

Should Your Brand Be Global?

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In Europe, Procter & Gamble and Henkel appear to follow significantly different brand positioning strategies for laundry detergents. Procter & Gamble tends to use pan-European brand positions while Henkel tends to use brand positions that vary by country. Why would Procter & Gamble and Henkel pursue different brand positioning strategies – and both be correct? The answer is that their competitive situations differ and they would answer the questions posed in this article differently.

Global brand positioning versus local brand positioning

Determining whether a brand should be globally positioned (a single position worldwide) or locally positioned (a distinct position for each country market) is one of the more difficult brand choices and often leads to spirited debate between headquarters and country managers.

Global positioning may be more cost-efficient (and less confusing to customers worldwide). Gillette has often used global brand positions for products like Sensor and saved on their marketing communications expenditures. However global brands may not maximize local customer satisfaction. Ford's Taurus failed in Australia due to differences in local tastes.

Local positioning may maximize local customer satisfaction but may not be cost-efficient. Ziploc bags may be desired for keeping food fresh in some countries, for convenience in others, and also might face different competitors, aluminum wrap in some countries, plastic containers in others. Such different conditions might argue for different brand positioning in each country market.

Global brand positioning does not mean standardization. Even with a global brand position, some differences in branding communications may be expected. Dove soap uses basically the same benefit position around the world but the models in the ads are usually local. Procter & Gamble's Pantene is a globally branded shampoo that stands for healthy, shiny hair, but again the appearance of the models may vary depending on the country market. The core brand values of Johnnie Walker Black Label – elegance, tradition - are the same everywhere but the advertising may differ because of local customs.

However, if feasible, a global brand position should result in efficiencies.

Political aspects

The brand positioning decision is not only a management decision but it may become a difficult political situation as well. Generally, one would expect that headquarters managers prefer the global brand position and country managers the local brand positioning. As recounted by Chris Bartlett, BRL Hardy, the Australian winemaker, faced such a potentially divisive situation when their very able global marketing manager clashed with their very able United Kingdom manager over a proposed global brand. They resolved the potentially divisive situation only by bundling the global brand decision with another new product decision so that both managers could win.

Resolving the dilemma

There is no recipe solution to the global/local branding dilemma. As with Procter & Gamble and Henkel, companies in the same industry may choose different positioning strategies and each of these strategies may be optimal given the companies' respective competitive situations.

In work with many companies, the following five questions (Exhibit 1) have been found effective in structuring the discussion of global versus local brands and in helping the decision-making be more systematic.

1. Is your industry multi-domestic or global?

In a multi-domestic industry, country markets must be viewed as separate markets because they differ on a variety of dimensions, including: customer needs, competitors, political systems, laws, climate, geographical conditions, and trade and logistics barriers. In contrast, in a global industry, country markets can be considered together - as one market - because they have similar conditions.

With globalization, examples of multi-domestic industries are becoming more difficult to find but they might include many local services such as personal legal or financial advice, personal medical services, dry cleaning, and tailoring (although one could visualize these industries becoming global as well). Global industries seem to be much more common and they would include laptop computers, DVD players, corporate consulting services, certain fast foods, cola drinks, and aircraft.

Few industries are either purely multi-domestic or purely global. Even more important, industries change over time – often from multi-domestic towards global, but sometimes from global towards multi-domestic. For example, at one point, there was talk about a “world car” – one automobile design for all countries. The world car did not succeed as there appeared to be too much variation in local automotive needs among buyers in different countries which created resistance.

The more an industry is global, the more likely the brand positioning should be global since cost economies will be achieved while still appealing to all customers. Apple Computer, for example, has put considerable effort into making their brand and communications decisions global rather than local. Pringles represent freshness everywhere while Pampers stand for “dry, happy babies” of every nationality.

2. Is your target segment global?

If an industry is not global, it may still be optimal to use a global brand position if the target segment is global. A global segment would consist of customers in different country markets who have similar needs or seek the same benefits.

For example, Coca-Cola focuses much of their marketing attention on 18-25 year olds throughout the world. Despite being from different countries, many in this age group have similar preferences for music, clothing, and soft drinks and they form a global segment. One of Procter & Gamble’s first “Euro-brands” was Vizir, a heavy-duty, liquid detergent targeted to those who wash at low temperatures. Honda globalized the motorcycle industry by initially focusing on young riders.

