

BRAND GLOBALIZATION: STRATEGIC IMPLICATIONS FOR MARKETERS ENTERING TRANSITIONING ECONOMIES

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ABSTRACT

The researchers review the concept and practices of globalization of brands as it applies to the world market for products and services. In practice, marketers believe that globalization is synonymous with standardization whereas, in truth, it is more of recognizing the interconnectiveness of the world and differences that exist. Examples of marketing practices are given in light of brand globalization. Implications for marketers targeting Eastern European as well as other transitioning countries are subsequently provided.

INTRODUCTION

As Manzella [6] states, globalization has been around since the 1970's and provides the opportunity to integrate national markets through trade and investment. Moreover, globalization offers greater possibilities for poorer nations to grow economically.

The World Bank Group [9] concurs and notes that the market economy does not work in a vacuum regarding global relations. It is the emphasis on relationships in a global context that will push back state, interstate and inter-country tariffs and other barriers and create a global free market. This political project can be seen in the efforts of the World Trade Organization, NAFTA, the EU and the efforts between the US and the EU regarding transparency of trade regulation. The Organization for Economic Cooperation Development is also working to minimize global interference and open markets for the benefit of all countries. Regarding globalization Luttwak formulates that Privatization + Deregulation + Globalization = Turbo Capitalism equaling prosperity for all.

Hence, the forces leading to globalization include information and communication, technology, global politics, dominance of economic powers, decline in central planning, market forces and the rise of economic integration [7]. Moreover, globalization can be thought of to encompass trade, foreign direct investments, capital flow, equity investments, bank lending and bonds, global brands and globalization of cultural activities [7]

However, since the introduction of the Internet and the opening of new markets, the world has truly become a very small place. Marketers are now faced with an international marketplace should they choose to participate. According to the Council for European Studies, the concept of globalization has been synonymous with standardization of products and/or services as well as brand name [10]. Moreover, globalization has been the term used to justify the "speed, ease and extent which goods, services, technologies, people, information and ideas cross borders [10]." This strategy has been readily apparent in the newly open markets in Central and Eastern Europe with mixed results. Western European and American companies have been instrumental in seeing these countries through to a market economy by introducing brands to the marketplace via exports, subsidiaries, joint ventures, mergers and acquisitions. Hundreds of western brands are now available through globalization to a market that was literally cut off from the rest of the world.

Fukuyama [3] notes that cultural values define how business is conducted in a country and that some aspects are altered by globalization but not all. Rather globalization is a melting of political and economic ideologies solely and does not affect the deeper aspects of a culture such as religion, language and race. Furthermore, although the emergence of the EU has manifested intra-trade of 60 percent between nation states, “there is real resistance to cultural homogeneity [3].”

Rather than one big homogeneous market, globalization is an intensification of social relationships whereby local happenings, such as employment, are shaped by events occurring many miles away.” In neither perspective is globalization defined as a homogeneous market, but rather, as a world that is an interconnected marketplace that is culturally diverse.

GLOBALIZATION OF BRANDS

In terms of brand equity development, most companies would do anything to facilitate the globalization of their brands [8]. Kelly [5] suggests that globalization is trying to help clients build brands that can be marketed in more than one country, which is obviously much more profitable than total localization of a brand. Yet he notes that if “you take the 80 percent of your brand that is genuinely good unchanged and tailor 20 percent to the people who need it,” the brand can be highly successful [9].

Lindstrom [4] suggests that globalization of a brand is like “starting from scratch.” It is imperative to consider the brand life cycle and enter the market in the introductory stages and establish the brand image as it relates to the local market. That may or may not be possible as noted in the previous examples. Much research prior to entering the market must be done such as the brand meaning to the prospective market and whether keeping the name is preferred. The problem that exists is that most marketers desire to capture the market quickly resulting in failure with its demographic characteristics. Lindstrom [4] explains that marketers must develop a marketing profile that speaks to the local market and creates a relationship between the market and the brand.

Because of the difference in values from one country to the next, conducting market research could reveal different attributes of a brand which need to be communicated in establishing it in another country. Lindstrom [4] pointed out examples of MTV and CNN, and found that global communication was possible “but even a well defined segment as the MTV generation was different from country to country.” Hence, for a brand to be truly global it has to be in the mature stage of the product life cycle throughout to offer the same message world wide.

IMPLICATIONS FOR MARKETERS

Given the power of brands on an individual and international basis, multinational companies must find opportunities to connect societies, raise the quality of life, and utilize the resources of both large and small businesses to help developing countries to become more self-sufficient rather than focusing strictly on profitability. Hence, the role of brands in the process of globalization is a wider one in which Bedburg [1] suggests performance is measured in profit, the environment and the contribution a company makes to a society. Further, marketers must look to the needs of the local market in brand globalization to successfully communicate and fulfill needs and desires of the community.

In new markets, practitioners need to think in terms of their brand in the introductory or pioneering stage of the brand life cycle. Although brands may be introduced to gain market share from competitors, local

needs again must be taken into consideration. As Kelly [5] noted if 80 percent of the brand is genuinely good unchanged such as product contents, marketers might consider changing the 20 percent that connects the product to the local community. This process can include advertising, promotion, distribution, and packaging.

As in the case of Whirlpool which has the highest market share for home appliances in Romania [2], by researching the market needs they developed appliances that met the needs in many European countries as well as the newly opened markets in Central and Eastern Europe. Notwithstanding, brands such as Whirlpool, Microsoft, Adidas and Nike must do more to be successful on an international basis. Rather than exploiting cheap labor and producing low quality products, these companies must consider their brands in the introductory stages, produce quality products and services and contribute to the welfare of a society, particularly in 3rd world nations. This can be accomplished through paying workers better wages, providing better working conditions, and manufacturing products that are environmentally friendly in packaging and contents. Products can be manufactured at the same high quality but packaged in smaller sizes to accommodate the lower income often characteristic of developing countries. Further, advertising should be focused on honest communication since misleading ads can not only damage sales, but the brand image in the long term, allowing other brands to take away market share.

Globalization may not be possible for all brands but for many, companies need to go beyond profitability and become socially responsible in the countries that they market to. If marketers consider their brands are new to the market they will be able to adapt the brand to be successful in the long term in sales and brand image.

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