The Return of the Global Brand

While multinationals are thinking locally, global markets are poised for a comeback.

by John Quelch

WHAT BECAME of the golden age of global marketing? Where are the multinational companies churning out standardized products for a world of voracious consumers? A global economic slump and mounting anti-American sentiment put an end to that party. But the multinationals’ retreat to local harbors may leave them ill prepared for what’s about to happen.

Twenty years ago this spring, Theodore Levitt published his provocative classic, “The Globalization of Markets,” in Harvard Business Review. Levitt described the sweeping emergence of a global market for uniform consumer products. He saw advances in communications and transportation driving ever more informed consumers toward a “convergence of tastes.” And he saw global corporations exploiting the “economics of simplicity and standardization” to price their global products far below the local competition. “No one is exempt and nothing can stop the process,” he proclaimed. “Everywhere everything gets more and more like everything else as the world’s preference structure is relentlessly homogenized.”

Levitt’s thesis was widely lambasted by marketing academics as a recipe for a boringly homogeneous global village. Yet his argument seemed irresistible to executives. In the 1980s, Japanese companies like Toyota and Panasonic applied exceptional production quality controls and scale efficiencies to market standardized products across the globe at prices that tempted even the most patriotic consumer. And American and European multinationals transferred P&L responsibility from individual country managers to worldwide strategic business units, becoming truly global companies in the process. Unit managers pushed standardized new products and marketing programs around the world. And they pruned the vast array of locally adapted products that country managers had insisted on.

During the late 1980s and the 1990s, these global companies found receptive consumers in every corner of the world. U.S. companies in particular profited from the opening of new markets. After years of deprivation, consumers were eager to sample the forbidden fruit of American brands. A Marlboro cigarette, a Big Mac, a pair of Levi’s—these were the new luxuries that enabled consumers in emerging economies to taste American values and a Western lifestyle. Scrambling to establish beachheads in some 30 new country markets, global companies had no time—or apparently any need—to worry about local adaptation. The value of global trade almost trebled between 1980 and 2000.

Global-Brand Backlash

The American penetration of global markets during this time was particularly aggressive and visible. Increasingly, it seemed that globalization was actually Americanization. By 2000, 62 of the most valuable 100 brands in the world (according to Interbrand methodology) were American, even though the United States accounted for only 28% of world GDP.

But with the start of the new millennium, Levitt’s relentless homogenization began to stall. In emerging markets from China to Eastern Europe, enthusiasm for global brands proved short-lived. Local brands found new (and returning) customers as global brands saturated their markets. Local brands also started to win back customers as their quality improved in response to new competitive pressure, and, in some cases, new ownership by global corporations. And, in a classic response to an economic downturn, consumers returned their focus to local concerns—family and community—with a renewed loyalty to products made with local labor and raw materials.

The very success of global brands, and U.S. brands in particular, also fueled a growing re-
sentiment of perceived American cultural imperialism and a backlash against U.S. brands, particularly in Western Europe and the Muslim world. Levi’s, for instance, has seen its overseas sales plummet in the last three years as European consumers have turned to homegrown brands sold through local chains such as Italy’s Diesel and Spain’s Zara. In Germany, activist Web sites urge consumers to boycott 250 British and American products and suggest local alternatives.

**Going Local**

In March 2000, Coca-Cola’s CEO Douglas Daft announced the company’s new “think local, act local” marketing strategy. Having embraced Levitt’s vision for decades, executives in America’s global companies began to appreciate that they’d taken their global-brand strategies too far. With their centralized decision making and standardized marketing programs, they’d lost touch with the new global marketplace.

As sales slumped, global-brand owners started to listen more closely to their local business partners about how to adapt product attributes and advertising messages to local tastes. They began delegating more authority over product development and marketing to local managers. And they started developing and promoting local executives to take over from expatriates.

Meanwhile, U.S. multinationals like Philip Morris and Coca-Cola ramped up their acquisition of local brands—for the same reasons that investors diversify a stock portfolio. Today, two-thirds of Coca-Cola’s sales in Japan are from local beverage brands, and the company now owns more than 100 local beverage brands worldwide. In some cases, the global-brand owners are financing totally separate companies. Unilever India, for example, has set up the free-standing Wheel organization as a low-cost enterprise that markets quality, low-priced local brands to the mass market.

**The New Japan**

Was Levitt wrong about the globalization of markets? I don’t think so. Two forces will drive its return: the rebound of the global economy and China’s emergence as a player on the world economic stage.

Just as the global economic downturn led consumers around the world to focus locally, a rebounding world economy will revive the appeal of global brands. In an up cycle, consumers feel more optimistic and extravagant and are eager to participate in an international marketplace.

But the resentment that is driving global consumers away from American brands may never fully dissipate. We can expect highly national American brands, like Coke, to put increasing distance between themselves and the flag. They’ll reposition as supranational brands—true global brands, uniform the world over, and not so much American as universal. They’ll maintain the stature and implied product quality that’s associated with their American heritage but won’t anchor themselves to it. Coke’s legendary “teach the world” campaign may be ripe for revival.

In addition to supranational positioning is the need for an opposing force—an alternative to U.S. brand hegemony that will attract consumers back into the globalbrand marketplace. China will serve as this new counterweight to the United States, taking the sting out of American economic dominance and reviving global markets. The pace of China’s economic and industrial growth ensures that China will become the twenty-first century’s factory to the world; any company anywhere in the world will be able to outsource the production of anything to China. Yet, already, we see China itself emerging as a source of global brands, just as Japan did 40 years ago. Chinese brands like Legend in computers, Haier in appliances, TCL in mobile phones, and Tsingtao in beer are extending internationally. And there will be more.

“Made in China” is today what “Made in Japan” was in the 1960s. Twenty years from now, China will be the new Japan. American brands will be but one option among many for global consumers. And Theodore Levitt’s globalization of markets will be in full swing—again.

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