THE MYTH OF THE INVINCIBLE GLOBAL BRAND

UNDERSTANDING THE DRIVERS OF BRAND LOYALTY

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INTRODUCTION

In 1983, esteemed academic Theodore Levitt made this pronouncement in the *Harvard Business Review:* "Gone are accustomed differences in national or regional preferences." Levitt asserted that the world was going global, and that before long companies would be marketing their brands the same way everywhere.

Levitt's provocative assertion helped spark a massive effort by many multinational corporations (MNCs) to take their brands global. Now, over twenty years later, the brands that have become successful on the global stage loom large in the minds of marketers everywhere. Names like Pampers, Nokia, Coca-Cola, Toyota and McDonald's seem invincible. They symbolize success and lure others on to emulate them.

The question is, however, should these brands be regarded as role models that other brands can safely imitate, or are these global powerhouses exceptional in ways that make their status beyond the reach of most "normal" brands? Successful global brands may be like the sirens of Greek mythology – they have an appeal that is hard to resist, but giving in to their appeal can lead to an unhappy ending. In fact, our research suggests that global brands really are the exceptions to the rule. Because people's needs, values and desires still differ dramatically from one country to the next, very few brand positionings can stretch, without adaptation, across different cultures. Local brands, rooted as they are in the local culture, enjoy the home-field advantage. With appropriate management and investment, local brands can compete with, and sometimes best, even the mighty multinationals.

In this paper we will examine the relative merits of global and local brands. In the process we shall examine what drives the success of a number of brands in Brazil and Mexico and highlight the continuing role of national culture as an influence on brand success.

OUR DEFINITION OF A SUCCESSFUL GLOBAL BRAND

Any thorough and systematic examination of brands around the world yields the conclusion that distribution alone does not guarantee success. Ubiquitous does not equate with invincible. Many brands that are distributed globally fail to create a strong relationship with customers across countries.

And yet the ability to connect effectively with consumers in different countries is the key criterion on which we would evaluate the success of a global brand. We would define a successful global brand as one that transcends its cultural origins to develop strong relationships with consumers across different countries and cultures.

But there is no universal strategy brands can call on to market themselves across borders. Whether a brand can achieve success through invoking a consistent global strategy depends on the category, company philosophy and brand.

In the next section we consider just how many brands do meet the criteria required to be judged successful.

SUCCESSFUL GLOBAL BRANDS ARE THE EXCEPTION, NOT THE RULE

To identify successful global brands, we have created a metric that embodies our definition. The Global Brand Power Score is a combination of two measures from WPP's BRANDZ database (see appendix A). However, before we describe this score in detail, we will briefly explain our approach to this analysis.

For the purposes of our analysis, we limited the brands we considered as "global" to those that had been measured by BRANDZ in seven or more countries between 2000 and 2007. Of the 10,000 brands in the database, only 3 percent satisfied this requirement. A further 13 percent were measured in two to six countries.

The remaining 84 percent of brands were measured in only one country. Included in this large group were brands like Bombril, the Brazilian pan scourer, and Bonafont mineral water in Mexico. The fact that these brands were measured by BRANDZ in only one country does not mean that they have no presence elsewhere in the world, but it does suggest that in other countries where they do compete, they are very small relative to other brands in the category.

To eliminate the confounding effects of the very small brands in the database, we restricted our analysis further to include only brands that achieved at least 1 percent Bonding wherever they were measured.

Table 1 demonstrates that once we remove this long tail of small brands, we find that local brands tend to be stronger than either international (measured in two to six countries) or global ones. So, while you might expect global brands to be the strongest in the world, the BRANDZ data suggests that in any particular country, global brands may actually be weaker than local ones.

THE GLOBAL BRAND POWER SCORE

The first measure used in creating the Global Brand Power Score is the average percentage of people Bonded to a brand across all the countries where the brand was studied. Bonding defines the proportion of category buyers (or, in some cases, potential buyers) with strong attitudinal loyalty to a brand.[1] Compared to people who have just a passing familiarity, people who are Bonded to a brand are, on average, at least eight times more likely to buy it.

Bonding is a convenient metric for comparing brands across borders. For example, across 30 countries, more than 40 percent of mobile phone buyers are Bonded to Nokia in the mobile phone category. By contrast, fewer than 1 percent of people are Bonded to Philips.

The second measure used to calculate Global Brand Power scores is a loyalty factor we derive from Bonding scores across countries. This loyalty factor describes a brand's ability to create a strong relationship with category consumers in multiple countries. A brand qualifies as having a "strong" relationship if its Bonding score is among the top 33 percent of Bonding scores in the category. Coca-Cola achieves strong Bonding scores with soft drink consumers in 30 out of 31 countries, yielding a loyalty multiplier of 0.97 (30/31). By contrast, 7-Up has a far lower multiplier. It only achieves a strong brand relationship in one country out of the 25 in which it was measured.

TABLE 1
AVERAGE BONDING ACROSS ALL COUNTRIES MEASURED

	Number of Countries Brands were Measured in:		
	One	Two to six	Seven or more
Average % Bonded	6.5	5.7	4.8
Number of brands	4512	920	265

Source: BRANDZ database from 2000 to 2007

The multiplication of the average bonding score across countries by the loyalty factor yields the Global Brand Power Score. The ten highest-scoring brands are shown in table 2.

