

## 10.6: Managing Key Strategic Brands

### Learning Objectives

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

1. list the approaches to globally manage and monitor strategic brands
2. state the benefits of corporate branding

Companies must also think about how to globally manage and monitor key strategic brands to ensure that they build and retain their integrity, visibility, and value. This entails assigning brand custody or appointing a brand champion responsible for approving brand extensions and monitoring brand positioning.

One option is to negotiate the harmonization of specific brand positions between corporate headquarters and country managers. This is appropriate for firms with strong country management that operate in product markets where brands were historically tailored to local market characteristics.

A more proactive and increasingly popular solution is to appoint a brand champion responsibility for building and managing a brand worldwide. This includes monitoring the consistency of the brand positioning in international markets as well as authorizing use of the brand (brand extensions) on other products or other product businesses. The brand champion can be a senior manager at corporate headquarters, a country manager, or a product development group. It is critical that the brand champion report directly to top management and have clear authority to sanction or refuse brand extensions to other product lines and product businesses so as to maintain the integrity of the brand and avoid brand dilution.

A third option is to centralize control of brands within a global product division. This approach is likely to be most effective when the business is targeted to a specific global market segment, with new products or brands, when there is greater consistency in market characteristics across countries, and when the company's administrative heritage has only a limited history of strong country management.

### Benefits of Corporate Branding

Corporations around the world are increasingly becoming aware of the enhanced value that corporate branding strategies can provide. Holt, Quelch, and Taylor (2004, September). A strong corporate branding strategy can add significant value in terms of helping the entire corporation and the management team with implementing its long-term vision, creating unique positions in the marketplace for the company and its brands, and signaling a commitment to a broader set of stakeholder issues. An effective corporate branding strategy therefore enables the company to leverage its tangible and nontangible assets and promote excellence throughout the corporation. To be effective and meet such objectives, corporate branding requires a high level of personal attention and commitment from the CEO and the senior management. Examples of effective corporate brands include Microsoft, Intel, Singapore Airlines, Disney, CNN, Samsung, and Mercedes. In recent years, the global financial powerhouses HSBC and Citibank have both acquired a vast number of companies across the globe and have fully adopted them under their international corporate brands with great success and within a relatively short time frame. All these companies understand that a well-executed corporate branding strategy can confer significant benefits.

### Corporate Brand as the “Face of the Company”

A strong corporate brand acts as the face of the company, portraying what it wants to do and what it wants to be known for in the marketplace. In other words, the corporate brand is the umbrella for the corporation's activities and encapsulates its vision, values, personality, positioning, and image, among many other dimensions. Think of HSBC. It employs the same slogan—“The world's local bank”—around the world. This creative platform enables the corporation to portray itself as a bridge between cultures.

### Simplicity

An effective corporate branding strategy creates simplicity by making the top of the brand portfolio the ultimate identifier of the corporation. P&G is widely known for its multibrand strategy. Yet, the corporate name P&G encapsulates all of its activities. Depending on the business strategy and the potential need for multiple brands, a corporate brand can assist management focus on the company's core vision and values. Once established, it facilitates revisiting the definition of other brands in the corporations' portfolio and the creation of new brand identities.

## Cost Savings

A corporate branding strategy is often more cost-efficient than a multibrand architecture. Specifically, corporate branding produces efficiencies in terms of marketing and advertising spending as the corporate brand replaces budgets for individual product marketing efforts. Even a combined corporate and product branding strategy can often enable management to reduce costs and exploit synergies from a new and more focused brand architecture. The Apple brand has established a very strong position of being a design-driven and innovative company offering many types of products and services. Their corporate brand encapsulates the body and soul of the company, and the main messages from the company use the corporate Apple brand. Various sub-brands then help to identify the individual product lines.

## Corporate Brands as Assets

In recent years, corporate brands themselves have become valuable assets on the company balance sheet, with market values very often much beyond book value.

### ✓ Mini Case: The Best Global Brands, [http://www.interbrand.com/\(2009\)](http://www.interbrand.com/(2009))

Interbrand, a leading international brand consultancy specializing in brand services and activities, has developed a method for valuing (global) brands. It examines brands through the lens of financial strength, the importance of the brand in driving consumer selection, and the likelihood of ongoing revenue generated by the brand.

