Executive Insights: Real Differences between Local and International Brands: Strategic Implications for international Marketers

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Abstract:

In the current context of globalization, firms have concentrated their efforts on the development of international brands. As a result international brand portfolios have been restructured, & many successful local brands have been eliminated. This articles objective is to improve the understanding of local brand differences and competitive advantages relative to international brands. To achieve this, the authors reanalyzed the young & Rubicam database Brand Asset Valuator and examined more than 144 brands in Lucknow. The authors discuss the managerial implications of the findings for international marketers as they develop their ideal international brand portfolios.

Isabelle Schuiling and Jean-Noel Kapferer :

Constant with current trends is globalization, many international companies have moved from a multi domestic marketing approach to a global marketing approach. This move to global marketing has had a major impact on company branding strategies. During the past few years, international companies have concentrated their efforts on the develop-process of international brands. For example, Unilever is in the process of eliminating 1200 brands from its brand portfolio to concentrate on 400 brands. Procter & Gamble (P&G) has kept 300 brands, after selling many of its local brands. Loordal has built its success on 16 worldwide brands. Nestle has given priority to its 6 strategic worldwide brands, including Jescafe and Buitoni, and Mars has invested mainly in global brand names.

In this context, firms' focus on the development on international brands has had a negative impact on local brands. Many brands have been eliminated from international brand portfolios. This trend has been found not only in the fast-moving consumer goods sector but also in many other types of industry, including banking, insurance, oil, and retailing. It might be questioned whether the elimination of these local brands represents a lost opportunity for international companies. Strong local brands have traditionally benefited from a high level of awareness in their countries. Consumers have developed close relationships with local brands over the years, and this represents solid marketing investment in their home markets. Both academics and practitioners have focused on the development of international and global brands (Boddewys, Soehl, and Picard 1986; Buzzelll 1968; Craig and Doughles 2000; Levitt 1983; Quelch and Hoff 1986 Wind 1986). As such, little work has been done to study the specifics of local brands. Several articles have mentioned the existence local brands (de Chernatony, Halliburton and Bernath 1087; Douglas, Craig, and Nijssen 2001; Halliburton and Hunerbers 1993; Kapferer 2000, 2002), no in-depth research has been conducted on their success compared with that of international and global brands.

However, international managers confront difficult questions when developing the ideal international brand portfolio (Douglas, Craig, and Nijssen 2001). They must decide not only how the build the international brands but also which local brands to build, which to eliminate, which of sell, sad even which to assimilate under an international brand name. These are important decisions that significantly influence any company's success.

Therefore, it is particularly useful to develop further under standing of local brands relative to international brands is the current globalization context. To achieve this, we conducted exploratory research that covers tow phases. The first Phase consisted of interviews with international markets and the second phase involved conducting an analysis of Young & Rubicam's (Y&R's) extensive brand database, Brand Asset Valuator.

Our objective in this article is to better understand the real differences between local and international brands. We can discuss recent perspectives on local and international brands development and identify the strategic advantages of the brands compared with international brands. We then concentrate the differences in brand equity between local and international brands. Last, we conclude by highlighting the locations of these findings for international marketers.

Perspectives on Local and International Brands Development:

We define local brands as brands that exist in one country in a limited geographical area (Wolfe 1991). Such brands May belong to a local, international, or global firm. We define international brands as brands that have globalize offering of the marketing strategy or mix. In a more radical sense Global brands are defined as brands that use the same strategy. The advantages of moving to international and global brands under a global marketing strategy have frequently been emphasized (Aaker and Joachimsthaler 1999; Buzzell 1968; Kapferer 1992; 2004; Levitt 1983; Onkvisit and Shaw 1989).

A key advantage of globalization is firms' opportunity to benefit from strong economies scale. It is well-known that a standardized brand can generate significant cost reductions in all areas of the business system, including research and development, manufacturing, and logistics. The shift to a single global brand name also provides substantial savings in packaging and communication costs (Bartlett and Ghoshal 1986; Buzzell 1968; Craig and Douglas 2000; Levitt 1983; Porter 1986). Multinational corporations have leveraged these economies of scale to gain major competitive advantages in worldwide markets (Douglas and Wind 1987). Such reductions in costs reduce prices and enhance financial performance. Another advantage is the development of a unique brand image across countries. It is especially important in certain product categories, whose brands target worldwide segments of consumers, such as the affluent and teenager segments (Hassan and Katsanis 1991).

