Brand Value in the Process of Internationalisation

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ABSTRACT

Since brand, as an intangible asset can create customers’ loyalty and build emotional bonds, the author intends to understand factors influencing brands which values are recognizable internationally. Relations, which tie consumers values, create marketing chains which can lead to competitive advantage. Aim of this article is to find answer to the question if it is possible to create exceptional value through the brand. If yes, would this value be recognizable internationally as equal and what would constitute the variance in different countries?

Keywords: brand, internationalization, value

1. INTRODUCTION

Globalisation, dynamic changes on the market and cultural mixture are often not easy for entrepreneurs. Entering economically and culturally different market forces expression of the abstract ideas, not necessarily coherent with selected culture. Marketing specialists and brand managers have to convince consumers to their brand, to be able to operate on the foreign market. Major cultural differences coerce to adapt company’s offer, in order to adjust to customers’ values from a selected country (De Mooij 2010). Shavitt et al. (2006, 2008) claim that cultural adaptation of brand’s abstract notion to the values expected by the consumers, will allow for the brand development on particular markets. Relations, which tie customers’ values are called marketing channels and contribute to build competitive advantage.
Since values that are delivered through a brand represent the abstract concept of the social status and intangible human assets, become real through certain product’s brand (Allen, 2002), the authors try to find answer to the question if it is possible to create exceptional value through the brand. If yes, would this value be recognizable internationally as equal and what would constitute the variance in different countries? The authors perform critical literature review and present a range of theoretical approaches in an attempt to answer the questions.

2. BRAND VALUES

A brand is defined as psychologically added value, i.e. associations, beliefs, dreams, experiences and illusions connected with a product (Aaker, 1997). According to this definition, alignment of brand image and brand reality with consumer’s perception of reality is a key for success on the market (Lewis, 1991). Companies have been searching ways to improve image of their brands and reach customers’ minds to deliver them the desired values. When entrepreneurs determine and implement the desirable brand strategy, the brand becomes positioned in the consumers’ minds (Park, Jaworski, and Maclnnis 1986). However, internationalization creates economic, social and cultural differences which interfere with building single brand image strategy.

One of the basic components which causes that certain brand is desired, is the ability of quick coding, remembering and regaining the brand name from one’s memory. The second element is the ability to extend the range of the brand’s positioning (Robertson, 1992). While entering the foreign market, entrepreneurs have to decide whether name of their brand should be invariable and what meaning would it take to a certain cultural group. The brand name can remain the same as on the native market, adding certain valuables connected with the country of origin. The choice should be done on the individual level, depending on various criteria. Moore and Reid (2008) claim, that brands are important for customers if they have an ability to transfer and express cultural meaning in the transactional and transformational sense. Therefore, the brands should carry proper information and preserve the proper image in consumers’ mind, especially when they have global reach.

According to Rust et al. (2004), the value of a brand is highly individualized. What is more, the results from Torelli et al. (2012) study show that reflecting brand concepts as human values, helps unveil brand meanings. These meanings can then be added to an established brand concept with more or less success. The research reveals that the brand concept in terms of its human values, can be used to a wide range of culturally distinct markets. In a consumer society the value is derived from the capacity of building and intensifying social relations and shared experiences and meanings (Arvidsson, 2005). Value is an important predecessor to repeat buying, to positive references passed from human to human and to satisfaction (Palmatier, Scheer, Houston, Evans, & Gopalakrishna, 2007). Govers – Go (2009: 149) goes further beyond the consumers’ satisfaction derived from the brand values, claiming that brand becomes a promise which proves their good choice. Thus, brands’ aim is to live up customers’ expectations. Customers are creating the products themselves, building certain image of the desired brand and the conscience of consumers is a strength of a brand (Anholt, 2005: 4).

Moreover, de Chematony (2001) argues that employee engagement in the brand value development is vital to lead the brand success. Brand values have to be ingrained in
employees’ minds, especially when the services are performed internationally. Johnston (2016) claims that focus on a brand provides entrepreneurs with a certain value, both for customers, and for the brand owners. He gives seven evidences of the statement, as presented in the Table 1.

