

Analyze the
advantages and
disadvantages of
using a global brand
name



Mercier du Paty de Clam Laetitia (10902550x) Analyze the advantages and disadvantages of using a global brand name INTRODUCTION Nowadays the global market is quite attractive for high competition environment. In order to be visible in global market, brands can be used to play an important role. From marketing point of view, brands are the means that consumers use to distinguish products and services based on essential and non-essential attributes and they are a source of business's differential advantage.

When the company exports a product label, it has the choice between using: specific brands in each market (local brands), or a single brand for all its foreign markets (global brand). The decision between these two alternatives, which each have their advantages and drawbacks is related to the choice between standardization and adaptation of brands in foreign markets and the desire to associate a local image or a foreign image to the product. What are the advantages and disadvantages of using a global brand name?

Firstly I will explain what a global brand name is, then I will analyze the advantages of using a global brand and finally I will analyze the disadvantages. I What is a global brand name? A global brand (examples: Coca-Cola, Benetton, IBM, Sony, Canon ...) is a brand that is marketed the same way worldwide. This means this means: * Strategic principles are identical in all markets; * An identical position is observed in all markets. The brand positioning is the mental image associated with it.

If we associate the brand with a high price or a particular age group in the domestic market, it will have the same position worldwide; * Marketing strategy is identical in all markets with a few exceptions to best adapt to

local tastes and to the competition. The marketing mix should not be completely uniform because it can vary in price, the media distribution systems used, etc.. The key is that the principles underlying strategic guiding the branding is similar across the world.

A global brand does not exist in nature, it must be created. In this area, it is always easier to create a global brand from scratch than to reposition or rebrand an existing national brand and try to make a brand regionally and even globally; however there are many examples of successful companies which rebranded (e. g. Twix Raider and two marks were used for the same candy bar, the first in Europe and second in the United States until the company decides to use March as Twix brand world in all its markets). Using a global brand is feasible: If it refers to a pattern of controlling behavior at the international level; * If it is used in markets where homogeneous consumer tastes tend to be identical (examples: non-cultural connotations, luxury goods); * If it relates to products that are universal by the globalization of its market is subject to the rule of uniformity (industrial product, perfume, cosmetic); * If it is associated with an origin that is an commercial advantage (example: Corona beer from Mexico); * If it is likely to be promoted by the media who have international distribution; * If not overly influenced by cultural and linguistic context.

Table 3 the top ten global brands, 2009 Table 3 the top ten global brands, 2009 Rank | Brand | Country of origin | Sector | Value (\$ millions) | 1 | Coca-Cola | USA | Drinks | 68, 734 | 2 | IBM | USA | Computer services | 60, 211 | 3 | Microsoft | USA | Computer software | 56, 647 | 4 | GE | USA | Diversified | 47, 777 | 5 | Nokia | Finland | Consumer electronics | 34, 864 | 6 | McDonald's

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| USA | Restaurants | 32, 275 | 7 | Google | USA | Internet services | 31, 980 |
8 | Toyota | Japan | Automotive | 31, 330 | 9 | Intel | USA | Computer
hardware | 30, 636 | 10 | Disney | USA | Media | 28, 447 |

Source: Interbrand-www. interbrand. com Using a global brand name is advantageous for several reasons II What are the Advantages of using a global brand name? Using a single global brand standardized across national borders has many advantages: * It reduced costs because it avoids the proliferation of design work, production, packaging, communication By offering the same commodity in different markets, the company can achieve savings from mass production and storage. It can pass the costs of R ; amp; D and production costs over a larger volume of production and thereby reduce the unit cost total.

The global scale permits huge economies as the benefits of scale taken from the experience in one market are developed in others. They also provide opportunities for economies of scale in advertising, distribution, and product design. Geoffrey Randall argues that “ what the marketing people must do is ensure that cost savings (in whatever area), do not damage the brand. ” This reduction of costs is conversely related to the fact that the firm will no longer have to spend much of their time in launching their products or services.