The speed to market for now product initiatives that international brands offer is also important for international companies, which can now launch new product initiatives in the fast-moving consumer goods industry on a regional or global scale within 12 to 18 months. Such a cycle takes much more time when brand strategies are not globalized. Another advantage is the possibility of supporting any global brand with large budgets in the communications area. This is especially important in the context of very high advertising and media costs.

However, we note that the push toward development of international and global brands ahs been driven more by supply-driven considerations linked to costs than by market considerations. In most cases, consumer preference has not been the primary reason for companies to decide to move to international and global brands (Kapferer 1991; Terpstra 1987). An example of an international firm that has accelerated its development of global brands since in the early 1990s is P&G.

Local Brand Development: Neither academics nor practitioner have paid much attention to local brands. Some authors have pointed out the existence of local brand (de Chenatony, Halliburton, and Bernarth 1995; Douglas, Craig, and Nijssen 2001; Halliburton and Hunerberg 1993; Quelch and Hoff 986) and have discussed their characteristics (Ger 1999; Kapferer 2000, 2002 Schlosser 2002). Other authors have analyzed the impact in local brand names on brand attractiveness in a Chinese cost text (Francis, Lam and Walls 2002; Zhang and Schinmis 2001), but to our knowledge, no one has conducted in department research to further develop the understanding of local brand.

However, in Europe, there are many more local brands then international brands, though the trend of the proportion of local brands to international brands is diminishing. Although the car, computer, and high-tech industries, among other, are well-known for their strong international brand many sectors are still characterized by their local brands. In Germany's oil industry, British Petroleum acquired the local leader Aral and, in view of its strong brand equity, decided brands are not the well-known J&B or Johnny Walker but the local Label 5, Clan Campbell, and William Peel. In the Check Republic, Danone did not succeed in imposing its global brand on that market and has had to use the local brand for chise Opavia to develop its business. In Belgium, the leader in the mineral water market is the local leader Spa, and it his shares well above the international leader Evian.

Strategic Advantage of Local Brand Development:

Local Brands also represent many years of marketing investment. They are well-known in their markets and often built strong relationships with local consumers over the you. However, strong local brands have essentially been eliminated from multinational brand portfolios, not because the do not represent strong brand franchises locally, but because their relative sales volumes do not permit economies scale. For example, at the end of the 1990s, P&G consider eliminating the leading detergent, Dash, in Italy and Belgium despite the brand's national institution and extreme profitability in both countries. The company's motivation at the item was that Dash created cost complexities in Europe where Ariel was the European leader.

Exploratory research:

This involved interviewing general managers and marketing directors of ten well-known multinational firms: Unilever, Nestle, P&G, Coca-Cola, Reckitt Benckiser, Sara Lee, Campbell Food, Becardi-martini, Kraft Jacobs Suchard, and Inbev (Formely Interbrew). We discuss the advantages of maintaining local brands next.

Better Response to Local Needs:

A local brand can be designed to respond to the local market's specific needs. Local brand products have more flexibility than international brands, so they can be developed to provide answers to local consumers' particular needs. That is, local branding can not only provide a unique product but also select its positioning and generate advertising campaign that reflects local insights. In contrast, an international brand must satisfy the largest number the largest common denominator from both the product's and marketing's perspectives.

Flexibility of Pricing Strategy:

Pricing strategies for local brands can be more flexible and thus can take advantage of a brand's strength in specific local markets. There is also no risk of parallel imports because the brand is not linked to a regional pricing strategy. Such flexibility can lead to increased profits because prices can be fixed at higher levels. In contrast, international brands must remain within a particular pricing corridor, because comparisons can be easily made across territories. This is especially true in Europe, following the introduction of the Euro.

Possibility of Responding to Local or International Competition:

A local brand can be used to respond to local or international competition or even to compete against retailer brands. A local brand can be repositioned and the marketing mix

adapted accordingly. In contrast, the marketing strategy for an international brand must follow a predefined regional or global marketing strategy.

Possibility of Balancing a Portfolio of Brands:

An international portfolio that mostly comprises international and global brands can be powerful, but it also presents risks. A problem that arises with one mega brand in a particular country can have a negative impact on a worldwide basis. This was illustrated in 1998 by the example of Coca-Cola in Belgium. Some consumers become sick after drinking Coca-Cola. A lesson that can be learned form these examples is that a brand portfolio with both strong local and strong international brands is in a better position to manage risk on a worldwide basis.

