

11.3: Critical Decision Points in Global Marketing

Learning Objectives

1. Understand 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. "Best Global Brands Report 2010," Interbrand, accessed October 22, 2010, http://issuu.com/interbrand/docs/bgb_report_us_version?mode=a_p.

Companies invest a lot in building their brand recognition and reputation because a brand name signals trust. "Trust is what drives profit margin and share price," says Larry Light, CEO of Arcature brand consultancy and a veteran of McDonald's and BBDO Worldwide and Bates Worldwide advertising agencies. "It is what consumers are looking for and what they share with one another." David Kiley and Burt Helm, "The Great Trust Offensive," *BusinessWeek*, September 17, 2009, accessed November 4, 2010, http://www.businessweek.com/magazine/content/09_39/b4148038492933.htm.

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 multibrand 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 multibrand strategy also helps Acer's distribution. As Acer's chief marketing officer, Gianpiero Morbello, 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." Bruce Einhorn and Tim Culpán, "With Dell in the Dust, Acer Chases HP," *BusinessWeek*, March 8, 2010, 58–59.

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. Chanin Ballance, "Speaking Their Language: How to Localize Your Message for Global Customers," *Marketing Profs*, March 24, 2009, accessed November 4, 2010, <http://www.marketingprofs.com/9/speaking-their-language-localize-message-global-customers-ballance.asp>.

Planning a Brand Strategy for Emerging Markets

Entering an emerging market with a developed-country brand poses an extra challenge. As noted in [Section 14.1](#), 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?

Branding Issues: How Low Can You Go?

Many emerging markets call for lower-cost goods. But how low can a company go on quality and performance without damaging the company's brand? The challenge is to balance maintaining a global reputation for quality while serving local markets at lower cost points.

One way to resolve the challenge is to offer the product at quality levels that are the best in that country even though they would be somewhat below developed-country standards. This is the tactic Walmart has successfully used in Mexico. Walmart's flooring, lighting, and air conditioning make its Mexican stores better than any other local stores even if they might seem Spartan to US consumers.

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.

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.

EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. What are the benefits of a centralized-marketing organization?
2. When might a company prefer to make decentralized-marketing decisions?
3. List the advantages of a global-brand strategy.
4. Discuss the advantages of a multibrand strategy.
5. How can a company use the web to promote a global brand while at the same time localizing it?

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