



Managing Brands in Global Markets: One Size Doesn't Fit All

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Theodore "Ted" Levitt of Harvard Business School set the marketing world abuzz in 1983 with a bold prediction: Globalization had arrived, and before long global companies would be selling products and services in the same way everywhere on earth. Levitt's forecast was compelling -- and more than a little daunting for executives wondering how they would go about adapting to this brave new world of monolithic brands.

More than 20 years later, however, Levitt's prediction has not come to pass, according to Wharton marketing professors [George S. Day](#) and [David J. Reibstein](#), who note that only a handful of truly global brands exist today, despite the increased globalization of markets. In addition, experience has shown that companies need not always create one-size-fits-all global brands just because the world appears to be shrinking. Indeed, firms should recognize that adapting brands to local conditions will on many occasions be the best approach, and at times the only approach, because local conditions will leave them no other choice.

"We know the limits of global brands," says Day. "I don't think there is ambiguity about how far you can push the idea. We know the downside if you try to go too far." Adds Reibstein: "I am often asked by companies, 'Should I have a global brand?' and the answer is always 'Yes.' But that really is an oversimplified answer."

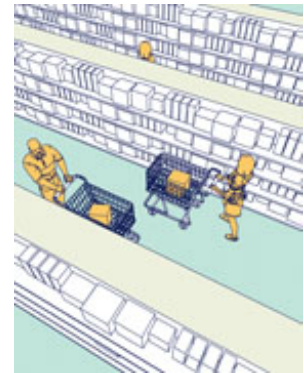
Yes, global companies need global brands to some extent. But global branding is not an all-or-nothing proposition. There is a continuum along which firms can decide how global they wish their brands to be -- with a single global brand at one extreme and an assortment of nothing but local brands at the other. Global and local brands can be part of a successful marketing mix at any spot along the continuum. Decisions to use a combination of local and global brands -- what the Wharton professors call the "hybrid" approach -- depend on many factors, including products, industry, local cultures and the nature of the competition.

"Being a global brand should not be an objective [for corporations]," Reibstein and Day write in *The INSEAD-Wharton Alliance on Globalizing: Strategies for Building Successful Global Businesses*. There are "various levels of being truly global. It is not always achievable, nor desirable, to go the full extent. Some form of local adaptation may be necessary, either in the product/service that is offered or in the positioning relative to competition."

Big Brands, Big Money

Which global brands are most valuable? According to the 2004 *Business Week/Interbrand* survey, Coca-Cola tops the list of the 10 most valuable global brands (\$67.4 billion), followed by Microsoft (\$65 billion), IBM (\$53.8 billion), General Electric (\$44.1 billion), Intel (\$33.5 billion), Disney (\$27.1 billion), McDonald's (\$25 billion), Nokia (\$24 billion), Toyota (\$22.7 billion) and Marlboro (\$22.1 billion).

These brands and others share some common features: They have a consistent name that is easy to pronounce; corporate sales are globally balanced with no dominant market; the essence and positioning of



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the brand is the same the world over; they address the same customer needs, or the same target segment, in every market; and there is great similarity in execution (pricing, packaging, advertising) across cultures.

What kinds of products do not lend themselves to global brands? Food is one category where, literally, differences in tastes from culture to culture compel global companies to adapt to local conditions, according to Day. At the other end of the spectrum is a company like Intel, whose products and markets make it easier for executives to establish a truly global brand with a memorable catch-phrase: "Intel inside."

"It's much easier for a company like Intel to establish a global brand," says Day. "Intel has a smaller number of buyers [than many other global companies] and all of those buyers are using computer chips for the same purpose. And all of Intel's competitors are global. Intel is a global brand without significant local adaptation." The same holds true for Disney, which stands for family entertainment in all cultures.

Forces Against Globalization

Reibstein and Day see several forces -- what they term "countervailing pressures" -- that have slowed the march toward global brands and make the hybrid approach more appealing. One such force is the inherent market differences that can exist from country to country. For example, KFC, formerly Kentucky Fried Chicken, has 5,000 restaurants in the U.S. and 6,000 in other countries. It has learned that it cannot open restaurants globally based on its U.S. model. In Japan, KFC sells tempura crispy strips. In Holland, it features potato-and-onion croquettes. In China, KFC's chicken gets spicier the farther inland one travels.

Another countervailing force is entrenched local brands. Conditions favoring local over global brands include unique market needs; low frequency of purchase, so that brand loyalty passes from one generation to another through family traditions; and the relative unimportance of advertising, which makes it harder for global companies to change loyalty patterns.

A third force mitigating against global brands is the growing concentration of retail buying power -- labeled "growing channel power" by the authors -- which can lead to heightened price sensitivity on the part of the buyer. Wal-Mart's goal to offer low prices every day can constrain companies wishing to sell their products through Wal-Mart stores.

Finally, criticism of global brands by activists opposed to globalization can also limit global branding. A 1999 book titled *No Logo*, by Naomi Klein, alleged that global brands and excessive corporate power were chief contributors to poverty around the world. Well-known logos of firms such as Nike, Disney, Shell and McDonald's became symbols of a host of complaints about globalization. Targeted companies responded by establishing codes of conduct and improving labor practices, but the anti-globalization movement served notice that high-profile brands carried risks.

1600 Brands

In a chapter titled "Managing Brands in Global Markets," the authors trace the paths of two global brands, Unilever and Music Television Networks (MTV). Both companies exhibit the various challenges faced by global firms to sell their products and services worldwide. The experiences of these two firms also show that developing brands for global markets is more complex and nuanced than Levitt's portrait of an inexorable march toward globalization would suggest.

In the 1990s, Unilever was struggling under the weight of some 1,600 brands in more than 50 countries. Revenues were lopsided -- 3% of the brands provided 63% of revenues -- and the company was not growing. In 2002, Unilever launched a program to reduce its number of brands to 400 "core" brands so that it could concentrate its resources on fewer products. The company combined branding strategies by placing the 400 in three categories: international brands (such as Dove and Lipton), regional brands (such as a spread called Flora in the United Kingdom and Becel in Germany), and local brands with strong

positions in single countries (including Wishbone salad dressing in the United States and Persil detergent in England).

MTV might appear to be the kind of company that could establish the type of uniform global brand that Levitt envisioned. MTV entered Europe in 1987 with pan-regional programs in English. Programming was provided to cable operators at no charge, and all revenue came from advertising. Within a few years, however, things changed. Advertisers called on MTV to offer local programs, either because they could not afford pan-European coverage, their products were available only locally, or their products were not uniformly branded in all countries. At the same time, strong local competitors emerged, such as VIVA in Germany and MCM in France. MTV responded to the change in climate. Today, MTV Europe (MTVE) has a presence in 41 countries with multiple languages and formats and nearly 50% local programming.

Day and Reibstein cite several factors in MTV's ability to adapt to local conditions. For one thing, MTV realized that the local advertising sales market was much bigger than the pan-European market. Moreover, changes in technology allowed separate satellite feeds to each country. Hence, MTV managed to address local content and advertising concerns, while simultaneously leveraging its powerful global brand identity -- the anti-establishment voice of young people.

Despite the experiences of companies like Unilever and MTV, global brands are here to stay, note Reibstein and Day. At the same time, they say, it's highly unlikely "that we will ever live entirely in the world of homogeneous brands envisioned by Levitt."

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