



GLOBAL BRAND STRATEGY

WORLD-WISE MARKETING
IN THE AGE OF **BRANDING**

JAN-BENEDICT STEENKAMP

Praise for *Global Brand Strategy*

“*Global Brand Strategy* strongly resonated with my own experience managing brands on a global basis. It is packed with examples from around the world and includes many actionable frameworks and tools. A must-read for any global brand manager and business leader wanting to take their brands overseas.”

– **Global President of Sales at a leading CPG company**
(name withheld due to company policy)

“While many marketers ignore globalization, and some pretend that it means that customers everywhere want the same thing, Steenkamp provides a much more granular—and practical—discussion about how much and how to standardize different elements of the marketing mix within an integrated framework.”

– **Pankaj Ghemawat**, Professor of Global Strategy at IESE and New York University, and author of *World 3.0: Global Prosperity and How to Achieve It*

“*Global Brand Strategy* offers a refreshing and comprehensive exploration of global marketing that addresses ‘what, so what, and now what.’ It addresses ‘what’ with substantive foundational global marketing insight that benefits both experienced and new global marketers. ‘So what’ or why should you care is made clear with relevant and intriguing examples.

‘Now what’ drives practical action with valuable tools and managerial takeaways.”

– **Mary Garrett**, former vice-president of marketing and communications at IBM, Director of Ethan Allen Global Inc., and chairperson-elect of the American Marketing Association

“Drawing on his 25 years of international experience, Jan-Benedict Steenkamp’s *Global Brand Strategy* provides extraordinary insight, and useful, practical guidance on how to build and maintain strong global brands. This work is particularly helpful for attorneys dedicated to protecting the intellectual property of clients around the world, as it details how and why trademarks, geographical indications, and other forms of intellectual property create value for global companies and their consumers, including through the use of insightful examples of corporate successes and failures.”

– **Partner at a top international law firm**
(name withheld due to company policy)

“Jan-Benedict Steenkamp takes us in this book into a very profound knowledge adventure, showcasing his extraordinary wisdom and experience in global brands and global marketing. With vivid and practical examples, he is capable of teaching and demonstrating how global brands have emerged in the global scenario, their trends, characteristics, features and future in digital challenge. With figures, tables, grids, matrices, and guiding scorecards in all the chapters, he offers a very practical guide for decision makers to facilitate their tasks.”

– **Mauricio Graciano Palacios**, Corporate Affairs
Director Coca-Cola/FEMSA Group

“Jan-Benedict Steenkamp’s *Global Brand Strategy* achieves one milestone that most business books miss these days—it encourages you to think and draw your own conclusions, this time about the journey of building and nurturing global brands. And to help you in this challenging journey, Steenkamp provides you with very pragmatic frameworks, tools, and real examples of brands that have successfully become global.”

– **Jorge Meszaros**, former Vice President Hair Care,
Procter & Gamble China

“At a time when globalization is the name of the game at corporate head offices, and we are all witnessing the expansion of global brands, this book is a must-read for anyone who would like to pursue a career in global marketing or in managing global brands. After a thorough analysis about the current trends, based on his renowned expertise in branding, the author has crafted probably the best toolkit a global brand manager can have today, including the COMET Scorecard and different assessment tools for both one’s organization and for the customers served. Last but not least, the author makes an effort in identifying managerial implications and take-aways for global brand managers.”

– **Josep Franch**, Dean of ESADE Business School (Spain)

“Few would argue with the idea that we live and do business in a branded world. Yet, traditional notions of brand building and brand value today are in flux due to globalization, the rise of the emerging markets, and the advent of the digital age. Amidst these changes, Steenkamp’s work is a welcome re-interpretation of how to build value through brands that will be very useful for any organization operating in today’s global, digitized markets.”

– **Victor Fung**, Group Chairman of Fung Group (Hong Kong)

“Building and keeping a successful global brand in a world in disarray leads us to the perennial paradox of motivation arising from fear or aspiration. Jan-Benedict Steenkamp’s masterpiece *Global Brand Strategy* shines a light of brilliance on your aspirations.”