Possibility of Responding to Needs Not Covered by International Brands:

To benefit from economies of scale, international brands must cover similar segments in many markets Profitable segments of the markets that are unique to certain countries can still represent attractive opportunities for local brands.

Possibility of Fast Entry into New Markets:

A company that acquires a local brand also acquires a way to enter a market directly without further large investment. This strategy has been used frequently in the past. For example, inbev had become the number-one brewer in the world by aggressive acquiring local leaders over the past ten years. Separately interviews of international marketers revealed that strong local brands benefit from awareness and brand equity. Local brand also develop close relationships with consumers over time, which leads to a high brand trust.

It is clear that local brands also represent important disadvantages, which by and large are linked to cost. The relatively small volumes of products that local brands sell prevent the brands form generating significant economies scale in the product or marketing areas.

Brand Equity of Local and International Brand:

we have noted the strategic advantages of international and local brands, but it is also useful to identify the particularities of their brand equities in terms of awareness level and brand image (Kapferer 1991; Keller1998). The literature on international and global brands has provided some indications of the importance of brand equity. For international and global brand, research shows that perceived brand globules could create consumer perceptions of brand superiority (Kapferer 1992; 2004; Shocker, Srivastava, and Ruekeri 1994). Research

also confirms that quality is among the most important factors that drive consumer preference for global brands (Holt, Quelch, and Taylor 2003; Steenkamp, Batra and Alden 2003).

No research has been conducted on the understanding of global brand equity. Country-of-origin research provides some general indications of brand equity on local brands, when the product's country of origin is emphasized. Such studies that country of origin has an impact on consumers' evaluations of the product (Han and Terpstra 1988; Hong and Wyer 1989; Johansson, Douglas, and Nonaka 1985; Tamiee 1994; Schooler 1971). Researchers have also found that consumers tend to evaluate local products more highly than foreign products (Bilkey and Nes 1982; Han 1989; Kay lak and Cavusgil 1983; Nagashima 1977; Schooler 1971), though this bias varies across consumer segments and contries (Heslop and Papdopoulos 1993; Shimp and Sharma 1987). Some authors have shown that consumers prefer brands that they perceive as originating from a non local country, especially from western countries, more than they do local brands and that preference is linked not only to perceived quality but also to social status (Alden, Steenkamp, and Batra 1999).

Exploratory Analysis of the Y&R Database:

To make use of our information sources, we next evaluate the difference in awareness and brand image attribute, in particular the attributes of quality, prestige, and trust. We conducted a second phase of the exploratory research on the basis of the secondary analysis of the Y&R worldwide brand database brand asset valuator. The original Y&R database covered 44 countries worldwide and 20,000 brands. Three waves of interviews have been conducted since the database was created in 1993, and more than 230,000 respondents have been surveyed to date.

From this database, we selected a sample of 12 product categories in the food sector (see Table 1). They represent 744 different brand units covering the four largest European countries: the United Kingdom, Germany, France, and Italy, A Total of 397 brand (53%) are local, and 347 (47%) are international, as Table 2 indicates. A total of 9739 people were cater viewed from 1999-2000. The database is extremely catch in terms of available data, and thus we were able to analyze the data on awareness, brand image (48 image criteria were available to consumers to evaluate each brand), and stand usage.

Brands per Product Category

Sino.	Product Category	No. of Brands	No. of Local brands	No.of International brands

1	Alcohol	153	61(40%)	92(60%)
2	Chocolate	124	53(43%)	71(57%)
3	Beer	119	70(59%)	49(41%)
4	Yogurt	72	45(63%)	27(37%)
5	Mineral Water	45	26(58%)	19(42%)
6	Frozen goods	38	24(63%)	14(37%)
7	Chewing gum	36	16(44%)	20(56%)
8	Fruit juice	36	29(81%)	7(19%)
9	Coffee	36	25(69%)	11(31%)
10	Ice Cream	34	17(50%)	17(50%)
11	Soup	26	12(46%)	14(54%)
12	Pasta	25	19(76%)	6(24%)
Total		477	397(53%)	347(47%)

Brands per Country :

Total	Number of Brands	Number of Local Brands (% of total)	Number of International Brands (% of Total)
All countries	744	397(53%)	347(47%)
France	172	74(43%)	98(57%)
Germany	226	139(62%)	87(38%)
Italy	177	108(61%)	69(39%)
United Kingdom	169	76(45%)	93(55%)

A majority of local brands, at 59% and 58%, respectively according to the database. Moreover, there are many global international and local players in this industry. Unilever Nestle, Mars, and Kraft Jacobs Suchard are good examples of international and global firms, and strong local players are still present in key local markets.