Based on all our observations of the relative strength of local and global brands, we have concluded that the brands listed in table 2 are truly unusual. The average bonding scores of those brands have been factored down by our loyalty multiplier, (the proportion of countries in which they appear in the top 33% on Bonding), but even so, the weakest of the ten (Adidas) still achieves a score over three times that of the average global brand (17 versus 4.8). This suggests that as most brands move outside their home countries, it becomes more difficult for them to establish strong consumer relationships. As we shall see, there are a number of reasons why this is so, not the least of which is that it takes time to build up a strong degree of trust between a brand and its consumers.

A GLOBAL ECONOMY, A LOCAL CONSUMER

Levitt's premise – that companies would be able to market brands the same way around the world – was founded on the proposition that people's needs, aspirations and desires were becoming more homogeneous. Marketers who live in the United States or Europe may find it easy to believe that this is true. After all, business people, especially those involved in global business, share a common business language and lifestyle.

But most people around the world know nothing about the culture of global business. Though as a result of globalization and advanced technology, people are exposed to more international news and goods than ever before, in terms of their daily lives, their frame of reference is still very local. People care about their friends and neighbors. They shop in the local stores. They support the local soccer team, visit local restaurants, listen to local radio stations and read the local newspaper. The vast majority of things they engage with are local. When the price of tortillas in Mexico goes up, as a result of the increased demand for maize for ethanol production in the United States, people in Mexico may recognize that the global economy affects them. But when they demonstrate against this situation, they do it in their home town, with their local friends and neighbors.

BRAZIL AND MEXICO ARE DIFFERENT FROM OTHER REGIONS

There is no doubt that the economic profiles of Brazil and Mexico are very different to those of other countries in the world. As table 3 demonstrates, the two countries have a similar GDP per capita, which places them between the developing economies of China and India and the developed economies of the United States and

TABLE 2
GLOBAL BRAND POWER SCORE

Ranking	Brand	Global Brand Power
1	Pampers	42.8
2	Nokia	37.5
3	Microsoft	33.0
4	Colgate	31.9
5	Coca Cola	29.6
6	Nike	27.8
7	Sony	27.6
9	McDonalds	20.8
10	Adidas	17.0

Source: BRANDZ database from 2000 to 2007

Europe. However, average GDP per capita can hide a large disparity between rich and poor. In Latin American countries, where a relatively small group of people possess the majority of the wealth, the gap between rich and poor is greater than in most other places.

The demographic profiles of Brazil and Mexico are also similar in many respects. As table 4 demonstrates, the populations of the two countries are young. The median age is comparable to India, and far younger than those of European countries.

While economic and demographic differences between markets have obvious ramifications for business, it is culture that most affects the development and marketing of brands. Culture – the history, beliefs, customs, habits, values, and social behavior of a group of people – determines the way people will think, behave, and react to the world around them. Therefore culture has a massive effect on the acceptability and appeal of brands and their marketing communication. For many global marketers, this quote from Professor Geert Hofstede, Emeritus Professor, Maastricht University, The Netherlands, is all too appropriate:

"Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster."

From 1967 to 1973, while Hofstede was working at IBM as a psychologist, he collected and analyzed data from over 100,000 individuals from 50 countries in three regions. Based on these initial results and later additions, Hofstede developed a model that identifies five primary dimensions that can be used to describe and differentiate cultures.[2] Table 5 shows how Brazil and Mexico differ from other countries on the Individualism Index (IDV), a measure which is low for countries composed of tight-knit groups and high in countries that value individualism.

Given the similarities we observed between Mexico and Brazil on a number of measures, we wondered

TABLE 3
GDP PER CAPITA AT PURCHASING POWER PARITY

Country	USA	UK	Germany	Russia	Mexico	Brazil	China	India
$'000	46	35.3	34.4	14.6	12.5	9.7	5.3	2.7

Source: The World Factbook, estimates for 2007

TABLE 4
AGE BY COUNTRY

Country	USA	UK	Germany	Russia	Mexico	Brazil	China	India
Median Age	36.6	39.6	43	38.2	25.6	28.6	33.2	24.8
% Over 65	12.6	15.8	19.8	14.4	5.9	6.3	7.9	5.1

Source: The World Factbook, estimates for 2007

TABLE 5
HOFSTEDE'S POWER DISTANCE INDEX

Country	USA	UK	Germany	Russia	Mexico	Brazil	China	India
IDV	91	89	67	39	30	38	20	48

Source: Hofstede's web site

if we could combine them for the purposes of further analysis. To answer this question, we drew on a number of different sources to create two data sets, one composed of socio-economic measures (including GDP per capita, median age and use of different communications technologies) and one consisting of attitudinal data (including the Hofstede Indices, data from Global Target Group Index, and the Pew Center for Global Studies). The eight countries listed in the tables were then clustered on the two data sets using the Complete Linkage technique. (See appendix B for a full list of measures included in the analysis.)

Both of the resulting cluster dendrograms place Mexico and Brazil in close proximity to each other and separate from other countries. (See figure 1.)

On socio-economic grounds, the two Latin American countries group with China and India. They sit farthest away from the United States, which stands alone, separate even from the European countries.

In terms of attitudes, Mexico and Brazil again cluster together, this time in a broader grouping of China, India and Russia, with the United States, United Kingdom and Germany forming a separate group. (See figure 2.)

On this basis we feel safe in asserting that consumers in Mexico and Brazil have very similar characteristics that differentiate them from consumers in other regions. Next we will examine the implications that this may have for global and local brands.

THE GLOBAL BRAND SURVEY

In order to explore the role of local culture on brand success, Millward Brown commissioned a survey to better understand the strength of global versus local brands. (The full details of this study can be found in appendix C.) The questions we wanted to answer were:

- What role do factors like heritage, culture and local production have on people's likelihood to buy a brand?