Each year, Interbrand compiles a list of global brands for analysis based on five criteria:

1. There must be substantial publicly available financial data for the brand.
2. One-third of the brand's revenues must come from outside its country of origin.
3. The brand must be positioned to play a significant role in the consumers' purchase decision.
4. The Economic Value Added (EVA) must be positive, showing that there is revenue above the company's operating and financing costs.
5. The brand must have a broad public profile and awareness.

The use of these criteria excludes a number of brands one might expect to be included. The Mars and BBC brands, for example, are privately held and do not have financial data publicly available. Wal-Mart, although it does business in international markets, does not do so under the Wal-Mart brand and is therefore not sufficiently global. Certain industry sectors are also not included in Interbrand's study. An example is provided by telecommunication brands, which tend to have strong national roots and have faced awareness challenges due to numerous mergers and acquisitions. The major pharmaceutical companies, while very valuable businesses, are also excluded since their consumers tend to build a relationship with the product brands rather than the corporate brand.

For brands that meet the Interbrand criteria, the company next looks at the current financial health of the business and brand, the brand's role in creating demand, and the future strength of the brand as an asset to the business.

## Financial Analysis

Interbrand's model first forecasts the current and future revenue specifically attributable to the branded products. It subtracts operating costs from this revenue to calculate branded operating profit. Next, a charge is applied to the branded profit that is based on the capital a business spends versus the money it makes. This yields an estimate of a business's economic earnings. All financial analysis is based on publicly available company information.

## Role of Brand Analysis

Brand analysis involves a measurement of how a brand influences customer demand at the point of purchase. It is applied to the economic earnings in order to arrive at the revenue that the brand alone generates (branded earnings). Interbrand uses in-house market research to establish individual brand scores against industry benchmarks to define the role a brand plays within the category. For example, *role of brand* is traditionally much higher in the luxury category than in the energy and utilities sector. The brand, not the business, is the principal reason consumers choose these goods and services.

## Brand Strength Score

As brands are assets, valuing them requires an assessment of their ability to secure future earnings on behalf of the businesses that own them. Brand strength is a measure of the brand's ability to secure demand, and therefore earnings, over time. Securing customer demand typically means achieving loyalty, advocacy, and favorable levels of customer trial, as well as maintaining a price premium. Interbrand's methodology generates a discount factor that adjusts the forecasted brand earnings for their riskiness based on the level of demand the brand is able to secure. Brand strength is calculated by assessing the brand's performance against a set of seven critical factors, including measures of relevance, leadership, market position, customer franchise, diversification, and brand support.

## Brand Value

A brand's value is a financial representation of a business's earnings due to the superior demand created for its products and services through the strength of its brand. Brand value is the absolute financial worth of the brand as it stands today. Accordingly, the brand's value can be compared to the total value of the business as it would be assessed on the stock exchange.

The winner and number 1 global brand on Interbrand's 2009 list, once again, is *Coca-Cola*, which has topped the list for more than 20 years. *IBM* is number 2, *Microsoft* ranks third, *GE* comes in fourth, and *Nokia* has moved up to fifth position. Rounding out the top 10 are *McDonald's* (6), *Google* (7), *Toyota* (8), *Intel* (9), and *Disney* (10).

Interestingly, not one of the 100 Best Global Brands emanates from the developing world, at least for now. But Interbrand's research suggests this may soon change. With their huge populations, there is a decided shift in economic power to countries like China, India, Russia, Brazil, and Africa, and former global giants are making way for new leaders from fast developing markets.

The following brands are strong leaders in their home markets and already show some early signs of globalization:

- China: *Lenovo* (PCs), *Haier* (refrigerators), *Tsingtao* (beer)
- India: *Tata* (communications and information technology, engineering, materials, services, energy, consumer products, and chemicals), *Reliance* (energy and materials), *ArcelorMittal* (steel)
- Russia: *Kaspersky Lab* (information security to computer users), *Aeroflot* (airline), *Gazprom* (gas)
- South Africa: *MTN* (communications), *Anglo American* (mining), *SABMiller* (beer and soft drinks).
- Brazil: *Banco Itaú* (finance), *Vale* (mining), *Natura Cosmético* (cosmetics)

## Source

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