Note that there is nothing in the definition of a market segment that specifically mentions a country. A market segment is a group of customers or potential customers who are seeking the same benefits. As regards consumer products, young people or seniors in one country may have more in common with their counterparts in other countries than with fellow citizens in different demographic groups. Global segments may be even more likely to occur with business to business markets – large shoe manufacturers or small furniture companies, for example, may have more in common with organizations like theirs in other countries than with organizations in other industries or of different size in their own country.

If the target segment is a global segment, then a global brand positioning strategy can be utilized. Dove's "one quarter cleansing cream" offer seems to appeal to skin-conscious women everywhere. MasterCard uses their "Priceless" campaign for credit-card users throughout the world, touching emotions that seem to be part of experiences common to people in all countries.

3. What are the current positions of your brand in country markets?

If the historical position of the brand is different and strong in different country markets, that may be a powerful argument for continuing those positions rather than using a single global position. For example, in Europe the reason Henkel has kept some local positions for certain brands of laundry detergent is because those brands have enjoyed strong and distinct positions in certain country markets. In the telecommunications industry in Latin America, one provider elected to keep the well-known local personalities of brands even while applying its own name to the services. Because of past marketing efforts, Honda automobiles mean reliability in the United States, sportiness in Japan. Hall's products are positioned as cough drops in some countries, candy in others.

However, if different local country brand positions are maintained, it may still be necessary to coordinate these local brand positions so they are not in conflict. For illustration, the local marketing efforts of Domino's Pizza at times have been managed by the franchisee who owns the rights in a specific country. That can lead to different positions for the Domino's brand in different countries which may be confusing to customers.

In the long run, as competitive conditions become global, it may also be necessary to move the local brand positions to a global brand position. If an organization manages their brand in a decentralized fashion, as Domino's has in the past, they may find themselves challenged to develop a global brand position as their market globalizes and global competitors, such as McDonald's, have a long-standing unified global brand position.

Heineken pursues a long-run global strategy with their country brand positions. Heineken has a global brand position involving friendliness, pride, and tradition, among other attributes. However, the brand offer can vary somewhat by country according to the development stage of the beer market. Over time, as the beer market globalizes, Heineken consciously and systematically evolves their local brand positions so that they achieve the global brand position when the country beer market is mature.

4. What is the magnitude of the cost and value differences across country markets?

Many of the cost savings associated with a global brand may be due to standardization of elements of the marketing mix such as design and communications. The value differences associated with local brands may be due to differences in local tastes and needs and would be reflected in revenue (price and volume sold). These potential cost and revenue differences pose a trade-off for brand managers to resolve.

Conceptually, the overall profit from two country markets, A and B, might be expressed:

$$\text{PROFIT} = (P_A - VC_A) \text{VOL}_A - FC_A + (P_B - VC_B) \text{VOL}_B - FC_B$$

Where: P = Price per unit

VC = Variable cost per unit

FC = Fixed cost

VOL = Volume sold (units)

With a global brand position, most likely the variable and fixed costs will be lower than with local brand positions due to the possibilities of standardization. On the other hand, revenues (price times volume) may be higher with the local brands to the extent they meet local needs more closely than would a global brand.

A global brand position would be financially optimal if, over time, the cost savings would be greater than the revenue losses.

Estimating the costs, prices, and volumes under both the global and local brand strategies would provide a financial basis for choosing between the strategies.

Such estimation is not easy but is certainly feasible.

5. Is your organization multi-domestic or global?

If the situation suggests utilizing a global brand position, the organization must be able to support such a strategy. If an organization is multi-domestic – in particular, if the country managers have most of the marketing power and act autonomously – then a global brand position strategy would be difficult to implement.

The key to implementation of a global brand position is not necessarily the structure of the organization. The key is usually clear communication of the desired global brand position.

Nestles has often given considerable power to country managers. However, the country managers are also instructed as to the desired brand positions. For example, at one time Nescafe was positioned globally as a drink that encouraged social interaction. The country managers knew this and monitored associations of the Nescafe brand accordingly. An ad was run in Australia that departed so far from the global brand position that it had a negative impact on the brand. It was quickly removed from the media schedule and the brand flourished.