FIGURE 1
COUNTRIES CLUSTERED BY SOCIO-ECONOMIC VARIABLES

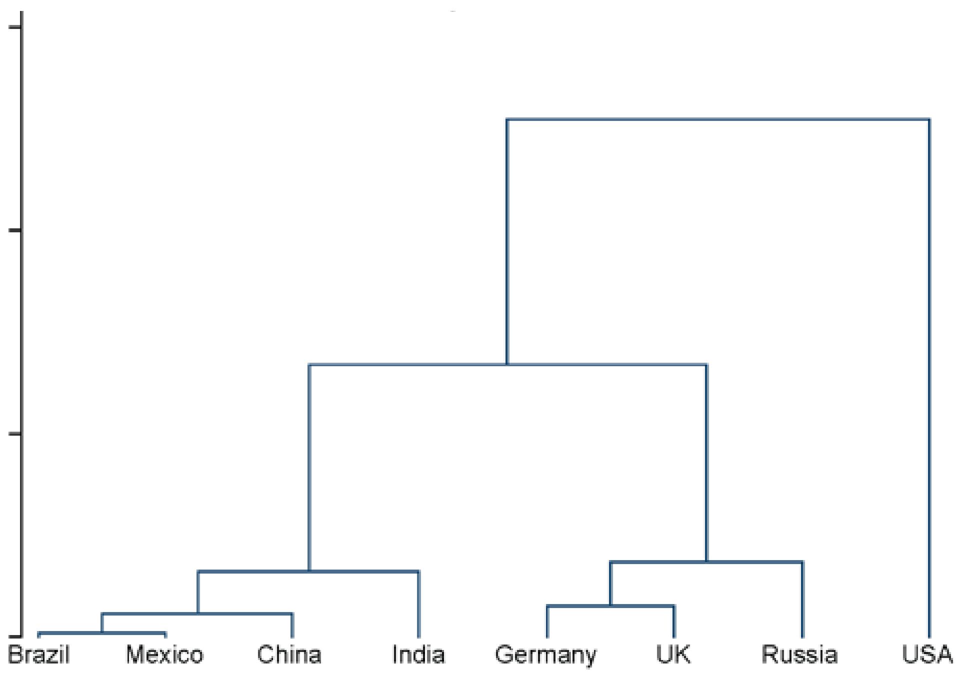
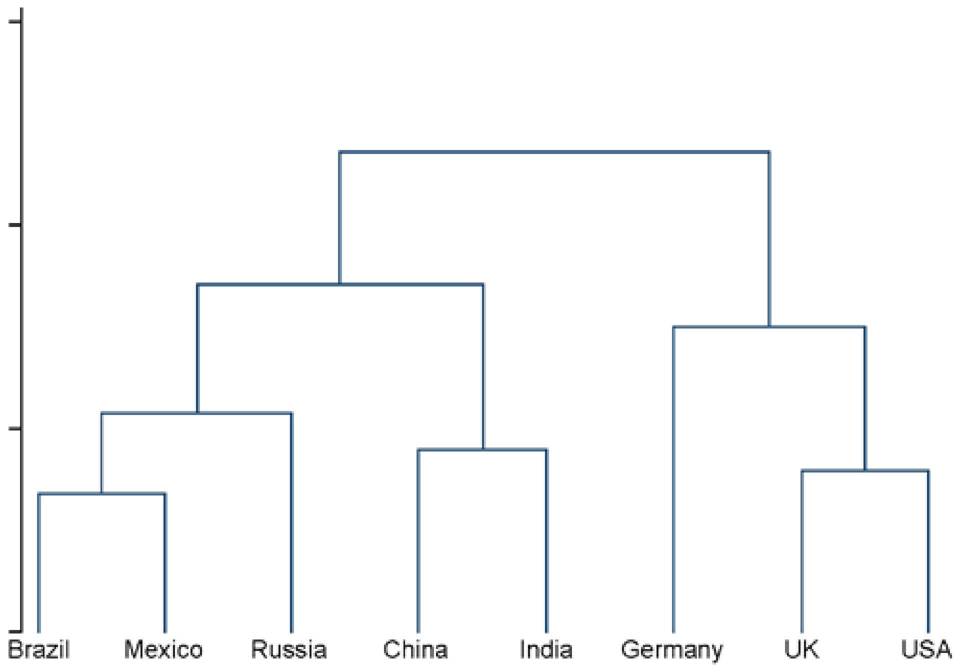


FIGURE 2
COUNTRIES CLUSTERED BY ATTITUDINAL VARIABLES



• Are there differences between global and local brands in terms of what motivates people to buy them?

The global brands we selected for study were McDonald's, KFC, Budweiser, Heineken, Toyota, Ford, Pantene Pro-V, Dove, Coca-Cola and Pepsi. However, because truly global brands are scarce, in some countries we had to make substitutions for one or more of these brands. For example, in Russia we replaced Budweiser with Miller, and in Brazil, we replaced KFC with Pizza Hut. It is not that Budweiser is not present in Russia, or KFC in Brazil, but simply that their presence in those countries is too low for them to serve as a meaningful example of a global brand.

Local brands were selected on a similar basis – that is, the majority of people in a country had to be familiar enough with them to have an opinion. Again, we had to make some adjustments for certain countries and categories. For example, because there are no major car brands that are truly "local" to Brazil, we had to select two foreign-owned brands, Volkswagen and Fiat, which are regarded as local. The fact that in some countries there are no local automotive brands points to the substantial influence of business economics. Local companies are often precluded from competing in complex, high-ticket categories like cars, because production of such products requires an enormous investment in R&D and infrastructure. For the same reason, MNCs are forced to seek economies of scale by ignoring local needs and desires in favor of distributing a consistent product. As a result we decided to exclude automotive brands from the following global versus local analysis.