The reason behind this is the fact that the global name of the company had already established its name in the market. For example, the agency of communication, Mc Erickson has saved \$ 90 million in production costs to Coca Cola in the past 20 years thanks to the realization of world movie. * It gives a global image of products and this image appears as a coherent

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image. The brand is the main vector of the company, its products and its services markets. In short, it acts as a summary of information, quality indicator and is therefore an effective, if not a major differentiator, particularly in relation to competition and customer.

This consistency of supply is particularly important to maintain “multinational” consumer’s loyalty. There is a new type of customer who is highly mobile, has privilege to access other markets through the development of transportation (planes), new information technologies and communication (TV, Internet, newspapers) that requires products that have a standardized performance from one market to another. The company must ensure exported products may be purchased and consumed by these “multi-national” consumers and have to take into account their needs; hence, having a global brand name can be a strategy of standardization. For example Apple is a global brand name, which has the same image all over the world. It is what we call a strong brand. Or, Campbell produces a large range of different soups to meet the local tastes but those soups are sold under the Campbell brand. The “Big Mac”, one the most famous sandwich in the world, does not have the same recipe in France and in Britain; Mc Donald’s uses a global brand name even if the company adapts its products for each local market. The international awareness of products is enhanced and accelerated ; This is particularly true insofar as tourism and Internet media are developing and are becoming more and more important. With a global brand name, a company affirms its awareness across the world. For example the brand Sprite, which is part of the Coca Cola company, is still considered

as an other brand and uses its own name abroad; global branding had helped it to become successful and feasible.

Due to the fact that the said brand is carrying the same brand, which is Coca-Cola, many of the Sprite ads are running worldwide, unchanged. With regard to luxury brands, using a global brand name is usually adopted for reasons of branding. The example of Louis Vuitton Asia illustrates this. Indeed, " Chinese consumers like foreign products for their quality and social status they confer" Les Echos. Many large brands have understood this desire of the Asian market to identify with a Western market that is why they adopted an implementation strategy based on their own brand.

Louis Vuitton Store Louis Vuitton Paris Shanghai There are many reasons why the customers prefer different global brands: Kapferer (1997) said that global brands are associated or connected to the higher prestige. The said reason can make the customers feel that if they are using or availing different products and services form a global brand, they are somewhat in or in higher level of society. They believe that as a global brand, a product should as so be a global quality.

Kochan (1996) and Bearden ; amp; Etzel (1982) added that global brands are admired because of their prestige since they are relatively scarce and have premium prices compared to local brands. * This allows easy recognition and identification of the product for international travelers The phenomenon of increased travel is linked to this factor. Indeed, whatever the travelers are - businessmen meeting their clients abroad, exchange students or old people

travelling - they like to find the products they use to buy. They will feel comfortable if they see the same brand name as in their country.

In addition to this feeling, having a brand name available everywhere helps memory recall. When a consumer sees its favorite product abroad, he may think that, as they also use it, it is the best. Here we talk about the psychological power of brands. Having a global brand name helps the company to have a uniform worldwide image. Global branding had helped the company to grow in the international market as well as create a local image that capture the hearts of their local customers at the same time, helping the image or the reputation of the company as a whole. The company should invest less effort to maintain global brand recognition as a set of local brands because the results (positive or negative) of promotion of the brands are reinforced across borders. The use of existing local brands on different national markets can vary the quantities and levels of product quality according to the market, meet the specific needs of each market. Nevertheless, there are major disadvantages associated with local brands are the fact that there are higher marketing's costs and also higher inventory's costs.

The company which uses a local brand may have a loss of economies of scale and may have a loss of effectiveness of the promotion because the promotional budget is spread over a larger number of brands. * It is easier to access to distribution networks and to the ability to negotiate with retailers is reinforced. Companies that already have a successful country-specific brand name must balance the benefits of using a global brand name against the risk of losing the benefits of an established brand.

