

# Think of Brands not Products to Face the Challenge of Globalization

**A** well-respected brand name carried undeniable clout. But what, exactly, do we mean by the term?

Technically speaking a brand is the promotion of consumer preference bound up in a recognizable commercial name or identity. It is the sense of predictability and quality assurance that adds a measure of trust and appeal to a product sold under that name, and consequently allows the owner of the brand name to launch new products more easily, and to charge more money for them, than can its competitors. The sugary brown liquid in a Coca-Cola bottle, for example, can retail for up to twice as much as very similar sugary brown liquids marketed under less valuable brands. The brand is where the profits of most consumer goods companies come from; it's their competitive edge and, increasingly, their *raison d'être*. The book values of the real global megabrands (that is, the value of the entire company minus everything tangible) - are often greater than the GDPs of smaller countries. One of the great advantages of brands over commodities is that they are an infinitely sustainable resource - that is, as long as their value is maintained through careful marketing. Their value resides primarily in the mind of the consumer, not the factory of the producer. Once created, this makes them surprisingly difficult to destroy.

### Sharing the Wealth

Clearly, the notion of exporting branded rather than unbranded products is a compelling one. This is particularly true for developing coun-

tries, which could especially benefit from a movement toward global brand export: it is part of a sustainable wealth-creation behaviour that could ultimately help them escape from the poverty cycle.

As it stands, most developing countries are enmeshed in a pattern of economic behaviour that keeps them poor: selling unprocessed goods to richer nations at extremely low margins, thus allowing their buyers to add massive "value" by finishing, packaging, branding, and retailing to the end user. Examples abound: Nigerian oil, Nestle' chocolate, and all the rest. It is a process that often helps deplete the source country's resources while keeping its foreign revenues at a break-even level at best. Creating and selling international brands, on the other hand, is the classic trick of industrialized nations. It is one born of necessity, perhaps, since some of the world's richest nations have precious few commodities to export, but it is one that many poorer nations would do well to emulate. For it is conceivable that if consumers in developing countries are faced with the choice between yet more brands from the G-7 nations, and new brands from "colleague countries" in the developing world with no shady colonial past, they might just feel more comfortable with the latter.

### Global brands as the ultimate distributor of wealth? It's an intriguing thought

In today's hypercompetitive global marketplace, where so many products are functionally identical to their

many direct competitors, a powerful brand is just about the only remaining legal competitive advantage a company can possess. One attribute that is particularly important to international brands is the influence that the brand's origins (or its perceived origins) has on the consumer's perception of the brand. When you look at the question of a brand's provenance, it becomes clear that certain countries behave almost like brands in their own right. Just like commercial brands, "national brands" are well understood by consumers around the world, have long-established identities, and can work just as effectively as an indicator of product quality, a definer of image and target market, as the manufacturer's name on the package.

Without doubt, the world's most powerful country brand is the United States. This may well be connected with the fact that "Brand USA" has the world's best advertising agency, Hollywood, which has been busily pumping out its two-hour cinema commercials for the best part of a century, and which - here's the irony - consumers around the world have enthusiastically paid to watch.

Indeed, brand USA is so powerful that companies around the world will often attach bogus American values to their domestic brands in order to give them a more glamorous image. One of the biggest-selling chewing gum brands in Italy, for example, is



called "Brooklyn," its packaging proudly displaying a reasonably accurate drawing of the eponymous bridge. The fact that the product is manufactured by Perfetti of Milan is, from both the consumer's and the manufacturer's point of view, a very minor issue indeed.

Apart from the United States, though, only a few countries have clear, consistent, and universally understood brand images, and most of them are European: for example, England (heritage and class), France (quality of life and chic), Italy (style and sexi-

most important factor in determining the overall market value of their owners. The leaders:

As might be expected, all these countries produce successful international brands that are in turn strongly associated with their brand qualities; so England gives us Burberry and British Airways; France gives us Chanel and champagne; Italy gives us Ferragamo and Ferrari; Germany gives us Bosch and BMW, Switzerland gives us Swatch; Sweden IKEA. Together, they give us one of the great industrial brands, ABB.

