

10.3: Global Branding

Learning Objectives

After reading this section, students should be able to ...

1. outline the advantages and disadvantages of global branding.
2. know the trade-offs of centralized versus decentralized marketing decision making.
3. identify the special challenges of branding decisions in emerging markets.

Global Branding

A global brand is the brand name of a product that has worldwide recognition. Indeed, the world does become flatter to the extent a brand is recognized, accepted, and trusted across borders. Some of the most-recognized brands in the world include Coca-Cola, IBM, Microsoft, GE, Nokia, McDonald's, Google, Toyota, Intel, and Disney.¹

Student Example

Apple's success in establishing a global brand with a strong identity exemplifies the concept discussed above. Apple is one company out of many that have succeeded in creating a big global brand so it can sell its products the same way everywhere. Their one-size-fits-all approach involves using a standardized design and features across all countries. One of Apple's largest strengths is its brand equity. Everyone around the world knows Apple and what products they sell. Having a global brand like Apple is beneficial because they do not have to modify their products to sell them in other regions. Not all companies that have created a global brand can sell its products the same way everywhere like Apple. One-way Apple achieved this was by opening stores in every country they served and matching the building with the culture there, which caught the attention of consumers. For example, the Apple store in Paris is housed in a Haussmann-type building that satisfies the architectural tastes of the people there.

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The advantages of creating a global brand are economies of scale in production and packaging, which lower marketing costs while leveraging power and scope. The disadvantages, however, are that consumer needs differ across countries, as do legal and competitive environments. So while global branding, and consumer acceptance of such, is a flattener, significant country differences remain even when a firm has a strong global brand. Companies may decide to follow a global-brand strategy but also make adjustments to their communications strategy and marketing mix locally based on local needs.

The decision companies face is whether they should market one single brand around the world or multiple brands. Coca-Cola uses the Coke name on its cola products around the world but markets its water under the Dasani brand. Nestlé uses a local branding strategy for its 7,000 brands but also promotes the Nestlé corporate brand globally.

Acer's Multiple-Brand Strategy

PC maker Acer sells its personal computers under four different brands. Using a multi-brand strategy is a good choice when a country has a strong, positive association with a particular brand. For example, when Taiwan-based Acer bought US PC-maker Gateway, Acer kept the Gateway brand to use in the United States for midtier PCs. In Europe, however, Acer uses the Packard Bell brand. Acer also has two other brands, which are segmented by price. Acer's eMachines brand is for the lower-end consumer who is most focused on price, whereas the Acer brand is reserved for the highest-quality products aimed at technophiles. This multi-brand strategy also helps Acer's distribution. As Acer's chief marketing officer, Gianpiero Morello, says, "It's difficult to get a retailer to place 50 percent of his space with one brand. It's easier to split that same space with three brands."²

Student Example

Starbucks owns multiple brands other than its eponymous coffee. The firm also owns Seattle's Best, Tazo, and Ethos water, among other beverage brands. This allows Starbucks to capture parts of the market that are inaccessible to their Starbucks brand, for instance, those who refuse to pay Starbucks' coffee's premium price tag would be more likely to buy Seattle's Best.

On the other hand, those who only drink tea would be more likely to purchase Tazo, both at Starbucks stores or in the grocery store. In this way too, retailers can dedicate space to a variety of brands, rather than just Starbucks.

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Global Brand Web Strategy

Companies that are promoting their global brands successfully on the web include Google, Philips, Skype, Ericsson, Hewlett-Packard, and Cisco Systems. These companies are mindful of the cultural and language differences across countries. They have created websites in local languages and are using images and content specific to each country. At the same time, however, each country website has the same look and feel of the main corporate website to preserve the overall brand.³

Planning a Brand Strategy for Emerging Markets

Entering an emerging market with a developed-country brand poses an extra challenge. Income levels in emerging markets are lower, so companies tend to price their products as inexpensively as possible. This low-cost strategy may have consequences for the company's brand, however. For example, if a company introduces its brand as a "premium" product despite having a lower price, how will it introduce and differentiate its true "premium" brand later as consumers' incomes rise?

Centralized versus Decentralized Marketing Decisions

Who has the authority to make marketing decisions? In a centralized-marketing organizational structure, the home-country headquarters retains decision-making power. In a decentralized-marketing organizational structure, the regions are able to make decisions without headquarters' approval. The advantage of the centralized structure is speed, consistency, and economies of scale that can save costs (such as through global-marketing campaigns). The disadvantages are that the marketing isn't tied to local knowledge and doesn't reflect local tastes, so sales aren't optimized to appeal to regional differences.

✓ Student Example

Ford Motor Company (FoMoCo) is a great example of this concept. Ford sells its vehicles in many countries, both developed and developing. For instance, we have a U.S. based Ford division that primarily targets its marketing efforts towards U.S. based customers. There is also a Ford Germany division that focuses its marketing efforts on the German market. These are just two countries where FoMoCo has shown its responsiveness to local needs. For instance, Ford does not sell full-size pickups in Germany. I believe the closest to the truck they do provide in that market is the Ford Ranger. However, they heavily market their F-150 trucks in the United States. By allowing each division to make their own calls, Ford can increase sales because they can focus on what local markets need rather than what Ford thinks they need.

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? Key Takeaways

- One of the key decisions that must be made when marketing internationally is how to set up the structure of the marketing organization in the company—centralized or decentralized. In a centralized structure, the home-country headquarters makes the decisions, which can save costs and bring consistency to marketing campaigns. In a decentralized organizational structure, the regions are able to make decisions autonomously, which enables regions to tailor their marketing to local sensibilities.
- Another decision concerns whether to pursue a single global-brand strategy or a multiple-brand strategy. A global brand is the brand name of a product that has worldwide recognition, such as Coca-Cola or IBM. Global brands bring economies of scale and marketing power. Multiple brands, however, may resonate more with specific markets, especially if a company merges with or acquires a local brand that is well respected in that region. The purpose of brands is to signal trust. In some cases, consumers may trust a familiar local brand more than a foreign global brand.
- Finally, companies need to plan a brand strategy for emerging markets, where products have to be sold at lower price points, which could hurt a premium brand reputation.

References

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