

Cover story

Branding

Verbatim:

'There are longer-term trends toward greater competition. The U.S. was the only global brand country (but) that's no longer the case.'

Not taking care of business

Rivals threaten to edge U.S. brands out of picture

By DEBORAH L. VENCE
Staff Writer

America is the cradle of the consumer goods brand. Here, a free-spending and marketing-saturated public nurtured Coca-Cola, McDonald's, Tide, Calvin Klein, Ford, Dell and countless others to maturity. Many of those brands grew up to conquer other societies, as well.

But American brands' domination in the global marketplace is eroding. From Nokia to Toyota to LG and Li Ning, companies in Europe and Asia are turning out better- to top-quality goods and selling them as such, rather than compete on price. On the other side of the equation, poor product investment and poor brand investment are taking their toll on long-respected American names.

"There are longer-term trends toward greater competition. The United States was the only global brand country (but) that's no longer the case," says Earl L. Taylor, chief marketing officer of the Marketing Science Institute Inc. in Cambridge, Mass., and co-author of the article, "How Global Brands Compete," from the September 2004 issue of *Harvard Business Review*.

"Consumers prefer brands that they take to be of higher quality" regardless of the country of origin, he notes. "Increasingly, there will be other successful global brands in the U.S. (market)."

The uber brands at the top of Intel's list of the world's most valuable still dominate in the United States: the five most valuable are Coca-Cola, Microsoft, IBM, GE and Intel. Where American companies have lost the most ground is in the middle tier of recognizable brand names, says George T. Haley, professor of marketing at the University of New Haven's School of Business in West Haven, Conn.

Haley has quantified trends in brand rankings by global region, using Brandchannel.com's "Reader's Choice" rankings from 2001 to 2004 (see chart above). The United States has lost an average of 1.2 brands a year from the rankings overall, while the European Union and Asia have each gained 0.75 brands on average each year. ("Other," including the Americas, the Middle East, Africa and supranational brands such as the Olympics, lost 0.25 brands over the four years.)

Readers' Choice brand rankings

Origin of brand	2001	2002	2003	2004
United States	32	32	28	27
European Union	25	29	28	28
Asia	9	8	12	12
Other	5	2	3	4

Source: George T. Haley; Brandchannel.com, New York

Some of the shift is due to international mergers and acquisitions. Volvo, owned by Ford, is counted as a U.S. brand while Chrysler, owned by Daimler, is considered German. But the numbers also tell a story about the arrival of such names as Korea's LG Electronics and the disappearance of Arthur Andersen, for example. About the esteem felt for BBC, Al Jazeera, CNN and MTV, but not for CBS, NBC or ABC. About the rise of the brands Zorra (Spain), Hennes & Mauritz (Sweden) and Cirque du Soleil (Montreal) while AOL Time Warner, Motorola and Burger King bring up the rear.

One area from which U.S. brands are feeling the pressure is the Asia-Pacific region, which harbors the fastest-growing emerging markets today.

Eileen Campbell, CEO, North America of Millward Brown Group, an international market research consultancy based in Naperville, Ill., says that while China has been known for years only as a big supplier of commodities, that's changing.

"More Asian companies are embracing the power of branding. Even corporations there are changing their leadership to include a stronger emphasis (on branding)," she says. "There are more trade barriers for American companies going into China than for those coming into the United States. They get a more level playing field here."

Others agree: "Chinese firms have become competitive in a wide range of industries ... such as appliances, televisions and more. They are able to offer a quality

product at a cheaper price," says Oded Shenkar, professor of international business at the Fisher College of Business of Ohio State University and author of the book, *The Chinese Century*. "And the U.S. is vulnerable (to this): We have more open markets and we have a higher retail concentration."

One high-profile example is Chinese IT firm Lenovo Group Ltd.'s agreement to acquire Armonk, N.Y.-based International Business Machine Corp.'s personal computer division. (The deal has to be approved by the U.S. government, which is investigating the security issues raised by the proposed deal.)

For Lenovo, China's leading PC maker, the purchase—which includes a five-year brand licensing agreement with IBM, and a long-term strategic alliance for PC sales, service and financing worldwide—would mean a couple of steps up the brand ladder.

"This is a logical move on their part ... because Lenovo would have the right to use the IBM brand name for five years," Shenkar says. But, he cautions, "you are talking about an extremely difficult acquisition. Most cross-border acquisitions fail."

In the appliance category, two Chinese companies, Haier and Kelon, are becoming top competitors for well-known U.S. brands General Electric, Whirlpool and Maytag. Haier, for example, honed its brand message in China and now is marketing aggressively in the United States.

"Haier (is a company) that emphasizes quality. They bring out these stories (with public relations efforts and press releases) about how their employees and chief executives are focusing on high-quality production." George Haley says. "Right now, (Haier) dominates the dorm refrigerator market."

