

MARCA REGISTRADA
INTERNACIONAL

IDENTITAT

MARCA

QUALITAT

PRODUCTE

ECONOMIA GLOBAL

Building and assessing the brand in the global economy

JOSEP M. OROVAL

Branding is based on two pillars: the company and consumers. The company creates the brand identity and consumers build its image, two concepts that require further explanation.

Today, a brand needs to be created considering the context of the global economy as local consumers have access to brands of any origin and because the natural development of any brand leads to the global market in the long run.

Brand valuation has been strongly pushed in the last two decades. Brand relational valuation is key for management, and economic and financial assessment is important for measuring the brand as an intangible asset, justify investment and negotiate acquisitions and licensing.



The pillars of the commercial brand: the company and the market

The brand is strategic for any organisation. Reaching organisational goals largely depends on it. The ability of an NGO to raise funds and attract volunteers depends on the trust its brand conveys. The attraction of a sports club will determine the number of supporters and the amount of income raised from sponsorship, member fees and ticketing. The prestige of a brand of a research centre will facilitate seizing talent and project funding. In this article we will concentrate on companies, for which the brand means the possibility of providing a differentiated offer, having a customer base and raising its loyalty, capitalising marketing investment and raising income and benefit on a sustainable basis.

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For people, brands have some far and deep roots. We could say that people have always been using symbols to articulate their feelings of belonging and differentiation of any sort of collective group, either religious, tribal, ethnic or national. In our system, brands are important for consumers as they facilitate the choice of the product, save time and effort in the purchasing decision, are a quality assurance and sometimes a symbol of personal reassertion or allow to enter any given community (e.g. Harley Davidson owners).

Companies and consumers are the two factors to consider for product or service brands, for commercial brands. The company always takes the initiative. As long as there is not a company that decides to manufacture a product and create

a brand, consumers will not play any role. This does not exclude that the company takes the market into account to design the product and build the brand; of course it needs to do so.

Branding starts thus at the company, which sets out the offer, defines the target audience, the properties of the product or service, its functionalities and the values it wishes to attach to it, the sort of relations and experience it expects to offer and keep with customers, the name and the way of presenting itself, symbols, graphics, colours and communication style. In a word, the company defines the brand identity. It is quite a complex matter due to the range of aspects to consider, the relevance of each and the consistency to be kept with all of them.

Building the brand identity is a strategic question for companies as it means to create one of its most valuable intangible assets, a sustainable competitive advantage that will contribute to generating future benefits and overall development of the company. It is also a multidisciplinary matter as it concerns different parts of the organisation and may involve most of the staff and processes. David A. Aaker (2008) states the need that the company as a whole takes the commitment and overcomes isolation of each department.

The other side to branding are the addressees, consumers or buyers in consumer markets and the customers in industrial markets. What counts here is the brand perception by the audience, the brand image. There is a big difference between both sides to the equation: whereas each company is active in the branding process, the audience is much more passive towards a specific proposal as it is exposed to thousands of offers every day.

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The brand image is not less important than identity. The foundation of consumer attitude and thus their buying and consumption pattern is the perception they have of a given brand. And this pattern is what allows to close the circle. If there is no positive reaction by the market towards the brand, all the rest, all efforts done by the company will be vain.

It is thus very interesting to know how the consumer perception towards a brand originates. From a stage at which it was considered that perceptions were set by communication, we went over to another one in which consumers move along not only what brands say but also increasingly what they do.

And here we talk of the brand experience as a key factor, of the importance any opportunity a brand has to enter a relation with consumers, the points of contact. An opportunity is still communication in mass media, but also the place where it is distributed and how the brand is placed at the point of sale. It is also what is said of the brand in social networks or among friends and relatives.

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And many more things, like the impression we have upon consumption, perceived quality, the reaction of the company to a claim, information we can have of the company manufacturing the product, the place or country of origin, etc. For the consumer or customer, the brand is a promise that awaits to be fulfilled on each occasion they get in contact with the brand. The company will need to take into account for each particular

case the most sensitive points of contact for the consumer within each product category.

There is always a considerable gap between the identity created by the company and the image consumers have of it, as besides the proposal by the company there are influences beyond its control, like consumer experiences and opinions, social networks, media and competition. The task of the brand manager will largely be to bring together identity and image.



▲ The brand often becomes a symbol of identification for certain communities.

Branding in the global economy

Some simplifications have been made on globalisation that turned out to have a high cost for people, societies and also brands. In the early 1980s, Theodore Levitt published a very controversial article, claiming that technology and communications would make markets homogeneous and companies would need to learn to operate as if the world were a single market ignoring regional and national differences, which he considered superficial.

