Brand Growth Strategies for Asian Companies

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Abstract

Over the past few decades, branding has become the inevitable change in the business focus of modern companies and has served as an integration of all corporate functions. The results of the branding performance of companies today are substantial and have a great implication to the global business environment. New global branding strategies will need to combine with regional sensibilities and requires localized adjustment to flexibly penetrate different market backgrounds. Today, Asian businesses are looking for growth strategies and new business directions that will help them gain stronger competency, create higher value and achieve sustainable market success. This study focuses on the implications of branding for Asian businesses; providing an overview to the critical factors for Asian companies to build a strong branding business and strategies to expand and grow in the global market.

Keywords**:** Asian Brands、 Brand Valuation、Brand Growth Strategy.

1. Introduction

Only recently, we start to witness a rapid transformation emerging in Asia where the opportunities for Asian companies to benefit from international branding efforts will be larger than ever before. The value of a brand and its effect on business success are addressed to understand its implications on modern Asian businesses. Asia is a highly diversified region in social & cultural background, economic position, technological advancements and political structures which contribute to fragmented market realities amongst Asian countries. It is important to acknowledge this fundamental nature when developing a branding operation. While the western countries have developed profound knowledge and methodologies from academic studies and business practice, the differences of the Asian business characteristics may derive a different strategy mix to enable effectiveness and generate desired results from the practice of branding. The aim of this paper is to highlight the complexities of branding in Asia, and provide a growth strategy guideline for Asian business leaders to manage a successful branding operation. To clarify the countries that are addressed under this region, Asia will refer to India, China, Japan, South Korea, Taiwan, Hong Kong, Singapore and Southeast Asian countries throughout this research paper. Literary studies on existing notions of branding and Asian studies are the means of research to explore this research topic.

2. Literature Study

2.1 What is a Brand?

It wasn't until 2 decades ago since the world renown brand strategist, David A. Aaker's published his work on the power of the brand (Aaker 1991), yet within this short time, branding studies on marketing practice and research has become a key focus in both the academic field and the business world. Branding infrastructure has advanced in kind, with the emergence of corporate architectures to formalize a firm's commitment to the brand (Davis and Dunn 2002). Before looking at the current realities of Asian brands and the challenges it faces in modern times, the definition of Brand is explored in the following context. According to business and brand strategist, Martin Roll: "Brand is a name, term, sign, symbol, association, trademark, or design intended to identify the products or services of one provider or group of providers, and to differentiate them from those of competitors." It has "functional and emotional elements which create a relationship between customers and the product or service." (Venture Republic). Another definition from Paul Temporal: "The consistent use of a brand name, symbol, or logo makes the brand instantly recognizable to the consumer, and can bring to mind the personality of the brand, and its associations…the visual element of design is an important aspect of branding, (however), it is insufficient on its own to make the brand a strong one." "Branding is essentially based on the principle of satisfying the needs of consumers" (Paul 2001). From the definitions above, we can witness the increasing importance on brands from a businesses and especially consumer's point of view. It gives consumers a sense of identity, a signal of quality and creates a bond with the companies who provide the products and service.

2.2 Brands as business assets

From a financial value perspective, we can see a significant indicator of brands as business assets by looking into the market capitalization of many Western companies. Recent studies has shown that intangible assets now accounting, on average, for 75% of the value that investors place on a firm (Knowles 2003a) we have now entered an age of branding where brands and its values are widely recognized by businesses and consumers alike. From a financial value perspective, we can see a significant indicator of brands as business assets by looking into the market capitalization of many Western companies. An examination of the market capitalization of companies on Western stock exchanges demonstrates that a large proportion of a company's value is derived from powerful brands and the profit streams they provide. (Roll, 2006). On the New York Stock Exchange and NASDAQ, intangible assets are known to account for 50-70 percent of the market capitalization of the listed companies, where the majority is accounted for by their brands. The market-to-book ratio for Fortune 500 companies is approximately 3.5 which indicate more than 70 percent of the market values of Fortune 500 companies are comprised of intangible assets. (Srivastava, Shervani and Fahay, 1998) Similarly, the market-to-book ratio for the UK's largest companies average 3.0. (Doyle, 2000) Brands as business assets could be further demonstrated by the example below: The stock market value of The Coca-Cola Company, for example, was around $136 billion in mid-2002, yet the book value (the net asset value) of the business was only $10.5 billion. A vast proportion of the value of the business (around $125 billion) is therefore dependent upon shareholders' confidence in the intangible assets of the business, and the ability of the company to manage these profitably (Interbrand). From a global perspective, based on an extensive research study conducted by BrandFinance provides a snapshot of the composition of enterprise value within the top twenty four countries in the world, ranked by intangible contribution. (Figure 1.0) Here, we can see that the competencies of each country and collectively by regions. Asia's China, India, Hong Kong, Japan, Malaysia and Singapore are amongst the countries performing well in terms of intangible investments. A further exploration into Asia region's performance in the composition of enterprise value is illustrated by (Figure 1.1). The definition of intangible assets could be defined as: An asset that is not physical in nature. Corporate intellectual property (items such as patents, trademarks, copyrights, business methodologies), goodwill and brand recognition are all common intangible assets in today's marketplace. Here, intangible assets are also associated with intangible earnings, which serve as one of the key drivers for brand value. (Interbrand, 2009) Therefore, in order to gain competitive advantage in the global market and capitalize on growth opportunities, Asian companies would need to understand the strengths and values of brands while investing in building greater brand equity.