In fact, it's hard to find any international brands that don't come from strongly branded countries: brand-neutral countries like Belgium, Portugal, Austria, Chile or Norway have produced remarkably few international market leaders.

But nation branding does not depend on government promotion alone. It is primarily private sector-led process, one that reaches the foreign consumer's latent desire to buy into his or her favorite parts of the sourcing country's image.

### Enhancing Brand Values

Still, the record shows nations can enhance their own brand values, just as manufacturers can enhance the value

manufacturing quality, competitive pricing: even of style and status.

Korea too, has undergone a similar, even more rapid transformation in its brand image, thanks to the efforts of such corporations as Hyundai, Daewoo, Samsung and LG.

Other countries could perhaps capitalize on the success of their high-profile brands: Finland and Nokia, for example. It appears crucial for Finland to capitalize quickly on the significance of Nokia's origin if it intends to make itself into a valuable nation brand: through a combination of high product quality, speed to market, excellent marketing and distribution. Nokia has turned itself from a moderately successful domestic producer of rubber boots into one of the most successfully high-technology brands in the world. In doing this, it has managed to create an entirely new set of associations with "brand Finland" in many consumer's minds. No longer just a quaint fairyland perched on the farthest fringe of Europe, known mainly for saunas and reindeer, this is a country that can do technology, can do marketing. People believe it can become a world-beater.

And there's a good deal of that mysterious, associative consumer logic that makes this shift believable: who knows - perhaps it's something to do with the fact that cold countries are believed to be precise and efficient countries, which makes them good countries to make high-tech products. So if other Finnish companies - and Finland itself - don't move quickly to build on and leverage this climate of global consumer acceptance, then they are missing a great opportunity. Sadly, Nokia itself seems at pains to diminish its own origins in the way it markets its products, perhaps in an effort to appear "global" (that is, nationless), which means that this valuable pro-Finnish opportunity may be going to waste.

Still, Finland, Japan and Korea are all rich countries. What about poor ones?

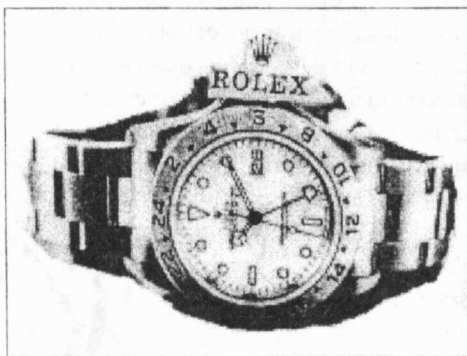
Brand	Value	Brand's Share of Company Value
Coca-Cola	\$ 83.9 billion	59%
Microsoft	\$ 56.7 billion	21%
IBM	\$ 43.8 billion	28%
General Electric	\$ 33.5 billion	10%
Ford	\$ 33.2 billion	58%
Disney	\$ 32.3 billion	61%
Intel	\$ 30.0 billion	21%
McDonald's	\$ 26.2 billion	64%
AT&T	\$ 24.2 billion	24%
Marlboro	\$ 21.1 billion	19%
Nokia	\$ 20.7 billion	44%
Mercedes	\$ 17.8 billion	37%
Nescafe	\$ 17.6 billion	23%
Hewlett-Packard	\$ 17.1 billion	31%
Gillette	\$ 15.8 billion	37%

Source: Interbrand/Citibank Study, 1999

ness), Germany (quality and reliability), Switzerland (methodical precision and trustworthiness), Sweden (cleanliness and efficiency).