– **Luis Niño de Rivera**, Vice Chairman of
Banco Azteca (Latin America)

“This is a remarkable book on global brand strategy, not only written skillfully but with a rare mix of knowledge, passion, and practical wisdom. A must-read for managers and executives in all industries facing a dynamic marketplace and branding challenges.”

– **Zhao Ping**, Chairman of the Marketing Department,
Tsinghua University (China)

“This book takes you into a journey of great intellectual perception and holistic understanding of the term ‘brand’ and its intricate ubiquitousness in our daily lives. It fundamentally paves the way to a better appre-

ciation and comprehension on the cruciality of a cohesive global brand strategy. It is indeed the launchpad of brand monetization!”

– **Moustapha Sarhank**, Chairman Emeritus, Sarhank Group for Investment (Egypt)

“*Global Brand Strategy* is a reference on the power of brands, old and new, and a joy to read. It is an enthralling journey that makes a reader value branding as a competitive tool. This is particularly true in a fast-changing global economy, where competitors have instant access to markets through the Internet and ever-evolving digital technologies.”

– **Raja Habre**, Executive Director Lebanese Franchise Association

“Anyone involved in the development of brand strategies will treasure this book because it provides an organized framework that makes sense in current market conditions of intensive competition. Companies and brand managers will gain a strategic perspective on the Brand Value Chain that helps to understand processes, structures and strategies required to build a brand on the global context.”

– **Maria Elena Vázquez**, Dean School of Business and Humanities, Tecnológico de Monterrey (ITESM), Mexico

“*Global Brand Strategy* represents the best combination of theory and practice. The book clearly indicates how a well-defined brand strategy can allow firms to leverage their resources in an increasing competitive global business context.”

– **Dheeraj Sharma**, Chairman of the Marketing Department, Indian Institute of Management Ahmedabad

“Steenkamp presents useful insights and a thoughtful framework that outlines the ways that global brands can create value. *Global Brand Strategy* should prove to be a very useful read for any executive aspiring to build a great and lasting global brand.”

– **Richard Allison**, President of Domino’s Pizza International

“Each day more companies are becoming global; as a result the global community is becoming smaller. Nevertheless, it is important to understand the differences of each culture and how global brands need to adapt to them. This is exactly what Jan-Benedict Steenkamp does in his book transmitting novel concepts that can apply to any organization.”

– **Alejandro Romero**, Latin America Marketing Manager, Alltech

Jan-Benedict Steenkamp

Global Brand Strategy

World-wise Marketing in the Age of Branding

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*To the loving memory of my parents: to my father, Prof. dr. Piet Steenkamp,
Founder of the Christian Democratic Party, Chairman of the Senate,
Commander in the Order of the Netherlands Lion, Holder of the Grand
Cross of Merit of France and of Germany, and Commander in the Pontifical
Order of St. Gregory the Great; and to my brilliant and iron-willed mother,
Constance Steenkamp. I am deeply grateful for their support, wise counsel,
and inspiration during my entire life.*

Also by the Author

Product Quality (Assen: Van Gorcum, 1989).

Private Label Strategy: How to Meet the Store Brand Challenge (with Nirmalya Kumar; Cambridge: MA: Harvard Business School Press, 2007).

Brand Breakout: How Emerging Market Brands Will Go Global (with Nirmalya Kumar; New York: Palgrave Macmillan, 2013).

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Preface

Not since our species emerged from Africa have we seen such integration of human commerce as we do today. When I was born in Amsterdam, the Netherlands had no free flow of goods and people across the German border. The Dutch government restricted the convertibility of the guilder, few people had journeyed to other countries, and even fewer had traveled by air, while entering China was all but impossible. The Iron Curtain divided Europe, and the wind of change had yet to sweep through colonial Africa. Making a telephone call from Amsterdam to New York City cost several US dollars per minute and knowledge of far-away events was sketchy.

