

Going Global

Global Branding – Risks and Rewards

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Introduction

Interbrand's annual Best Global Brands study of brand value generates great interest and debate. A recurring question is whether being global affords a brand more benefits than a geographically-focused one. Many brand owners are interested in the attributes shared by successful global brands. Interbrand's work with leading global brands and the conclusions reached through our ranking indicate significant implications for brands that choose to operate globally.

The criteria for the study states that a global brand must achieve more than a third of its sales outside of its home country and have a visible external market presence. A global brand is one that is available in many nations and, though it may differ from country to country, the local versions have common values and a similar identity. The brand's positioning, advertising strategy, personality, look and feel are, in most respects, the same but allow for regional customization. What remains consistent market-to-market are the values communicated and delivered by the brand.

This paper explores the attraction and risks associated with going global.

Why Go Global?

Going global is highly attractive. It represents a perception of excellence but it comes with a challenging set of obligations that many do not anticipate or plan for. It is daunting to achieve a competitively relevant presence in all strategic global markets with an identical set of core values.

Companies must harness the coherence and scale of a global brand as well as the closeness of a local brand if they wish to succeed. Often referred to as the 70/30 principle, this rule of thumb states that 70% of the brand must remain absolutely consistent, with 30% reflecting flexibility market-to-market.

It has been stated that companies do not choose to go global but that the market forces them to do so. Interbrand has witnessed many brands that have attempted to be successful outside of their home borders and end up being neither truly global nor appropriately local. The decision to take a brand global (or to several markets from its market of origin) is driven by fundamental strategic opportunities.

- Size and attractiveness of market
- Commoditization in market of origin
- Displace competitors
- Achieve economies of scale
- Protect current margins
- Capture share of mind
- Drive innovation

However, each of these opportunities has considerable brand implications that require attention prior to setting out to conquer the world. Interbrand has observed numerous situations where a company is enamored with geographic expansion. Their due diligence has appeared rigorous but, in reality, is constrained solely to financial analysis. Market, culture, buyer behavior, current brand loyalties and many other dimensions may be only considered tangentially, if at all.

Successful global brands achieve a high degree of consistency in visual, verbal, sonic and tactile identity across geographies. They deliver a consistent customer experience worldwide, often supported by an integrated global marketing effort.

The risks of taking a brand global must be carefully weighed or the damage to the brand can be irrevocable. These risks include, but are not limited to:

- Erroneously assuming the brand communicates the same meaning market-to-market, resulting in message confusion
- Over-standardizing or over-simplifying the brand and its management, resulting in a culture of discouraged innovation at the local level
- Use of the wrong (or tried and true) communications channels, resulting in inappropriate spending and ineffective impact
- Underestimating the investment in spending and time for a market to become aware of the brand, try it, and adopt it
- Not investing in internal brand alignment to ensure that regional employees understand the brand values and benefits and are able and willing to communicate and deliver consistently
- Failing to modulate performance metrics based on local variables

Assuming the business strategy calls for going global and the analysis provides support for the strategy, the company must ask whether it has the culture, organization and processes that lend themselves to developing a truly global brand.

What Principles Govern and Guide Global Brands?

Self-examination at the company level is required to ensure the critical success factors are in place that will take the brand to other markets. Interbrand has identified a consistent set of principles shared by successful global brands.

Recognition

Well-performing brands enjoy strong awareness among consumers and opinion leaders. These brands lead their industry or industries.

Think BMW. Car aficionados, reviewers and loyal customers laud it with equal enthusiasm. It has come to symbolize performance in engineering and design while signifying that the owner has “arrived” on a personal and professional level. This type of recognition represents the nexus of perception and reality, enabling brands to rapidly establish credibility in new markets.

Consistency

These brands achieve a high degree of consistency in visual, verbal, sonic and tactile identity across geographies. They deliver a consistent customer experience worldwide, often supported by an integrated global marketing effort. McDonald's is a tremendous example of a brand that has returned to its roots by shedding distracting acquisitions, simplifying their core offer, and adhering to a shared message globally. At the same time, McDonald's appropriately modifies its approaches for greater regional relevance. Restaurants in France are more “café-like” in appearance and the menu is tailored to the local culture. Espresso is in quick supply and the chairs are neither molded plastic nor bolted to the floor.

Emotion

A brand is not a brand unless it competes along emotional dimensions. It must symbolize a promise that people believe can be delivered and one they desire to be part of. Through emotion, brands can achieve the loyalty of consumers by tapping into human values and aspirations that cut across cultural differences. Nike has appealed to the athlete in all, regardless of true physical ability, allowing for a focused, yet mass-market offer. This has elevated the discussion beyond tangible aspects of the shoe or apparel to what the customer feels when wearing and performing in Nike gear.

A leader's continual articulation of the brand philosophy and the brand's view of the world is meant to give the business strategy a recognizable face. The commitment is crucial, allowing for a unique positioning that transcends local idiosyncrasies.

Uniqueness

Great brands represent great ideas. These brands express a unique position to all internal and external audiences. They effectively use all elements in the communications mix to position within and across international markets. Apple has creatively addressed its marketing mix while consistently ensuring that its people embody its most own-able and beneficial brand attribute – innovation. The company has once again come to represent leading edge technology solutions that become a part of day-to-day life. Apple is embedded tangibly and emotionally in their customers' habits and practices.