Haier also invested some \$15 million in its recent purchase of the Landmark Haier Building in New York for its U.S. headquarters. Shenkar says both Chinese firms are building manufacturing facilities in the United States, and says that such popular U.S. brands as Whirlpool and General Electric, for instance, could be at risk for being sold to Haier or Kelon in the future.

Nor is the Chinese branding trend confined only to hard goods. Sporting goods and sportswear brand Li Ning, well-known within China, is building its international profile. While the Chinese basketball team wore Nike uniforms in the 2004 Athens Olympic Games, the Spanish team wore Li Ning. And, riding on the popularity of Chinese NBA star Yao Ming (himself a Reebok spokesman), Li Ning earlier this year won the right to use NBA players and the NBA logo in its marketing. The prospect of the 2008 Games in Beijing should present the Chinese company—and many other Chinese brands—with an unparalleled marketing platform.

The threat to U.S. brands is not confined to China, however. South Korean brands, such as Samsung and LG, also are emerging on the global stage in specific categories, such as electronics, chemicals and automobiles.

"In the 1970s, South Korea's political leadership specifically promoted these industries, and this has paid huge dividends," says Linda Fisher, president and founder of Design Management Resources Inc., a PR

Top five brands, all regions, 2004

Global	Asia-Pacific	Europe & Africa	C., Latin America	North America
1. Apple	1. Sony	1. Ikea	1. Cemex	1. Apple
2. Google	2. Samsung	2. Virgin	2. Corona	2. Google
3. Ikea	3. LG	3. H&M	3. Bacardi	3. Target
4. Starbucks	4. Toyota	4. Nokia	4. Bimbo	4. Starbucks
5. Al Jazeera	5. Lonely Planet	5. Al Jazeera	5. Vi a Concha	5. Pixar

Source: Brandchannel.com, New York

See DOMINANCE / Page 20

DOMINANCE / From page 19

Dim views of U.S. policy play tiny role

and marketing services firm in Thompson, Conn. "Having long been more of a supplier of raw materials to global manufacturing, South Korea has had to develop brand strategies with its entry into the global consumer products marketplace. It has done so with lightning speed."

LG, created by LG Electronics Inc. in Seoul, made a high-profile entry into the U.S. marketplace a year ago and now is introducing innovations that are shaping the U.S. digital display landscape. At the 2005 International Consumer Electronics Show (CES), for instance, LG introduced a broad selection of plasma display panel (PDP) and liquid crystal display (LCD) flat-panel products.

Meanwhile, the company reportedly plans to invest more than \$300 million in marketing over the next three years as part of a broad-based U.S. branding initiative. The new campaign coincides with the launch of the LG brand in the digital video display and media categories in the United States.

"(LG) is no longer a behind-the-scenes manufacturer. What you've got now is a company that you can buy top-line appliances and consumer electronics from," Taylor says.

"You have the Japanese competing (on the) entry level and high end. You have the Koreans now extending (their marketing and brands) and you have the Chinese coming in at the entry level (as well). It's like sequential waves, one after the other," Shenkar adds. "And one has to be careful when drawing lessons from one to another. The challenge from China is different than challenges from Japan. There are unique features to each."

In a different way than Asia, the threat that Europe poses for U.S. brands lies in the fact that U.S. brands are not as popular

among younger European consumers; the animosity that many Europeans feel toward the United States is translated into a preference for European or even Asian brands at the expense of U.S. brands. Plus, experts say, European brands are simply becoming stronger and more consistent.

"(U.S. brands) don't seem to have the same allure as they did before. They're not resonating as much with younger consumers (in Europe)," Millward Brown's Campbell says. "Younger consumers have a bit higher level of political awareness today."

Meanwhile, European brands are gaining momentum in the areas of white goods and consumer goods, putting the pressure on such well-known U.S. brands as Bissell and Hoover, experts say. For instance, Gaggenau is a popular, high-end European kitchen appliance brand, along with Bosch and Dyson. Dyson introduced a high-end vacuum cleaner into the U.S. market about a year ago.

"Europeans are embracing the concept of design, and consumers are getting more design-conscious. For Dyson, basically the design of these vacuum cleaners is good-looking," Campbell says.

Andrea Bielli, managing director in mainland Europe for Millward Brown, says Europe is leading the way in the luxury market, in particular.

"Its definition is going well beyond the traditional sense; we are not just speaking about watches and jewels. We are considering a whole set of brands, which are providing a certain 'exclusivity' and 'recognition experience' to the consumers. In this concept, the automotive sector is giving us some interesting examples with European brands taking the lead," Bielli says.

"BMW is able to keep a high level of consistency across (its) models. This builds up



John R. Joyce, senior vice president and group executive of IBM Global Services, announces Lenovo Group's plan to purchase IBM's PC business at a recent press conference in Beijing.

a strong brand equity, which makes a BMW driver feel part of a global privileged community. For this reason, to a certain extent, BMW as a brand is belonging more to the luxury market than to the automotive one," he adds. "And the fact that the luxury market is taking its strength from being truly global is giving any brand falling into this definition a unique advantage."