We ate the typically stern Dutch meal: potatoes, meat, and cabbage. If your family ate zucchini, pasta, and olive oil, whatever those were, we eyed you with mild suspicion. People drove DAF Variomatics, owned Philips televisions, spread Blue Band margarine on their bread, drank Raak soda and Heineken beer, ate Royco soup, De Hoorn smoked sausage, and Campina ice cream, rode Gazelle bikes, dreamed of flying on KLM Royal Dutch Airlines, rooted for Amsterdamsche Football Club Ajax, and banked with the Boerenleenbank. Koninklijke Hoogovens delivered its steel to Stork machinery on DAF heavy trucks and shipped steel overseas through Verolme dock and shipyard. Many filled their gas tanks at a Royal Dutch Shell station, unaware of its global stature.

In my youth, my brand awareness was local because the products I could buy were local, even though I lived in one of the world's most open economies at the time, an economy that even in 1960 depended on global trade for over half its national wealth.

How different is the brandscape of today's youth. Not even Dutch children would recognize half these brands. Many have disappeared from the marketplace (e.g., Fokker, Raak, Royco, DAF cars) and others are but a pale image of their former glory (Philips, Ajax). Still others sold themselves off to foreign firms (Hoogovens to Tata Steel, DAF trucks to Paccar) or merged with them (KLM with Air France). At the same time, several (largely) local Dutch brands became powerful global brands, not just Shell and Heineken but ING bank, Grolsch beer, KPMG professional services, and Omo laundry detergents.

Of course, Dutch brands are not unique in this respect. You can probably think of several retail or consumer brands, maybe even your childhood favorites, that did not survive the arrival of the global economy. Britain's storied car brand Rover went bankrupt, while once proud British Steel—now part of India's Tata Steel—is fighting for survival. Germany's renowned consumer electronics brands Schneider and Dual were sold to China's TCL and all but disappeared from the marketplace. France's Simca was acquired by Chrysler and afterwards taken from the market and Belgium's SBR went bankrupt. Chrysler bought American Motors Corporation only to be eliminated later. General Motors' car brands Oldsmobile, Pontiac, Hummer, and Saturn ceased operations, the victims of the onslaught brought on by foreign car brands and the global financial crisis of 2008–2009.

Brands would not have emerged from their country of origin without the dramatic drop in the costs of international connectivity. A turning point was 1989: people everywhere watched the Berlin Wall come down. Goods, services, capital, and ideas move freely about the cabin of planet Earth. Via the Internet, people follow local weather and global news. Before I graduated from college, I had the privilege of traveling widely across the world because my father served as an independent (non-executive) director of KLM. But my travels were nothing compared with my daughter's. Before her 25th birthday, she had traveled from Argentina to Zimbabwe: that is, not just the countries of the European Union but

also Botswana, Brazil, Burma, Chile, Ethiopia, India, Namibia, Nepal, South Africa, Thailand, the United States, Uruguay, and Vietnam.

It's a small world after all. People around the world covet the prestige of Gucci, the reliability of Toyota, the taste of French Haut-Médoc wine or Coca-Cola, the soccer played by Real Madrid, the café experience of Starbucks, Hollywood blockbusters, McDonald's French fries, the latest iPhone, and Zara's fashion.

In corporate headquarters around the world, many purchase managers prefer the technological prowess of Caterpillar machinery, Honeywell process controls, John Deere tractors, General Electric medical equipment, and Airbus aircraft over any local manufacturer; the expertise of McKinsey consulting services, Deloitte accounting services, Sodexo hospitality services, and FedEx logistics services. Along with their market success, global brands have become immensely valuable assets. While the total value of the world's 100 most valuable global brands was \$1.4 trillion in 2006, the global top-100 was worth a staggering \$3.4 trillion in 2016, according to brand consultancy Millward Brown. Few, if any, firm assets exhibit a compound annual growth rate of 8.8 % year after year.

Yet, more than a few firms stumble in taking their brands global while others misjudge market developments or cut corners with scandalous results. Chrysler's efforts to go global have failed, Walmart flopped in Germany and South Korea, Sony rose and faded in global consumer electronics, BlackBerry misread the consumer market, and Volkswagen's emission testing fraud has scandalized the brand.

Why do some brands succeed in all the big markets of the world and others never make it beyond their own borders? What can executives learn from their successes and failures in building and managing their global brand? These questions inspired me to write this book.