Table 1. Brand values.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Author/source</th>
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<tr>
<td>‘Brand’ is one of four marketing assets: an asset to invest in along with marketing intelligence systems, customer loyalty and strategic relationships</td>
<td>McDonald, 2007</td>
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<td><strong>Recent estimates of companies in the United States and in the United Kingdom show that over 80 per cent of the value of companies resides in intangibles</strong></td>
<td>McDonald, 2009, p. 126</td>
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<td>Strong brands gave businesses the following key advantages:</td>
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<td>a Greater loyalty</td>
<td>Keller, 2013</td>
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<td>b Improved market share</td>
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<td>c Less vulnerability to competitor activity</td>
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<td>d Commanded a premium price</td>
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<td>e Reduced consumer ‘switching’</td>
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<td>f Greater cooperation and support in the value chain</td>
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<td>g Promotional activity was more effective</td>
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<td>h Greater opportunity for licensing and brand extensions</td>
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<td>i Helped to attract and retain employees</td>
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<tr>
<td>j Increased the market value of a business</td>
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<td><strong>Firms that have developed strong brands create value for their shareholders by yielding returns that are greater in magnitude than a relevant market benchmark, and perhaps more important, they do so with less risk</strong></td>
<td>Madden, Fehle, &amp; Fournier, 2006, p. 232-233</td>
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<td>In valuing companies’ shareholder value vis a vis brand value, a comparison found that ‘brand’ accounted for between 18% and 45% of shareholder value in the top nine brands (Apple: $118,863, Google: $107,439, Coca-Cola: $81,563, IBM: $72,244, Microsoft: $61,154, GE: $45,480, Samsung: $45,462, Toyota: $42,392, McDonalds: $42,254)</td>
<td>Interbrand, 2014; PWC, 2014</td>
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<td><strong>Fortune</strong> magazine noted that intangible assets accounted for 72% of market value of the top 3,500 companies in the US</td>
<td>Jones, 2005</td>
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<td>In 2005, when P&amp;G bought Gillette for £31 billion, Gillette’s tangible assets accounted for just £4 billion of the purchase price</td>
<td>Haigh, 2005</td>
</tr>
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</table>

Source: Adapted from M. Johnston, 2016.
The processes through which global brands contribute to company value and the sources of the brand value are distinguished between types of global brands (Steenkamp, 2014). Values represent compensation of certain components that are given and received from the perspective of customers. Giving and receiving include a variety of different features – monetary and non-monetary (Zeithaml, 1988).

Brand equity, together with the market situation determines the brand financial value. It is the sum of the components such as: brand loyalty, brand associations, brand awareness and other assets (Aaker, 1991). According to Kapferer (2004), brand assets, brand strength and brand value are the concepts of the brand equity which have been established due to the improvement of theoretical understanding of brands and together they connect and create brand equity. Brand equity is often used interchangeably with brand value, often meaning as value added in the form of cash flow (Wood, 2000). Schultz, D.E. and Schultz, H.F. (2003) claim that brand value reflects the financial benefits gained by firms from the brand. Goldfarb et al. (2009) argue that brand value evaluation is created thanks to brand asset value. Depreciating the value causes drop of company’s balance figures due to the sales fall (Fernández and Pinuer, 2016). Entrepreneurs understand that their financial status is better when they treat brands as intangible assets in their financial statements (Rodríguez, 1998). Brand protection is a notion assuring the company will not lose its revenues. Thus, brand value must include certain elements, not connected to brand asset, to be able to increase profits. During the value creation, one must also remember about trends on the market, its characteristics and the ability of brand internationalization (Liu, 1997).

