GLOBAL BRANDS IN A SEMIGLOBALIZED WORLD:
SECURING THE GOOD AND AVOIDING THE BAD

November 13, 2015

Jan-Benedict E.M. Steenkamp
C. Knox Massey Distinguished Professor of Marketing,
Marketing Area Chair, &
Executive Director AiMark
Kenan-Flagler Business School,
UNC-Chapel Hill

email: JBS@unc.edu.
EXECUTIVE SUMMARY

Global brands represent between 10% and 40% of the total value of many multinational corporations, ranging from automobiles, telecom, and technology to retail, banks, media, and cosmetics. Global brands generate value to the firm along one or more of the COMET dimensions:

- Consumer preference for global brands (quality, prestige, global myth, country of origin);
- Organizational benefits (internal operations, roll-out of new products, global competitive moves, firm identity, attraction of global talent);
- Marketing program effectiveness (media spillover, pooling of resources, leveraging creative ideas);
- Economic benefits (economies of scale and scope in procurement, manufacturing, R&D, marketing);
- Transnational innovation (pooling of best minds, bottom-up and frugal innovation).

I develop a scorecard to assess what the sources of value are for your global brand, and where it falls short. The COMET benefits accrue to the firm to the extent that it adopts a globally integrated brand strategy. A strong global brand does not need to score high on all COMET dimensions. But a brand that scores low on all dimensions is clearly not able to leverage its sources of global strengths.

Notwithstanding the huge potential of global brands to create firm value, there are countless instances where global brands have failed miserably in local markets because they did not adapt their brand strategy – the four Fs: failure to recognize unique, culturally-grounded needs; failure to connect with local consumers; failure to empower local management; and failure to recognize and overcome strategic hubris.

To find the right balance between the benefits that come with global brands and the need to be relevant in local markets, the firm should develop global policies regarding the degree of standardization for different elements of the brand’s marketing strategy. This report makes the following recommendations that can be used as benchmark for global brand managers to evaluate their own brand strategy decisions. These are summarized below.

Global marketing strategy
1. Move gradually towards more globally integrated marketing strategies.
2. Differentiate degree of global standardization according to each specific element.
Branding
3. Use the same global brand name around the world unless it has harmful local connotations or is impossible to pronounce.
4. If a different brand name has to be used, retain the sound of the global brand name (transliteration) and/or the meaning of the global brand name (translation).
5. If a global brand is acquired rather than organically grown, keep it as a standalone if, compared to the acquirer’s existing brand(s): (i) it is strong in different regions and channels; (ii) it reaches a different customer segment; (iii) it has a unique brand image and distinctive heritage; (iv) it is substantially different in perceived positioning and pricing; (v) it suffers from few product overlaps.

Product strategy
6. Do not aim for full product standardization but use core product standardization and component standardization.
7. Component standardization is especially useful when the components are “out-of-sight,” make up a considerable part of the total cost of goods sold, and are R&D intensive.

Pricing strategy
8. Develop global price bands based on major markets.

Advertising strategy
10. Use standardized advertising when the target segment has a strong preference for global brands.
11. Adopt glocal advertising strategy for brands where the customers do not care about or even reject global brands. In such glocal advertising, use a universally embraced core idea that will resonate in any market anywhere in the world, but locally adapt the execution.

Sales promotion strategy
12. Give local managers high degree of freedom in developing their sales promotion strategies.
13. Use a global sales promotion coordinator to facilitate worldwide learning of best local practices, to reduce parallel imports, and to protect global brand integrity.

Salesforce strategy
14. Give local salesforce managers high degree of freedom to recruit and monitor their local salesforce.
15. Use global sales coordinator to facilitate worldwide learning of best local practices and to evaluate proposed control systems in specific countries.
16. Vary emphasis on output-based and behavior-based sales management control systems based on a country’s cultural uncertainty avoidance and masculinity/femininity.

17. Use global account management for global customers.

**Distribution strategy**

18. If feasible, develop your own channel.

19. Global account management is an effective option to deal with international retailers.

20. Leverage learnings from different countries to develop policies for local, modern retail chains.

21. To unlock demand in emerging markets, develop micro-strategies to deal with thousands of mom-and-pop stores necessary.

22. There is a first-mover advantage in emerging markets. Early commitment to local channels in emerging markets locks up shelf space, making it difficult for followers to obtain distribution.

**Speed vs. scale in global marketing strategy for the brand**

23. In a globalizing world, where technological and market developments occur at an ever increasing pace, higher speed and higher scale are in principle always desirable. However, while for decisions regarding some marketing instruments, high speed and/or high scale is absolutely crucial, for others, it is desirable but not as crucial.

24. For new product launches and product innovations, both speed and scale are crucial. A globally standardized strategy can achieve both, provided a global brand is.

25. For sales promotion, pricing, and sales force management decisions, speed is crucial, but scale less so. To achieve speed, significant local autonomy is required.

26. For R&D, scale is crucial but speed, less so. Global standardization and pooling of resources and the best minds will achieve scale.

27. For advertising and distribution decisions, neither speed nor scale are absolutely crucial. Scale effects are modest and the effect of decisions on brand performance takes time to transpire. Nevertheless, these decisions benefit from a substantial level of standardization due to effects different from scale and speed.
1. INTRODUCTION

Two of the most important developments in marketing in the last decades are the globalization of the marketplace and the increased importance of branding. This paper deals with the intersection of these two developments, viz., global brands. The last three decades have witnessed the most profound change in the global economy since the dawn of the Industrial Revolution in 18th century Britain. While the West accounted only 80% of global GDP in 1980, in 2015, more than half the world’s GDP is generated by emerging markets. Thirty years ago, Eastern Europe was largely closed to multinational companies (MNCs), China’s reforms had only just started, the economies of India, Brazil, and Mexico were sheltered behind high tariff walls, and South Africa was an international pariah. In 2015, these geographies have become key players in today’s global economy.

Global integration of markets has been 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 (in 2014 U.S. dollars). Transporting a container via ship from Los Angeles to Hong Kong cost $14,365 in 1970 and less than $1,500 in 2014 (in 2014 U.S. dollars).

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

Along with the increased globalization of the marketplace, firms nowadays obtain a large proportion of their sales from overseas markets. This is a broad-based phenomenon, to be found among B2B firms (e.g., Caterpillar – 53% of revenues is from foreign markets; BASF, 60%; Siemens, 85%; General Electric, 53%), consumer packaged goods firms (P&G, 65%; Nestlé, 98%), services and software companies (Allianz, 72%; IBM, 56%; McDonald’s, 68%; Microsoft, 68%).
50%; Vodafone, 88%), car industry (Toyota, 61%; Volkswagen, 78%), and increasingly emerging markets firms (Dabur (India), 31%; Embraer (Brazil), 79%; Emirates (UAE), 90+%; Huawei (China), 65%; Lenovo (China), 57%; Natura (Brazil), 14%).

The second development that has a profound impact on the marketing strategies of companies is the increased importance of branding. Brands are the lifeblood of companies. They generate market share, increase customer loyalty, amplify channel power, offer the potential for higher profit margins, and guard against competitive attacks. As prices fall for virtually all commoditized, manufactured goods, the real competition will be in winning the hearts and minds of customers – and this requires developing strong brands. For these key strategic reasons, virtually all marketing activities - ranging from new product development to advertising to retail placement - focus on building strong brands. And in a world characterized by rapid globalization, “brands” increasingly mean “global brands.”

That having one or more global brands translates into tangible dollars is highlighted in Table 1, which reports the dollar value of the some of the most valuable global brands in the world.2 The table reveals that (1) global brands are among the most valuable assets a company has, (2) highly valuable global brands occur in any industry, and (3) global brand value can easily account for 10-40% of the total value of the company. Thus, it is not surprising that global brands are widely seen as the wave of the future. BusinessWeek aptly summarizes the global brand imperative:

“It’s no accident that most of the companies with the biggest increases in brand value operate as single brands everywhere in the world....The goal today is to create consistency and impact, both of which are a lot easier to manage with a single worldwide identity. It’s also a more efficient approach, since the same strategy can be used everywhere... Given how hard the consumer is to reach today, a strong unified brand message is increasingly becoming the only way to break through...”

However, a strategy of relying on global brands is not without its drawbacks. Despite increasing globalization, significant differences between countries remain on such dimensions as consumer needs, use conditions, purchasing power, commercial infrastructure, culture and
traditions, laws and regulations, technological development, and competitive context. Failure to accommodate these local and regional differences in one’s global branding strategy has been responsible for many brand fiascoes. In short, globalization is far from “complete.” In the words of IESE’s professor Pankaj Ghemawat, we live a semiglobalized world. In such a world, if the global brand strategy is ill-conceived and poorly executed, it destroys rather than builds firm value. The global brand may turn out to be a basket case rather than a bread winner.

Consequently, this white paper is about how global brands create firm value, what the main failures in implementing a global brand strategy are, and how to secure the good and avoid the bad.

--- Table 1 about here ---

### 2. GLOBAL BRANDS

Systematic analysis of global brands has been hampered by the lack of a generally accepted definition what is a global brand. Definitions either focus on company strategy, consumer perceptions, or international sales. Studies on standardization of marketing strategies have defined global brands as those that use similar brand names, positioning strategies, and marketing mixes in most of their target markets. Note the word “similar” rather than “same” in this definition. This is because marketers realize that complete standardization of all – or even most – elements of the marketing mix is often not feasible in a world characterized by significant differences between countries.

Others take a consumer perspective and define global brands as those brands that are perceived to be global by consumers and that are available in multiple world regions. As the perceived multimarket reach and recognition of a brand increases, so does the perceived globalness of the brand.

A third view on global brands emphasizes international sales. A brand is regarded as global (as opposed to local or regional) if it is present in multiple regions of the world, with some
definitions imposing a (somewhat arbitrary) percentage of sales that has to come from outside the home region – AC Nielsen uses a threshold of 5% while Interbrand uses a threshold of 50%.

These definitions are not necessarily inconsistent with each other; rather they emphasize aspects of what a brand is – is it strategy, consumer perceptions, or sales and reach? I propose the following definition:⁴

“A global brand uses the same name and logo, has awareness, availability, and acceptance in multiple regions of the world. It shares the same strategic principles, values, positioning, and marketing throughout the world. Although the marketing mix can vary, it is managed in an internationally coordinated manner.”

On purpose, I do not include a market share criterion in my definition as that confounds strategy with its outcomes, and would restrict us to proven successes, as opposed to emerging successes, many of which come from emerging market companies.⁵ A global brand has the same basic 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 age segment of the market (e.g., global teens), the positioning must be broadly similar in every market. Of course, this is an ideal that cannot always come true, as the competitive environment of markets may vary. Yet real leadership brands must aspire to being leadership brands in all markets.

For most global brands, the product mix will vary to meet local consumer needs and competitive requirements. For example, both Coca-Cola and Pepsi-Cola increased the sweetness of their drink in the Middle East, where consumers prefer a sweeter drink. Brand name, logo and packages are similar worldwide, however, and can be recognized easily among competitive brands worldwide. The issue is not exact uniformity, but rather whether it is essentially the same product that is offered. Other elements of the marketing mix, such as price, promotion, appeal, media, distribution of channels and tactics, may also vary.⁶
3. HOW GLOBAL BRANDS CREATE FIRM VALUE – THE COMET FRAMEWORK

Why do companies care about global brands? What is the source of value that global brands provide to companies? It is natural for marketers to focus on the consumer preference for global (versus local) brands. However, that does not explain the fact that many global brands, such as Pampers, Gillette, Colgate, or Heinz do not tout their globalness. In fact, many consumers may not even be aware of the fact that the brand is globally available, and even when they know this, they may not care. Nevertheless, these brands generate huge sales and the value of their brand name per se runs into the billions of dollars. Clearly, a myopic focus on consumer preference as basis of global brand value is not sufficient.

In this section, I will argue that a global brand provides value to the company along Consumer, Organizational, Marketing, Economic, and Transnational innovation dimensions. The COMET framework helps to identify the sources of global brand value. The value of some global brands will be based on dimensions that are very different from those of other global brands. To identify the value dimensions for your brand, section 3 will conclude a scorecard, the COMET diagnostic test.

3.1. Consumer preference for global brands

For various reasons, many consumers have a strong preference for global over local brands. Four reasons stand out – perceived quality, prestige, global myth, country of origin.\(^7\)

*Higher perceived quality*

To many consumers, global availability and acceptance are taken as evidence that the brand has to be of high *quality*. Brand name is a key indicator of quality and a global image enhances the brand’s perceived quality. Consumers infer that it is unlikely that a bad product can be successful around the globe. To illustrate, consider what consumers around the world said in qualitative research about global brands. A Russian consumer mentioned: “The more people who buy [a]
brand...the better quality it is.” A Spanish consumer agreed: “I like [global] brands because they usually offer more quality and better guarantees than other products.” That perception often serves as a rationale for accepting that global brands charge a price premium: “[Global brands] are expensive, but the price is reasonable when you think of the quality,” a Thai consumer pointed out. Consumers also believe that global brands compete by trying to develop new products and breakthrough technologies faster than rivals. Global brands “are very dynamic, always upgrading themselves,” said an Indian respondent. An Australian added that global brands “are more exciting because they come up with new products all the time, whereas you know what you’ll get with local ones.”