Drawing on my own research in branding and global marketing over the last 25 years, the work of my academic peers, interviews with senior executives, trade publications, and my consulting work, I analyze brand strategies in a global economy where the forces of globalization are strong but not friction free: national and cultural differences cause turbulence, even resistance. I lay out actionable strategies for executives to launch and fly strong global brands, no matter the headwinds. My book contains many examples, visuals, and tools for you to use in analyzing your

situation and discussing your aspirations with fellow executives, board members, and direct reports. My goal is to enable heads of business units and managers to navigate effectively and profitably in today's global marketscape.

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I have had the privilege to test and refine my ideas in lectures to participants at conferences on all continents and in various MBA and executive programs. I learned as much from them as they learned from me. I also owe much gratitude to a number of colleagues whose insights have sharpened my thinking over the years. The contributions of David Aaker

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A very special word of thanks to my friend and colleague of 25 years, Nirmalya Kumar, who left academia in 2013 to join Tata & Sons. Academia's loss is India's gain. His insights over the years have significantly influenced my thinking. I sorely miss the countless hours we spent discussing ideas in his London apartment, fueled by excellent French wine from his personal cellar.

I am grateful for the support of my wife, Valarie Steenkamp. She is my sounding board, not only for many of the ideas in this book, but for all my life's decisions.

Finally, I want to acknowledge all those executives who work hard every day of their lives to enrich our lives with high quality global brands. If they find this book useful, it will be worth all of my efforts.

1

The Cambrian Explosion of Brands

Imagine a world without brands. Perhaps it is the world before language, before mankind could distinguish earth from sky, flora from fauna, or dreams from reality. Or it is the world before money, at the dawn of specialization, where people were called by what they did best—fisher, farmer, baker, barber, sailor, smith—and bartered for what they needed. Or it is the world before industry, where the rich coveted Florentine wool, Venetian glass, and Toledo steel, all from artisanal communities. Their products were relatively unsophisticated, rivals were few, and most sales were local. If consumers weren't satisfied with their purchases, word got out quickly, and a craftsman's reputation took a hit.

Then came movable type, electricity, the steam engine, railroads, the light bulb, the telegraph, mass production, and unprecedented choice. Technological progress in the late nineteenth century outstripped the average consumer's ability to understand the products, let alone know their producers personally. Copycats sprung up to exploit the popularity of certain goods. Which product was the genuine article? Which producer was trustworthy? In response to this customer uncertainty, firms started to introduce brands in various industries, ranging from steel and armaments (Krupp, Vickers), automobiles (Mercedes, Ford), and

banks (Barings, Rothschild) to toothpaste (Colgate), soap (Ivory), and soft drinks (Coca-Cola). In what we might call the “Precambrian” era of branding, a diversity of brand-savvy entrepreneurs emerged.

Take the Lever brothers, William and James. In 1884, they launched Sunlight, a soap for washing clothes and cleaning house. The chemist who invented the Sunlight formula, William Watson, used glycerin and vegetable oils instead of animal fat (tallow). The resulting soap was a free-lathering product of uniform high quality. Where most soap makers were selling big blocks of soap, the Lever brothers had the marketing insight to cut their product into small bars, wrap them in bright yellow paper, and brand them Sunlight to appeal to sun-starved housewives of Victorian England. Over time, the Lever brothers started to advertise their brand. In one World War I advertisement, they claimed that the British Tommy was the cleanest fighter in the world because he used Sunlight. The Lever brothers were also among the first to understand the brand as an assurance of quality. They offered a £1000 guarantee of purity on every bar. That’s £71,570 in today’s terms. Sunlight quickly became one of the world’s first consumer brands.¹ In 1930, Lever Brothers merged with the Dutch company Margarine Unie (Margarine Union Ltd.), led by the brand-savvy Van den Bergh and Jurgens families, to become Unilever, still one of the largest consumer packaged goods firms in the world.