Adaptability

Global brands must respect local needs, wants and tastes. These brands adapt to the local marketplace while fulfilling a global mission. HSBC has invested in that very message by conveying its excellence in financial services with its deep knowledge of local custom and practice. In essence, it is communicating a "glocal" advantage.

Management

The organization's senior leadership must champion the brand, ideally with the CEO leading the initiative. A leader's continual articulation of the brand philosophy and the brand's view of the world is meant to give the business strategy a recognizable face. The commitment is crucial, allowing for a unique positioning that transcends local idiosyncrasies and appeals to a universal aspect of human nature and experience. This is a major step in ensuring that the corporate culture will put the brand at the heart of everything it does.

The preceding list is by no means complete. There are many other factors that must be considered, including superior products, processes and people, a strong track record of being customer-centric in the country of origin, uncompromised ethical practices, and continual focus on creativity and innovation.

Is there such a thing as "Glocal"?

Successful global brands take the globally appealing brand message, such as "premium" and "elite" for Chanel, and apply it in local circumstances. This is achieved by translating the message in a locally relevant way. If the brand has more than one distinguishing feature, the message can be tailored to the local audience. For example, Mercedes plays up their prestigious brand positioning in the Chinese market while they concentrate on their reputation for quality in Germany.

This "glocal" quality can only be achieved by giving local managers the power to interpret and express the message. It is important to note that global brands do not have to be nationless, as long as the core characteristic has international appeal. In fact country of origin can easily form a core brand identity that is easily recognizable around the world. Harley-Davidson is associated with America but the idea of "Freedom" resonates globally. The goal is to communicate in many languages but with one voice.

How are Global Brands Managed?

Successful global brands operate from clear principles already discussed. Yet these principles require active management. Interbrand has identified several management traits that are employed by leading global brands.

Seek Out Insights

Outstanding brands identify customer insights. When these insights appeal across cultures they assist in a brand's adoption globally. *The Economist* brand appeals to its audience because 'they know when they are in the know.' This "club-type" association appeals in most cultures and can help to explain the success of the magazine. Once this insight is in place, the brand must ensure that customer perceptions of it are consistent throughout the world. Hyundai sells two-thirds of its cars outside of Korea, has a multinational product portfolio, a worldwide slogan and fairly consistent advertising. Despite all this, it is not a truly "global" brand because the Hyundai name carries very different associations in each market. On the other hand, over 60% of Mercedes Benz's sales are in Europe, yet the brand's associations with prestige and quality are global.

Integrate Local Intelligence

Brand guidelines are tremendous tools for ensuring consistency. However, they have been known to impede innovation and diminish relevance. Brands are dynamic – never static – so managing them must integrate new thought. In the case of global brands, to assume that one message can appeal uniformly to all audiences with equal relevance is unrealistic. Well managed global brands cull local markets for intelligence related to the "next big thing" to ensure relevance locally and to counter competitor's moves.

The Team

Global brands demand a global brand management team. This regional and international organization is in place to maintain brand leadership. Companies with large brand portfolios tend to have separate managers for each brand. Regardless, global brand managers must have the authority and resources necessary to implement key decisions based on performance measurement. The brand management team reports to a senior executive officer of the company and ideally, the CEO has direct involvement in brand decisions.

Global brand management teams implement processes to create, review and improve brand performance. This frequently takes the form of a wider brand management council that can include representatives of business units and agency partners.

Investment

Intangible assets, including brand, now comprise the majority of the value of a company. These assets require capital investment like any other. Progressive companies and enlightened management recognize the need for appropriate communications spending. However, CEO and CFOs are not signing any blank checks – they are demanding objective and quantifiable measurement of return to substantiate any investment.

Measurement Systems

In order to sustain a global brand's long-term position, there must be consistent and widespread brand equity measurement. This will not only help brand development by highlighting and demonstrating best practice but it will also provide the brand management team with a means of monitoring global consistency. This equity measurement should include top-of-mind awareness, overall

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opinion (preference, satisfaction, loyalty, recommendation), brand image attributes, perceptions of product/service performance, and brand valuation to determine the financial contribution of brand to the balance sheet.

Conclusions

Ambiguity is an undeniable aspect of global branding. Consistency is constantly preached, yet it is critical to allow for flexibility in the face of different customs, languages and purchase behavior. What is clear is the need to follow core principles and management practices when choosing to take a brand global. However, this is not a prescription for success. As every company and brand is different, these principles and practices will be applied uniquely. What separates the winners from the losers is a resolute commitment to rigorous strategic, creative and innovative execution.

Global branding is tempting and offers numerous rewards but the risks exist in equal number. Assuming the business strategy calls for going global and the analysis provides support for the strategy, the company must perform a self-examination to determine whether it has attained the culture, organization and processes that lend themselves to developing a truly global brand.

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Founded in 1974, Interbrand serves the world with over 30 offices in over 20 countries. Working in partnership with our clients we combine rigorous strategy and analysis with world-class design and creativity.

We recognize the importance of brand in this increasingly competitive business environment and tailor our services to client needs. Our services include brand analytics, brand valuation, strategy, naming and verbal identity, corporate identity, packaging design, retail design, integrated brand communications and digital branding tools.

We enable our clients to achieve greater success by helping them to create and manage brand value.

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