feature preferences.

At the other end of the spectrum, in the US and elsewhere, there are a number of entrepreneurially-minded corporations that make their money purely from picking up and marketing small, national brands that are sold off by multinationals, often harvesting the residual brand equity that the seller has given away: BA has just added a new brand; but many other companies are busy shedding brands.

Multinational companies thinking globally are shedding brands that do not meet the minimum threshold that is required for a business to be worth worrying about. The costs of portfolio complexity are also an issue, costs associated with having so extensive a portfolio that salespeople do not have enough time to present the entire product line fully to customers.

In Europe, Danone is a good example of a company that has rationalised its product lines and is now focusing on a few categories with a few strong brands - almost a necessity given Danone's strategy of international expansion. In this case, the company brand name is appearing on more and more of its individual products.

How do you decide whether to shift to a single corporate global brand name or to work with a portfolio of brands? As we saw earlier, even if Unilever and Procter & Gamble were able to start with a clean slate, no single umbrella name could be stretched from detergent to food. SaraLee's food products are not sold under the same brand as the hosiery products though there may be overarching relationships: for instance, it would obviously be in SaraLee's interests to show Wal-Mart how much business it was doing with Wal-Mart world-wide across all lines so as to increase its trade clout.

Nestlé is very clearly emphasising a corporate name much more than historically. It is trying to retain its decentralised culture and yet do so in a way that permits it to rationalise its brand portfolio without losing equity and sales at the local level. Nestlé is trying to develop over time families of products under a collection of global brands: not only Nescafé, but others like Maggi, for instance, the culinary products brand. Given that it started with a huge portfolio of brands and a company name that is wedded to one product, this is an especially instructive example.

Conclusion: the Case of the „Euro-Oven"

In February 1999, Electrolux, which currently markets appliances under more than 40 brands, announced that it was considering a fundamental overhaul of its global branding strategy, including common logos or putting the Electrolux company name on all products. It is also following producers in the automotive and mobile telephone industries in adopting a platform strategy. However, the first platform product to roll off the assembly line, a „euro-oven", will be characterised by different add-on features in different markets – a pizza oven for the Italian market, for example.

This current Electrolux case illustrates many of the themes discussed here: the big future for global brands in an increasing range of product and service categories - provided they accommodate preferences of different national markets, where appropriate, as well as international segments; the impact of the Euro-zone; the perceived advantages of a common global logo and/or company name. In areas more closely associated with the digital revolution, the advantages of going global will be even stronger. Whether managers derive maximum benefit from globalization will depend on the extent to which they exploit the four benefits which global branding can offer: added value for consumers, lower costs, global brands' ability to apply quickly and efficiently in other markets what is learned in each one, and the fact that good people want to work for global companies.

The way in which the debate on global marketing has changed in the last ten years can be summed up as follows. Instead of focusing on the differences among countries, managers now seek to identify the similarities: they start with the similarities and then try and adapt to the differences, rather than starting with the notion that everything is different and then looking for similarities. The question that was asked ten years ago was more often: „Why should we go global?" The onus would have been on the advocates of global branding to justify their position, whereas the onus now is on those who argue against companies, products and brands going global to justify their point of view.

References

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The Globalization of Markets. Harvard Business Review May/June

Table 1

Survey of Teenagers
% responding „yes"

	US	Europe	Latin America	Asia*
Enjoy travel	76	79	78	70
Expect to live outside country of birth	51	37	45	30
Work for pay	50	33	22	8
Own blue jeans	93	94	86	93

*Does not include China

Table 2

Top Ten Global Brands

1. Coca-Cola
2. Marlboro
3. IBM
4. McDonald's
5. Disney
6. Sony
7. Kodak
8. Intel
9. Gillette
10. Nike

Source: Financial World, 1997

Figure 1

Building Global Brands

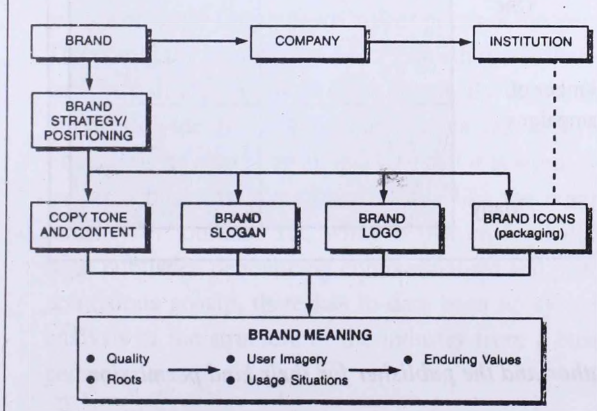


Table 3

Coca-Cola's National Brands

Product	Drink description	Countries
Beverly	Herbal soft	Italy
Bonaqua	Mineral water	Germany, Poland Czech Rep, Hungary
Cappy	Juice	Turkey, Germany Hungary, Slovak Rep, Poland, Romania
Cocks	Soft	Ireland
Kinley	Flavored tonic water	Germany, Czech Rep
Lilt	Citrus soft	UK, Ireland
Mezzo	Mineral water	Germany
Tab X-TRA energy	Sugar-free dark	Norway, Sweden Iceland, Finland
Thumbs Up	Cola	India
Tian Yi Di (heaven and earth)	Lychee, mango and pomegranate	China
Toppur	Carbonated Icelandic water	Iceland
Splash	Fruit flavor juice for children	Germany, Spain
Urge/Surge	Low carbonation citrus soft	Norway,US