The Global Branding Phenomenon

With the advent of mass media in the 1960s, immortalized in the TV series *Mad Men*, the pace of brand introduction, sophistication, and importance accelerated dramatically. The world has witnessed a “Cambrian explosion” of brands.² The digital revolution of the twenty-first cen-

¹ [https://en.wikipedia.org/wiki/Sunlight_\(cleaning_product\)](https://en.wikipedia.org/wiki/Sunlight_(cleaning_product)); accessed October 14, 2015.

² The term Cambrian explosion of brands was first used by Marc de SwaanArons; <http://www.the-atlantic.com/business/archive/2011/10/how-brands-were-born-a-brief-history-of-modern-marketing/246012/>. It is inspired by one of the greatest—if not the greatest—explosion of species in the history of the world, which took place in a relatively short time (geologically speaking) of about 20–25 million years in the Cambrian era, which started 542 million years ago; <http://burgess-shale.rom.on.ca/en/science/origin/04-cambrian-explosion.php>; both sites accessed January 21, 2016.

tury with cheap mobile, big data, social media, and global connectivity has further accelerated this process. Brands have become ubiquitous in today's marketplace. And when you look at annual rankings of the world's most powerful brands by consultancies Brand Finance, Interbrand, and Millward Brown, you will notice that the strongest brands in about any industry are almost invariably global brands.³

In this book, I define a global brand as a *brand that uses the same name and logo, is recognized, available, and accepted in multiple regions of the world, shares the same principles, values, strategic positioning, and marketing throughout the world, and its management is internationally coordinated, although the marketing mix can vary.*⁴

I do not include a market share criterion in my definition as that confounds strategy with its outcomes and restricts me to proven successes as opposed to emerging successes. In principle, a global brand has broadly the same positioning around the world. If the brand is a premium-priced brand, it is premium-priced around the world. If it is positioned vis-à-vis an income segment of the market (e.g., global elite), its positioning must be consistent in every market. Of course, this is an ideal that managers cannot always realize because the competitive environment of markets may vary and companies need to adapt positioning. For example, Heineken has a premium positioning in most of the world, but it is a middle-of-the-road brand in its home market. For most global brands, the marketing mix will vary (somewhat) to meet local needs and competitive requirements. For example, Coca-Cola is sweeter in the Middle East than in the USA. However, its brand name, logo, and packages are similar worldwide, and consumers can easily distinguish Coke from its competitors worldwide. The issue is not exact uniformity; rather, it is whether the company is offering essentially the same product.

³Millward Brown: <http://www.millwardbrown.com/brandz>; Brand Finance: <http://brandirectory.com/>; Interbrand: <http://interbrand.com/best-brands/>. A notable exception is banking, where the average value of a top ten regional bank (e.g., Wells Fargo, ICBC) is more than twice the average value of a top ten global bank (e.g., HSBC, Citi), according to Millward Brown. This is due to the great complexities in running global banks in a context of ever stricter, but country-specific legislation (think about compliance officers).

⁴My definition is based on De Mooij, Marieke (1998), *Global Marketing and Advertising: Understanding Cultural Paradoxes*, Thousand Oaks, CA: Sage.

The rise and dominance of global brands is a logical consequence of one of the axial principles of our time, the globalization of the marketplace, accelerated by rapidly falling transportation and communication costs. For example, a three-minute telephone call from New York City to London cost \$1004.78 in 1927 and \$0.06 in 2014 (both in 2014 US dollars). Transporting a single container via ship from Los Angeles to Hong Kong cost \$14,365 in 1970 and less than \$1500 in 2014 (in 2014 US dollars).⁵

Other factors contributing to global integration of markets include falling national boundaries, regional unification (EU, ASEAN, NAFTA), global standardization of manufacturing techniques, global investment and production strategies, rapid increase in education and literacy levels, growing urbanization in developing countries, free(er) flow of information, labor, money, and technology across borders and the World Wide Web, increased consumer sophistication and purchasing power, and the emergence of global media.