This suggestion of extreme standardisation was followed by companies and entrepreneurs with highly problematic results. An illustrative example

is that of Coca-Cola under the chairmanship of Roberto Goizueta, for whom there was no difference between the domestic and the international market, so he created an extremely centralised organisation focusing on international growth and economies of scale. The consequences came later. Professor Pankaj Ghemawat states: «Coca-Cola took almost ten years to notice that *globaloney* and its strategic implications were dangerous for its health, and in the meanwhile its market shrank by roughly a hundred billion dollars, i.e. more than 40 % of its maximum value.»¹

Going along globalisation requires a big effort in financial and human investment, adaptation and trial and error.

Today predominates the search of balance between the will of growth and taking advantage of economies of scale on the one side and the need to adapt the brand to the specific properties of consumers in the different markets on the other. On the one hand, globalisation is a highly complex issue; there are no shortcuts. On the other, there are not many brands that can be called global. Going along globalisation requires a big effort in financial and human investment, adaptation and trial and error. There are no recipes ensuring success; each product category may require a different way and every target market may mean a new test. The very concept of global brand needs to be reviewed. Market analyst Nigel Hollis defines a global brand as one having gone beyond its cultural origin to develop relations with consumers throughout different countries and cultures.² Hence the failure of radical standardisation.

Branding in our country needs to be done thinking of the global economy today as the competitive setting it will be found in will be global from the onset. This is due to local consumers having access to products of different origin and that any brand developing forcefully in our country, which is what any company creating a brand aspires to, will eventually seek foreign markets and the way

▲ «Coca-Cola va trigar gairebé deu anys a adonar-se que la *globaloney* i les seves implicacions estratègiques eren perilloses».



will be much easier if it is built with a global perspective from the very beginning.

For a brand, tackling the globalisation process is an immense task and it needs to be done in company. All public authorities have aid programmes for internationalisation. **ACCIO** is the agency of the Government of Catalonia giving support to Catalan companies to improve their competitiveness, especially by fostering innovation and internationalisation.

The Spanish Foreign Trade Institute (**ICEX**) is a public body depending on the Ministry of Industry, Tourism and Trade, aimed at offering services to companies to enhance their exports and facilitate their international footprint. There are also interesting private initiatives like the Asociación de Marcas Renombradas Españolas (AMRE), with a history of more than ten years and gathering almost a hundred big companies, having been seeking cooperation by public authorities since its inception. More recently, the initiative of the **FemCAT** foundation was started in Catalonia.