Other European brands maintaining cache—if not always the allure of luxury—according to the Brandchannel rankings, include Absolut, Virgin, Mini (as in Cooper), Red Bull and Ikea.

Still, markets point out, increased competition from the far side of either Big Pond is only part of the story.

"Poor product investments lead to American brands being bought," Haley observes, noting the classic case of American consumer electronics giant RCA.

Determinedly affected by years of poor decisions—the worst being the sale of both the Trinitron Color TV technology and, some years later, the Beta max VCR technology to Sony—RCA ultimately was taken over by NBC and then by Thomson Electronics of Europe. Haley says, Thompson, in turn, was recently acquired by the Chinese company TCL.

Some more recent examples of overseas acquisitions include Miller Brewing Co. (SA Miller, South Africa), Amoco (British Petroleum, London), Helene Curtis (Unilever, London and The Netherlands) and Household International Inc. (HSBC, London).

In addition, poor brand investment erodes brand equity.

Burger King (once again American) now held after British beverage firm Diageo sold it in 2002) is an American brand that has lost ground for years. Haley says. A new French fry recipe, unveiled with great fanfare in 1998, was a bust, even though taste test results quoted liberally in BK's advertising said the fries beat out McDonald's versions. More recent efforts, such as the viral "subservient chicken" Web campaign (www.subservientchicken.com) and product placement on the TV reality program *The Apprentice*, have had mixed results.

But most likely Burger King has simply fallen behind dining trends, and fallen prey to faster, smarter competitors.

"Burger King's problem is twofold," Haley says. "First, American society has begun to turn against its primary product, the Whopper, which is increasingly viewed as (being unhealthy). Second, it has simply been unable to crawl out from under the shadow of McDonald's. McDonald's dominance and greater success in expanding its menu into items being viewed more favorably is killing Burger King."

BK Chief Marketing Officer Russ Klein has indicated that his goal is to shake up BK's target audience out of their expectations for the fast-food chain, to generate a sense of fun and cache around the brand. But it's a risky strategy that may not address the company's more basic failings.

Meanwhile, the venerable Kodak red-and-gold brand has been poorly treated indeed, Haley contends.

"Kodak's problem is more strategic than marketing. The last quarter of the 20th century was a string of disasters for (the company)," Haley says. "Their Polaroid clone was judged to have infringed on Polaroid's patents. Their disc camera was a huge failure. They followed the wrong strategy in the copier business. And finally, most importantly, Kodak's failure to be an early and aggressive entrant into digital cameras. The whole string of cumulative blunders dragged its sterling brand through the mud, and it's still suffering for it."

Clearly, the issue does not begin or end with worldwide disagreement over U.S. foreign policy. Brand managers hoping to thrive, or even survive, in the domestic market—let alone the global one—have to frame their marketing challenges and dream up solutions on a larger scale than ever before. The greatest threat probably doesn't have an American street address.

"Pessimists just make (criticism of U.S. brands) about American foreign policy, but it's a relatively small part of the equation," says MSI's Earl Taylor. "It's the growth of global brands and the growing quality of local brands. We're seeing the ripples on the wave, and missing the waves." ■

The whole string of blunders dragged its sterling brand through the mud, and it's still suffering for it.

A Whirl of Possibilities

Gathering...

- **Custom Research** provides the diversity you need
- **Omnibus Services**
EXCEL™ collects adult consumer information quickly and inexpensively
SmallBizEXCEL™ the best way to reach decision makers with less than 100 employees
TeenEXCEL™ cost effective alternative to reach 12 to 17 year olds
HispanicEXCEL™ the only nationally representative sample of the Hispanic population
CENTRIS™ includes extensive inventory and trend data for technology and entertainment
- **Expert Web, Mail, Telephone, and Intercept Surveys** to best represent your population
- **Sampling Models** offer complex research designs and efficient representations of elite populations
- **International Research** is conducted in over 70 countries to let you reach around the world
- **In-House Facilities** ensure quality

...Insight

- **Multivariate Analytical Support** yields actionable answers to your research questions
- **Corporate Branding Model** determines your marketplace position by employing exclusive elements for true market comparisons
- **Customer Satisfaction and Loyalty Research and Implementation** identify your most valuable customers and maintain their loyalty
- **RACER**™ delivers and sorts large-scale projects through a unique, efficient web-based service
- **Specialized Expertise** brings added value to utility, technology, religion, social sciences, cable television, financial, retail, packaged goods, healthcare, and public relations clients
- **Economic Forecasting, Modeling, and Database Development and Management** convert information into insight for maximum benefit

We Gather Insight.



INTERNATIONAL COMMUNICATIONS RESEARCH
(484) 840-4300
WWW.ICRSURVEY.COM
ICR@ICRSURVEY.COM

MEDIA, PA (HQ)
NEW YORK, NY

DALLAS, TX

Copyright of Marketing News is the property of American Marketing Association and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.