### Billion-Dollar Brands

By one recent estimate, a full 50% of the money made globally over the next 25 years will come through the power of brands. Working with Citibank, the international consultancy interbrand found 60 brands that when measured apart from their corporate parents' other assets were each worth more than \$ 1 billion. In some cases the brands - respected ID tags hung on a host of different products - were by far the



of their commercial brands. Japan is perhaps the most striking example of a country that had succeeded in completely altering its values as a provenance brand in a short space of time: 30 years ago, "Made in Japan" was a decidedly negative concept. It stood for shoddiness. Today, though, it is enviably synonymous with advanced technology,

When you try to match provenance with product, there are some pairings that clearly make brand sense, and others that just don't. People might well buy Indian accountancy software (the \$ 61 million March 1999 NASDAQ debut of Bangalore's Infosys Technologies has certainly helped this association) or a stylish Lithuanian raincoat, and although I'm tempted to say that they probably wouldn't buy Peruvian modems or Croatian perfume, attitudes can and do change quickly. Fifteen years ago, who would have believed that Europeans, could be happily consuming Chinese Tsingtao beer or Malaysian Proton cars?

Or indeed. Who would have believed that one of the world's most successful and faster-growing manufacturers of jet aircraft would be a Brazilian company, Embraer?

#### A New Era?

The stage, therefore, is set for the emergence of many poorer countries as respected, even privileged provenances for successful commercial brands. As Embraer shows, successful branding often emerges where we least expect it. Sometimes that happens not at the retail but at the wholesale level, where a company purchasing agent is the consumer, and someone else he never meets is the actual end-user.

Still, many barriers must be overcome. Brazil, one of the most "strongly branded" countries in the world, produces almost to other international commercial brands whatsoever. This is surprising, particularly because the brand print of Brazil is associated with a very homogeneous and coherent set of values. "Brand Brazil" has much going for it - the merriment of dancing the samba at Carnival time; awesome rainforests as endangered, as they are exotic: sex, beaches, sport, adventure. All are attributes that could contribute to the brand print of almost any successful youth product on the market today;

especially in the food, cosmetics, fashion, music, and even automotive and industrial fields.

Admittedly, these are cliches that may be depressing, even insulting, to the average Brazilian, but they are undeniably a fine platform on which to build a believable global brand. It is one of the tasks of advertising and marketing to manipulate these cliches into something more creative, more substantial, more fair, more true - just as Australia leveraged actor Paul Hogan's "Crocodile Dundee" role to market tourism, Foster's beer, even the Subaru Outback sport utility vehicle.

The fact that there are negative associations (pollution, overpopulation, poverty, and the like) within the brand print of Brazil is not necessarily a cause for great concern, at least from the branding point of view. After all, a strong brand is a rich brand, and richness implies a complex and satisfying mix of many different elements. The brand equity of the United States also contains a significant proportion of negative elements, but does little to diminish its attraction, especially when the audience you're dealing with is composed of younger consumers, who demand to challenge and be challenged.

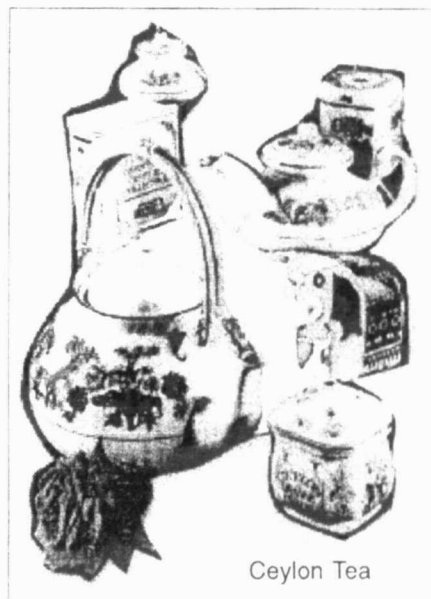
Currently, however, almost all of Brazil's export income derives from the sale of raw commodities (such as soybeans,

tobacco, iron ore and coffee), semi-processed goods (such as cellulose, steel, soy oil, and sugar), and largely unbranded manufactured goods (such as shoes, orange juice, sheet steel, and automobile tyres). Many of these exports contribute directly or indirectly to the depletion of the country's natural resources.

There is no question that if these bulk exports were to be enhanced or, indeed, replaced by the sale of branded goods directly to overseas consumers, profits - at least for the owners of these brands - would rise dramatically, and the level of profit generated by the success of these brands might soon overtake the income created by the export of commodities.

