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Globalization

How Global Brands Compete

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Summary.   Reprint: R0409D It's time to rethink global branding. More than two
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It's time to rethink global branding. More than two decades ago,
Harvard Business School professor Theodore Levitt provocatively
declared in a 1983 HBR article, "The Globalization of Markets,"
that a global market for uniform products and services had
emerged. He argued that corporations should exploit the
"economics of simplicity" and grow by selling standardized
products all over the world. Although Levitt did not explicitly
discuss branding, managers interpreted his ideas to mean that
transnational companies should standardize products, packaging,
and communication to achieve a least-common-denominator
positioning that would be effective across cultures. From that
commonsense standpoint, global branding was only about saving
costs and ensuring consistent customer communication. The idea

proved popular in the 1980s, when several countries opened up to foreign competition and American and Japanese corporations tried to penetrate those markets with global brands and marketing programs.

While the world economy continued to integrate, experiments with global branding soon slowed. Consumers in most countries had trouble relating to the generic products and communications that resulted from companies' least-common-denominator thinking. Executives therefore rushed to fashion hybrid strategies. They strove for global scale on backstage activities such as technology, production, and organization but made sure product features, communications, distribution, and selling techniques were customized to local consumer tastes. Such "glocal" strategies have ruled marketing ever since.

Global branding has lost more luster recently because transnational companies have been under virtual siege. The evidence is on the streets and in stores all around us. Brands like Coca-Cola, McDonald's, and Nike have become lightning rods for antiglobalization protests. Who can forget the images of angry demonstrators smashing the windows of a McDonald's outlet in Davos, Switzerland, or stomping Coke cans in Seattle? Political parties and nongovernmental organizations (NGOs) have drawn bull's-eyes on transnational companies because they're the most visible and vulnerable symbols of globalization's side effects, such as exploitative wages, pollution, and cultural imperialism. The opposition to U.S. foreign policy that arose after the superpower went to war in Afghanistan and Iraq has further shaken companies, because in 2002, according to global brand consultancy Interbrand, 62 of the world's 100 most valuable global brands were American. Naturally, the instinctive reaction of most transnational companies has been to try to fly below the radar.

But global brands can't escape notice—they've never been more salient in the minds of consumers. In fact, most transnational corporations don't realize that people view them differently than they do other firms. Because of their pervasiveness, global brands are seen as powerful institutions—capable of doing great good and causing considerable harm. When we conducted a research project involving 3,300 consumers in 41 countries, we found that most people choose one global brand over another because of differences in the brands' global qualities. Rather than ignore the global characteristics of their brands, firms must learn to manage those characteristics. That's critical, because future growth for most companies will likely come from foreign markets. In 2002, developed countries in North America, Europe, and East Asia accounted for 15% of the world's population of 6.3 billion. By 2030, according to the World Bank, the planet's population will rise to 9 billion, with 90% of people living in developing countries.

Symbols in the Global Culture

To grasp how consumers perceive global brands, companies should think about the issue in cultural terms. The forces that Levitt described didn't produce a homogeneous world market; they produced a global culture. Culture is created and preserved mainly by communication. In modern societies, communication takes many forms: newspaper and magazine articles, television and radio broadcasts, Internet content, books, films, music, art, and, of course, advertising and marketing communications. For decades, communication had circulated mostly within the borders of countries, helping to build strong national cultures. Toward the end of the twentieth century, much of popular culture became global. As nations integrated into the world economy, cross-border tourism and labor mobility rose; TV channels, movies, and music became universally available to consumers;

and, more recently, Internet growth has exploded. Those factors force people to see themselves in relation to other cultures as well as their own. For instance, consumers everywhere have to make sense of the world vis-à-vis Hollywood and Bollywood films, CNN and al-Jazeera news reports, hip-hop and Sufi music.

The rise of a global culture doesn't mean that consumers share the same tastes or values. Rather, people in different nations, often with conflicting viewpoints, participate in a shared conversation, drawing upon shared symbols. One of the key symbols in that conversation is the global brand. Like entertainment stars, sports celebrities, and politicians, global brands have become a lingua franca for consumers all over the world. People may love or hate transnational companies, but they can't ignore them. Many consumers are awed by the political power of companies that have sales greater than the GDPs of small nations and that have a powerful impact on people's lives as well as the welfare of communities, nations, and the planet itself. Not surprisingly, consumers ascribe certain characteristics to global brands and use those attributes as criteria while making purchase decisions.