Nivea (brand value: $5.3 billion) uses this insight and emphasizes its worldwide acceptance and success. In a print ad, Nivea Visage Q10 has a picture of four women, Asian, African, Latin, and Germanic, with the headline: “64 countries, 1 face care line, 0 wrinkles.” In supporting text, it mentions that it is “the world’s #1 selling anti-age face care line.” In TV ads for Nivea for Men, it also mentions that it is the world’s best-selling brand among men, and in a TV ad for sunscreen that it is the world’s best-selling sunscreen brand.

Prestige

Consumers may also prefer global brands because of associations of higher prestige. In the worlds of financial and political journalist Nick Kochan: “the brands most admired….are global brands.” If global brands have higher prestige, it could be because of their relative scarcity and higher price compared to local brands. Especially in emerging markets global brands are often more scarce and more expensive than local brands. It is well-established that higher price and greater scarcity create greater aspirational, prestige appeal.

The worldwide scale of these brands allows them to be associated with globally recognized events and celebrities. Through a process of meaning transfer, prestige attached to these events and celebrities may be transferred to the sponsoring global brand. Dubai-based airline Emirates
is a company that has built global esteem by sponsorship of prestigious soccer clubs. In 2004, Emirates and Arsenal Football Club signed the biggest club sponsorship in English soccer history to date. The deal included naming rights for a 15-year term to the new stadium, “Emirates Stadium,” in Ashburton Grove, London, as well as an eight-year shirt sponsorship (“Fly Emirates”) deal from the 2006/2007 season onward, worth some £100 million. By the end of 2012, Arsenal had signed a new £150 million deal with Emirates airline, extending its shirt sponsorship to 2019. The naming rights to the Emirates Stadium in north London were extended to 2028 as part of the deal. Since then Emirates concluded shirt-sponsorship agreements with several other storied clubs, including Real Madrid, AC Milan, and Paris Saint-Germain.

These activities paid off. By 2015, the airline had become the fourth-largest airline in the world in terms of international passengers carried, and its profits have grown on average 17% annually in the last 15 years. It was the most valuable airline brand in the world, with a brand value of $6.6 billion, up 21% from 2014. A remarkable achievement in an industry about which Sir Richard Branson of Virgin Airlines famously said, “The fastest way to become a millionaire is to start out a billionaire and then go into the airline business.” Abu Dhabi based Etihad has copied Emirates’ approach and has built global prestige sponsoring Manchester City Football Club. Part of the £80 million-per-year deal included the renaming of Manchester City’s stadium to the “Etihad Stadium.” Its brand value stands at $1.4 billion in 2015, 37% higher than the previous year.

Global myth

Some consumers look to global brands as symbols of cultural ideals. They use brands to create an imagined global identity that they share with like-minded people. For them, consumption of global brands “serves as a passport to global citizenship, a vehicle for participation in a global world, and a pathway to belonging to the global world.”11 To these consumers, global brands signify modernity, progress, consumerism, efficiency, and a promise of abundance. They are
attracted to the shared consciousness and the cultural meanings produced by global brands. They appreciate the convergence of consumer culture around a common set of traits and practices, associated with the worldwide spread of the market economy and the global strategies of multinational corporations.\textsuperscript{12}

MNCs therefore compete not only to offer the “best” products but also to deliver cultural myths with global appeal. Global brands provide consumers the opportunity to acquire and demonstrate participation in an aspired-to global consumer culture. The aforementioned global qualitative study uncovered many associations supporting the relevance of the “global myth.” An Argentinian consumer said, “global brands make us feel citizens of the world, and we fear their leaving because they somehow give us an identity.” This sentiment was shared across the globe by a New Zealander, “global brands make you feel part of something bigger, and give a sense of belonging.” An Italian agreed, “global brands speak a universal language that can be shared by all.” A Costa Rican added, “local brands show what we are, global brands show what we want to be” and an Indian pointed out that by using global brands, “we are using something great which is available all over the world.”\textsuperscript{13}

A source of strength of Starbucks is that in many countries it is perceived as an aspirational global brand offering an international café experience. For example, for China’s brand conscious middle class, a trip to Starbucks is a see-and-be-seen occasion. This is especially true for the young, who are less wedded to tea. Starbucks is also a popular place for business meetings as it makes “the host seem international and sophisticated.”\textsuperscript{14} Its success in China, now Starbucks’ second largest market after the U.S. with around 1,500 coffee shops, is especially impressive given that tea is part and parcel of the Chinese culture for the last 2,500 years.

\textit{Country of origin}

Some global brands generate high consumer preference because they have associated themselves (or have become associated with) a particular country of origin. Certain countries have particular
qualities, real or imagined which are globally recognized and appreciated. Levi’s benefitted from its association with the rugged lifestyle of the prairies, and French cosmetics and fashion brands derive much of their global appeal from the (assumed) superior elegance of French women. In seminars around the world, from the U.S. and Mexico to India and China, I have asked managers which country is most closely associated with engineering prowess. Invariably, the answer was Germany. No wonder that Volkswagen uses a tagline in German (“Das Auto”), and that U.S. ads for Bosch appliances emphasize that they are “German engineered.”

Which dimension matters most to consumers?

Academic research has examined the relative importance of these dimensions on consumers’ preference for global brands. The following conclusions can be drawn:

- Perceived quality is the most important driver of consumer preference for global brands, explaining roughly 50% of the total variation in global brand preferences worldwide. This result holds regardless of the product category in question.

- The global myth is the second most important driver of consumer preference for global brands, explaining roughly 10-15% of the total variation in global brand preferences worldwide. The importance of the global myth can be found in almost any category, but is more pertinent for young consumers than for old consumers.

- The role and importance of prestige in shaping global brand preferences is substantial but context dependent. Prestige is more important in product categories with a higher display value (where consumption can be observed by others).

- Similarly, the role and importance country of origin in shaping global brand preferences is substantial but highly dependent on the category for example German car brands benefit from their country of origin but German fashion much less so.
3.2. Organizational benefits

Internal operations

First, carrying a single global brand rather than scores of local brands greatly simplifies internal operations. This is how a senior manager at Procter & Gamble explained it, “If you are a big company like P&G, you don’t want 100 detergents in 100 countries. You want one detergent brand that you are going to take to every country and start paring down.”

Rapid roll-out of new products

A global brand facilitates rapid roll-out of new products. With product lifecycles getting shorter and rival companies ever faster to copy one’s new products, international roll-out of new products is greatly facilitated by introduction under the same global brand name. Otherwise, much time will be lost finding the “right” brand name for each country. Moreover, since the brand name is the linchpin of any marketing strategy, allowing different brand names almost invariably opens the door to other adaptations in the marketing strategy, causing further delays.

Global competitive moves

Global brand facilitates the firm engaging in making global competitive moves, such as using cash flows from one country or region to pay for competitive actions in another part of the world where the ROI may be higher (“cross-subsidization”), or defending against a competitive attack in one country by countering in another country (“counter-parry”). One famous example of globally competitive move is what Philip Morris did in the 1990s. In 1993, it reduced the U.S. price of its Marlboro brand by 20%, and substantially increased the budget for its domestic advertising. R.J. Reynolds, Philip Morris's biggest competitor, responded in kind, dropping the price of its own premium brands such as Camel and Winston. However, gaining domestic market share might not have been the real reason why Philip Morris lowered the price of Marlboro cigarettes. Its move depleted R.J. Reynolds’ cash resources, just when the Eastern European
market was opening up after the collapse of communism. Philip Morris expanded aggressively into Eastern Europe, investing $800 million in Russia and other regions that were formerly part of the Soviet Union. R.J. Reynolds was in no position to fight back, and Philip Morris won the battle for Eastern European market share. In 2015, the brand value of Marlboro ($13.1 billion) is higher than that of all R.J. Reynolds’s brands combined.

The Philip Morris case is not an isolated example. A study among 126 business units of MNCs, covering both consumer and industrial markets, finds that firms that engage in cross-subsidization and firms that coordinated their competitive moves across major markets in the world perform better in terms of market share, profitability, and return on investment compared to firms that do not engage in global competitive moves.

Firm identity

As one of the most visible aspects of a company, the global brand gives the firm an identity - it serves as an organizational rallying cry. Swiss insurance company Zurich replaced its global portfolio of local brands with the Zurich brand. While this created synergies for its global branding effort, a main reason was that local companies and their employees had no sense that they belonged to one global company, which fostered the infamous not-invented-here syndrome, and a parochial culture. These efforts appeared to pay off. Between 2012 and 2015, the value of the Zurich brand name increased from $5.4 billion to $7.6 billion.

Fostering a corporate identity was the main reason behind Unilever’s new brand logo that is now put on packaging and shown in advertisements. Employees in local subsidiaries around the world (often with a local company name) did not feel they were part of this large multinational. This fostered a culture of localism, hindering global initiatives. Unilever’s corporate campaign contributed to an increase in the value of the Unilever name per se (as distinct from its various famous global brands like Magnum, Lipton, and Dove) from $1.9 billion in 2012 to $4.8 billion in 2015.
**Attracting best talent**

Global brands serve as a magnet to attract the best and the brightest of each cohort of new managers. People identify with brands and it is more attractive, if not exciting, to work for a company whose brands you and your social circle know and love. This is apparent to anybody who teaches in an MBA program. While some of the most beloved brands can be local brands, in today’s global world, global brands will have disproportionate appeal.

### 3.3. Superior marketing programs

**Media spillover**

Global marketing efforts benefit from media spillover, through consumers being exposed to media from other countries and through international travel. Over one billion people cross borders each year,\(^{19}\) and perhaps even more visit foreign websites. Consequently, global marketing programs benefit from traveling consumers who are exposed to the brand’s marketing campaign in different countries. In a world of cross-border travel, the consistency of image that global marketing programs bring is an advantage. One of the best examples is HSBC. Literally hundreds of millions of travelers have been exposed to its “point-of-view” billboards in airports. Virtually unknown in the late 1990s, within a decade, its brand value reached $33.5 billion in 2007. I note though that as a result of the global financial crisis, its brand value has since declined considerably and still has not recovered to its pre-crisis peak. The effect of improved financial conditions has been mitigated by increased compliance costs and costs of running a complex global bank.\(^{20}\)

**Pooling marketing resources across countries**

Global brands offset the disadvantage of low local market shares by pooling marketing resources across countries, allowing for higher quality marketing campaigns than would be achieved if
development and execution would have to be paid by local budgets. A case in point is Nike, which has been able to make significant inroads into the soccer market – the traditional stronghold of Adidas - by sponsoring an array of world-famous soccer stars in famously well-executed ads like “Secret Tournament,” “The Mission,” “Winner Stays,” and “Risk Everything,” all featuring many of the world’s most famous soccer players. Production of such ads exceeded the advertising budgets of local Nike brand managers, but was key in Nike’s global success and in becoming the most valuable apparel brand in the world, with a brand value of $24.1 billion.

Spain’s Banco Santander operated under 20 separate names across the globe when in 2004, the decision was taken to move to a single brand, Santander, recognizable by its trademark white flame on a red backgrounder, and the tagline “A bank for your ideas.” Subsequent acquisitions, such as America’s Sovereign Bank in 2013 were rebranded as well. Advertising resources were pooled across countries to build a global brand (for example, it invested $200 million in the rebranding campaign for Sovereign Bank). Santander increased global brand awareness through corporate sponsorships, including the McLaren and Ferrari Formula One racing teams and soccer competitions in Latin America. Although difficult challenges remain, by 2015, the Santander brand name accounted 17.8% of total enterprise value.

Leveraging best marketing ideas developed by headquarters around the world

Even cursory exposure to TV ads reveals that creative ideas are scarce. Global brands allow the best creative positioning ideas and advertising campaigns to be leveraged across countries. How to sell an energy drink, which according to many customers does not even taste good? Red Bull solved this quandary by developing a global campaign around the slogan “It Gives You Wings.” Its campaign targets young men with extreme sports, ranging from snowboarding and skateboarding to cliff-diving, freestyle motocross, and Formula One racing. Its Formula One team produced the quadruple world champion driver of 2010, 2011, 2012, and 2013, Sebastian
Vettel. The company went from selling 35 million cans in 1993 to 5.4 billion across 166 countries in 2013, and by 2015, its brand value was $7.4 billion.