The opportunity to capitalize on the positive and powerful associations that Brazil evokes in people's minds all over the world is not, by and large, being seized - at least not by Brazilian companies. So far, it is largely through the efforts of companies in North America and Western Europe, for example, that Brazil coffee is sold on supermarket shelves in richer countries. There are also plenty of Western companies making great capital out of real and bogus "rain forest" ingredients. But the real value of "brand Brazil" is, as yet, untapped

The Western consumers' curiosity in things exotic is in all likelihood the best market-building strategy for developing countries to pursue. Yet few have Brazil's natural advantages: a strong nation-brand, combined with an increasingly healthy economy, and a government that actively encourages the export mentality, not to mention considerable domestic experience in brand-building. After all, even though it emerged from military rule and hyperinflation only a few short years ago, Brazil enjoys a democratic climate, and this has enabled the creation of many highly successful entrepreneurs, domestic companies, and domestic brands (not to mention one of the best advertising industries in the world).



Ceylon Tea

Nevertheless, with the right combination of marketing expertise, government support, a high-quality manufacturing base, investment, and a creative brand strategy, many countries around the world have the basic potential to develop a healthy brand-based export economy. To spot the opportunities, all you need is the brand development skill, creative flair, and the grasp of global consumer psychology to make credible and attractive pairings between the country brand and the brandable products that country produces.

And the oddest things do happen. One of India's largest conglomerates, the mighty Tata Group, is currently in the process of buying the Tetley Tea Company of England, the world second largest teabag manufacturer - a spectacular reversal of the traditional arrangement, where the tea is grown in a poor country and sold at a low price to a brand-owner in a rich country who sells it on to rich consumers at a vastly higher price.

China too has proved full of nasty surprise for many Western manufacturers: more than \$ 270 billion has been invested in Chinese ventures, by thousands of foreign firms, since 1992, yet few Western companies have succeeded in making any money in China. The Economist recently reported that Whirlpool, launched enthusiastically in China in 1994, built factories to manufacture household appliances it confidently expected to sell to the Chinese, only to find that it couldn't compete against domestic brands. (Indeed, one of these rival firms, Haier, is now beginning to market products under its own brand-name, with some success, in North America). After losing more than \$ 100 million and shutting down most of its factories, Whirlpool now manufactures washing machines for Guangdong Kelon, another of its Chinese competitors, that are sold to Chinese consumers under the Kelon brand. So perhaps the next great nation-brand association in the making is China, soon to be recognized by

consumers worldwide as a byword for quality domestic appliances.

### What It Takes

Naturally, launching a global brand requires flair, confidence, and chutzpah - especially if you don't come from a Top Ten country. It requires objectivity to an unusual degree: the ability to see yourself as others see you, and to accept that this is, at least in commercial terms, more important than the way you see yourself. It also often requires government support.

And it requires constant investment in the country brand itself, which in turn requires commitment, collaboration, and effective synergy among the main surveyors of the country's image in the global media: usually the national tourist board, the national airline, and the major food producers, because these are the routes by which the national brand is most commonly created and exported.

Until a few years ago, it would also have been true to say that building a global brand requires lots of cash to buy advertising media: until the "new media revolution" happened, this was the sine qua non of building global brands. You just couldn't think of building a global brand for less than fifty or a hundred million dollars a year: quite simply, as in all extremely mature and heavily exploited markets, every media vehicle had its own value calculated to the ninth degree, and there were no bargains.

But with the Internet-driven media revolution, we find ourselves, in an immature and as yet very imperfectly understood market. And in immature markets, there are bargains everywhere, for anyone who knows how to recognize them: even the owners of some of the new channels of communication have yet to realize the true value of what they're offering.

### Poor Country = Poor Quality?

Until recently, it was also true to say that the biggest hurdle that emerging coun-

try manufacturers had to overcome before launching their brands boldly onto the international market was the common consumer perception of poor manufacturing quality - "unless it comes from Europe, Japan, or North America, it can't be properly made" - but, again, circumstances are conspiring to change people's minds.