The findings from our research clearly demonstrate that perceptions of heritage and associations with local or national culture affect the fortunes of global and local brands alike.

FACTORS DRIVING PURCHASE PROBABILITY FOR GLOBAL AND LOCAL BRANDS

The first two columns of table 6 show the average percentage of people mentioning any global or local brand across product categories in Mexico and Brazil.

From this data, it is clear that people in Mexico and Brazil do not have a strong preference for either local or global brands. This is a contrast to findings from developing countries, where foreign brands are typically preferred over local ones. However, it is also clear that in Mexico and Brazil, the two types of brands derive their strength from differing sources. Global brands in Mexico and Brazil are more likely to be mentioned as easy to recognize, having a distinctive identity, having a strong heritage and setting the trends. Local brands are more likely to be mentioned as being made in the local country and being part of the local culture. This pattern is generally consistent with the rest of the world.

In the two rightmost columns of table 6, a "*" denotes that regression analysis (conducted separately for global and local brands) has identified a statistically significant relationship between the image statement and the probability of people purchasing a brand.

Perceptions that a brand is part of the national culture are significantly related to purchase for both global and local brands. This confirms our hypothesis that, all other things being equal, brands that are identified with local culture will perform better than others. While it has less impact on purchase probability than perceptions that a brand is high quality or setting trends, association with local culture is definitely a benefit.

While global brands like Heineken, McDonald's, Pantene Pro-V and Coca-Cola can be associated with a local culture (for instance, 64 percent of people in Brazil agreed that Coca-Cola was part of their local culture), this association is less beneficial to the global brands than it is to local ones. Our analysis suggests global brands rely more on the basic building blocks of successful brands.

Global brands lead local brands in being mentioned as having "very distinctive identities". That this element is significantly related to purchase for global brands but not local ones suggests that global brands do a far better job of creating a strong brand identity through mass marketing.

Not surprisingly, local brands rely more for purchase on the fact that people believe they are made locally; this is not a significant factor for global brands. Perceptions that a brand is high quality, is setting the trends or has a strong heritage work in favor of both global and local brands.

TABLE 6
FACTORS DRIVING PURCHASE PROBABILITY

	Average percent mentioning a brand for each statement		Significant and positive in relation to purchase	
	Global %	**Local %**	**Global**	**Local**
First choice or seriously considered for purchase	58	61		
Are very easy to recognize	71	63		
Have very distinctive identities	55	46	*	
Are very high quality brands	50	50	*	*
Have a strong heritage	49	37	*	*
Are brands that are setting the trends	43	28	*	*
Are made in (country)	31	63		*
Are part of our (nationality) culture	21	47	*	*

LOCAL BRANDS HAVE THE HOME-FIELD ADVANTAGE

The research findings suggest that local brands start with the home-field advantage. Provided that they qualify as strong brands in their own right, local brands that are associated with local culture enjoy an edge that is difficult for outside brands to overcome.

The different ways in which a brand can be perceived as part of the local culture include the following:

- Meeting unique local needs or tastes
- Nostalgia – being a brand people grew up with
- Local operational or logistical advantages
- Strong community ties
- Cultural identity

Our case studies will confirm the importance of these factors in driving local brand success.

DISRUPTING THE STATUS QUO

To get established in a new market, a global brand usually needs to find a way to disrupt the existing status quo. Until recently, MNCs could present the same brand and product that had worked elsewhere and feel confident that it would be perceived as superior to the local goods and services. But as local companies have become stronger, savvier competitors, this approach may no longer be effective. Now MNCs must rely more on their marketing muscle to successfully establish their brands.

Brands that have extended globally and retained their equity both inside and outside their home markets tend to be those built on a brand idea that appeals to some universal human need or desire. But if a well-entrenched local brand already owns that positioning, it can be tough for the outsider to make any headway. Wal-Mart was forced to withdraw from Germany because the hard discounters already established there proved to be tough opponents. Global brands entering developing markets, however, often have significant advantages over the local competition, not the least of which are their scale and their experience of knowing what works in other countries.

Multinational companies have advantages over local ones

A strong, scalable business model is a major advantage for MNCs. In addition, these companies have an extra-ordinary depth of management talent that allows them to out-think the competition and survive changes in leadership. They can draw on the best advice from their global media, advertising and research agencies. Their global Research and Development capabilities provide a constant stream of innovations and can readily adapt existing products and services to meet new market needs. They have deep pockets and can afford to reach into them to establish their brands. From operating in multiple countries, they develop an understanding of what is likely to work in a new market. If their first attempt fails, they have the resources to try again, using research to understand where they went wrong and how they might do better.

MNC brands can succeed at disrupting the status quo in a new market by following five steps:

1. Adapting products and services to meet local needs and tastes
2. Solving the local value equation through product and pricing strategies
3. Creating a strong presence and a distinctive identity
4. Adopting more aggressive point-of-purchase tactics
5. Getting as close to the local culture as is possible

In the remainder of the paper we will consider how specific global and local brands have become successful in Mexico and Brazil by tapping into the local culture.

GLOBAL WINS: THE COKE SIDE OF LATIN AMERICA

Many people may suppose that the two largest global soft drink brands, Coke and Pepsi, dominate the Latin American soft drink market. Indeed, Coca-Cola is the clear leader in market share in both Mexico and Brazil; our data shows Coca-Cola with 79 percent consideration in both countries, and a massive bonding score of 49 in Mexico and 44 in Brazil.