Note that though the food sector was linked fully to local traditions and cultures at one time, this situation has non-changed, as indicated by the repaid development of many international brands in this sector, including Nestle, Danons Evian, Barilla, Nutella, and Kraft. Products that reflect local traditions have gradually been replaced by products that apparently satisfy the largest number of consumers. This tendency has also been driven by the concentration in the retailing industry logically international brands that belong to for local brands; this awareness level might be largest to the number of years that brands have been in the market.

Our analysis shows awareness of Local Brands 85% is significantly higher than the results of first phase of items. the analysis of the brand image, based on the 48 different attributes available in the database, shows that caption of quality is as high for local brands as it is for optional brands (25.3% versus 24.3%), as table 3 indicator there is no significant difference between either group brands. Note that of the 48 available attributes, quality is that important attribute selected by consumers.

Is the image of trust is significantly stronger for local than for international brands (22.1% versus 17.9%). Also confirms the findings of the first phase of international of international marketers. Trust is a key brand equity fund (Aaker 1991; Kapferer 1991).

To value is also perceived as an important attribute for brands, as is indicated by the significantly higher value for local brands (18.8%) than for international brands (16.8%).

Table 3.

Comparison of Means on a Selection of Image Variable

Variables	Local Brands (%)	International Brands (%)
Brand Quality	25.3	24.3
image of trust	22.1	17.9*
Brand Value	18.8	16.8*
Principle	18.6	17.2
To earth	15.7	14.7*
Dly	15.4	14.4
Traditional	15.1	12.7*
Friendly	14.0	14.5
Heal thyinal	15.6	11.4*
Original	13.6	13.3
Distinct	22.1	17.9*
Social	12.6	12.8
Kind	12.5	12.2
Authentic	11.7	12.2
Fun	10.4	10.1
Sensual	9.8	11.3*
Prestige	11.2	9.3
perceptions of prestige	6.9	7.4

Significant Difference between International & Local Brands P<0.005

This might be liked with the fact that prices Local brands are usually Lower than those of international brands i.e. consumer sense more result of the money. Fifty local brands are perceived as more down to the earth. Than international brands the study also indicate that the local brands are perceived as more traditional (15.1%) than international brands (12.7%). This is quite logical, because local brands are linked more to local traditions and local cultures than international brands are.

Sixth, the results also indicate that local brands (22.1%) benefit more from a significantly stronger image of reliability that do international brands (17.9%). This attribute is closely correlated in the database with the trustworthy attribute, confirming this strong advantage for local brands. The results also indicate that there is no significant difference between the perceptions of prestige for international brands (7.4%) and that for local brands (6.9%). The relatively low level of this attribute for both international and local brands is surprising in the case of international brands, as this was not identified in previous research on global brands (Holt Quelch, and Taylor 2003; Steenkamp, Batra,a and Alden 2003).

The database also provides information on the usage of local and international brands. The results show higher ratings for local brands (42.9%) than for international brands (37.4%) as table 4 indicates. Note that the usage intention figures indicate a different pattern; ratings are slightly higher for international brands (47.5%) than for local brands (46.0%). This might indicate that consumers are attracted to international brands but that, in reality, they prefer to purchase local brands. The identified value advantage of local brands could explain the difference between usage and usage intention. A relatively lower value rating for international brands could keep people from buying the brands they would have linked to buy.

We also conducted a factor analysis on the 48 image variables and identified 9 factors. To evaluate the reasons consumers use local brands, we performed a regression analysis with usage as the dependent variable; this produced a significant.

Table 4.

Compression of usage and Usage Intention

Variables	Local brands (%)	International Brands (%)
Usage	42.9	37.4*

Usage Intention	46.0	47.5
* Significant difference between international and local brands, P<.05		

An international company, international and global ands provide many indisputable advantages in the current test of market globalizations. It is sensible for firms to slate the development of these power brands. Because their size, international and global brands create barriers entry, benefit from having a unique image worldwide, and separate important economies of scale that are financially active.