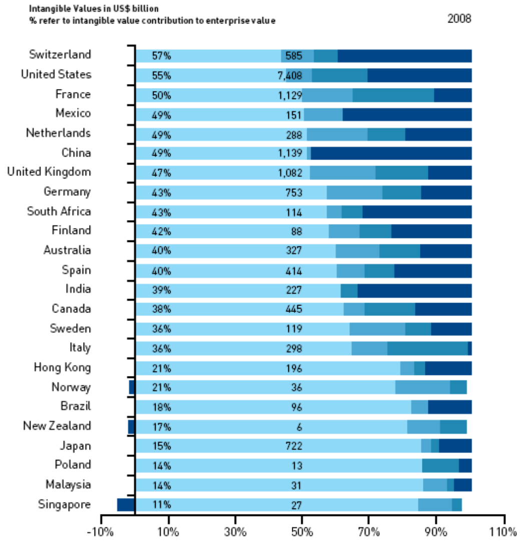

Figure 1.0: Top 24 Countries Ranked by Intangible Value Contribution as at 2008 (BrandFinance)

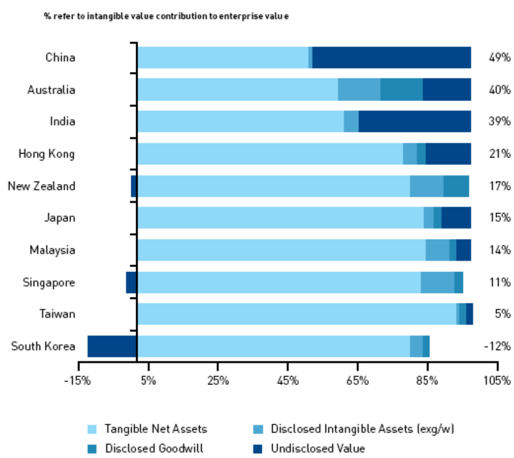

Figure 1.1 Top Asia Pacific Countries Ranked by Intangible Contribution (BrandFinance)

2.3 **Branding in the Asian Context**

Asia is a highly diversified region with fragmented market realities amongst Asian countries. Amongst these countries, we may divide it into a few segments based on economic growth and global competency. South Korea, Taiwan, Hong Kong, and Singapore for example, have been known as the four little dragons of Asia. These countries have all benefited from the golden years of global economic expansion during the 1980s and 1990s. According to Vogel's paper in the *Harvard University Press*, "They constitute less than 1 percent of the world's land mass and less than 4 percent of the world's population. Yet, in the past four decades, they have become, with Europe and North America, one of the three great pillars of the modern industrial world order" (Vogel, 2006). Although China and India lagged behind these dragons, the world has recently witnessed their exponential growth and its increasing consumption power as a key driving force of the global economy. Unlike other Asian neighbors disturbed by political turmoil and poverty such as Cambodia, Myanmar, and Laos, these Asian countries have been successful in attracting a continuous flow of foreign investments to establish manufacturing plants and regional offices. In return, they learned from this foreign interaction, and are innovating and creating many regionally and globally renowned brands. The past two decades of economic boom have required Asian corporations to pay more attention to branding in order to successfully expand beyond local markets and into the global arena. Yet the leading brands of the world are still predominately Western, and only 4 brands amongst the top 30 global brands from the Business Week Best Global Brands 2009 survey are Asian. These brands are namely, according to its ranking: Toyota (#8), Honda (#18), Samsung (#19) and Sony (#29). The majority of the top 30 brands, in contrast, remain American. Despite this Western domination, Asian brands have proposed well in recent years. Taiwanese brands, such as Acer, ASUS and more recently China's Lenovo, are making their marks in the computer market. Korean brands, such as LG and Samsung, are aggressively gaining global market share in the mobile communications sector—as well as Singapore's Creative Technologies, are well known brands among Asian consumers and among a broader audience. Behind each of these, aggressive or subtle, collaborative or standalone, different branding and marketing strategies have been applied to stay competitive in their respective industries. Stan Shih, chairman and CEO of the Acer group, attributes some of the problematic business growth for Asian companies and their brands to "the poor image of 'Made in Asia,' coupled with small domestic markets." (Paul, 2001) The dominance of Western brands in Asia, according to Shih, has also led to limited market space for Asian companies to grow their brands. Currently, the majority of branding methodologies and case studies are based on Western contexts, brands, and business models. Although the West has influenced Asia in many ways, insofar as culture and habits, Asia is not like the Western world. It is important for companies to realize that Asia is, as Martin Roll describes: "A mosaic of cultures rather than a homogeneous region; an urban form of modernity rather than an exotic continent; a region of countries connected by history, cultural heritage, religious affiliations, migration and the pattern of rural vs. urban divide." (Roll, 2008) Because of Globalization, we see that people are constantly moving and migrating, along with financial resources moving rapidly across the globe, it creates new forms of communication between people. British sociologist Anthony Giddens defines globalization as "the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa." (Giddens, 1991) From a subculture point of view, we may witness the Chinese ethnic commonality being widely spread out across the region, with the majority residing in China, Taiwan, and Singapore. This commonality thus plays a crucial role in facilitating the growth of economic relations between these countries. In Murray Weidenbaum's book, he predicts that Chinese-based portion of the Asian economy will rapidly gain importance: "This strategic area contains substantial amounts of technology and manufacturing capability (Taiwan), outstanding entrepreneurial, marketing and services acumen (Hong Kong), a fine communications network (Singapore), a tremendous pool of financial capital (all three), and a very large endowments of land, resources and labor (mainland China)…From Guangzhou to Singapore, from Kuala Lumpur to Manila, this influential network – often based on extensions of the traditional clans – has been described as the backbone of the East Asian Economy." (Weidenbaum, 1993) With the rise of Asian economies and living standards, brand building in Asia has become a subject to be taken more seriously by Asian and Western corporations.