Brands help consumers everywhere in the world to determine which product or service to choose – which baby formula is safest for our newborn, which cars have airbags that will inflate properly, which consultancy has the experience we need without conflicts of interest, or which excavator is the most durable with the best warranty. Firms invest massive amounts of money to build, nurture, and defend their brands. In 2014, global advertising spending alone exceeded half a trillion dollars (see Table 1.1). And brand advertising is only part of brand investment; think about brand-related R&D, distribution channel cultivation, personal selling, and market research. Why do firms spend so much money on building their brands? Because brands perform several functions that make them valuable to companies. Read on.

⁵ US Department of Commerce; <https://cps.ipums.org/cps/cpi99.shtml>.

Table 1.1 Worldwide media spending for selected MNCs

Global rank	Company	Home country	Industry	Media spending (\$ millions)
1	Procter & Gamble	USA	Consumer packaged goods	10,125
2	Unilever	UK/ Netherlands	Consumer packaged goods	7394
3	L'Oréal	France	Personal care	5264
4	Coca-Cola	USA	Beverages	3279
5	Toyota Motor Corp.	Japan	Automotive	3185
6	Volkswagen	Germany	Automotive	3171
7	Nestlé	Switzerland	Food	2930
8	General Motors	USA	Automotive	2849
9	Mars Inc.	USA	Snacks/pet food	2569
10	McDonald's	USA	Restaurants	2494
13	Sony	Japan	Electronics	2346
18	Pfizer	USA	Pharmaceuticals	1984
21	Samsung	South Korea	Technology	1905
30	Apple	USA	Technology	1390
35	Disney	USA	Entertainment	1256
36	Walmart Stores	USA	Retail	1236
40	Bayer	Germany	Chemicals/ pharmaceuticals	1161
46	Vodafone Group	UK	Telecom	1020
48	LVMH	France	Luxury	994
61	Sanofi	France	Pharmaceuticals	688
63	Amazon	USA	Retail	672
66	IKEA	Sweden	Retail	647
74	Novartis	Switzerland	Pharmaceuticals	552
84	American Express	USA	Payments	451
86	Mattel	USA	Toys	447

Source: Adapted from *Advertising Age* (December 7, 2015); reported is worldwide measured media spending

Note: Throughout the book, unless noted otherwise, \$ refers to US dollars

Why Consumers Value Brands

We live in a branded world. The average number of brand exposures per day per person exceeds 5000.⁶ For comparison, the average male speaks about 7000 words a day.⁷ Five thousand brand exposures per day seem rather overwhelming, although the average person only consciously notices a fraction of them. Nevertheless, the sheer ubiquity of brands has led so-called critical thinkers to suggest that brands are in some way not real, that they are mere ploys to mislead consumers, and that the world might be better off without them.⁸ I have met executives with engineering, finance, or accounting backgrounds who are equally unsure about the importance of brands. When I was working with a major player in the infant formula market, the chief financial officer asked me openly: “The marketing department tells me all the time that brands are important. Can you explain that to me? I don’t really get it.” Why do brands matter? Brands perform three important functions for consumers.

Brands Make Decision Making Easier

First, brands *ease consumer decision making*. The human brain stores product knowledge in associate networks largely organized around the brand. If you recognize a brand and have some knowledge about it, then you can easily access and use related product knowledge in your decision making. You need not engage in additional thought or data processing to make a purchase decision. Absent brands, you need to study each offering, and analyze product detail for multiple offerings before you can choose among them. Most people do not want to expend this time and effort on their everyday purchases. For example, on average, consumers take

⁶ <http://sjinsights.net/2014/09/29/new-research-sheds-light-on-daily-ad-exposures/>; accessed October 15, 2015.

⁷ <http://www.dailymail.co.uk/sciencetech/article-2281891/Women-really-talk-men-13-000-words-day-precise.html>; accessed January 21, 2016.

⁸ Boorman, Neil (2007), *Bonfire of Brands: How I Learned to Live Without Labels*, Edinburgh, UK: Canongate; Klein, Naomi (2000), *No Logo: Taking Aim at the Brand Bullies*, New York: Knopf; Ritzer, George (2004), *The McDonaldization of Society*, Thousand Oaks, CA: Pine Forge Press; Ritzer, George (2007), *The Globalization of Nothing 2*, Thousand Oaks, CA: Pine Forge Press.

four to five seconds to make a purchase decision in a local supermarket.⁹ Compare that with, say, the amount of time you'd need to shop for groceries while vacationing in another country, where you'd recognize few of the brands on the shelves. From personal experience, I know that it easily takes three times as much time to reach a decision. And grocery shopping is not cognitively very demanding. Imagine selecting a car—new or used—in a world without brands!