In 2014, Starbucks launched first global campaign ever, organized around the “Meet me at Starbucks” theme. The campaign shifted the focus from products - like it normally did in its (local) advertising - to feel-good storytelling. The campaign chronicled a day in the life of Starbucks through a mini-documentary, shot in 59 different stores in 28 countries. “Every day around the world, millions of people gather at Starbucks, but it’s never been just about the coffee,” said the text at the beginning of the documentary. It goes on to show various people around the world and what they do when they go to Starbucks.23 The idea originated from Starbucks’ monitoring its customers on social media. Starbucks spokeswoman Linda Mills said that the company noticed videos on YouTube shot by Starbucks fans and found, “there were stories that were taking place inside our stores.” Individual markets around the globe could use the mini-documentary to develop TV spots. For example, the U.S. developed a 60-second spot, which is a distilled version of the documentary.24 Other media in the campaign included display ads, along with an Instagram hashtag #HowWeMet, where Starbucks encouraged users to take photos illustrating how people met. Additional social-media efforts for “Meet me at Starbucks” included Twitter and Tumblr.25

Leveraging best marketing ideas developed by a local subsidiary around the world

Great ideas need not only come from headquarters, but can emerge also in local subsidiaries. Leveraging locally developed creative ideas in other countries is greatly facilitated if the same brand is used everywhere. McDonald’s highly successful “I’m lovin’ it” campaign was created in Germany in 2003, and was subsequently rolled out in other countries. It was the company’s first global advertising campaign. While McDonald’s fortunes have fluctuated since, its tagline remains popular. Rumors in late November 2014 that McDonald’s intended to change it to
“Lovin’ > Hatin’” led to such harsh reactions on social media that the (alleged) plan was dropped.26

Coca Cola was struggling how to connect with the new generation of millennials. The answer was the “Share A Coke” campaign, first launched in 2011 in Australia, after local executives and the ad agency Ogilvy brainstormed on ways to re-engage consumers in stores and online. The campaign tapped into self-expression and individual storytelling, and deepened the connection of the famous brand with individual consumers. By placing popular first names and colloquial nicknames on its cans and bottles, “Share a Coke” sought to get on a first-name basis with younger consumers and used social media to amplify real moments shared by fans. The seasonal campaign has since spread to about 80 countries, with different countries using different (nick)names. Introduced in the U.S. in 2014, the “Share a Coke” campaign was credited for temporarily reversing a decade long decline in U.S. Coke consumption. Although it is unlikely that advertising can reverse long-term trends in society, the campaign, repeated in 2015, was able to make the brand more relevant to the next generation.27

3.4. Economies of scale and scope

*Economies of scale in procurement and production*

Global brands often do generate significant economies of scale in cost of goods sold (CoGS; procurement and production). Although global products can in principle be sold under different, local brand names, that is the exception, not the rule. Global brands typically go hand-in-hand with global products – that is, products sold under the global brand name have a large standardized core. Focused production means reducing the number of products manufactured from many local ones to a few global ones, cutting the costs involved in setup, production runs, downtime, and inventory as well as bigger discounts in raw materials purchases. For example, a U.S. consumer packaged goods (CPG) company was able to save 15% in manufacturing and
inventory handling costs from unifying product ingredients across countries in the highly competitive household cleaning market.\textsuperscript{28}

Lack of scale is a key vulnerability of Japan’s industrial conglomerate Hitachi, active in machinery, trains, and power plants, among others. It lacks the scale of large rivals such as General Electric while it does not have the bare-bone cost structure of emerging Chinese rivals. Hitachi understands the predicament; its CEO Hiroaki Nakanishi says, “We don’t have any interest in becoming Japan’s No. 1. The market itself is globalized and we have to be a global player.”\textsuperscript{29} Its relatively weak position shows up in the operating margin which in 2014 was 5.5% versus 16.2% for GE. Its operating margin is also lower than that of smaller but more focused companies Caterpillar (9.6%) and China’s low-cost Sany (8.1%).\textsuperscript{30}

The economic benefits of large volume are overlaid with the potential of global brands to employ economic arbitrage.\textsuperscript{31} Economic arbitrage is employed when the company purposefully locates a globally employed activity in a particular country to achieve lower cost production or to tap into specific expertise. It explains why currently so much manufacturing has shifted to China, and in the future probably to Vietnam, Burma, and Bangladesh. Economic arbitrage allows global brands to remain price competitive, something especially important for value and fun brands.

\textit{Economies of scope in R&D}

Global brands may also generate economies of scope in R&D and selling, general, and administrative expenses (SG&A). The elimination of overlap and duplication of R&D efforts saves money. SG&A expenses can be cut by regional, if not global consolidation of overhead, and negotiating better deals. Global brands allow for centralized marketing, spreading the costs over a larger range of products and countries, and reducing local head count. For example, in recent years, companies like Procter & Gamble (P&G) and Unilever have cut the number of local marketers, a movement that goes hand in hand with the increased use of global advertising,
which has led to fewer, bigger advertising initiatives, requiring fewer marketers to work with
remaining agencies, and efforts to cut or control their agency and production fees.32

Economic arbitrage matters here too, either to reduce R&D or marketing costs or to tap into
erpexpertise that can be found in a particular region or country. Over time certain countries or
regions have built a knowledge infrastructure in a particular domain. For example, many
Western IT companies have shifted considerable activity to India because of the pool of skilled
IT experts, especially in Bangalore. South Africa is a popular location to shoot ads because of
local expertise and good weather. While one could rightly argue that both Bangalore and South
Africa also have a cost advantage over Western locales, this is certainly not the case for Silicon
Valley. Yet, it is a magnet for MNCs, despite the shy-high salaries and cost of living. Software is
becoming an ever more important part of cars. Most global car makers, including Volkswagen,
Toyota, Hyundai, and Ford have established a research lab in Silicon Valley. Car makers see
several advantages. First, they get new ideas; says Mark Fields, Ford’s CEO, “What I’m so
struck by is the valley here is a marketplace of ideas, and it’s really important to be here and be
part of that,” Second, there is no other way to hire the best and the brightest. “It would be hard to
get somebody from Menlo Park or Mountain View to Dearborn [Ford’s headquarters] or
Wolfsburg [Volkswagen’s headquarters]”, says Ralf Landmann of Spencer Stuart, the
recruitment firm.33

Brand extensions offer an important scope advantage. Introducing a new major brand in the
US alone can easily cost $100 million or more. If we consider the global marketplace, the costs
are a multiple of this. Moreover, many brands fail, and research has shown that the success of
new products is greater if they are introduced under a strong, existing brand name.34 The
alternative is to launch a new product line globally under an existing brand name. This allows the
firm to leverage brand recognition and brand affect in new categories at lower costs. Zara used
the brand extension strategy in launching its home goods retail name under the name Zara Home.
Starting in Spain in 2003, Zara Home has now over 400 locations worldwide. Cedric Lecasble,
an analyst for Raymond James Financial, explained how the Zara brand name generated economies of scope, “There’s the possibility to build a segment with limited expenditure in terms of promotion and advertising, because the brand is already strong in the given country, so it’s a natural kind of move,” he said. Building on the strength of the Zara brand ($8.6 billion) and fast fashion, Zara Home has become Inditex’s fastest-growing unit.

Table 2 illustrates the economic benefits of a single (European) brand as opposed to country-specific brands for a leading CPG company. Although the table refers to a regional rather than a global brand, it highlights the significant economies of scale and scope offered by a carrying single brand. The additional costs are in transportation, but as highlighted in the first section of this paper, these costs have fallen sharply over the last decades.

3.5. Transnational innovation

Pooling the best minds to make higher quality products

By developing innovations on a global rather than a local basis, the results will generally be better. The quality of the product is higher because the company’s best minds work in a concerted fashion on a single (core) product model. Higher quality product designs are associated with fewer defects in the production process, lower costs of after-sales warranty fulfillment, and higher customer satisfaction. P&G’s Olay Daily Facial Cloth is an example to an innovation that was the result of pooling the best minds around the world. The new product development process started with the recognition that there was a worldwide opportunity in facial cleansing to achieve a soft, moisturized, clean-feeling skin. A technology team was assembled at an R&D facility in Cincinnati, bringing together the best technologists from P&G’s laboratories around the world. Using a woven substrate technology developed by P&G’s paper business, the technology team found that a 10-micron fiber, when woven into a mesh, was effective in trapping and absorbing
dirt and impurities. By impregnating this substrate with a dry-sprayed formula of cleansers and moisturizers activated at different moments in the cleansing process, the technologists were able to develop a disposable cleansing cloth, which was introduced globally as Olay Daily Facial Cloth.

In 2013-2014, Hershey launched a new brand of high-quality caramel candies in the U.S. and China called Lancaster. Lancaster was the culmination of a new global product-development process based on marketing research that had identified global potential for a candy category that Hershey calls “comforting richness.” While the candies carry the same brand name and similar packaging, Hershey tweaked each one for the unique tastes in both countries. The Chinese version is made from a Hershey-trademarked process called which involves high quality milk and slow cooking. The goal is to position the new product in the Chinese “milk candy” category, which accounts for about one quarter of the nation’s confectionary market. By contrast, the U.S version is softer and has more buttery notes.38

Bottom-up innovation to overcome scarcity of great ideas

Increasingly, companies realize that overseas markets are not only a source of revenue but also a source of new product ideas, not only for the local market but also for overseas markets. After all, not only great advertising ideas are scare. Global brands facilitate leveraging bottom-up innovation on a global scale. P&G’s Vicks Honey Cough is an example of bottom-up innovation. It originated in 2003 in P&G’s laboratories in Caracas, Venezuela, which develops products for Latin America. Market researchers found that many Latin American shoppers preferred homeopathic remedies for coughs and colds. In response, the laboratory set out to create a medicine using natural honey rather than artificial flavors typically used. P&G introduced Vicks Honey Cough syrup in Mexico first and next in other Latin American markets such as Brazil, and then the U.S. and Europe. The key insight underlying the global rollout was that there is a global segment of consumers that are attracted by natural ingredients and who like homeopathic
cold medicines. According to David Dintenfass, Vicks’ global marketing director, “Developing and marketing a new product for each nation or ethnic group could take half a decade. Trickle-up innovation can take years out of a process.”

French personal care giant L’Oréal traditionally developed new products centrally by pooling market requirements from the major continents, then creating the product in its French laboratories to fulfill those needs, and rolling it out on a global basis. But increasingly, it is using bottom-up innovation, where local trends and developments drive new product concepts which are then applied all over the world. So was Elsève Total Repair 5 conceived in Brazil to meet the haircare needs of Brazilian consumers, prior to being introduced in the rest of the world. Garnier Mineral Deodorant, which contains mineralite (a natural mineral ingredient that locks in four times its volume in water), was conceived in Russia, and Garnier Men in India.

Nissan’s Chinese development center unveiled its Friend-Me concept car tailored for Chinese drivers with an eye on global rollout. GM has introduced the Chevrolet Sail, designed and engineered in Shanghai, and conceived with extended Chinese families in mind, in Asia and South America, while BMW and Mercedes have started to export stretch versions of their made-in-China luxury sedans to other parts of the world.

Frugal innovation to redefine the value proposition

A new type of global R&D is “frugal innovation.” It is the process of reducing the complexity and cost of producing a product by removing nonessential features without compromising on basic reliability. These products may subsequently be introduced in other markets including the developed world. Leveraging frugal innovation globally is based on three fundamental insights:

1. Lean economic environment makes many emerging markets consumers very cost conscious, which makes them an ideal test market for entirely new products that redefine the price-value equation.
2. Low-income emerging market consumers demand high reliability because they do not have the money to pay for frequent maintenance and repair.

3. This segment is global. In every country, there are consumers who do not have the money to pay for the standard, Western-designed, over-engineered products. It is only that in emerging markets this segment is larger and more visible.

Western MNCs have started to recognize the global potential of frugal innovation. One example is Renault’s Romania-based car brand Dacia, launched in 2004. A combination of low-cost engineering, simple, and no-frills specifications - such as exterior color options being limited to a handful of shades, identical door panels on multiple models and windscreens built at a steeper angle to reduce production and installation cost – allowed its cars to be sold for about 30% less than mainstream car brands. Designed for emerging markets, Renault found that its Dacia models proved popular with western European car buyers, including Germans, arguably the most car-loving people in the world. Success followed quickly; 511,465 units were sold around the world (either under the Dacia badge or as a low-end version of Renault) in 2014, accounting for nearly 20% of total sales of the Renault group, versus 94,720 units in 2004 - an average increase of 18.4% per year. And remarkably, its gross average operating profit margin of 8-9% is considerably better than what Renault earns on its namesake brand. In fact, analysts believe that without Renault’s reverse innovation, it might not have survived the prolonged European slump of 2009 and beyond. It’s compelling value proposition not only showed up in its sales but also in the financial value of the Dacia brand per se, which in 2015 stood at $1 billion.

Embracing reverse innovation requires a radically changed mindset among Western managers. They need to see emerging markets as what they are – the driver of global demand and a hotbed of new thinking – rather than what they may think them to be – markets where they can just sell products designed for developed markets. This goes against the grain of Western managers. Dartmouth professor Vijay Govindarajan explained, “It’s logical to see why a poor
man wants a rich man’s products. Reverse innovation is the exact opposite. Why would a rich man ever want a poor man’s products? It requires some transformational thinking.”42 Emerging market companies are at an advantage as their organizational culture is imbued with “poor man’s” environment. Companies like Huawei, Xiaomi, and Mahindra have learned to survive and thrive in lean environments, and how to leverage products from such an environment on a global scale.43

3.6. COMET scorecard

While often consumer preference for global brands is a major source of global brand value, this is only part of the story. For many brands, consumers either do not know that the brand is global or do not care. Moreover, there are people who actually reject global brands as a sign of cultural homogenization or foreign hegemony - in which case, the brand may not want to highlight its globalness but rather try to embed it in the local culture.44 Nevertheless, even in those instances, global brands create firm value because of the organizational, marketing, economic, and transnational innovation advantages associated with global brands.