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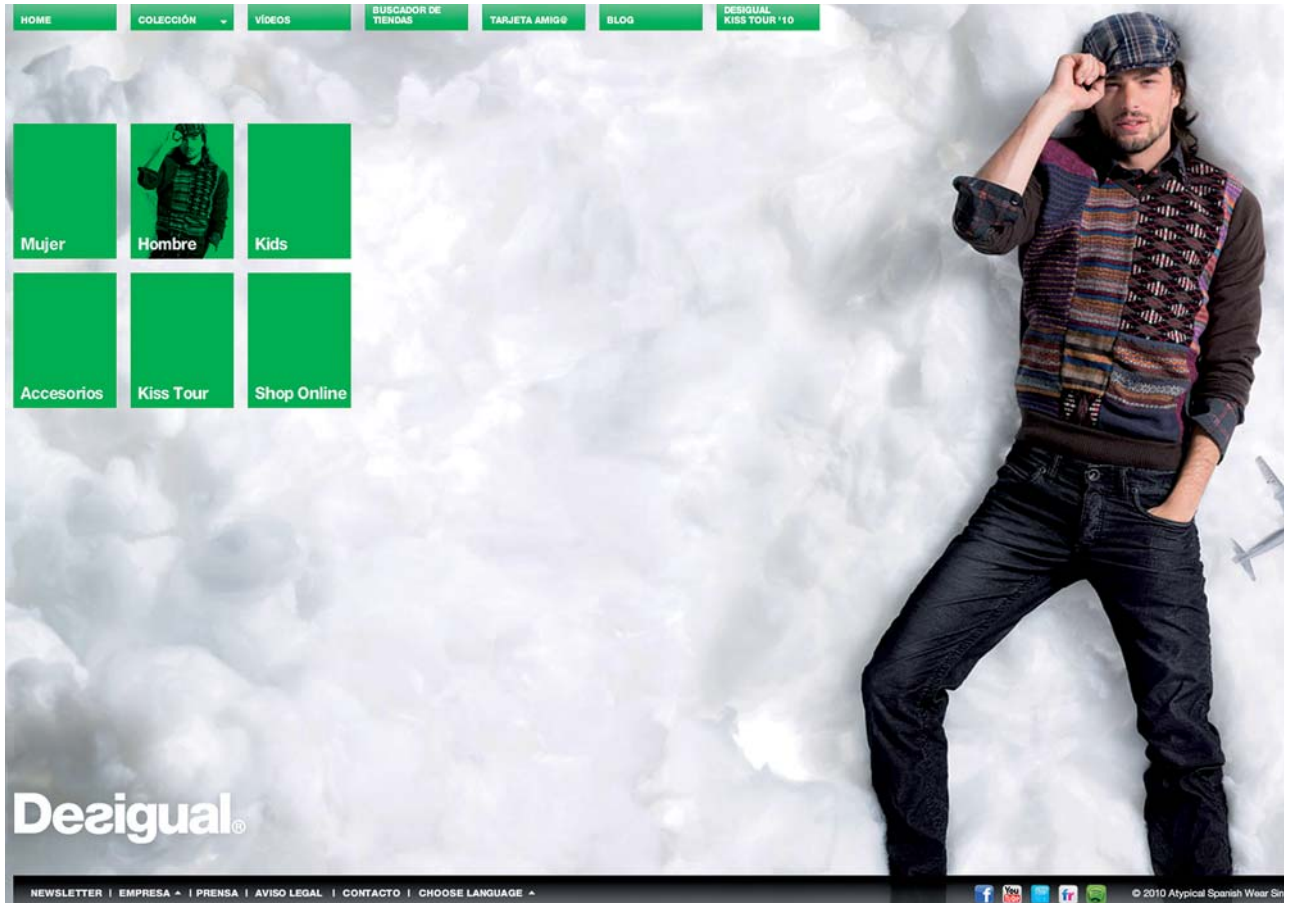
Trend towards single and corporate brand

The Observatorio de la Empresa Multinacional Española (**OEME**), a consortium jointly created by ICEX and **ESADE** aimed at analysing the best practices of companies being in an advanced stage of their globalisation process in order to inform and guide those being in a more initial stage, organised a workshop on brand with ten companies from different industries, coordinated by the ESADE Brand Centre. Important subjects



▲ Freixenet has worked to unify its brand identity so it is perceived globally and uniformly.

like possible brand strategies to penetrate foreign markets or organisation forms to better manage the brand in an international setting were tackled there. A very sensitive aspect going alongside this process is the increasing trend towards single and corporate brands.³



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On this subject, the three companies doing the most complete presentation according to the workshop programme were **Banco Santander**, **Desigual** and **Freixenet**. Each one's contribution to the subject is interesting. To Desigual, the single brand has been a key factor in the international growth process, with annual growth rates of 65 % in the last eight years.

Freixenet felt in recent years the need of unifying its global image. Despite keeping different

brands, it has worked towards uniting the vision of the Freixenet brand globally and uniformly. In 2010, Banco Santander had a single brand acting as an umbrella to the group, but this is fairly recent. Six years ago they still had forty brands throughout the world and four in Spain, with different logos and colours, but especially with different corporate cultures and ways of conceiving business.

In 2004, the board of the bank decided to go for the single brand, a decision that went beyond the market as it concerned the whole of **stakeholders**: customers, shareholders, employees, etc. Besides, it is seen as a way of attracting talent.

So in the commercial domain we are experiencing a trend from multiple product or

service brand to single brand. It is a matter of market efficiency and efficacy.

Nevertheless, there is also a trend, albeit with a certain delay, from single brand to corporate brand that considers not only customers but also the whole of stakeholders the company relates with, like employees, shareholders, suppliers, public authorities and, if applicable, social groups, financial analysts, etc.

This important step involves that the brand becomes part of the corporate strategy and is under the responsibility of the organisation's top executive or by delegation somebody from the managing committee.⁴ This is the case of the three aforementioned companies.

Brand valuation

The ESADE Brand Centre carried out a pioneering survey on the value of brands in the big consumer companies for the whole economy.⁵

What had been measured so far was the brand value for a company, but no analysis had been made of the impact of all brands on the gross domestic product (GDP), the added value they provide, both direct and indirect employment, employment quality, R&D&I investment, contribution to the trade balance and the contribution to public income by means of taxation.