Pepsi, however, has just 56 percent consideration in Brazil, not significantly more than semi-local brand Guarana Kuat's 52 percent. Pepsi's consideration plummets to 37 percent in Mexico, much lower than local Peñafiel (58%) and Jarritos (47%). What accounts for this difference?

¡Viva la Coca!

Coca-Cola was introduced to Mexico back in 1898 and registered as a brand in 1903. Therefore, virtually every Mexican who is alive today grew up with Coke. Entering the Mexican drink repertoire by replacing the traditional glass of fruit-flavored water at lunch, Coke provided "free" refrigerators to restaurants and taco joints to encourage distribution and trial. The majority of Mexicans recognize the brand as American (87%) but almost half (44%) regard it as part of the Mexican culture (that's nearly double the percent of people who think the same about Pepsi).

A number of Coke's ads are designed to leverage the concept of Coca-Cola as the axis around which the Mexican family spins. The fact that it has been bottled in Mexico since 1936 has further reinforced this belief, as 47 percent agreed that Coca-Cola is a brand made in Mexico. Over the years, Coca-Cola has become widely distributed even in the remotest parts of Mexico. Wide distribution not only creates a strong presence, but also ensures that people can always find their favorite brand, wherever they might be.

Coca-Cola has worked hard to blend into local culture and, in particular, to be associated with soccer. Remember the ad where traditional adversaries like the chicken and the cook, the fly and the fly swatter, the hippie and the bar of soap, make peace when the National Soccer team scores a goal? (Search on *"coca rivalidades"* to see both the Mexican and Argentinean versions of this ad on Youtube). Coke sponsors the Mexican National Team, several local teams and has all-around soccer coverage accessible through its webpage. Beyond that, Coke promotes and sponsors a full-fledged soccer tournament for junior-high school boys and girls *(Copa Coca Cola)* in association with the local soccer authorities.

To sum up, we would say that in Mexico, Coca-Cola enjoys a prime position due to many factors apart from being a global mega-brand. Coke has a long tradition in the country, has invested heavily in campaigns linked to local ideologies, and has succeeded in creating a strong presence and a distinctive identity.

Mexican Power (and flavor)

Coca-Cola's worst enemy in Mexico is not Pepsi. Sure, there is a cola war raging most of the time, and in that war, Pepsi is the enemy to beat. But there is another battle out there. The biggest thorn in Coke's Mexican side, especially in Mexico City, is Jarritos.

Jarritos is a local brand whose advertising strategy has always focused on the Mexican nationality. Ads portray Jarritos as a brand that carries the Mexican spirit everywhere it goes. It exalts the many colors of Mexican fruit and its flavors are "produced to cater to the Mexican taste." Variety includes Tamarind, Mandarin, Fruit Punch, Jamaica, Lime, Grapefruit, Guava, Pineapple, Strawberry, Mango and Watermelon.

This strategy has clearly worked: 74 percent of respondents feel Jarritos is part of Mexican culture and 87 percent say that Jarritos is made in Mexico. And though Jarritos is the first choice of "only" 14 percent of the people (compared to 11 percent for Pepsi), 32 percent would seriously consider buying it. Thus the top two-box consideration of Jarritos is 46 percent – enough to provide ample entrance into the consumer repertoire.

Another local soft drink brand, Pascual Boing (which was not featured in our study), employed a similar nationalistic strategy a few years ago, albeit involuntarily. In the spring of 2001, an e-mail began circulating that announced "the imminent bankruptcy of Pascual Boing" due to the pressure of global giants like Coca-Cola and Pepsi. The message invited readers to buy Boing products, reminding them that they are "100% made in Mexico." The e-mail also appealed to nostalgia ("remember how you used to have your lunch with a *Boing* as a child?"), and nationalism ("help the subsistence of thousands of Mexican families"), and concluded by asking the reader to forward the message to all Mexican contacts.

The e-mail turned out to be a hoax. Pascual Boing was nowhere near bankruptcy, and the company denied any responsibility or connection to the viral campaign. And, whereas it's very difficult to estimate the exact revenue of this free viral publicity (since there is no exact start or end date of circulation), the year the "epidemic" started, Pascual Boing grew 8 percent and opened a new production plant one year later. Not bad.

Coke du Brasil

In Brazil, the story of Coca-Cola is different. The brand was not introduced to Brazil until 1942, when small refrigerator plants were installed in Recife so that U.S. soldiers passing en route to Europe could drink Coke. A year later, a Coke production plant opened in Sao Paulo. Little by little, the locals acquired a taste for the drink.

But because of local tastes for other types of products, the soft drink market is more complicated in Brazil than it is in Mexico. The two strongest local drinks that Coke must contend with are tubainas and guaraná.

Tubainas are b-brand soft drinks, usually sold in disposable plastic containers at prices much lower than Coke's (sometimes as much as 50 percent lower). Brazilians often choose tubainas to accompany meals. Like Jarritos in Mexico, brands of tubainas are produced to cater to local tastes.

The issue of guaraná is more complicated. Guaraná is an Amazonian fruit, the size of a coffee berry, loaded with caffeine. Originally used by indigenous cultures to make a form of tea, today several soft drinks are made from the fruit, and the total sales of these drinks in Brazil exceed those of colas. The guaraná soft drinks market is dominated by one local brand, Guaraná Antarctica, with an impressive 18 percent bonding score (second only to Coca-Cola). Produced by the *Companhia Antarctica Paulista,* the brand has exploited two of the strongest aspects of the Brazilian national culture (guaraná and soccer) to great effect. Guaraná Antarctica is the official sponsor of the Brazilian National Soccer Team, and has devoted many resources to other sponsorships within this sport.