A strong global brand does not need to score high on all COMET dimensions. But a brand that scores low on all dimensions is clearly not able to leverage its sources of global strengths. To systematically how your brand leverages the value sources, you can use the COMET scorecard (Table 3). You can either do it yourself or administer the COMET scorecard to a group of managers, in which case you aggregate the responses. The results can be plotted in a snake diagram. In interpreting the results, you can use the following interpretation:

- Score > +5.5: primary source of value for your global brand;
- Score between 4 and +5.5: secondary source of global brand value;
- Score 2.5 – 4: no source of global brand value;
- Score < 2.5: potentially hurting global brand value.
A clarifying note regarding the interpretation of a score smaller than 2.5: since the different sources of global brand are well-documented, a very low score on one of the drivers may indicate that the firm is not able to leverage this source effectively. Say, you score 1 on “Brand X benefits from pooling of creative ideas to position and market the brand across countries.” Is this because it is a conscious decision to use locally developed creative ideas to give the brand a local look-and-feel? Or is it because the not-invented-here syndrome or because it simply has not been done? The implications are radically different.

--- Table 3 about here ---

4. HOW GLOBAL BRANDS CAN DESTROY FIRM VALUE – THE FOUR Fs

The sources of global brand value as outlined in the previous section are the result of a globally integrated marketing strategy. Although in theory, some of these sources can also be globally leveraged in case of local brands (e.g., pooling R&D, bottom-up and frugal innovation) that is unlikely to happen in practice, and certainly not to the same extent. Local brands foster local thinking and the not-invented-here syndrome, and it is very difficult to implement global R&D, manufacturing, and marketing activities if the locally brands have little in common.45

Yet, the business literature is replete with examples of companies that failed miserably because they failed to localize their brand strategy in some way to local markets. Take Home Depot, which entered the Chinese market via the acquisition of Home Way in 2004, only to leave just six years later with $160 million of losses. Home Depot failed because they approached China with a mindset of “If it’s good enough for us, it will be good enough for them.”

This proved to be a mistake. Chinese and American consumers have different approaches to home improvement. Chinese consumers tend to rely on contractors and designers to design and repair their homes. They value social status and reputation, and buying do-it-yourself products signals poverty or low social standing. To quote one Chinese customer, “Products are too cheap and simple at Home Depot. Poor people are the only group in China who would bother taking on
a do-it-yourself project, because they cannot afford to hire others.” Home Depot should have leveraged its American roots in its messaging, especially considering that the Chinese viewed American products favorably at the time. It could have promoted and leveraged the benefit of country of origin when entering China and should have worked with contractors, rather than with final consumers.46

Home Depot is not alone. Kellogg’s struggled to get Indians to buy Cornflakes as it was essentially launching a Western product in a country with very different tastes in food. When P&G launched one of its brand in Japan with an ad that showed a woman bathing and her husband entering the bathroom and touching her, the Japanese rejected the brand, because they consider this an inappropriate behavior and in poor taste.47 Indeed, global brand building can be a complicated exercise. Not only are you dealing with a foreign language that perhaps no one in your team is aware of, you also have to deal with local competition, regulations, as well as numerous subtle nuances of the local needs, culture, and language. Countless brands have stumbled in their quest for global success because they failed to take local conditions into account. While each mistake is unique in some sense, four common themes can be distinguished, the four “Fs”: failure to recognize unique, culturally-grounded needs; failure to connect with local consumers; failure to empower local management; and failure to overcome strategic hubris.

4.1. Failure to recognize unique, culturally-grounded needs

While excessive localization may destroy many of the sources of global brand value, there are unique needs, grounded in local cultural values and norms, that are resistant to standardization efforts. Take Hallmark greeting cards. The advantage of buying from Hallmark is that you don’t have to think about what to write – it is usually all written for you. “Thank you for being such a special wife,” “These birthday wishes are especially for you,” and so on, normally followed by a rather sentimental poem inside. While this formula is successful in many countries, it failed miserably in France where people preferred to write in the cards themselves. Further, the syrupy
sentiment inherent within the preprinted messages did not appeal to the French. After some time Hallmark admitted defeat and withdrew its brand.48

On the positive side, deeply ingrained cultural-grounded needs offer market opportunities. German CPG company Henkel increasingly recognizes the unique needs and opportunities of the Middle East. Previously, it would release products designed for U.S. or European consumers and assume Middle Easterners would buy them. However, in recent years, it has developed a line of hair-care products marketed under the global brand name Schwarzkopf Gliss to address problems caused by the lack of ventilation under a head scarf, including split ends, itchy scalp, and unpleasant odor. It also introduced Persil Abaya in Saudi Arabia and the other Gulf countries. Henkel markets this as a detergent specialized for black abayas. (An abaya is the loose robe-like garment worn by women in many Islamic cultures, which is traditionally black.) To better understand consumers and speed up new product introduction, Henkel relocated some of its R&D team to Dubai. In less than eight months, the team was able to develop and introduce a liquid-gel detergent under its Persil laundry-detergent brand that was aimed at low-income customers who wash their clothes by hand.

Henkel’s rivals increasingly recognize the unique needs of the Middle East as well. Unilever has adapted best-selling brands such as Axe deodorant and Sunsilk shampoo with local woody or sweet fragrances and made some packaging shinier, while P&G’s Olay line targets Persian Gulf customers with skin-lightening creams.

Another culturally-grounded opportunity is the halal cosmetics market (halal product are products made to be permissible under Islamic law) – valued at around $200 million per year. Halal cosmetic products are prohibited from containing alcohol and any pork byproducts such as pig-fat derivatives, which are used in some makeup brands, or the proteins used in some shampoos.49
4.2. Failure to connect with local consumers

As we have seen earlier, for many consumers global brands are a gateway into the aspired-to global culture with its associations of modernity, sophistication, and progress. Yet, this can be a two-edged sword. While the global culture grows increasingly prominent, local culture remains a powerful force in the lives of many people around the world, albeit that the size of the segment differs between countries. It is especially large in the U.S., Russia, Brazil, and China. In these countries, the ability to associate the global brand with local consumer culture is especially important. Otherwise, large groups of consumers will turn to local brands that are perceived to be more relevant to their needs, aspirations, and lifestyles.

Revlon’s experience in China illustrates what happens if the global brand fails to connect with local consumers. Advertising is among the most powerful marketing instruments to forge a connection with local consumers and in its 17 years in China, it relied on Hollywood names such as Emma Stone and Olivia Wilde to endorse its products instead of using Chinese celebrities. While this might work for global prestige brands, it did not work for Revlon. Sales languished and it pulled out of China in 2014. According to Matthew Crabbe, director of research for Asia Pacific at Mintel, “Marketing messages designed for Europe or the U.S. just don’t reflect who they are.”

4.3. Failure to empower local management

To be effective in local markets, the MNC has to empower local managers, but companies are sometimes loathe doing that because of the loss of control, loss of global brand consistency, and reduced economies of scale and scope. eBay executives ignored the advice of local employees to run servers out of China and switched hosting to the U.S. According to a local eBay executive, “The day they switched to the US servers despite our protests, traffic dropped 50 percent because access speeds were too slow. We never recovered. It is a myth that local auction site Taobao won
because they don’t charge fees. We lost because headquarters tried to implement what worked in the U.S., from interface design to customer service help.”  

The obvious disadvantage of empowering local management is that over time it may lead to endless local adaptations of the brand strategy, so that the potential advantages of global brands (as outlined in the COMET framework) disappear over the horizon. Unilever tries to balance global efficiency with ability to foster connections with local consumers by specifying two roles, called brand development and brand building. Brand development is in charge of brand positioning, brand advertising, and innovation. Brand builders create the local buzz and the excellence in execution. They are engaging with consumers and, importantly, retailers and ensuring the brand is active in local media.  

Spain’s Banco Santander has a committee of corporate marketing and branding, chaired by the CEO, which approves the marketing plans for countries, validates their budgets, oversees the positioning of the single brand, and ensures that local advertising and marketing activities are consistent with Santander’s brand identity. Its brand identity is built around the idea that everyone who has contact with Santander feels that it is a bank that not only offers the best products and services, but also has a simple and personal way of doing banking, is a trustworthy institution and one that bases its success on helping its customers achieve their goals and projects. While the way how these values are expressed may differ between countries, and may hence give rise to different advertising, the local advertising has to be consistent with, and contribute to this globally uniform identity.

4.4. Failure to overcome strategic hubris

Among the most insidious mistakes an MNC can make is strategic hubris, which can take various forms. One form is underestimating local competition, thinking that they lack marketing and strategic ability. For example, Walmart’s entry into Germany in 1997 ended in a disastrous failure. A major reason for its failure was that Germany already had two value chains, Aldi and
Lidl. As such, Walmart could not leverage its traditional advantage of “everyday low prices.” Walmart found it hard to believe that German shoppers would not want to flock to its stores. After all, it had proven its success in so other markets around the world. After a decade of trying, it conceded defeat and withdrew in 2006, having incurred losses exceeding one billion dollars.

A related type of strategic hubris is the mistaken belief that overseas markets are either “like us” or “want to become like us.” Kraft’s Oreos cookies struggled for years outside the U.S. home market and it even considered leaving some foreign markets including China. Why? Sanjay Khosla, Kraft’s president of developing markets explained, “There was a belief that what was good for the U.S. was good for the world.” Thus, Kraft offered overseas consumers the same type of Oreos that it sold in the U.S. Unfortunately, what was good for the U.S. was not good for the world - Chinese consumers found Oreos too sweet, while Indian consumers found the cookie too bitter. It took Kraft a while to acknowledge that the world was not dying for American-style cookies. In response, Kraft tasked James Andrade, vice president of R&D in the Asia Pacific region to come up with a new formula to better suit local tastes. This resulted in green tea Oreos in China, and a chocolate and peanut variety in Indonesia, among others. Shedding the strategic hubris paid off. In 2014, global sales of Oreos (now owned by its spin-off company Mondelez) exceeded $2.5 billion, of which approximately half came from overseas markets, including more than one billion dollars from emerging markets.55

5. NAVIGATING BETWEEN GLOBALLY STANDARDIZED AND LOCALLY ADAPTED BRAND STRATEGY

The COMET benefits associated with global brands are realized to their fullest extent if the global brand is marketed around the world with a standardized marketing strategy. While standardization of the marketing strategy for the brand may be the ideal, it is often unrealistic in practice. Despite increasing globalization, significant differences between countries remain on such dimensions as consumer needs, use conditions, purchasing power, commercial
infrastructure, culture and traditions, laws and regulations, technological development, and competitive context. As we have seen in section 4, refusal to accommodate these differences in one’s global branding strategy has been responsible for many brand failures.

How can managers make informed decisions between global standardization and local adaptation? I acknowledge that these decisions are context-sensitive and depend on (1) managers’ own informed assessment of the local and global environment, (2) fit between environment and the global brand strategy, (3) type of industry, and (4) how effectively the strategy is executed. Nevertheless, global brand managers can learn from best practices and experiences of other companies. In this section, I will bring pertinent insights and recommendations together, which is based on thousands of managers in countries around the world, working for many hundreds if not thousands of companies that are internationally active. The global brand manager can use this information to benchmark their own practices. Table 4 summarizes the insights, which will be discussed in this section.

--- Table 4 about here ---

5.1. Global marketing program: A bird’s-eye view

Firms are more likely to employ a standardized marketing strategy in overseas markets that are similar to their home market in terms of their economic, political, and legal conditions, marketing infrastructure, consumer conditions, and competitive conditions. Similar environments suggest a homogenized demand in home and host markets, thus increasing the feasibility of a standardized marketing strategy. Further, the higher the competitive intensity in overseas markets, the more likely the MNC is to localize its marketing strategy in order to be successful in these heavily contested markets.

Larger firms are more likely to employ standardized marketing programs than smaller firms because they can take greater advantage of economies-of-scale, and the less flexible organizational structures also make it more difficult for large firms from effectively adapting the
marketing strategy to local conditions. In addition, firms in which decision making is more centralized at headquarters employ more often standardized marketing strategies. The decision-makers at the headquarters may prefer a standardized strategy to an adapted strategy for better control over the subsidiaries’ products/services. However, there is no consistent evidence that B2B firms standardize their marketing programs more than B2C firms.

Taking all evidence together, firms that standardize their marketing strategy perform better on strategic metrics (market share, competitive position) and financial metrics (profitability, return on investment), than firms that pursue a localized marketing strategy.\(^{58}\)

Finally, MNCs tend to configure their marketing strategy in such a way that a higher degree of standardization on one component (say, product) tends to be positively related to the degree of standardization on other brand strategy components (say, price or advertising). This makes sense as firms strive for internally coherent marketing strategies for their brands. However, it is as noteworthy that the correlation between the degree of standardization for the different strategy components is fairly modest (in the range of 0.3 – 0.5). This indicates that MNCs carefully consider the optimal degree of standardization for each component separately. And for good reason as the considerations for each component are more nuanced and a uniform level of standardization across all brand strategy components would lead to suboptimal results.

5.2. Global brand name

*Global brand names in a world of languages*

In principle, a global brand uses the same name around the world (see section 2). Yet, this requirement may have to be relaxed somewhat once we consider different languages. France’s Groupe Bel’s soft cheese brand La Vache Qui Rit is sold in numerous countries with the same logo but its brand name is translated into local languages as the French brand name would be hard to pronounce or meaningless. This leads to The Laughing Cow (English-speaking countries), La Vaca Que Ríe (Spanish world), Die lachende Kuh (German-speaking countries),
and Vessiolaia Bourionka (Russia). Figure 1 illustrates how La Vache Qui Rit solved its global brand name challenge in different countries around the world, using the same color, font, logo, and other branding elements. Consequently, an international traveler would have no difficulty to recognize it is the same brand in Vietnam, Turkey and Germany.