Brands need to be valued due to the need of having measures to manage brands and because the brand progressively enters the domain of management, which strengthens the trend towards measuring its economic and financial value.

This is the first large-scale and sectorial measure, but work has been done on brand

assessment for a couple of decades now, basically out of two reasons. The first is the need of having measures to manage brands.

If, as indicated, there is a gap between identity and image, it is important to measure the perception the market has of it in order to guide brand management so as to reach a better fitting between the company target and the result. The second reason is related to the fact that the brand progressively enters the domain of the management committee, which strengthens the trend towards measuring the economic and financial value of brands.

In fact, there are two big approaches to brand valuation. On the one hand, there are methods based on market valuation, methods to measure the perception consumers have of brands. On the other, there is economic and financial assessment. Different brand consulting firms, market research institutes and publicity agencies have developed many methods for each of these approaches. We can mention some of them.

In 1993, the agency **Young & Rubican** set up the **BrandAsset Valuator**, based on four main brand parameters: differentiation, relevance, esteem and familiarity. Based on these measures and the relation established among them all, the method informs about the vitality and size of the brand, i.e. its growth potential and strength for the consumer.

Millward Brown developed a method that measures the strength of brands among users and within the category it competes in. The method assesses the degree of relationship between consumer and brand, which is supposed to go through five consecutive stages: presence (knowledge), relevance (adequate to satisfy needs), results (does the brand deliver what is expected), advantage (does it have any distinctive value) and commitment (is it preferred). Then a calculation is made of how many consumers there are at each level, the brand pyramid is set up and an analysis is made of how transition from one level to the next occurs and what motivates this rise within the pyramid.



▲ ESADE set up the Valuable Brand Observatory assessing and studying the evolution of the main brands

Economic and financial assessment raises increasing interest at companies for different reasons, partly due to the concern of measuring intangible assets, the brand is usually the most relevant part of, but also due to the relevance of brand value in merger and acquisition processes and for international development of brand franchising and licensing. Another reason is the extension of the discussion on market value capitalisation by brands in the company balance sheet.

Methods can vary a lot. There are those based on historical costs in which market valuation is done by aggregating all costs incurred along the whole life of the brand, from research and development through to market studies and all commercialisation costs. It is used when assessment of intangible assets can be included into the financial statement.

Another sort of methods are those based on market value. One of them suggests to do an estimate of the value of a brand based on recent

transactions of comparable brands. This method is difficult to apply. Another one takes the stock quotation of a company, from which the market value of tangible and intangible assets not being the brand is to be deducted.

The Millward Brown method assesses the degree of relationship between consumer and brand, which goes through five consecutive stages: presence, relevance, results, advantage and commitment.

Third, there are the methods based on economic use, which project the future flow of benefits or funds attributable to the brand, deducting it based on the use of a rate showing the risk of that flow. This group includes the most widespread methods that also serve for regular publication of results in rankings. Among the latter range the methods of [Financial World](#), [Interbrand](#) and [Brand Finance](#).

To finish, the ESADE Brand Centre set up the Valuable Brand Observatory. It is a regular half-yearly study intending to detect those brands that are really valuable for consumers, defining their purchasing pattern, know the key factors explaining their success and analyse the evolution in time, permanence or renewal of brands in the thought of consumers.

This valuation has been started in big consumer markets. Work is done with 48 product categories and about 800 brands. Interviewees are buyers within each category; according to the market, they can be housewives, individuals or mothers. The first phase of the study has been completed, having served as a pilot test. The method is currently being adjusted to tackle the second phase later this year and publish the results.

The novelty of this method lies in the fact that all brand indicators used (notoriety, associations, memory, trust, affection, loyalty, word of mouth

or recommendation, experience, etc.) have been double-checked. On the one hand, they are indicators with academic validity, which shall facilitate rigorous studies in the shape of PhD theses and papers to be published in academic journals. On the other, they have an interest for companies, and to make this sure, an advisory board composed of ten big consumer companies has been nominated. The next step, for which there is already work in progress, is adapting the method to the service sector.

The Valuable Brand Observatory detects those brands that are really valuable for consumers, defining their purchasing pattern, knows the key factors explaining their success and analyses their evolution.

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<http://www.esade.edu/faculty/josepm.oroval>



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Notes

1. GHEMAWAT, 2007; HOLLIS, 2008, p. 23.
2. HOLLIS, 2008, p. 26.
3. CASABURI; OROVAL; SOLER, 2010.
4. OROVAL, 2008.
5. OROVAL; SEIJO; FUNOSAS, 2010.