Ads for Guaraná Antarctica are bold and creative. One features Maradona, the Argentinean soccer star, having a nightmare in which he wears the uniform of the Brazilian team and is in their lineup singing the Brazilian National anthem. When he wakes up, he blames the bad dream on drinking too much Guaraná Antarctica. Another ad mocks Coke, the sponsor of all national teams except that of mighty Brazil. That honor belongs to the local brand (Search on "Maradona Guarana" and "guarana coke zoando" to see these ads on YouTube).

Coke has tried its hand at the guaraná flavoured soft drinks market and has had some success with the brand *Guaraná Kuat.* Consideration is good (52%), but bonding is very low (1%). Only 33 percent consider the brand as part of Brazil's culture, while 47 percent regard it as "Brazilian." So, while Coke's *Kuat* is the most successful *foreign* brand of guaraná soft drink, in that traditional Brazilian category, it trails far behind the local brand.

LOCAL WINS: WHAZUP WITH BEERS?

Considering the fact that Latin American culture is strongly influenced by the United States and Europe, it would seem that global beers should stand a chance. But local brews dominate in both Brazil and Mexico. Corona is the undisputed leader in Mexico, with 77 percent consideration and 25 percent bonding, while Skol leads in Brazil with 85 percent consideration and 30 percent bonding. Most local brands (Skol, Bohemia, Brahma and Antarctica in Brazil; Corona, Sol, Victoria and Indio in Mexico) have higher bonding than any of the global competitors.

Budweiser and Bud Light, the leading brands in the United States, and the two most valuable beer brands in the world (5.6 and 4.4 billion USD, respectively, according to the BRANDZ Top 100 ranking)[3] are very small in Mexico and almost non-existent in Brazil. Heineken is the third most valuable brand on a global basis (3.7 billion USD), and the strongest brand in the

Netherlands, but only a third of Mexicans and Brazilians would even consider it and bonding levels are low. What have these brands done wrong?

Perhaps the answer is nothing. The leading brands of beer in Latin America face the same problems when they travel abroad. Skol, the seventh most valuable brand on a global basis (1.3 billion USD), is almost non-existent in other regions. Corona, the fourth most valuable brand (3.3 billion USD) in the world, has a relatively good position in many of the "foreign" countries in which it has been measured (average bonding: 3.5), but nowhere is it as strong as it is in Mexico, and it always lags behind local brands. (See appendix D for the ranking of the top ten most valuable global beer brands).

So there is indeed a strong home field advantage in this market. As a result, it is very difficult for a beer brand to be successful globally. A brand like Heineken, which attains much of its valuation from sales outside its home country, is definitely the exception, not the rule.

Apart from "familiar taste," we identified three main factors that explain the success of local beer brands in Latin America: their long history within their country, their affiliation with local sports, and their local distribution advantages.

Long history of brands: The population of Latin America has a mixed heritage, with both Indigenous and European origins. Europeans brought beer and wine, but these beverages were always reserved for the more privileged classes. The rest of the people drank mostly locally-brewed alcoholic beverages, fermented from whatever raw materials they had at hand. For example, in Brazil, a beverage was made from fermented fish, while in Mexico, fermented pineapple was used.

During the mid- and late-1800s, small beer-brewing companies started to develop in Latin America. These operations imitated European processes but used locally grown raw materials (which were, incidentally, introduced by the Europeans). The brand Bohemia, which was first produced in Brazil in 1853, exploits this fact announcing itself as "*a primeira cerveja do Brasil* (the first beer of Brazil)". The brand now enjoys consideration of 81 percent. In 1990, the Mexican brew *Cervecería Cuauhtémoc* (producers of Sol and Victoria) launched a centennial anniversary campaign.

A long history means that people have grown up with a brand and are often nostalgic for it. Local marketers (and global brands with a long local history) can use this to their advantage. Other global brands must try to take advantage of their own provenance by positioning themselves as "imported and premium" facade. But this is not enough for them to displace the local favorites.

Local sports affiliation: Beers that sponsor local sports, or that build spaces for sports practice (like Mexico's Foro *Sol,* a baseball and concert stadium), enjoy the privilege of being the only beer brand sold at the event or venue. Events that are big, recurrent or popular encourage consumption of a particular brand. By drinking a beer regularly, becoming familiar with it, and associating it with an event, consumers develop loyalty toward the brand.

Another very clear example is the Arena México, considered *la catedral de la lucha libre* (the wrestling cathedral). The most important wrestling matches and events are held there. Wrestling is a very popular event with Mexicans, especially among those in the lower socio-economic levels. Most visitors to the Arena México are regulars, attending each Friday and having a beer. As Corona was the local sponsor, regulars quickly got used to drinking Corona and started preferring it over any other brand. It always reminded them of a particularly good match or a time when their favorite wrestler won an epic victory.

Distribution edge: having started as small breweries with very limited distribution and gradually conquering more terrain, the local brands became experts in local distribution. We've already seen how distribution is key to making Coca-Cola successful.

COIN TOSS: THE FAST (AND THE FURIOUS) FOOD

McDonald's, the largest chain of fast food restaurants and the most valuable fast food brand in the world (33.1 billion), is in the eleventh position of the overall BRANDZ Top 100 ranking. The chain currently operates in more than 100 countries. In 1986 *The Economist* developed the Big Mac Index,[4] a purchasing power parity index to compare currencies, based upon the how expensive it is to buy a Big Mac in different countries. As stated in *The Economist*, it "seeks to make exchange-rate theory a bit more digestible."