--- Figure 1 about here ---

The challenges of using a global brand name are exacerbated when one has to deal with radically different language systems, especially Eastern Asian languages like Chinese and Japanese which are based on ideographs. Western brand names and abbreviations are difficult to replicate, meaningless, and/or difficult to pronounce in these languages. Companies can choose different options to deal with this: (1) using the global brand name as is; (2) retaining the sound of the global brand name (transliteration); (3) retaining the meaning of the global brand name (translation); and (4) creating a new brand name both in meaning and pronunciation. For example, Nestlé uses translation – its Chinese name is Que-chao (in pinyin), meaning bird’s nest (after its brand logo). Coca Cola uses both transliteration and translation - its Chinese brand name being Ke-kou-ke-le, which sounds like the English brand name, while having a positive related meaning, “delicious happiness.” La Vache Qui Rit uses transliteration in Japan - Raffingu Kau, which sounds like Laughing Cow, while it uses translation in China - Le-zhi-niu. It appears reasonable that transliteration and translation qualify as retention of the global brand name.

The firm can further strengthen the link between the global brand name and the translated/transliterated brand name by showing both brand names. Dual branding is employed by many brands in China. Some examples are Oreo, Dove (chocolate), Kleenex, P&G (Crest), Amway, Estee Lauder, Olay, Samsung, Budweiser, Gillette, McDonald, KFC, Wal-Mart, Carrefour, Starbucks, Pizza Hut, and Subway. Disney, Marlboro, and eBay are examples of brands that only use their international name. Figure 2 summarizes these various options.

--- Figure 2 about here ---
Global brand strategy in mergers and acquisition

Building a global brand requires patience, perseverance, large investments, and a minimum of one or two decades, sometimes even longer. As a result, impatient firms and entrepreneurs may opt to acquire an existing global brand. While in the past, the acquirer was typically a developed market firm, increasingly emerging market firms are taking this route as fast track to achieve global presence. A few decades ago, who would have imagined that firms from emerging markets would acquire such Western brands as Motorola (handsets), IBM’s Think Pad, U.K. cereal maker Weetabix, the very British Jaguar and Land Rover, Swedish Saab and Volvo, London’s Harrods, or American Multi-Cinema (AMC) Entertainment? The economic slowdown in Europe has accelerated this process. Chinese foreign direct investment into Europe hit $18 billion last year, double the 2013 level, according to Rhodium, a China-focused research group. Chinese investors have spent an average of $12 billion in the region over the past four years.

If the firm acquires a global brand, the firm has to decide whether to retain the acquisition as a separate brand in its brand portfolio or merge it into a single brand. If the post-acquisition strategy is to retain the acquired brand as part of its brand portfolio (e.g., Land Rover, Volvo, Weetabix), then the acquiring firm must develop a sound strategy to grow the acquired brand and to manage the synergies between the brands without losing their distinctive positioning. If the post-acquisition strategy is to merge the acquired brand with the existing brand (e.g., Taj Hotels, Lenovo), then the acquiring firm must decide which brand to delete (the acquired or acquirer) and how to manage the brand migration process without losing too many of the existing customers of the brand being deleted.

Acquire and migrate

Deleting the acquired brand and migrating its customers and capabilities to its own brand is a valid strategy under three conditions:
• The acquiring firm has considerable control because customers face substantial exit barriers, as with telecom operators where consumers are tied by contracts and have limited number portability and with banking and retail industries where location is a key driver of customer’s brand choice.

• The acquirer has data to demonstrate that its own brand is stronger than the acquired brand, as when Taj Hotels acquired hotel properties in cities such as Boston and San Francisco.

• The acquisition agreement or a strategic decision (e.g., economies of scope, desire to have a single global brand) mandates a discontinuation of the acquired brand and a migration of its business to the acquirer’s brand. For example, Lenovo had the right to use the IBM brand logo for only five years under rather stringent conditions.

Of the three scenarios above, only the third is challenging. When the acquiring brand controls its clientele or is stronger than the acquired brand, then the change in brand name takes place relatively swiftly after completion of the deal. However, instead of simply changing the name, the acquiring firm must bring over some new attributes or values so that customers view the change as more than cosmetic rebranding.63

If the goal is to migrate the business to the acquirer’s brand and to discontinue the acquired brand, then brand migration usually entails a three-part process that I call “maintain, link, build.” Consider Lenovo, an excellent example of maintaining IBM’s value, linking it to Lenovo’s brand, then building upon the business. In 2005, Lenovo acquired IBM’s PC division for $1.75 billion. In the PC industry, product life cycles are short and new products are the lifeblood. In the “maintain” stage immediately after the acquisition, Lenovo had to ensure that the stream of great IBM ThinkPad products kept coming. Lenovo leveraged the IBM sales force, IBM’s strong relationships with corporate customers, and the IBM logo in all its advertising. Concurrently, Lenovo launched an extensive PR to introduce Lenovo in the general press in the Western world.
During this phase, it closely monitored metrics on customer satisfaction, brand equity of ThinkPad, sales revenues, and positive press mentions.

In the “link” stage begun in 2006, Lenovo’s objective was to strengthen the ThinkPad brand and to start linking it to Lenovo. Besides introducing new ThinkPad products, the company launched a major “ThinkPad unleashed” campaign that included advertising at the Torino (Italy) winter Olympics and other Lenovo branded product launches. In fact, the four television spots that ran during the Olympics never mentioned IBM, but the IBM logo appeared on the Lenovo ThinkPad laptops. Lenovo’s metrics demonstrated that ThinkPad brand equity remained strong, and there was a growing awareness of the Lenovo brand. The firm was succeeding in communicating that Lenovo was improving the ThinkPad brand. The IBM brand played more the role of an endorsement brand.

In the “build” stage starting in 2007, Lenovo launched the IdeaPad line of consumer-branded PC products and dropped the use of the IBM logo on all its products two years ahead of schedule. Lenovo used the 2008 Beijing summer Olympics to launch Lenovo as a global brand.

Recent acquisitions continued Lenovo’s growth. Most notable was its acquisition of Motorola handset business from Google in 2014 for $2.9 billion. In this case, it decided to retain the Motorola brand. Lenovo’s revenues have increased fifteen-fold in 10 years to $46.3 billion in 2015, of which over 70% is in overseas markets versus 2% prior to the acquisition.

**Acquire and retain**

To retain the acquired global brand as a standalone makes the most sense when, compared to the acquirer’s existing brand, it fulfills the following criteria:

- is strong in different regions and channels;
- reaches different customer segments;
- has a unique brand image and distinctive heritage;
- is substantially different in perceived positioning and pricing;
• suffers from few product overlaps.

If these criteria are fulfilled, the acquiring firm faces four major challenges post acquisition (Figure 3):

• how combine the complementary capabilities of the two brands;
• how to keep the two brands in distinct positions so that they reach different segments rather than just cannibalize each other;
• how to drive synergies between the two brands, such that the acquiring firm is not simply duplicating costs across the value network;
• how to find a common glue to tie the two organizations together.

--- Figure 3 about here ---

China’s Geely is an example of a company that faces these challenges. China’s Geely’s purchase of Sweden’s Volvo for $1.8 billion was one of the most high profile global brand deals in 2010. Volvo, a global upscale brand sold about 450,000 cars around the world generating $16.8 billion, or about $37,000 per car. In contrast, Geely sold about 432,000 cars primarily in China and generated $3.2 billion, about $7,400 per car. On paper, these brands appear to have complementary target customers—high end and low end—and harmonious strengths in different parts of the world. Volvo was not as successful in China as other upscale automakers such as BMW and Mercedes were, and Geely was struggling against foreign competitors in China, and had global ambitions. Furthermore, both companies sold fewer than a million cars annually, often considered the minimum efficient scale in the industry. But when we combine their sales, they approach a million cars sold.

Yet, press reports suggest that the integration is not smooth sailing China Daily quoted an insider with knowledge of internal meetings, “I’ve never in my whole career seen such a huge gap between the management of the acquirer and the acquired company.” The Wall Street Journal reported that executives “are fully aware that it is easy to talk about technology sharing, but difficult to execute correctly.” Volvo saw the benefits as immediate and obvious for Geely,
but wanted to ensure that sharing technology would not dilute the Volvo brand.\textsuperscript{67} In such cases, the more upscale brand in the portfolio usually wants to keep its distance from the other brand, while the more mass market brand wants to close the distance. The trick is to find the right distance between whatever distinguishes the brands for the two segments and to integrate and rationalize the rest for scale and scope synergies.

If we examine Figure 3 and each party’s strengths, the post-acquisition agenda can take the following shape. Volvo should (a) leverage Geely’s insights into Chinese consumers to increase Volvo’s sales and service footprint in China; (b) deploy and develop a more efficient global supply chain that taps into China to reduce costs; as well as (c) investigate whether Geely has low-cost product development capabilities to create China-specific Volvo models and entry-level Volvo models for the rest of the world. On the other side of the deal, Geely should use (a) Volvo technology, design, and engineering capabilities to improve the quality of its own cars; (b) use Volvo’s global management savvy and contacts with distributors to penetrate other parts of the world with the Geely brand; (c) investing in Volvo to revamp its aging model lineup. Finally, as Volkswagen did with its brands of Audi, Volkswagen, and Seat, both Volvo and Geely should find where they could combine product platforms, suppliers and parts to lower costs without diluting the brands.

It appears that Geely is moving into this direction. While it has decided to operate Volvo as a “standalone company,” Geely has committed to investing $11 billion to help Volvo develop new 8 models by 2019 and to build assembly plants in China to make them. It will share components to cut costs and Volvo is to reemphasize safety, in its products and marketing communication. Volvo sales in China rose 33% in 2014, as China became its biggest market for the first time, followed by Sweden and the U.S.\textsuperscript{68} In 2015, it started exporting Volvo cars made in China to U.S. That would be the first time a completely Chinese-made vehicle will be sold in America, and could also pave the way for Geely to start marketing its own products in the U.S. and beyond.
Time will tell whether Geely’s goal of selling 800,000 Volvo-branded cars annually by 2020 will be achieved. In the meantime, outside observers are impressed by Geely’s global ambition. Writes The Economist, “Geely has started to push its own Chinese car brands in Asia and the Middle East, and entertains hopes of entering the American market over the next few years. But if the Volvo brand fails to help towards that goal, it may well yet end up on the scrapheap with Saab. Geely’s founder and chairman, Li Shufu, is intent on becoming a serious global competitor—with whatever brand name he needs to get there.”

5.3. Global product strategy
Managerial practice indicates that product-related elements, and especially quality, design, and features are among the most standardized elements of the marketing strategy. But despite the widespread use of product standardization by MNCs, its effect on firm performance in overseas markets is on average negative. That is, firms that use a standardized product strategy tend to do worse than firms who adopt a more a localized product approach. Fully standardized, homogenized products do not appear to satisfy diverse and demanding local customers, since usage conditions, income levels, and needs vary across different parts of the world. Yet, the economic, organizational, and innovation advantages of standardized products discussed in section 3 are formidable.

A solution to this dilemma is to develop a standardized “core” product, which can be given a local look-and-feel by adding “add-ons” that are desired by the local market. For example, Colgate Max Fresh comes in different flavors and colors in China, but the core product is the same as in the U.S. In car industry, platforms have been developed that can be stretched or shrunk to fit multiple car models, sold around the world. Varying the packaging size is an important way to unlock the demand among poor consumers in emerging markets. For example, low-income Mexicans prefer small portions of soap, laundry detergent, and single diapers - even though the smaller sizes are usually sold at a higher price per ounce. A full-size bottle of Head &
Shoulders that lasts roughly 70 shampoos costs half as much, per ounce, as a single-use sachet. The reason is that many Mexicans lack the income to purchase full-size goods.

A related solution is the use standardized components in locally adapted products worldwide. Use of standardized components is especially effective to boost performance in local markets when these components (1) are out-of-sight, (2) make up a considerable part of the total CoGS, and (3) are R&D intensive – which means that development costs are high, but on the other hand also give the product a technological edge over local offerings. If core product standardization and component standardization are done correctly, local consumers will perceive the product as being relevant to their needs, while being favorably impressed by its high quality.

Daimler-Benz sells trucks around the world. To satisfy regional driver and fleet operator needs as well as varying emissions and size regulations, it implemented a strategy of using standardized components to help it preserve those varied characteristics while maximizing economies of scale. “Commonality is not an end in itself. You have to balance specific regional and customer needs with commonality and scale effects from platform-sharing,” said Frank Reintjes, head of global engineering at Daimler Trucks. One such component is the power train, the mechanism by which power is transmitted from an engine to an axle, as this accounts for more than half of the value added in a truck.

Sweden’s Electrolux, whose household appliances range from dishwashers to refrigerators and cookers, started a standardized components approach in 2009. The purpose was to increase the number of common components used across its various brands and products but not at the cost of homogenization or enforcing rigid product dimensions. “Our strength is being able to deliver differentiated products for various regions and brands that are geared towards consumer preferences,” said Jan Brockmann, chief technology officer at Electrolux.