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In fact, there are some disadvantages using a global brand name. III What are the Disadvantages of using a global brand name? Standardizing the brand also faces many obstacles and has many disadvantages: * The use of a single global brand generates problems related to the black and the gray markets. A gray market is the purchase of a product by unauthorized distributors by the manufacturer in a market where it is cheaper. Then, the product is sold with profit in another market at a price lower than usually practiced by the company through its traditional distribution networks. Gray markets are growing because of price differences between markets. The price differentials between markets must be sufficiently large to justify such parallel imports by covering the costs of moving products from one market to another. Automobiles, computers, watches,... products are typically subjected to gray markets. In those kinds of markets, global brand name's products are sold, which is defined as counterfeiting.

For example, in China, there is a major international problem with counterfeiting, especially with global brand name such as Chanel, Vuitton... * The use of a global brand can be constrained for legal reasons. The brand may, for example, already be used and protected by law in the countries concerned; They are legal constraints of using a global brand name. In addition to the regulations governing product design and standards in each country (there have been more stringent regulations in the US affecting cars than in the UK for example), there are problems linked to the global brand name.

Indeed, it may be in conflict with existing brands and therefore it is

impossible to use it in a specific country. In some European countries, the <https://assignbuster.com/analyze-the-advantages-and-disadvantages-of-using-a-global-brand-name/>

law is based on the Roman civil code, and trademarks are generally awarded to the first one that registers. The others legal constraints are wider and concern antitrust and competition law. Moreover, there are political constraints. The local consumers may discriminate against foreign brands in order to promote local ones. Indeed, there are popular preferences for local products (e. g. he French wine in France). Consumers tend to have stereotypes: English tea, French perfume, Chinese silk, Japanese electronics... All those constraints can lead to difficult or even impossible introduction of global brand names. * The use of a global brand may be impossible because of sociocultural differences that lead to a misinterpretation of the brand It is not interesting to use global brand names when product quality varies between countries: in the case of Ericson, the product quality in China has to be at the same level as in Sweden.

But the impossibility of using a global brand name often comes from the linguistic barriers. A global name may be unsuitable, unpronounceable, rude or unpleasant. Therefore, it is not wise to have a twisted spelling and hard to pronounce names or some wild ideas that the subconscious mind simply refuses to accept . There is hundreds of brand names that have a bad meaning in a certain country. There may also be significant cultural differences between countries, which prevent total standardization. * The use of one brand may be hampered by language differences.

Indeed, a brand can have different meanings and inappropriate in another language. Its implementation or its literal translation can lead to misinterpretation by local consumers. To protect ourselves, we must try to track unexpected meanings of the brand in different languages. The brand <https://assignbuster.com/analyze-the-advantages-and-disadvantages-of-using-a-global-brand-name/>

may also be difficult to pronounce in a language that does not sound the same, or unusable in languages that use other alphabets. It is sometimes necessary to translate or change the name of the brand to fit local tastes while retaining, for example, the logo or symbol of the brand.

Soma test of names must be made before release. The standardization of the brand through an Anglo-Saxon name avoids this constraint (eg, Starlet, walkman, discman are product names of the company Sony). **CONCLUSION**
As a conclusion of the debate about the utility of using a global brand name, it can be interesting for a company in order to provide cost savings through scale economies in manufacturing, purchasing, inventories, R; amp; D and finance all the more as it already has a good experience in its own market. Moreover, it allows the company to develop a uniform worldwide image in the long term.

This will be possible thanks to the convergence of the markets, thanks the development of a “ global culture” and the worldwide phenomenon of increased travel. Nevertheless, there are few brands that are really global. Of course, not all brands have the potential to become global. So, under some circumstances, it is sometimes better not to use a global brand name but adapt it to the different countries. Firstly, when a global company is making profit using local names, there is no need to change and impose a global brand name.

It is sometimes impossible to use a global brand name because of legal and political constraints or because it has a bad meaning or is hard to pronounce. A solution proposed is the homogenization. For companies those are able to

adapt themselves, “ Think global, act local” can be a good way to have a good worldwide image. In practice, one of the key ability involved in global branding is to maintain an international coherence but, at the same time, to adapt the brand to local conditions.

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