For this, we have the rich country producers to thank: over the last few decades, consumers have become very familiar with those humble little stickers on the underside of their American or European-branded goods ("Made in Vietnam," "Made in Mexico," and many more besides), and they have quietly absorbed the fact that a great many of the products they buy are manufactured (to the high standards required by those American and European brand-owners, naturally) in poor countries.

The American and European brand-owners could hardly have done their supplier nations a better favour. The perception only has to be enhanced a little further, and brought repeatedly to the consumer's attention, and yet another barrier preventing the development of global brands from emerging markets is removed.

One last obstacle standing in the way of emerging countries as producers of global brands? It may be purely psychological: a simple lack of self-confidence. After years of acting as mere suppliers to more commercially successful nations, many developing countries suffer from what you might call the Groucho Marx syndrome ("I'd never belong to a club that would have me as a member"): the idea that nobody in a rich country could possibly be interested or attracted by brands coming from a country so poor and unimportant as theirs.

Well, that perception is probably less true now than it has ever been before. As we hurtle toward the millennium, there is a pronounced shift in Western tastes and fashions, including one towards "Asianization" - a yearning

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for the values of older, wiser, more contemplative civilizations than our own.

Never before has there been such a vogue for the "ethnic", the organic, the exotic. Just look at Ricky Martin, proudly singing in Spanish on his way to becoming not only Latin America's most successful pop star, but one of its top global exports of any kind. Look around us and we see World Music (currently the fastest-growing part of the big record labels' catalogues, and fast overtaking the hitherto unquestioned dominance of the big American popular entertainers): World Cinema (occasionally rivaling the success or Hoollywood blockbusters); World Cuisine (a Parisian family recently offered me sushi when I visited their home - a phenomenon that would have been literally unthinkable a few years ago!); the phenomenal surge of interest in alternative, Eastern, and pseudo-Eastern remedies (acupuncture, shiatsu massage, aromatherapy); and much more besides.

The Western consumer is attracted as never before by the cultures and the products of distant lands. Now, surely, is the time for the rightful owners of the truly exotic nation-brands to leverage the power they hold over the imagination of the world's richest consumers? Now is the time for them to start making back some of the money that they have paid rich countries for their products over the past century, to begin to reverse the relentless flow of wealth from poor to rich, and to redress some of the imbalance between the lucky and the unlucky nations of the earth.

The factors that make consumers buy products from certain brand names and not from others - whether these are country brands or corporate brands - many seem somewhat mysterious. The perception of a brand in the mind of the consumer is like that game where you join up a series of numbered dots to make a picture of an animal. But in branding, the dots have no numbers, and the brand-owner has little control

over how the consumer will join them up in his or her mind, and what kind of creature will be the result. But refined technique, long experience, and above all a profound understanding of cultural differences and consumer psychology can make the process far from random.

In reality, "brand extensions" - where a brand owner launches a new product line under an already familiar name - can, as we have seen, be very logical and very obvious, or they can appear totally random. For Kellogg to launch a new kind of breakfast cereal on the market is just as much to be expected, as is a new wine from France or a new fashion label from Italy. But when Caterpillar, a manufacturer of earth-moving equipment, recently launched a range of casual footwear, it was as surprising and exciting as a software giant emerging from India.

When a country does have the courage, insight, and creativity to move away from the classic paradigm of "national produce" and celebrate the fact that it produces brands that make you think again about the country that produces them, the results can be far more noticeable, and consequently far more profitable. Somewhere in the mysterious processes of consumer logic, Caterpillar boots made sense, and the resulting brand extension benefits both the company's core business and the new business: it really is a case of two and two making five. This is one kind of aid that emerging countries could find truly valuable: the international branding expertise that can create unexpected and inspiring connections between countries and consumers, and that will enable countries to launch their products onto the global marketplace with confidence, with a big noise, and above all, with pride in their origins.

Prepared by W G S Waidyanatha for "Economic Review" from an article written by Simon Anholt to Impact, Fall 1999 Vol. 3 No. 4 ■