Navigating between global standardization and local adaptation of the product assortment is of crucial importance to international retailers. One company that manages this well is Costco. The core of its success is that all over the world, people are looking for good quality at low
prices, albeit that what they are looking for varies across countries. Consequently, around 65% of
the assortment is specific to a given country – mostly foods that cater to local preferences,
according to Jim Murphy, executive vice president of Costco’s international division. So, for
example, in Spain, it sells whole legs of Iberian ham with hoof intact, in Australia it sells
Vegemite (a yeast extract) and in Japan, its warehouses feature market-like fish departments with
everything from tuna to squid, plus sushi. The remaining 35% comprises of many of the same
non-food items one would see in its U.S. stores. This includes items sold under Costco’s own
private label brand Kirkland Signature. Other elements that are standardized include the retail
format (large stores), membership club concept, bulk sizes, and the food court.74

5.4. Global pricing strategy

Pricing strategies are less standardized than product, distribution, or advertising strategies. From
an economic point of view that makes sense as the profit maximizing price in a country is
dependent on the price sensitivity of local customers as well as the prices charged by
competitors. Local competitors of course set prices locally, and if global competitors do the
same, the MNC has little option but to follow a local pricing strategy. Moreover, channel
prices/margins and sales/payment terms differ between countries, which affects pricing
strategies. For example, in China, piano retailers finance their own inventory, and pay upon
receiving the goods. However, in the U.S., the manufacturer is expected to assist in financing the
retailer’s inventory. This insight necessitated China’s Pearl River Piano, the world’s largest
piano manufacturer by volume, to adapt its pricing strategy in order to be successful in the U.S.75

Companies that pursue a greater degree of standardization in their pricing strategy show on
average better performance.76 An important reason is that while in theory, profits are maximized
by setting one’s prices locally, in practice, such benefits can be illusionary because it ignores
parallel imports. Consider the case of a large oil company whose prices charged for its basic
chemicals such as polypropylene differed up to 100% between chemical factories around the
world. It found out that customers simply asked for quotes from the different factories and ordered it from the factory offering the best price, considering care, insurance, and freight. And since local factories considered sales to another geographical region as a windfall, they were apt to quote prices that were little above marginal costs. Customers gained and the company lost a lot of profits. In another case, a Dutch company charged much higher prices for its copying machines to dealers in France than to Belgian dealers, as the Belgian market was more price sensitive. It found that French dealers simply bought their machines in Wallonia (French-speaking Belgium) and pocketed the price difference.

In today’s interconnected world, fueled by cross-border travel and increasingly, the internet, price arbitrage is not only carried out by companies but also by consumers. Nearly half of the Chinese luxury buyers shop for luxury goods on overseas trips, where prices are much lower. The internet has made it both harder for luxury brands to hide the higher prices in China and easier for Chinese consumers to find third-party luxury sellers online. The decline of the euro exacerbated existing price differences to the extent that in 2015, luxury fashion products are about 60% pricier in China than in the Eurozone. This gap stimulated parallel trade and overseas purchases that many brands said damages their image and encourages fakes. In response, Chanel announced it would standardize prices on some of its best-known handbags, including the Chanel Boy. Before the price changes, a Chanel Boy bag bought in China would cost RMB35,600. After the change, the same bag costs RMB26,000 — a reduction of 27%. Bought in Europe, the same would have cost a Chinese person RMB20,500. After the price increase in Europe, it is going to cost RMB24,600. “This decision will enable us to offer our products to all our clients at a harmonized price wherever they are in the world,” Chanel said. It added that the strategy, which included a 20% price increase on its bags in Europe, would help it to combat “parallel resell markets that are facilitated by price differences and hurt the business.”

In sum, because of price arbitrage by companies and consumers, a more standardized pricing strategy is associated with better firm performance. However, a fully standardized pricing
strategy is not feasible as market conditions vary across markets. The way forward is to develop a price band in which local prices have to fall. The price band should be anchored in the main markets in the region (or globally) as the potential for lost sales and profits is greatest there. The MNC has to accept as “collateral damage” that it may lose sales and profits in smaller markets.

But setting a price band is not sufficient as especially in B2B markets, the actual price paid (“transaction price”) is the result of negotiation between the salesperson and the customer. The focus of transaction pricing is to decide the exact price for each transaction starting with the list price and determining which discounts, allowances, payment terms, bonuses, and other incentives should be applied. These and other on- and off-invoice items can easily lead to price and margin leaks. The experience of a global lighting supplier shows how list prices may be upheld but the actual transaction price was way off. This company made incandescent light bulbs and fluorescent lights sold to distributors that then resold them for use in offices, factories, stores, and other commercial buildings. Every light had a standard list price, but a series of on- and off-invoice discounts and incentives pushed average transaction prices to between 90% and 30% of the standard list prices. The firm addressed the problem by initiating stricter rules on discounting and by installing IT systems that could track pocket prices more effectively. It also developed new and explicit transaction price targets that were based on the size, type, and segment of each account. Whenever an existing customer's prices were renegotiated or a new customer was signed, that target guided the negotiations. As a result of these and other changes, the average pocket price rose and operating profits increased significantly.79

5.5. Global advertising strategy

Company practice suggests that advertising exhibits slightly above average levels of standardization. Advertising is a key mechanism to project brand image, and the area where pooling of resources and creative ideas reap considerable benefit. Indeed, evidence indicates that
the degree of advertising standardization in general has a positive effect on firm performance in foreign markets.\textsuperscript{80}

Nevertheless, the countless international advertising blunders documented in the press suggest that even this instrument benefits from local adaptation. Standardized ads will often be less effective, especially for brands where people do not really care whether they are global or not. It is hard to create relevant and timely global advertising themes, positioning, and stories that reinforce the brand, appeal to local consumers around the world, and can be creatively delivered through all touch points. Global brand advertising can rarely reflect the idiosyncratic characteristics of every market, but the alternative — locally designed advertising — sacrifices a consistent global message and misses out on economies of scope.

Rob Malcolm, former President, Global Marketing, Sales and Innovation at Diageo, the world’s largest producer of spirits, proposed as a solution the adoption of a glocal advertising strategy. In his view, glocal advertising is a locally adapted message that conveys a universally embraced core idea that will resonate in any market anywhere in the world. Glocal advertising rests on three pillars: (1) a global concept that addresses a universal human motivation; (2) a unified brand vision with creative delivery that respects local nuances and empowered consumers in each locale; (3) an organizational architecture, including culture, technological platform, and dedicated resources, that emphasizes and facilitates dynamic and effective collaboration between the developers of global strategy and local strategists and implementers.\textsuperscript{81}

P&G’s global “Thank You, Mom” campaign is an example of the glocal model. It started with P&G engaging in a worldwide partnership with the Olympic Games. The campaign was designed to build P&G’s corporate brand as well as highlighting specific brands such as Gillette or Olay. The campaign started with the Winter Olympic Games in 2010 and was followed by subsequent Summer and Winter Games. The campaign is built on one of the most fundamental human notions, the love and sacrifice of mothers for their children. Kirsten Suarez, Senior Brand Manager, Olympics at P&G, explained the thinking, “‘Thank You, Mom’ really touches hearts
all over. It’s a very global insight. Locally, of course, we have teams that adapt and amplify the message to ensure they’re doing best plans for their market. But at an insight level, the message is extremely global.”

To connect with consumer locally, P&G did two things. First, its global advertisements featured (aspiring) sportspeople from different countries. Second, the global campaign was supplemented by local ads following a common template but featuring local sports stars and brands that were deemed most relevant for the local market. For example, one U.S. print ad that appeared around the 2014 Winter Games in Sochi featured three local heroes - Amy Purdy, Evan Lysacek, and Julie Chu.

5.6. Global sales promotion strategy
Sales promotions refer to a collection of short-term incentive tools that lead to faster and/or more sales of a particular product by consumers or the trade. For most MNCs, sales promotion policy is among the least standardized elements of their brand strategy, and for good reason as high standardization of sales promotions has a negative effect on company performance. There are several reasons for this, including that economies of scope for sales promotions are few, their effectiveness depends on level of economic development of the country and its stage in the product lifecycle, and the trade structure. Cultural perceptions of promotions also differ considerably between countries. For example, Taiwanese consumers have less-favorable attitudes toward sweepstakes than Thais or Malaysians, and European shoppers redeem far fewer coupons than Americans.

Yet, leaving sales promotion decisions completely in local hands leads to unwanted side effects. To illustrate, I found Johnson & Johnson Baby Oil with labeling information in Turkish (partially covered by a sticker with English text) in a store of a major South African drug store chain in Cape Town. A colleague who worked in the past for J&J explained what likely happened. J&J Turkey had run a very steep price promotion, which was noticed by the South
African retailer. It organized shipment of a container to South Africa to be sold at the regular price. The retailing pocketed the profit, the Turkish subsidiary profited but J&J as a whole lost money.

To avoid such kind of arbitrage and to facilitate worldwide learning, the MNC should appoint a global sales promotion coordinator, with recognized experience in the promotion field, strong persuasion skills, and line marketing experience. This manager’s set of responsibilities could include the following: (1) promote transfer of successful promotional ideas across countries; (2) transplant ideas on how to limit trade promotional expenditures from countries where the trade is highly concentrated to those where the trade’s power is increasing but not yet dominant; (3) gather performance data and develop monitoring systems to evaluate the effect of promotions of short- and long-term sales and profitability; (4) set limits of the intensity of promotions to protect the integrity of the global brand.

5.7. Global sales strategy

The MNC’s sales strategy remains very much a local affair for most MNCs. Generally, salespeople perform the majority of their sales within one country. Personal selling requires the salesperson to understand local wants, needs, and customs well enough to be able to forge an effective relationship with his or her customers. Consequently, it is not surprising that sales force techniques and management methods exhibit a low degree of standardization across markets and standardization in general tends to have a negative effect on firm performance. However, there is still room for global guidelines.

Sales management control systems

The two basic sales management control systems are output-based control and behavior-based control. In an outcome-based control system, relatively little monitoring or direction of salespeople by management is involved, and straightforward objective measures of results
(outcomes) are used to evaluate and compensate the salesforce. Outcome-based control approximates a market contracting arrangement wherein salespeople are largely left alone to achieve results in their own way using their own strategies. Salespeople are held accountable for their outcomes but not for how they achieve the outcomes. Firms using outcome-based control systems shift risk to the salespeople and share rewards with them in direct proportion to their measurable performance. Incentive-based (variable) remuneration constitutes an important part of a salesperson’s total compensation.

In contrast, behavior-based control systems involve high levels of monitoring and direction of salespeople’s activities and results by management, and the salesperson’s inputs rather than sales outcomes are used to evaluate and compensate the salesforce. The principal advantage of behavior-based control systems is the control they afford the manager. In such systems, the sales manager imposes his or her own ideas of what salespeople should be and do to achieve results. Managers can direct salespeople to perform certain behaviors as part of company strategy without the necessity of convincing each salesperson that the strategy is valid. To ensure cooperation, the firm pays salespeople largely on a fixed basis (salary). Thus, the firm assumes risk to gain control.

The relative emphasis on, and effectiveness of, output-based and behavior-based control systems differ between countries. For example, British managers are more likely to include incentives in their salespersons’ compensation plan than French, Italian, German, or Spanish managers. Thus, clearly many important aspects of control systems have to be set locally, also to be consistent with local regulations. Yet, there is still room for global guidelines, based on information about the country’s culture.

Taking into consideration a country’s culture can assist the MNC in developing local sales management strategies within a common framework. A country’s culture reflects the basic issues and problems that societies must confront in order to regulate human activity. The shared
cultural priorities in society help to shape the social and economic reward contingencies to which managers and businesses must adapt in order to function smoothly and effectively.90

For understanding the likelihood of acceptance of sales management control systems, two aspects of culture are especially important, viz., uncertainty avoidance and masculinity/femininity.91 Uncertainty avoidance refers to the degree to which societies and their members (i.e., salespeople) tend to feel threatened by uncertain, risky, ambiguous or undefined situations, and the extent to which they try to avoid such situations by adopting strict and predictable codes of behavior. Since there are uncertainty and associated risks in most effort-sales relationships, salespeople belonging to cultures where uncertainty avoidance is high are likely to prefer compensation plans that have a small incentive component as it reduces uncertainty. To manage the salesforce in such countries, the firm will have to rely more heavily on behavior-based control systems.

Masculinity/femininity contrasts a competitive achievement orientation - a preference for accomplishments, assertiveness, and material success - with a compassionate egalitarian orientation - a preference for caring for the weak, equality, and the quality of life. The competitive achievement orientation will show up in the preferred incentive allocation across salespeople, which can be based on individually differentiated performance (i.e., equity rule) or equally divided among all members of a sales team (i.e., equality rule).