However, application of a strong global marketing approach creates risks that international marketers must consider huiling 2001). International companies usually use centralized strategies to develop their powerful global brands. Therefore, such companies have less intimate relationships to local markets and take a long time to react to problems they arise. For example, Coca-cola changed its strategy on it found that its structure had become too cumbersome that it was insensitive to local markets. In 2000, the company decided to return to a more multi domestic marketing approach and to give more freedom to local subsidiaries. Local teams are now permitted to develop advertising to all consumers and, on the basis of local knowledge, can launch new local brands. Thus, over the past two years, all subsidiaries have launched many local brand relatives.

A P&G, the strong advocate of global marketing, was read to understand the limits of its strategy. As we mentioned previously, in 2000 in Belgium, P&G tried to replace leading local and very profitable detergent Dash brand to the European-wide Ariel brand. For nine months, P&G continued advertising Dash, an inconceivable move for type of business. In the wake of this, because P&G's results in the detergent category were so poor, it was forced knew marketing support for Dash. It also reopened some all subsidiaries that it had closed to reduce costs. Because he had put distance between itself and the local consumer, its business suffered. We recommend that international firms maintain close contact with local experts who know and consumer, even if there is an extra cost element associated with doing so.

I have also shown that, in addition to international brands, and brands can offer strategic advantages that international marketers should consider. Local brands provide firms greater strategic flexibility in many marketing areas. First, they offer a product that can better respond to the specific needs of local consumers. This is in contrast to international brands

that must deliver a standardized product to satisfy the largest possible number of consumers. Firms can select local and international competitors into account. They can adopt specific pricing without being influenced by a global pricing strategy. They can also introduce new markets quickly and with minimum marketing investment through the acquisition of a successful local brand.

Second, local brands a help minimize the risk represented by a portfolio that contains a majority of international brands. We believe that academics and practitioners have not sufficiently emphasized the need for risk management in this situation. Therefore, we recommended that international marketers encourage the development of international brand portfolios that combine a balanced number of both strong local and international brands. Our exploratory research on the Y&R database indicates that local brands benefit from strong brand equity. In particular, local brands benefit form higher consumer awareness than international brands do, and they enjoy a strong brands image. They benefit not only from a good quality image but also from a better value and trust perception than international brands do. We find that trust is an important advantage for local brands, because it provides a unique relationship with consumers that take years to develop; it is not linked to any particular level of investment. It is not linked to any particular level of investment. It is doubtful that an international brand could reproduce such a unique relationship with consumers, even after substantial investment in marketing. Thus, we recommend that international marketers leverage the advantage of trust that local brands have succeeded in building with local consumers.

At a time when product differentiation is more difficult to achieve, strong brands are essential differentiating assets. International firms should take into account that owning strong local brand franchisees represents a key long-term asset. Therefore, we recommend that companies not eliminate local brands on the basis short-term financial considerations but that they consider the substantial long-term food sector. In its ice cream business, Unilever has kept the best-known local brand names, such as Miko in France, Wall's in the United Kingdom, and Agnesi in Italy, while globalizing logos, products and new concepts, such as Magnum and Solero. Even in the traditionally globalized cosmetic business. L'Oreal has discovered that local brands have the power to retain clients. In globalizing the U.S.Maybelline brand. L'Oreal has pursued a double-branding strategy, in which Maybelline

is the host brand and another name is the local brand. For example, the company markets Gemey-Maybelline in France and Jade-Maybelline in Germany.

We also recommend that in their strategies, international firms acknowledge the recent trends toward more regionalism in the different parts of the world, including Europe, and account for the effects of the antiglobalizaiton movement. It might be critical for international firms to offer more diversity in their brand portfolio to avoid overloading consumers with the same international brands in all categories every where. This is another argument for a company brand portfolio to maintain a balance of both strong local and international brands.

Finally, to create a source of new ideas, international companies should encourage the development of new local brands, As we mentioned previously, Coca-Cola has granted local teams the right to develop new local brands, which is a powerful way to generate new ideas. These new local brands could be transformed into successful international brands at a later point. In addition, firms' providing local marketing teams the opportunity to build local brands has an impact on the teams' motivation and skill level. Thus, we recommend that international marketers encourage local teams to develop new local brands as a source of new ideas.

In summary, if international companies eliminate strong local brands, they might be throwing away opportunities. Strong local brands represent strategic advantages that are worth consideration, and they enjoy strong brand franchises that are real assets for any company. When brands are eliminated

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