Like celebrities and politicians, global brands have become a lingua franca for consumers all over the world.

Dimensions of Global Brands

In 2002, we carried out a two-stage research project in partnership with the market research company Research International/USA to find out how consumers in different countries value global brands. First, we conducted a qualitative study in 41 countries to

identify the key characteristics that people associate with global brands. Then we surveyed 1,800 people in 12 nations to measure the relative importance of those dimensions when consumers buy products. A detailed analysis (see the sidebar "The Global Brands Study") revealed that consumers all over the world associate global brands with three characteristics and evaluate them on those dimensions while making purchase decisions. We found that one factor—American values—didn't matter much to consumers, although many companies have assumed it is critical.

The Global Brands Study

To understand how consumers perceive global brands, we first drew on qualitative research that Research …

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Quality Signal.

Consumers watch the fierce battles that transnational companies wage over quality and are impressed by the victors. A focus-group participant in Russia told us: "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 global brands to charge premiums. Global brands "are expensive, but the price is reasonable when you think of the quality," pointed out a Thai participant. Consumers also believe that transnational companies compete by trying to develop new products and breakthrough technologies faster than rivals. Global brands "are very dynamic, always upgrading

themselves," said an Indian. 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."

That's a significant shift. Until recently, people's perceptions about quality for value and technological prowess were tied to the nations from which products originated. "Made in the USA" was once important; so were Japanese quality and Italian design in some industries. Increasingly, however, a company's global stature indicates whether it excels on quality. We included measures for country-of-origin associations in our study as a basis for comparison and found that, while they are still important, they are only one-third as strong as the perceptions driven by a brand's "globalness."

Global Myth.

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. Transnational companies therefore compete not only to offer the highest value products but also to deliver cultural myths with global appeal.

"Global brands make us feel like citizens of the world, and…they somehow give us an identity," an Argentinean consumer observed. A New Zealander echoed: "Global brands make you feel part of something bigger and give you a sense of belonging." A Costa Rican best expressed the aspirations that consumers associate with global brands: "Local brands show what we are; global brands show what we want to be." That isn't exactly new. In the post–World War II era, companies like Disney, McDonald's, Levi Strauss, and Jack Daniel's spun American myths for the rest

of the world. But today's global myths have less to do with the American way of life. Further, no longer are myths created only by lifestyle and luxury brands; myths are now spun by virtually all global brands, in industries as diverse as information technology and oil.

Social Responsibility.

People recognize that global companies wield extraordinary influence, both positive and negative, on society's well-being. They expect firms to address social problems linked to what they sell and how they conduct business. In fact, consumers vote with their checkbooks if they feel that transnational companies aren't acting as stewards of public health, worker rights, and the environment. As infamous cases have filled the airwaves— Nestlé's infant-formula sales in Africa since the 1980s, Union Carbide's Bhopal gas tragedy in 1984, the *Exxon Valdez* spill in 1989, the outcry over Shell's plan to sink its Brent Spar oil rig and the protests at its Nigerian facilities in 1995—people have become convinced that global brands have a special duty to tackle social issues. A German told us: "I still haven't forgiven Shell for what they [did] with that oil rig." An Australian argued: "McDonald's pays back locally, but it is their duty. They are making so much money, they should be giving back."