3. BRAND INTERNATIONALIZATION

Burts et al. (2005) describe internationalisation as one of the crucial elements which helps achieving competitive advantage. Some scholars define global branding as the manner in which companies select, manage and control their brands internationally (Lin and Farrell, 2014). Entrepreneurs decide to make their brands global, due to different reasons. Except the primary one, connected with the profit increase, also overload of competition on domestic market, satisfying shareholder demands to grow or globalisation of customers are important factors to gain competitive advantage. Keegan (2002) states that companies have to establish clear idea of what they want to achieve, to be able to start the business abroad. Internationalization strategies have interested brand managers since long time (Faulconbridge and Muzio 2007), starting from conceptual works established by Dunning [1958], or Buckley and Casson, (1976), through Caves, (1982) and Cavusgil (1984).

Dunning’s internationalization theory concerning broadening company’s expansion, presents ownership, internalisation and locational as the competitive advantages (Dunning, 1988). Intangible assets are included in the ownership advantages. These are e.g. brand name, typical to the specialty retailers. Locational ones contain characteristics and market size (Sternquist, 1998).

With regards to internationalization theory for branding, competitive advantage can be established through marketing channels, which connect consumer values (Kotler et al., 2002). Brand awareness and brand identity present notions which carry brand values. The first one allows clients for the recognition of the values it carries. Brand identity is the information which is received by the consumer, created by its owner (Nandan, 2005).
Since positioning, brand awareness and brand identity are ingrained in the consumer mind, thus, foreign-sounding brand names can be rooted in consumer mind as foreign. If both concepts are properly shaped, they become valid in customer mind and at the same time, the brand is automatically assigned to certain social, economic or geographic group.

Marketing specialists use various positioning strategies to leave a certain brand image in customer mind. One of them is called “Country-of-Origin”. Companies promote their countries by buy-national-campaigns, trying to sell their own. However, this strategy is more important to older consumers, since it was consistent with (eg Du Preez et al, 1994; Peris et al, 1993) previous research. Hyllegard et al. (2005) found out that gender and age are valid issues for consumer characteristics in theoretical models of international growth. Another survey, conducted by Anselmsson et al. (2008), on Swedish customers, shows that there is no evidence that domestic brands are preferred more than the international ones. Entrepreneurs have to emphasise explicit characteristics of their products or services to convince certain groups of customers. This is even more important for brand positioning than for the physical origin of the product or service. This is visible on the example of e.g. French LaCroix (Henkel), a global brand with a strong religious connotation (la croix – cross), which is becomes positioned in consumer mind, according to the brand name (Melewar and Walker, 2003).

Therefore, to establish remarkable values, rooted in customer mind, international companies include concepts connected with culture and specific characteristics. Scholars underlie that research on cultural differences in customer perceptions is in many cases essential in international branding (Hyllegard et al., 2005). Reaching values, important for selected cultural groups or entities is possible through Hofstede (1980) cultural dimensions, such as individualism and collectivism, which allow building proper relations and belong to certain groups. According to that, brand managers are forced to search common elements, joining members of a certain community, to reach their awareness and leave selected brand image in customer mind.

4. CONCLUSIONS

Values transferred by the brand are the abstract representation of the social status. Intangible human traits become real, through their materialisation in the brand of certain product (Allen, 2002). Brands have emotional and social values to their receivers (Kotler and Gertner, 2002), they increase people’s desire for a product or service. Customers play the most important role in the process, since they are the brand receivers and decision-makers of the value they want to receive through the brand. Therefore, a key for success on the market would be alignment of brand image and brand reality with consumer’s perception of reality. However, internationalization creates economic, social and cultural differences which interfere with building single brand image strategy.

Since brand image is strongly connected with culture, stereotypes and characteristics of certain countries, entering culturally diverse market, forces entrepreneurs to express the abstract ideas, which are sometimes thoroughly different than the notions in their country. At the same time, they have to convince foreign customers to their brand. When countries are culturally or/and economically similar, companies can standardize the brand concepts, however, when the differences are significant, entrepreneurs have to adapt to the customer
values on certain market (De Mooij 2010). The abstract brand notion have to be culturally similar to the expected customer values (Shavitt et al., 2006, 2008). This would allow for the brand development on the foreign market.

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References