Figure 2

Marketing Mix Standardisation

	Standardisation		Adaptation	
	Full	Partial	Partial	Full
• Brand name				
• Brand positioning				
• Brand slogan				
• Brand logo				
• Brand icons				
• Copy platform				
• Copy execution				
• Product design				
• Princing				
• Sales promotion				
• Distribution				
• Customer service				

Figure 3

Beer Category Development by Country

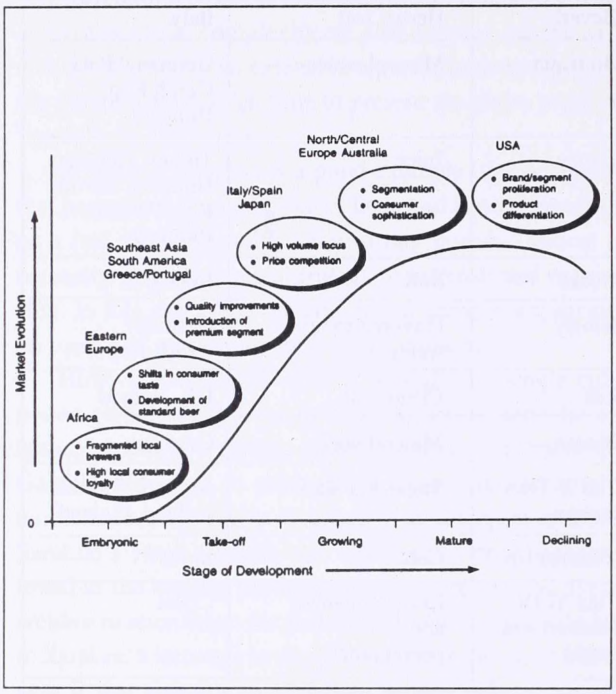


Figure 4

Heineken Brand Building Objectives by Country

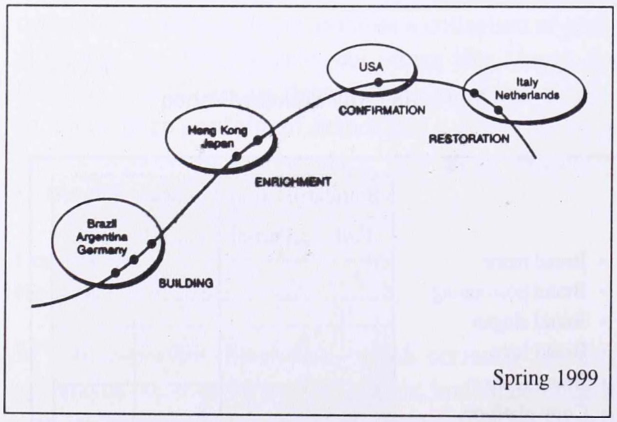


Figure 5

Brand-building Objectives by Country

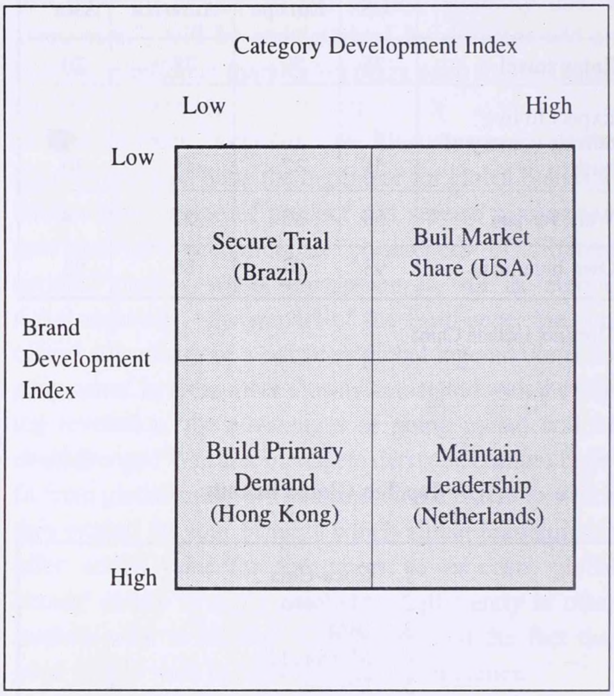
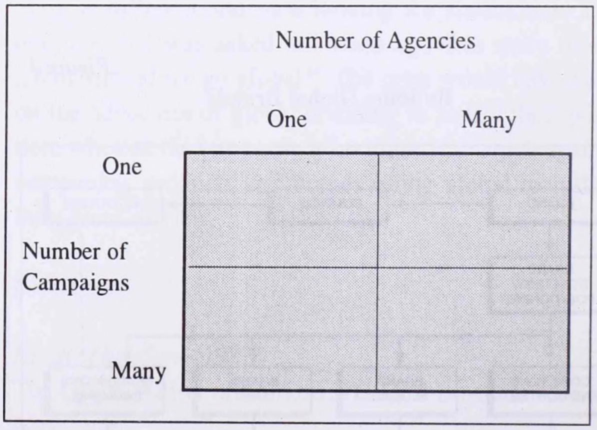


Figure 6

Global Brand Adversiting Planning



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