The playing field isn't level; consumers don't demand that local companies tackle global warming, but they expect multinational giants like BP and Shell to do so. Similarly, people may turn a blind eye when local companies take advantage of employees, but they won't stand for transnational players like Nike and Polo adopting similar practices. Such expectations are as pronounced in developing countries like China and India as they are in developed countries in Europe.
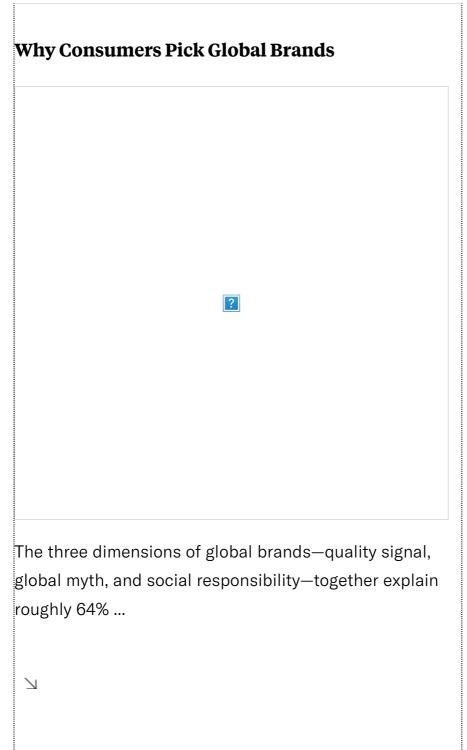
What we *didn't* find was anti-American sentiment that colored judgments about U.S.-based global brands. Since American companies dominate the international market, critics have charged that they run roughshod over indigenous cultures in other countries. Champions of free trade have countered that people in other nations want to partake of the great American dream, and global brands like Coke, McDonald's, and Nike provide access to it. That debate has cast a long shadow over American firms, and they have become rather circumspect about revealing their origins, culture, and values while doing business overseas. Many have tried to position themselves as more global than (ugly) American.

However, we found that it simply didn't matter to consumers whether the global brands they bought were American. To be sure, many people *said* they cared. A French panelist called American brands "imperialistic threats that undermine French culture." A German told us that Americans "want to impose their way on everybody." But the rhetoric belied the reality. When we measured the extent to which consumers' purchase decisions were influenced by products' American roots, we discovered that the impact was negligible.

That finding is all the more remarkable considering that when we conducted our survey, anti-American sentiment in many nations was rising because of the Iraq war. Most of the consumers were like the South African who candidly said, "I hate the country, but I love their products." A Filipino confessed: "I used to go on anti-American rallies when I was a student, but I never thought about the [American] brand of clothes or shoes I wore!" "We aren't concerned with how America governs itself," an Indian said. "What we look for is quality in their products." Since people's

concerns with U.S. foreign policy have little impact on brand preferences, American companies should manage brands just as rivals from other countries do.

The relative importance of the three dimensions was consistent across the 12 countries we studied, indicating that the calculus used by consumers to evaluate global brands varies little worldwide. Taken collectively, though, the global dimensions were more powerful in some countries than in others (see the exhibit "Why Consumers Pick Global Brands"). They have the smallest impact on U.S. consumers, for example. Because of the dominance of American brands in foreign markets, a competitive national market, and a certain ethnocentrism, Americans are relatively uninterested in brands' global presence. The drivers also have less impact on consumers in Brazil and India. That may be because of vestiges of anticolonial cultures, the strength of local manufacturers, and growing nationalism in those countries. At the spectrum's other end, the dimensions influence consumers in Indonesia, Turkey, and Egypt the most. In those predominantly Muslim nations, we could survey only people who worked in the organized economy and belonged to the top 50% of the population in socioeconomic terms. Such people may value global brands particularly highly because they represent a way of life that they cherish—a way of life that may be under threat from religious fundamentalism.

Why Consumers Pick Global Brands

The three dimensions of global brands—quality signal, global myth, and social responsibility—together explain roughly 64% …

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Global Consumer Segments

Although we didn't find much variation across countries, when we looked for differences within them, we found that in each country, consumers held a variety of views about global brands. When we grouped together consumers who evaluate global

brands in the same way, regardless of home country, we found four major segments. (See the exhibit "Dreamers, Doubters, and Other Global Consumers.")

Dreamers, Doubters, and Other Global Consumers

Most consumers worldwide fall into one of four segments in terms of how they relate to global brands. Global citizens …

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Global Citizens.

Fifty-five percent of respondents, on average, rely on the global

success of a company as a signal of quality and innovation. At the same time, they are concerned whether companies behave responsibly on issues like consumer health, the environment, and worker rights. According to our study, the United States and the UK have relatively few global citizens, and Brazil, China, and Indonesia have relatively high numbers of them.

Global Dreamers.

The second-largest segment, at 23%, consisted of consumers who are less discerning about, but more ardent in their admiration of, transnational companies. They see global brands as quality products and readily buy into the myths they author. They aren't nearly as concerned with those companies' social responsibilities as are the global citizens.