Brands Reduce Risk

A second function of brands is to reduce consumer *risk*. Brands signify the source or maker of the product. As the former chief marketing officer (CMO) of Unilever, Simon Clift said, “a brand is the contract between a company and consumers. And the consumer is the judge and jury. If (s) he believes a company is in breach of that contract either by underperforming or reducing quality service rendering, the consumer will simply choose to enter a contract with another brand.”¹⁰ Executives who invest in brands know these investments would yield poor returns if the brands failed to fulfill their promises. Therefore, *companies have a strong incentive to deliver on quality*. Consumers intuitively understand this connection and use brand name as an indicator of product quality. Consider how a Chinese consumer, Wang Weixin, searched for a new smartphone. Although he contemplated buying the Xiaomi brand, he went with a Huawei Honor 7 because of the company's reputation. He explained, “To be honest, regular folk don't know that much about specs [mobile phone specifications]. But Huawei phones have a good name among my friends, and I know it's an international brand.”¹¹

The link between a strong brand name and perceived quality is such that it can affect consumer judgments even if consumers are verifiably

⁹ Hoyer, Wayne D. (1984), “An Examination of Consumer Decision Making for a Common Repeat Purchase Product,” *Journal of Consumer Research*, 10 (December), pp. 822–829.

¹⁰ <https://www.linkedin.com/pulse/power-brand-building-your-own-personal-corporate-world-onyebuchi?forceNoSplash=true>; accessed January 21, 2016.

¹¹ Osawa, Juro and Eva Dou (2015), “Huawei Catches Up To Xiaomi in China,” *Wall Street Journal*, October 23, p. B1.

wrong. In one study of customer perception, consumers could not distinguish the taste of ten beer brands when the bottles were unlabeled. However, when they could see the labels, they could differentiate the flavors of the beers.¹² Consumers use a well-known brand name to infer product quality; that is their most important mechanism to reduce purchase risk.

If the brand does not fulfill its promises, if the company reneges on its implied contract with consumers, then consumers will feel betrayed, even violated; so violated that they may sue the company for false advertising, misleading brand statements, and other transgressions. Consider what then-CEO Martin Winterkorn said, after the September 2015 revelation that Volkswagen had been cheating on emission tests of its diesel cars: “I personally am deeply sorry we have broken the trust of our consumers and the public.”¹³ Apologies may not be enough—according to branding consultancy Brand Finance, its brand stature declined significantly and lawsuits are in the making.¹⁴

Brands Provide Emotional Benefits

A third important function of brands is to fulfill consumers’ emotional needs. Marketers have long known that consumers can attach emotional meaning to brands. People value Tide laundry detergent not only because it removes stains effectively but also because it makes them feel better caretakers of their family. Jaguar does not give consumers the best functional quality per dollar paid—Lexus would be a more rational choice on that deliverable—but it does convey British heritage and royalty. Harley-Davidson stands unequivocally for rebellion, machismo, freedom, and

¹² Allison, Ralph I. and Kenneth P. Uhl (1964), “Influence of Beer Brand Identification on Taste Perception,” *Journal of Marketing Research*, 1 (August), pp. 36–39. Steenkamp, Jan-Benedict E.M. (1989), *Product Quality*, Assen: Van Gorcum.

¹³ Rieger, Bernhard (2015), “The End of the People’s Car: How Volkswagen Lost Its Corporate Soul,” *Foreign Affairs*, October 4 <https://www.foreignaffairs.com/articles/germany/2015-10-04/end-peoples-car>; accessed October 10, 2015.

¹⁴ <http://brandfinance.com/news/press-releases/vw-risks-its-31-billion-brand-and-germanys-national-reputation/>; <http://www.hgdlawfirm.com/vwemissionslawsuit/#top>; both accessed January 21, 2016.