What could be the key to McDonald's success? Part of the answer is that many people around the world enjoy a Western/American dining experience. But another part of the answer lies in the fact that McDonald's adapts its offer to each country's needs. McDonald's Indonesia offers McRice. McDonald's India offers no beef products. In Israel, the chain offers kosher McShawarma; in Turkey, McTurco. If you go to the Middle East, you can buy a McArabia, and if you go to Mexico don't forget to try a McBurrito (even if it is not really a local food).

McDonald's is a very strong brand in Brazil. It is classified as Olympic in BRANDZ, with a massive bonding level of 30 percent. The winning factor here seems to be differentiation: 82 percent of respondents said McDonald's has a very distinctive identity, 85 percent said the brand is very easy to recognize, and 79 percent believe it has a strong heritage. The best-selling McDonald's sandwich in Brazil is a local creation, the Cheddar McMelt. It features toasted buns, one hamburger patty, onions, soy sauce and a large amount of creamy cheddar cheese.

¡YO QUIERO TACOS! (AND NOT FROM BELL)

Mexicans have a simple approach to enjoying the great diversity of its regional cuisines: if you like the local dish, wrap a corn *tortilla* around it and call it a *taco*. And so, *taquerías* (or taco joints) were born. *Taquerías* follow the same principle of catering to local tastes as Brazil's *tubainas*. The flexibility, price advantage and availability of this approach have given *taquerias* the edge they need to stave off competition from American fast food chains. So although American fast food has penetrated relatively well in Mexico, the taco is still the fast food currency.

McDonald's has 40 percent of consideration in Mexico and bonding of 12 percent. The biggest issue for McDonald's in Mexico seems to be its poor quality image (80% of people think it's not of high quality) and that it is seen as a complete outsider (less than 6% think of McDonald's as a part of Mexican nationality).

Contrast this with 40 percent of respondents saying they *love* their local taco joint. When asked what brand name they'd tattoo on their bodies, the local taco joint got mentioned more than all the other fast food brands combined. According to 83 percent of Mexicans surveyed, tacos are part of Mexican nationality. The result is 67 percent consideration.

So yes, McDonald's is the leader of the fast food chains in Mexico. But there is a whole other area of catering experience untapped by them, and where the real leaders are *taquerías*. Sorry – there's no room in Mexico for Taco Bell.

CONCLUSION

Strong brands, whether they're local or global, share certain characteristics, including quality products and distinctive and appealing identities. However, our analysis points to just how rare it is for a brand to create a strong relationship with consumers across different cultures. Successful global brands appear like the sirens of Greek mythology, singing songs that make aspiring global brands want to draw near to them. But you need to chart your own course. Don't sail onto the rocks.

MNCs have some important advantages over local competition, but most of the successful global brands have taken years to achieve their enviable status and have become as much a part of the local culture as the local brands. But local brands start with the home-field edge, and, therefore, local brands that market themselves successfully will continue to be formidable adversaries.

Footnotes

1. Measuring and using brand equity, Dyson, Farr and Hollis, Journal of Advertising Research, 1996

2. http://www.geert-hofstede.com/

3. 2007 BrandZ Top 100 Most Powerful Brands, published by Millward Brown Optimor.

4. http://en.wikipedia.org/wiki/Big_Mac_Index. It was replaced in 2004 by the Tall Latte Index, using *Starbucks.*

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APPENDIX A
DESCRIPTION OF BRANDZ

The BrandZ equity study has been conducted by Millward Brown for WPP every year since 1998. It covers over 50,000 brand measurements across 31 countries, in developed markets, currently driving world GPD, and emerging markets, whose share of world GDP is expected to grow in future. BrandZ data is collected from interviews with buyers or users in many different categories who are asked about brands in a competitive framework. Over one million consumers and business customers are included in the study. The data is used to compile the BrandZ pyramid for each brand in each country. The Brand Pyramid measures each brand's success in attracting buyers and converting them into loyal or "bonded" customers. Bonding defines the proportion of category buyers with strong attitudinal loyalty to a brand.

APPENDIX B
MEASURES USED IN CLUSTER ANALYSIS

Economic Measures

From CIA World Fact Book

Median age
% pop Over 65
GDP PPP $000
Literacy rate
% pop agriculture
% pop industry
% pop services
Gini index

From Global technology penetration data (2004)

Internet users (per 1,000 people)
Electric power consumption (kWh per capita)
Fixed line and mobile phone subscribers (per 1,000 people)
Mobile phone subscribers (per 1,000 people)
Households with television (%)

Attitudinal Measures

From Geert Hofstede Website

Power Distance Index (PDI)
Individualism (IDV)
Masculinity (MAS)
Uncertainty Avoidance Index (UAI)
Long-Term Orientation (LTO)

From Global TGI (2004)

It is important to be attractive to the opposite sex
I enjoy eating foreign foods
I like to keep up with the latest fashions
How I spend my time is more important than the money I make
It's important my family thinks I'm doing well
It is more important to do your duty than to live for your own enjoyment
It is important to respect traditional customs and beliefs
I like to have control over people and resources
I like to pursue a life of challenge, novelty and change
I prefer to work as part of a team than work alone
I think it is important to have a lasting relationship with one partner
I look on the work I do as a career rather than just a job
I like to have a circle of close friends who support me in hard times
I like to enjoy life and don't worry about the future

Good life

From Pew Global attitudes project (2007)

Made progress
Your children's lives will be better than your own
Large companies from foreign countries
Culture superior
Religion is a matter of personal faith not government policy
Protect environment more important than economic success

Our traditional way of life is getting lost
Trade and business ties are good
Government should take care of the poor
Our way of life needs to be protected
Men and women make equally good politicians
Polution and environmental problems are a big global threat

APPENDIX C
DESCRIPTION OF THE GLOBAL BRAND SURVEY

In order to explore the role of local culture on brand success, Millward Brown commissioned a global survey to better understand the strength of global versus local brands. The questions we wanted to answer were:

• What role do factors like heritage, culture and local production have on people's likelihood to buy a brand?
• Is there a difference between global and local brands in terms of what motivates people to buy them?