Antiglobals.

Thirteen percent of consumers are skeptical that transnational companies deliver higher quality goods. They dislike brands that preach American values and don't trust global companies to behave responsibly. Their brand preferences indicate that they try to avoid doing business with transnational firms. The antiglobals' numbers are relatively high in the UK and China and relatively low in Egypt and South Africa.

Global Agnostics.

Such consumers don't base purchase decisions on a brand's global attributes. Instead, they evaluate a global product by the same criteria they use to judge local brands and don't regard its global nature as meriting special consideration. While global agnostics typically number around 8% of the population, there's a

higher percentage of them in the United States and South Africa and a relatively low percentage in Japan, Indonesia, China, and Turkey.

New Opportunities, New Responsibilities

Global brands usually compete with other global brands. In most countries, Toyota battles Ford and Volkswagen. Nokia faces off against Motorola and Samsung. Sony takes on Nintendo and Microsoft. To succeed, transnational companies must manage brands with both hands. They must strive for superiority on basics like the brand's price, performance, features, and imagery; at the same time, they must learn to manage brands' global characteristics, which often separate winners from losers.

Think globalness.

Smart companies manage their brands as global symbols because that's what consumers perceive them to be. However, people all over the world are either astonished or disturbed by giant transnational corporations. Firms must learn to participate in that polarized conversation about global brands and influence it. A major obstacle is the instability of global culture. Consumer understandings of global brands are framed by the mass media and the rhizome-like discussions that spread over the Internet. Companies must monitor those perceptions constantly.

It's important for executives to break their habit of thinking about global branding in least-common-denominator or glocal terms because that ignores the transnational company's most distinctive characteristic: its status as a global symbol. Branding must cater to people's perceptions of transnationals as behemoths with extraordinary capacities and power.

For example, in the late 1990s, Samsung launched a global advertising campaign that showed the South Korean giant routinely pulling off great feats of engineering, design, and aesthetics. Samsung convinced consumers that it competed mano a mano with technology leaders like Nokia and Sony across the world. As a result, Samsung was able to change the perception that it was a down-market brand, and it became known as a global provider of leading-edge technologies.

Manage the dark side.

Just because companies are globally successful doesn't mean that consumers have only positive perceptions about them. Transnational companies often have a "dark side" that they must manage. In the early 1990s, IBM discovered that while consumers believed the company was quality focused, they also thought it was arrogant and bureaucratic. The firm addressed the problem with its "Solutions for a Small Planet" advertising campaign. The ads showed nonbusinesspeople in nonbusiness settings: Frenchmen strolling along the Seine, Italian nuns gossiping on their way out of church. All were gushing about IBM's new technologies, as if those products were fixtures in their lives. The scenes were jarring (what's IBM doing there?) and evocative. The campaign smoothed over the feeling that IBM was arrogant and bureaucratic even as it asserted the company's ability to deliver customer-driven solutions the world over. By the late 1990s, it had helped shape the perception that IBM is kinder and gentler, although still a very Big Blue.

Build credible myths.

Global success often allows companies to deliver value to consumers by authoring identity-affirming myths. Firms must create appropriate myths, though. For instance, the idea of a

technological utopia in which personal empowerment would reign supreme took hold in the late 1990s. Major technology firms competed fiercely to own that ideal and become the company that people would join with to feel empowered. Microsoft was particularly effective with an advertising campaign built around the tagline "Where do you want to go today?" The American version unfolded stories about common people, such as a sushi restaurant owner and a rancher, using technology to unleash personal passions. The dialogue was philosophical, not technological: "Anybody who says that one person can't make a difference is wrong. Try to push, don't give up, don't give up, don't give up. Where do you want to go today?" Microsoft wasn't selling just technology; it was selling the dream of personal empowerment. The campaign worked because the world's dominant software company had earned the credibility to author such a dream.

When companies author less-than-credible myths, it can hurt brands. For instance, when concerns about global warming surged in the 1990s, consumers worried about whether they'd be able to continue with their oil-fueled lifestyles. The dream of a sustainable world where fuels wouldn't pollute became particularly attractive. BP tried to tap into this dream. In the company's "Beyond Petroleum" campaign, evocative stories and images invited consumers to share in an imagined have-your-cake-and-eat-it-too future of clean fuel. The idea was appealing, but BP, as a major petroleum producer but minor alternative-energy player, was not a credible author. The media and activists roundly ridiculed the company for greenwashing itself. Eventually, BP had to rethink the campaign.