Figure 4 displays the application of these cultural principles to the preferred sales management control systems, and provides examples of countries that belong to each cell. Figure 2 is intended as a benchmark against which to evaluate the firm’s own situation as market conditions and firm policies and administrative heritage will vary. It can be used by a global sales coordinator to evaluate proposed control systems in specific countries (note that the scores of about 100 countries are publicly available).92

--- Figure 4 about here ---
Global account management

The MNC may have major business customers that have moved decisively toward globalization in supply chain management. These customers want a single point of contact, and demand contracts with uniform prices and terms of trade, standardized products and services, consistency in service quality and performance, and support in countries where the supplier might have no presence.93 These demands cannot be met by local sales organizations. Therefore, many MNCs have begun to rely on global account management (GAM) by which the worldwide activities serving a given multinational customer are coordinated centrally by one person or team within the supplying firm. For instance, Xerox established relatively independent GAM units for global accounts such as Motorola and BP. These units are located near the customers’ headquarters, and frontline employees in the units provide technical support and sales service.94

GAM poses heavily challenges. The firm has to reconcile local salesforce incentives with global contracts, may have to set up operations in new geographies, must deal with the pressure that uniform pricing typically means the lowest price anywhere, and has to be able to deliver standardized products and services on an international basis. Thus, GAM is not for every company and every customer. A simple metric of a customer’s potential as a global account is the percentage of its purchases that are made on a global basis. On the supplier’s side, the corresponding measure is the percentage of revenues accounted for by customers that buy on a globally centralized basis.95

Is GAM worth the effort? Provided GAM makes sense in the first place (for which the percentage metrics can be used), company evidence indicates that that is indeed the case. In one study, using GAM was associated with 20% increase in overall customer satisfaction, and 15% increase in both revenues and profits. Other studies also document that use of GAM had in general a positive effect on company performance.96
5.8. Global distribution strategy

Distribution standardization practices by MNCs are above average levels of standardization, especially in B2B industries. When the company has the resources (and patience) to develop its own distribution channel, standardization is relatively easier to accomplish. In other cases, lack of standardization is often caused by significant cross-national differences in channel structure. The most pertinent difference is between developed markets, where channels tend to be short, efficient, and involve a relatively small number of large distributors, versus emerging markets where channels tend to be long with many layers, inefficient, and involve a relatively large number of small distributors.

The difference in channel structure is especially evident in CPG industry. While in Western, the retail landscape is dominated by large and hyper efficient players like Walmart and Kroger in the U.S., Tesco, Sainsbury, and Asda in the U.K., and Carrefour, E. Leclerc, and Casino in France, in most emerging markets, up to 80% or more of people buy their groceries from “mom-and-pop” stores, often no bigger than a closet. In Brazil alone, there are roughly a million such stores. Many industry observers initially believed that these independently-owned shops would disappear in the near future but the shift toward modern retailing goes slower than expected. In many emerging markets, MNCs will have to deal with highly fragmented distribution channels for the foreseeable future.

P&G is one of the companies that understand that selling products through the mom-and-pop channel requires a special set of skills. Shelf space is the critical factor in these stores, so securing shelf space, one shop at a time, is absolutely crucial. In Mexico, P&G-employed merchandisers visit each mom-and-pop store about every two weeks to tidy the shelves of their products, post signs with the items’ prices, and hand out promotional items, including posters. Salespeople deliver inventory to stores themselves, often sparing owners a trip to the local distributor. To maximize geographical reach and increase efficiency, P&G has begun offering basic sales training to independent agents and encourages them to build their own teams. By
relying on local agents, P&G is also able to strengthen its ties to store owners. This is especially important, since owners can be very influential in the brands their customers choose. These micro-level efforts were crucial to sustaining P&G’s strong market position in Mexico.\(^97\)

Although many brand manufacturers love to hate hyper-efficient giant retailers like Wal-Mart, Home Depot, Tesco, and Carrefour, if they are not present in a country they realize how much more difficult their life is. This is also evidenced by the fact that if the firm is in the position to pursue a standardized distribution strategy, its performance improves significantly. Having the same channel structure in different countries allows the firm to leverage its experience in different markets. The efficiency created by standardized channels improves sales and profits.\(^98\)

Increasingly, global retailers are looking for GAM. Consider Walmart, the world’s largest retailer with sales of nearly half a trillion dollars. In 2010, Walmart announced a drive to combine store purchasing across national frontiers, using four global merchandising centers. One of the manufacturers involved is P&G. P&G’s customer teams work closely with Walmart on a global basis, which is not surprising given that Walmart accounts for 14% of P&G’s total sales. P&G’s customer team located at Walmart’s headquarters decides global strategies, while the worldwide team members work on site in Walmart stores to assist with order placements, inventory management, and marketing research.\(^99\) GAM with retailers is still relatively rare, but perhaps is underutilized as higher use of GAM is associated with higher performance success (higher market share, lower costs) at that retailer, albeit that the positive effects of GAM are considerably stronger if the supplier retains the upper hand.\(^100\) This is understandable as dependence asymmetry allows the stronger partner to appropriate more of the channel profits.\(^101\)

5.9. Speed vs. scale in global marketing strategy

The MNC wants to perform its various brand supporting activities at the maximum scale and with the highest speed to cater to opportunities in the marketplace and to preempt competition.
Increasing scale reduces out-of-pocket costs while increasing speed reduces the opportunity costs of time. Standardization typically favors scale and localization favors speed, although exceptions exist. Below, I will classify key marketing decisions the global brand manager along two dimensions: importance of speed (very important, less important) and importance of scale speed (very important, less important). This results in four quadrants, shown in Figure 5. But before doing that, let me emphasize that it would be folly to claim that either speed or scale would ever be unimportant. In a globalizing world, where technological and market developments occur at an ever increasing pace, higher speed and higher scale are in principle always desirable. However, for decisions regarding some instruments, high speed or high scale are absolutely crucial, while for others, it is clearly desirable but not as crucial. With this caveat in mind, let us turn to some key marketing decisions.

--- Figure 5 about here ---

For pricing, sales promotion, and salesforce, it is crucial to be able to quickly respond to local market developments, such as competitive attacks. Changing these instruments yield results in the short run. On the other hand, scale effects are not particularly pertinent. It is hence not surprising that for these marketing instruments, MNCs give local subsidiaries considerable decision-making authority.

On the other hand, new product introductions and related product activities such as product upgrades and improvements benefit tremendously from economies of scale. However, as product lifecycles get ever shorter, speed is also of the utmost importance. Company experience indicates that introducing new products using a global brand, rather than using local brands increases speed. A high degree of global standardization rather than local development and adaptation may actually speed up innovation and new product introduction, provided the products are introduced under the same global brand name. Thus, globally integrating product-related decisions usually achieves both speed and scale.
Given rapidly rising costs, scale is important for R&D. Speed is somewhat less important, if only for the simple reason that truly breakthrough R&D takes time. Take pharmaceutical industry where it takes on average 12 years for a drug to travel from the research lab to the patient, incurring $359 million on average before a single dose is sold.\textsuperscript{103}

For advertising, there are scale effects, in production and in management time spent on developing advertising ideas, but they are relatively minor compared to scale effects in R&D and new products. Speed is relatively less important too because advertising’s main role is to build strong brands, with positive associations rather than increasing sales. In fact, the decidedly modest effect of advertising on sales is well documented.\textsuperscript{104}

Finally, scale effects for distribution are hampered by the fact that distribution channels, especially in B2C, tend to be local. While there are some retailers like Walmart, Carrefour, and Tesco, that are present in a number of countries and carry manufacturer brands (which excludes the likes of Ikea, Aldi or Zara), their global reach does not come close to that of their manufacturer counterparts like Nestlé, Coca Cola, or Unilever. And in recent years, retailers like Carrefour and Tesco are retrenching rather than expanding. Speed also matters less for distribution as by its very nature, the effects of distribution-related decisions take more time to materialize.

6. CONCLUSION

Global brands represent between 10\% and 40\% of the total value of many multinational corporations, ranging from automobiles, telecom, and technology to retail, banks, media, and cosmetics. They generate value to the firm along one or more of the COMET dimensions: consumer preference for global brands (quality, prestige, global myth, country of origin), organizational benefits (internal operations, roll-out of new products, global competitive moves, firm identity, attraction of global talent), marketing program effectiveness (media spillover, pooling of resources, leveraging creative ideas), economic benefits (economies of scale and
scope in procurement, manufacturing, R&D, marketing), and transnational innovation (pooling of best minds, bottom-up and frugal innovation). A strong global brand does not need to score high on all COMET dimensions. But a brand that scores low on all dimensions is clearly not able to leverage its sources of global strengths.

Yet, there are countless instances where global brands have failed miserably in local markets because they did not adapt their brand strategy – the four Fs: Failure to recognize unique, culturally-grounded needs; Failure to connect with local consumers; Failure to empower local management; and Failure to recognize and overcome strategic hubris.

To find the right balance between the benefits that come with global brands and the need to be relevant in local markets, the firm should develop global policies regarding the degree of standardization for different elements of the brand’s marketing strategy. I make recommendations that can be used as benchmark for global brand managers to evaluate their own brand strategy decisions. These are summarized in Table 4.
Figure 1
La Vache Qui Rit in Different Countries

Figure 2
Global Brand Name Options

- Using the global brand name as is
- Dual branding
- Retaining the sound of the global brand name (transliteration)
- Retaining the meaning of the global brand name (translation)
- Creating a new brand name both in meaning and pronunciation

Standardized global brand name

Global brand, if accompanied by same logo, stylistic elements

Local brand name
Figure 3
Acquire and Retain: Complementary Brand Capabilities of Emerging Market Acquiring Firm and Developed Market Acquired Global Brand

- Developed market acquired global brand/firm
  - Global brand equity
  - Distribution network in developed countries
  - R&D/innovation/technology
  - Global branding & management skills

- Emerging market acquiring firm
  - Distribution in home market
  - Insight in emerging markets
  - New capital
  - Capability to design and develop low-cost products
  - Supply chain efficiencies
  - Entrepreneurial energy

- New firm capabilities post-acquisition
  - Create production & R&D synergies
  - Mutually leverage channels
  - Find common glue to integrate the organizations
Figure 4
Sales Management Control Systems in Different Cultures

<table>
<thead>
<tr>
<th>Uncertainty avoidance</th>
<th>Japan, Germany</th>
<th>Russia, South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>• Emphasize behavior-based control systems</td>
<td>• Emphasize behavior-based control systems</td>
</tr>
<tr>
<td></td>
<td>• Low variable (incentive) component</td>
<td>• Low variable (incentive) component</td>
</tr>
<tr>
<td></td>
<td>• Equity allocation of incentives</td>
<td>• Equality allocation of incentives</td>
</tr>
<tr>
<td>Low</td>
<td>• Emphasize output-based control systems</td>
<td>• Emphasize output-based control systems</td>
</tr>
<tr>
<td></td>
<td>• High variable (incentive) component</td>
<td>• High variable (incentive) component</td>
</tr>
<tr>
<td></td>
<td>• Equity allocation of incentives</td>
<td>• Equality allocation of incentives</td>
</tr>
<tr>
<td></td>
<td><strong>U.S., U.K., China</strong></td>
<td><strong>Vietnam, Sweden</strong></td>
</tr>
</tbody>
</table>

Masculinity/Femininity

Figure 5
Speed vs. Scale for Different Elements of the Global Brand Strategy

<table>
<thead>
<tr>
<th>Importance of speed</th>
<th>Very important</th>
<th>Less important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales promotion</td>
<td>• Sales promotion</td>
<td>• Advertising</td>
</tr>
<tr>
<td>Pricing</td>
<td>• Pricing</td>
<td>• Distribution</td>
</tr>
<tr>
<td>Sales force</td>
<td>• Sales force</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product decisions</td>
<td>• Product decisions</td>
<td>• R&amp;D</td>
</tr>
<tr>
<td>New product launches</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Importance of scale

Masculine

Feminine
Table 1
Value of the Selected Global Brands 2015

<table>
<thead>
<tr>
<th>Brand</th>
<th>Industry Group</th>
<th>Domicile</th>
<th>Brand value ($billion)</th>
<th>Brand value as % of enterprise value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>Technology</td>
<td>U.S.</td>
<td>128.3</td>
<td>29.2</td>
</tr>
<tr>
<td>Samsung</td>
<td>Conglomerate</td>
<td>South Korea</td>
<td>81.7</td>
<td>31.5</td>
</tr>
<tr>
<td>Google</td>
<td>Technology</td>
<td>U.S.</td>
<td>76.7</td>
<td>25.0</td>
</tr>
<tr>
<td>Amazon</td>
<td>Retail</td>
<td>U.S.</td>
<td>56.1</td>
<td>40.2</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Retail</td>
<td>U.S.</td>
<td>46.7</td>
<td>19.6</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>Beverages</td>
<td>U.S.</td>
<td>35.8</td>
<td>32.5</td>
</tr>
<tr>
<td>Toyota</td>
<td>Automobiles</td>
<td>Japan</td>
<td>35.0</td>
<td>12.5</td>
</tr>
<tr>
<td>BMW</td>
<td>Automobiles</td>
<td>Germany</td>
<td>33.1</td>
<td>25.6</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>Automobiles</td>
<td>Germany</td>
<td>31.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Walt Disney</td>
<td>Media</td>
<td>U.S.</td>
<td>30.7</td>
<td>26.7</td>
</tr>
<tr>
<td>Vodafone</td>
<td>Telecoms</td>
<td>U.K.</td>
<td>27.3</td>
<td>20.2</td>
</tr>
<tr>
<td>HSBC</td>
<td>Banks</td>
<td>U.K.</td>
<td>27.3</td>
<td>15.7</td>
</tr>
<tr>
<td>Intel</td>
<td>Technology</td>
<td>U.S.</td>
<td>34.2</td>
<td>15.9</td>
</tr>
<tr>
<td>Facebook</td>
<td>Technology</td>
<td>U.S.</td>
<td>24.2</td>
<td>13.9</td>
</tr>
<tr>
<td>McDonald's</td>
<td>Restaurants</td>
<td>U.S.</td>
<td>22.0</td>
<td>21.0</td>
</tr>
<tr>
<td>IKEA</td>
<td>Retail</td>
<td>Sweden</td>
<td>18.5</td>
<td>-</td>
</tr>
<tr>
<td>Tata</td>
<td>Conglomerate</td>
<td>India</td>
<td>15.4</td>
<td>12.7</td>
</tr>
<tr>
<td>L’Oréal</td>
<td>Cosmetics</td>
<td>France</td>
<td>12.5</td>
<td>38.7</td>
</tr>
<tr>
<td>Huawei</td>
<td>Technology</td>
<td>China</td>
<td>11.6</td>
<td>-</td>
</tr>
<tr>
<td>Alibaba</td>
<td>Technology</td>
<td>China</td>
<td>11.3</td>
<td>-</td>
</tr>
<tr>
<td>Zurich</td>
<td>Insurance</td>
<td>Switzerland</td>
<td>7.6</td>
<td>18.4</td>
</tr>
<tr>
<td>Emirates</td>
<td>Airlines</td>
<td>UAE</td>
<td>6.6</td>
<td>-</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>Apparel</td>
<td>France</td>
<td>6.1</td>
<td>35.2</td>
</tr>
</tbody>
</table>


