

10.4: Global Brand Structures

Learning Objectives

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

1. outline the brand structures in multinational companies
2. outline the principles guiding brands in the global market

Multinational companies typically operate with one of three brand structures: (a) a corporate-dominant, (b) a product-dominant, or (c) a hybrid structure. A corporate-dominant brand structure is most common among firms with relatively limited product or market diversity, such as Shell, Toyota, or Nike. Product-dominant structures, in contrast, are often used by (mostly industrial) companies, such as Akzo Nobel, that have multiple national or local brands or by firms such as Procter & Gamble (P&G) that have expanded internationally by leveraging their “power” brands. The most commonly used structure is a hybrid (think of Toyota Corolla cars or Cadbury Dairy Milk chocolate) consisting of a mix of global (corporate), regional, and national product-level brands or different structures for different product divisions.

Student Example

An example of a company with a corporate-dominant brand structure is Duracell. While Duracell might sell various products such as LED light bulbs and flashlights, they are primarily known for their strong and trusted batteries. Even though Duracell has a wide range of batteries, such as AAA and car batteries, their customers do not distinguish between or identify brand differences between those batteries, or the different products Duracell sells. Rather, their customers recognize the Duracell name and brand as one that creates and sells reliable batteries. When someone hears the Duracell name, they will most likely immediately think of batteries.

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One example of a Hybrid brand is the Nintendo Switch gaming console. In their marketing, Nintendo emphasizes both its corporate brand name and the unique Switch branding and logo. By using both the company and brand name Nintendo can draw on the strong reputation of their other products while also promoting the unique product attributes of the Switch.

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In many companies, “global” branding evolves as the company enters new countries or expands product offerings within an existing country. Typically, expansion decisions are made incrementally, and often on a country-by-country, product-division, or product-line basis, without considering their implications on the overall balance or coherence of the global brand portfolio. As their global market presence evolves and becomes more closely interlinked, however, companies must pay closer attention to the coherence of their branding decisions across national markets and formulate an effective global brand strategy that transcends national boundaries. In addition, they must decide how to manage brands that span different geographic markets and product lines, who should have custody of international brands and who is responsible for coordinating their positioning in different national or regional markets, as well as making decisions about use of a given brand name on other products or services.

To make such decisions, companies must formulate a coherent set of principles to guide the effective use of brands in the global marketplace. These principles must define the company’s “brand architecture,” that is, provide a guide for deciding which brands should be emphasized at what levels in the organization, how brands are used and extended across product lines and countries, and the extent of brand coordination across national boundaries.

Mini Case: Henkel's “Fox” Brands: An Example of a Hybrid Strategy, Arnold (2007); Schroiff and Arnold (2004)

Like many European companies, Henkel, the German consumer-brands corporation, has globalized mostly via acquisitions, and, consequently, it has a portfolio of localized brands with a national heritage and good local market shares. As the portfolio grew, escalating media costs, increased communication and stronger linkages across markets, and the globalization of

distribution created pressures for parsimony in the number of the firm's brands and the consolidation of architecture across countries and markets. Henkel executives understood very well that a focus on a limited number of global strategic brands can yield cost economies and potential synergies. At the same time, they also knew that they needed to develop procedures for managing the custody of these brands, and that these should be clearly understood and shared throughout all levels of the organization, thus promoting a culture focused on global growth. They knew that failing to do so would likely trigger territorial power struggles between corporate and local teams for control of the marketing agenda.

While many companies would have focused on deciding between sacrificing local brand equity to develop “global power brands” (aggregation) or continuing to sacrifice global marketing economies of scale by investing separately in its portfolio of local brands (adaptation), Henkel chose an ingenious middle path. Henkel's choice serves as a model for globalization of marketing concepts without loss of local brand equity through the grouping of all its “value-for-money” brands under the umbrella “Fox” brand. In each country, Henkel retained the local brand name but identifies it with the Fox umbrella brand. (In most cultures, the fox is seen as clever, selfish, and cunning—the sort of character who would buy a value-for-money brand but not a brand so cheap that its quality might be compromised.)

By using a fox to represent smart and cunning shoppers, Henkel has created a “global power brand concept” that can travel to almost any culture to enrich a local brand—especially local brands that individually could not have been globalized. But the scale economies Henkel gains from this program are more managerial than economic in nature. Programs and ideas to promote the Fox brands, and the concept of value-for-money detergents, are managed centrally and offered as a menu to all local markets in which these brands participate. Thus, a manager experienced in managing one of the Fox families of brands in one market can be transferred to another market and rapidly reach effective levels of performance. Because each brand still requires local investment, financial economies of scale are more modest.

Compare Henkel's success to the failures of its major competitors as they tried to fully globalize their brand portfolios. Years ago, P&G, for example, attempted to globalize its European laundry detergent operations. In 2000, the company renamed its popular “Fairy” laundry detergent in Germany “Dawn” to position the latter as a global brand. There was no change in the product's formulation. But by the end of 2001, P&G's market share of Dawn in Germany had fallen drastically. While Fairy had represented a familiar and trusted brand persona to German consumers, Dawn meant nothing. With the renaming, the bond between consumers and the brand was broken; not even changing the brand's name back to Fairy could restore it.

This experience suggests that attempting to achieve global brand positioning by deleting local brands can be problematic. In fact, a strategy of acquisition, and the subsequent shedding, of local brands by multinationals may actually create fragmentation in consumer demand rather than be a globalizing force. Such a scenario is particularly plausible if one or more of the local brands have reached “icon” status. Icon brands do not necessarily have distinctive features, deliver good service, or represent innovative technology. Rather, they resonate deeply with consumers because they possess cultural brand equity. Most of these brands fall into lifestyle categories: food, apparel, alcohol, and automobiles.

Source

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