Treat antiglobals as customers.

Most transnational companies are unsure how to treat the people

who dislike them. As NGOs have become adept at staging media-friendly protests, corporations have been working hard to get off the activists' hit lists. They assign the problem to government- or community-relations directors, who court the favor of NGOs in backroom dialogues. However, these "civil society" organizations are only the tip of the iceberg. Naomi Klein's *No Logo* has been translated into 29 languages. *Adbusters* magazine sells at Whole Foods Market's checkout counters. Eric Schlosser's *Fast Food Nation*, which put many multinational fast-food brands on trial, sat atop best-seller lists for many months.

Our study showed that one person in ten worldwide wouldn't buy global brands if given a choice. That's an extraordinary number. The antiglobals represent more potential sales than do markets the size of Germany or the United Kingdom, according to our calculations. Few businesses are in a position to ignore such a large group of potential consumers. Companies must earn the trust of that segment by focusing on them as disgruntled consumers. Of course, that is unlikely to happen until firms are willing to make investments in the kinds of social activities that will convince even the skeptics.

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Turn social responsibility into entrepreneurship.

While most companies have launched corporate social responsibility initiatives, the impact of such activities is

questionable. Most efforts appear to be a new form of public relations. Even when companies are proactive, initiatives are often limited to those that are "sustainable"—a euphemism used to describe moneymaking activities that happen to benefit society. For instance, a company scouting for supply chain efficiencies may reduce its need for packaging materials, helping both the environment and the company's bottom line. Another common approach is to repackage philanthropic efforts using the new language of social responsibility to target socially responsible investors. The problem is that consumers, already skeptical of transnationals' motives, regard those approaches as opportunistic. The litmus test for social responsibility initiatives is simple: Will consumers perceive the actions to be motivated primarily by self-interest—or by an interest in the welfare of people and the planet?

Consider an initiative that Procter & Gamble recently tested in Latin America's poorest communities. Over a billion people in the world use unsafe water every day, leading to more than 2 million deaths a year from diarrhea. P&G identified safe drinking water as a critical social problem that fell within its scope of expertise. It leveraged its knowledge of household sanitation to develop a water purification system that would be effective in poor countries. P&G found that people would buy the product if it was easy to use and inexpensive and if they could see that the purified water was clean. Scaling down a technology used in water purification facilities, the company's engineers developed a satchel of particulate matter that consumers could stir into buckets. The particles would attract contaminants and dirt, and people could filter out the pollutants with a cloth. P&G's tests in Guatemala have demonstrated that the system can reduce the

frequency of diarrhea episodes by around 25%. If the company markets the product globally, the social impact could be extraordinary.

What's impressive is that P&G deployed its vast technological capabilities to tackle a problem that governments and NGOs have struggled with for decades. To be credible, global companies' social responsibility efforts must demonstrate that the firms have harnessed their ample resources to benefit society. Studies show that people trust powerful individuals who are seen to have sacrificed their interests for the good of the whole. The same logic applies to global companies. Some may argue that corporations have no business expending resources on activities that lack a profit motive because a firm's only priority is to deliver returns to shareholders. That's shortsighted; if consumers believe that global companies must shoulder greater social responsibility, executives really don't have much of a choice, do they?• • •

A word of caution may be in order. Our view of global branding should not be interpreted as a call to rid transnational brands of their national heritage, for two reasons. First, while globalness has become a stronger quality signal than nation of origin, consumers still prefer brands that hail from countries that are considered to have particular expertise: Switzerland in chocolates, Italy in clothing, France in cosmetics, Germany in cars, Japan in electronics, for example. More important, consumers expect global brands to tell their myths from the particular places that are associated with the brand. For Nestlé to spin a credible myth about food, the myth must be set in the Swiss mountains, because that is where people imagine the brand hails from. Likewise, if L'Oréal is to author a myth about beauty, it must do so from a particularly French viewpoint. Transnational companies would therefore do well to manage their national identities as well as their globalness.

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