The nature of the survey

The survey was conducted in eight countries and compared two global brands to two local brands in each of five categories: cars, beer, fast food, shampoo/conditioners and soft drinks. The countries, listed from West to East, were the United States, Mexico, Brazil, the United Kingdom, Germany, Russia, India and China.

In total, we interviewed 3,307 people about 91 different brands. About 400 people were interviewed in each country. A single respondent could answer for up to three categories for which they qualified. (The qualification was that they were likely to buy or use a brand in the category.) The shampoo/conditioner category was asked of women only and beer was asked of men only.

The fact that the surveys were conducted online limited the sample to people with at least moderate levels of income and education (in whom brand marketers are most interested), and quotas were applied to achieve a balance across age groups.

Sample sources used

Partnering in the research with us were Lightspeed Research, Survey Sampling International and Greenfield Online. From the high-quality panels provided by these companies, we recruited participants who met the survey criteria.

Questionnaire

Because the survey was short, taking approximately 10 minutes to complete, we needed to focus our questions on people's perceptions of brands. We were not attempting to provide a complete understanding of individual brand equity.

Which brands were included?

Table 7 summarizes the brands asked about by country. The global brands we selected for study were McDonald's, KFC, Budweiser, Heineken, Toyota, Ford, Pantene Pro-V, Dove, Coca-Cola and Pepsi. However, because truly global brands are scarce, in some countries we had to make substitutions for one or more of these brands. For example, in Russia, we replaced Budweiser with Miller, and in Brazil, KFC with Pizza Hut. It is not that Budweiser is not present in Russia, but simply that its presence there is too low for it to serve as a meaningful example of a global brand.

Local brands were selected on a similar basis in each country. They had to be well-known enough for the majority of people to have an opinion of them. Again, we had to make some adjustments for certain countries and categories. For example, because there are no major car brands that are truly "local" to Brazil, we had to select two foreign-owned brands, Volkswagen and Fiat, which are regarded as local because they have been manufactured in Brazil for many years. In one or two cases we deliberately selected a brand in order to make cross-country comparisons, for example, Buick in the United States and China, Corona in the United States and Mexico.

TABLE 7
BRANDS ASKED BY COUNTRY

	Global Brand 1	Global Brand 2	Local Brand 1	Local Brand 2
Fast Foods				
USA	McDonald's	KFC	Quizno's	White Castle
Mexico	McDonald's	KFC	Vip's	Taquería Local
Brazil	McDonald's	Pizza Hut	Habib's	Bob's
UK	McDonald's	KFC	Wimpy	Little Chef
Germany	McDonald's	KFC	Nordsee	Wienerwald
Russia	McDonald's	Rostics-KFC	Kroshka-Kartoshka	Yolki-Palki
India	McDonald's	Pizza Hut	Barista	Café Coffee Day
China	McDonald's	KFC	Li Hua	Yong He
Beers				
USA	Budweiser	Heineken	Sam Adams	Corona
Mexico	Budweiser	Heineken	Corona	Victoria
Brazil	Miller	Heineken	Skol	Bohemia
UK	Budweiser	Heineken	Boddingtons	John Smiths
Germany	Budweiser	Heineken	Becks	Warsteiner
Russia	Miller	Heineken	Baltika	Stary Melnik
India	Fosters	Heineken	Kingfisher	Royal Challenge
China	Budweiser	Heineken	Yanjing	Tsingtao
Cars				
USA	Ford	Toyota	Saturn	Buick
Mexico	Ford	Toyota	Volkswagen	Nissan
Brazil	Ford	Toyota	Fiat	Volkswagen
UK	Ford	Toyota	Vauxhall	Mini
Germany	Ford	Toyota	Volkswagen	Opel
Russia	Ford	Toyota	Lada	Volga
India	Ford	Toyota	Maruti Suzuki	Tata Motors
China	Buick	Toyota	Chevy	FAW

APPENDIX D
THE MOST VALUABLE GLOBAL BEER BRANDS
2007 BRANDZ TOP 10 BEER

BEER

#	Brand	Parent	Brand Value (Sm)	Brand Contribution	Brand Momentum	Brand Value Change (%)
1	Budweiser	Anheuser-Busch Companies, Inc	5,558	3	4	-18%
2	Bud Light	Anheuser-Busch Companies, Inc	4,419	3	4	-11%
3	Heineken	Heineken N.V.	3,699	4	2.5	10%
4	Corona	Grupo Modelo, S.A. De C.V.	3,286	4	4	28%
5	Stella Artois	InBev NV	2,940	4	5	32%
6	Guinness	Diageo Plc	2,718	4	4.5	-8%
7	Miller Lite	Sabmiller Plc	2,104	3	3	8%
8	Skol	InBev NV	1,283	4	5.5	21%
9	Amstel	Heineken N.V.	1,272	3	2.5	30%
10	Cruzcampo	Heineken N.V.	1,084	4	2.5	19%

**Source: Milward Brown Optimor (including data from BRANDZ, Datamonitor and Bloomberg)*