Many companies encourage brand communication with global teams composed of both headquarters and country managers. These organizations include Citibank, 3M, Pfizer, Procter & Gamble, and ABB. A typical team might include someone from headquarters, the manager of a key country, and marketing or brand managers from several countries.

Generally these teams seem to work most effectively if they focus primarily on strategy – the positioning of the brand across the country markets. Typically, details of the marketing mix such as promotion and advertising, are left to the local managers.

Summary

Should your brand be global? It depends - it depends on whether you have:

A global industry or a global target segment.

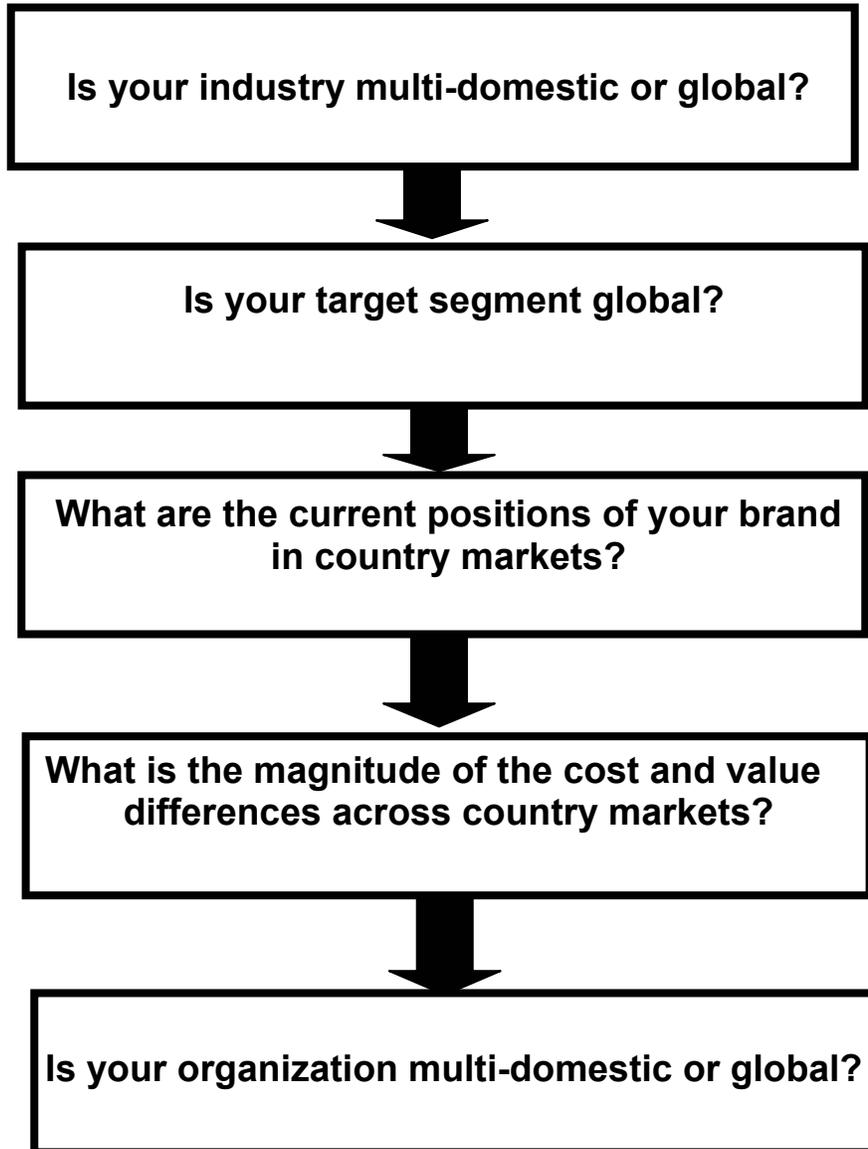
Past local brand positions consistent with a global brand position.

Savings and efficiencies that outweigh any possible losses in local revenues.

Managers who can and will support a global brand.

Exhibit 1

Should Your Brand Be Global?



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