Table 2
Economies of Scale and Scope for a Leading CPG Company (€million)

<table>
<thead>
<tr>
<th></th>
<th>Brand A (Sum of local brands)</th>
<th>Brand B (Single-European brand)</th>
<th>Brand B – Brand A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>48</td>
<td>40</td>
<td>(8)</td>
</tr>
<tr>
<td>Transport</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>5</td>
<td>4</td>
<td>(1)</td>
</tr>
<tr>
<td>Marketing support</td>
<td>12</td>
<td>10</td>
<td>(2)</td>
</tr>
<tr>
<td>Trade support</td>
<td>10</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Other SG&amp;A</td>
<td>13</td>
<td>10</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td><strong>15</strong></td>
<td><strong>26</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

Source: Ghemawat (2007)
Table 3
Assessing the Sources of Global Brand Value: The COMET Diagnostic Test

Instructions: circle one response per statement. If you are very uncertain about a particular response, or when the item does not at all apply, skip the question. Items are scored on the following scale:

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree nor disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

**Consumer preference**

*Brand X is seen by consumers in the target segment around the world to be ...*

- of high quality because of global availability, acceptance, and success
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- prestigious because of scarcity and/or association with globally recognized events and celebrities
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- an icon of the global culture
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- associated with a particular favorable country of origin
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

**Organizational benefits**

*Brand X ...*

- simplifies internal operations
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- facilitates rapid roll-out of new products
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- allows our company to engage in global competitive moves
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- gives our company a collective identity
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- serves as a magnet to attract the best talent
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

**Marketing program superiority**

*Brand X benefits from ...*

- cross-national media spillover and/or international travelers
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- pooling of marketing resources across countries
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- pooling of creative ideas to position and market the brand across countries
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

**Economies of scale**

*Brand X generates significant economies of scale and scope in ...*

- supply-chain/procurement
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- production
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- R&D
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- marketing
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

**Transnational innovation**

*Brand X facilitates ...*

- sharing of R&D resources and ideas across markets
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- trickle-up innovation
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- frugal innovation
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7
## Table 4
Recommendations for Marketing Strategy for the Global Brand

<table>
<thead>
<tr>
<th>Marketing strategy component</th>
<th>Dominant management practice</th>
<th>Effect on performance in overseas markets</th>
<th>Recommendations</th>
</tr>
</thead>
</table>
| Overall marketing strategy  | – Global integration of markets pushes toward greater program standardization in nearly all industries;  
– MNCs are more likely to standardize their marketing strategy in markets that (1) are more similar to the home market and (2) where competitive intensity is lower;  
– Larger MNCs and MNCs with more centralized decision are more likely to employ standardized marketing programs  
– While management makes separate standardization decisions on different brand strategy components, their degree of standardization “hangs together” (i.e., are positively correlated). | – Positive                           | – Move gradually towards more globally integrated marketing strategies;  
– Differentiate degree of according to each specific element.                                                                                                                                                                                                                                                                   |
| Brand name                  | – Use of the same brand name and logo across the world;  
– Acquired global brands are usually retained, but in some cases merged with the existing brand.                                                                                                                                                                                                                                                                  | – Positive                           | – Use the same global brand name around the world unless it has undesired local connotations or is impossible to pronounce;  
– If a different brand name has to be used, (1) retain the sound of the global brand name (transliteration) and/or (2) the meaning of the global brand name (translation), and (3) use dual branding if possible;  
– Retain the acquired global brand as a standalone if, compared to the acquirer’s existing brand, it: (1) is strong in different regions and channels; (2) reaches a different customer segments; (3) has a unique brand image and distinctive heritage; (4) is substantially different in perceived positioning and pricing; (5) suffers from few product overlaps.  
– If you retain the acquired brand in your brand, then you must: (1) develop a sound strategy to grow the acquired brand and to coordinate its operations with the acquirer’s brand(s) without |

**Global Brands in a Semiglobalized World – Securing the Good and Avoiding the Bad**
© Prof. Jan-Benedict E.M. Steenkamp; not to be quoted without permission.
blurring their distinctive positions; (2) establish guidelines for keeping the two brands in distinct positions so that they reach different segments rather than cannibalize each other; (3) identify and drive operational synergies, so as not duplicate costs across the value network.

- If you merge the acquired brand with the acquirer’s brand, then you must: (1) decide which brand to delete; (2) manage the brand migration process without losing the deleted brand’s existing customers; (3) implement a three-part process, “maintain, link, build,” which requires an acknowledgement of existing consumer connections, a transference of those emotional ties, and the introduction of new attributes or value and not simply an announcement of a new brand name or design.

<table>
<thead>
<tr>
<th>Product</th>
<th>Component with highest level of standardization;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Powerful forces pushing toward product standardization, ranging from economies of scale and scope to rapid diffusion of new products in the market, and the need to achieve better coordination through the application of more uniform internal production controls.</td>
</tr>
<tr>
<td></td>
<td>Negative; fully standardized, homogenized products do not satisfy diverse and demanding global customers</td>
</tr>
<tr>
<td></td>
<td>Use core product standardization;</td>
</tr>
<tr>
<td></td>
<td>Use component standardization;</td>
</tr>
<tr>
<td></td>
<td>Use of standardized components when they (1) are out-of-sight; (2) make up a considerable part of the total CoGS, and (3) are R&amp;D intensive.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price</th>
<th>Average level of standardization.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive; but large price differences induce parallel imports</td>
</tr>
<tr>
<td></td>
<td>Develop global price band based on major markets;</td>
</tr>
<tr>
<td></td>
<td>In B2B markets, develop guidelines for the transaction price.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Above average level of standardization;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Advertising is key to project brand image, and where pooling of marketing resources and creative ideas reap the most benefit.</td>
</tr>
<tr>
<td></td>
<td>Positive; but there are many instances where globalized ads have failed</td>
</tr>
<tr>
<td></td>
<td>Use standardized advertising when the target segment has a strong preference for global brands;</td>
</tr>
<tr>
<td></td>
<td>Adopt glocal advertising strategy for brands the market does not care about or even rejects global brands;</td>
</tr>
<tr>
<td></td>
<td>Locally adapt a universally embraced core idea that will resonate in any market anywhere in the world, using Diageo’s three-pronged approach.</td>
</tr>
<tr>
<td></td>
<td>Predominantly local.</td>
</tr>
<tr>
<td>--------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Sales promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales force</td>
<td>Predominantly local.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>Above average level of standardization;</td>
</tr>
<tr>
<td></td>
<td>B2B firms standardize their distribution strategy more than B2C firms;</td>
</tr>
<tr>
<td></td>
<td>Standardization potential lower in emerging markets where distribution channels are longer and much more fragmented.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
There are several consultancies that calculate the dollar value of brands on an annual basis, the three most influential being Brand Finance, Interbrand, and Millward Brown. Unless indicated otherwise, I will use the brand valuations as reported by Brand Finance (http://www.brandfinance.com). Brand Finance covers many more brands than the other two consultancies.


De Mooij, Marieke (1998), ibid.


Holt et al. (2004), ibid.


Holt et al. (2004); Steenkamp et al. (2003).


These ads can be found at https://www.youtube.com/watch?v=7zI0Sm65zA, https://www.youtube.com/watch?v=kNhRE0z4-qs, https://www.youtube.com/watch?v=3XviR7esUvo; https://www.youtube.com/watch?v=gwxdECNpZY; accessed March 10, 2015.


https://www.youtube.com/user/Starbucks; accessed February 17, 2015.


Kashani, Kamran (1990), Managing Global Marketing, Boston, MA: PWS-Kent.


Data refer to 2014 and are obtained from the companies’ annual reports.


Zmuda (2011), ibid.


Haig, Matt (2011), ibid.


Learmonth, Michael et al. (2010), ibid.


Global Brands in a Semiglobalized World – Securing the Good and Avoiding the Bad
© Prof. Jan-Benedict E.M. Steenkamp; not to be quoted without permission.

Page 66
Evidence for the market program standardization is based on the meta-analysis by Tan, and Sousa (2013), ibid.


In Chinese ideographs, the brand name is 兰芝牛, with the first ideograph referring to “happy” (le) and the last one to “cow” (niu). The second ideograph (zhi) means a certain kind of plant, mostly refers to grass. In this name, 芝 does not have substantive meaning, but to make name complete and pronounce better with a positive word. Why? In ancient Chinese poems and essays, 芝, as well as 兰 (orchid) together imply gentleman with elegant and exalted personality. I elaborate on example to highlight the challenges the global brand manager faces when moving from a Western writing system to an ideographic system.

The material on brand mergers and acquisitions is taken from Kumar and Steenkamp (2013), ibid.


We realize, of course, that a car company also generates revenue through selling components and other activities but this comparison based on overall revenues makes the key point – they are reaching very different segments of car buyers.


Sharman, Andy (2015), China Drives Volvo to Record Sales,” Financial Times, February 27, p. 16.


Theodosiou and Leonidou (2003), ibid. Evidence on the average degree of standardization for the various components of the MNC’s marketing strategy are obtained by combining evidence reported in a number of studies (Katsikeas et al. 2006), ibid.; Okazaki et al. (2006), ibid.; Özsomer and Simonin (2004), ibid. However, since response scale, measurement, and firm samples differed between studies, I had to use judgment to arrive at overall means. On a scale from 1 (=strategy component very dissimilar across countries) to 7 (=strategy component very similar across countries), I arrive at the following means: product standardization = 5.9; pricing standardization = 4.0; advertising standardization = 4.2; sales promotion standardization = 3.1; sales standardization = 3.0; distribution standardization = 4.6.

Tan, and Sousa (2013), ibid.


Evidence for the program market standardization is based on the meta-analysis by Tan, and Sousa (2013), ibid.


In Chinese ideographs, the brand name is 乐芝牛, with the first ideograph referring to “happy” (le) and the last one to “cow” (niu). The second ideograph (zhi) means a certain kind of plant, mostly refers to grass. In this name, 芝 does not have substantive meaning, but to make name complete and pronounce better with a positive word. Why? In ancient Chinese poems and essays, 芝, as well as 兰 (orchid) together imply gentleman with elegant and exalted personality. I elaborate on example to highlight the challenges the global brand manager faces when moving from a Western writing system to an ideographic system.

The material on brand mergers and acquisitions is taken from Kumar and Steenkamp (2013), ibid.


We realize, of course, that a car company also generates revenue through selling components and other activities but this comparison based on overall revenues makes the key point – they are reaching very different segments of car buyers.


Sharman, Andy (2015), China Drives Volvo to Record Sales,” Financial Times, February 27, p. 16.


Theodosiou and Leonidou (2003), ibid. Evidence on the average degree of standardization for the various components of the MNC’s marketing strategy are obtained by combining evidence reported in a number of studies (Katsikeas et al. 2006), ibid.; Okazaki et al. (2006), ibid.; Özsomer and Simonin (2004), ibid. However, since response scale, measurement, and firm samples differed between studies, I had to use judgment to arrive at overall means. On a scale from 1 (=strategy component very dissimilar across countries) to 7 (=strategy component very similar across countries), I arrive at the following means: product standardization = 5.9; pricing standardization = 4.0; advertising standardization = 4.2; sales promotion standardization = 3.1; sales standardization = 3.0; distribution standardization = 4.6.

Tan, and Sousa (2013), ibid.


Byron, Ellen (2007), ibid.

Shi et al. (2010), ibid. Table 1 of their paper provides an overview of previous research.


Shi et al. (2010), ibid. Table 1 of their paper provides an overview of previous research.

Byron, Ellen (2007), ibid.

Tan, Qun and Carlos M.P. Sousa (2013), ibid.

Shi et al. (2010), ibid.