2.4 Asian Brand Growth Strategies

For Asian brands that are looking into expanding internationally, it is prerequisite that the company must achieve global standards of competitiveness and distinct capabilities in its core activities. An article from McKinsey's Quarterly, "Global Champions in emerging markets" highlights a study of global leaders which found that they brought their key processes up to or above global benchmarks before they globalized. (McKinsey Quarterly, 2005) Asian companies must focus on enhancing its corporate culture, distinct values, while developing a strong talent pool of management executives with strong competency in order to increase its chances of success to expand into diverse markets. The management structure must allow for a certain degree of autonomous decision making to suit specific local tastes and requirements and yet be part of the overall corporate direction. Similarly, the employees must be strong brand ambassadors, contributing to the overall performance and the local company culture. (Roll, 2008) According to McKinsey, companies expanding from emerging markets are successful when they first leverage their distinct capabilities and corporate cultures and subsequently adapt and change where needed. (McKinsey Quarterly, 2005) The current reality in emerging Asian brands shows that most of these brands are strong within their countries but not regionally throughout Asia or internationally. This implies that the decision to expand to the international markets may come in different forms or stages while facing different levels of challenges. Asian board rooms will face two critical challenges when deciding on future brand growth strategies: Management control and Time-to-Market. Management control's challenge is to maintain consistency of the brand through continuous investment of resources such as financial and organization resources. When expanding into international markets, the level of control may be altered as business decides to ally or acquire other brands. On the other hand, the Time-to-Market challenge reflects on the intensity of growing competition in the market and the proliferation of products and services as well as brands, creating a critical situation where the lead time taken to launch brands or products into the market becomes an extremely critical factor to success. Venture republic created an Asian brand growth matrix to illustrate the possible growth strategies for Asian brands across different markets. The horizontal axis measure the resources availability of Asian companies and the vertical axis looks at the market reach these companies aspire to achieve. (Roll, 2008) The illustration could be found below as figure 2.0.

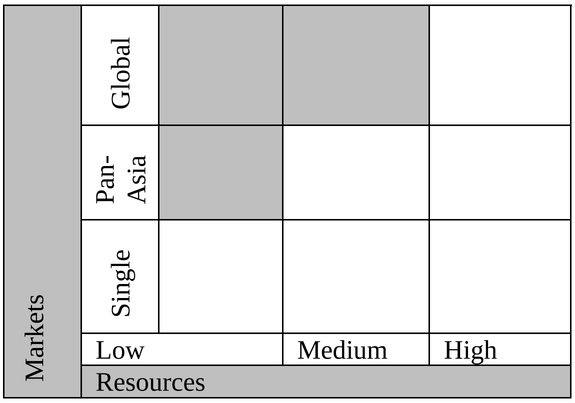

Figure 2.0 Asian brand growth matrix (source: Venture Republic)

The Vertical side faces challenges in customer knowledge, distribution network and increase competition. While the horizontal axis faces the issues of funding, resource allocation and level of control over the brand. Therefore, with these opportunities and challenges in mind, Asian boardrooms need to decide how to grow their brand, using the following brand growth strategies from Venture republic: Organic growth strategy, Alliance growth strategy and Acquisition growth strategy. These strategies are different in terms of level of brand control, resources required, and the time-to-market factor. The comparison between the three growth strategies are illustrated in Figure 2.1 below.

Growth Strategies	Organic growth strategy	Alliance growth strategy	Acquisition growth strategy
Level of brand control	High (maintains full management control as it expands in the same market or other markets)	Low	Moderate
Resource	High	Moderate	High
Time to market	Slow	Fast (access to new markets, distribution channels, customer segments and products)	Fast (access to new markets, distribution channels, customer segments and products)
Challenge	•vast resource investment •hard to extend their brand beyond a certain set of product categories and market segments	•may confuse brand positioning of both brands •require high management cost and effort to manage the brand	•retention of key talent •Communication •retention of key managers •integration of corporate cultures

3. Conclusion

As the original objective set for this research paper, the aim of this paper is to highlight the complexities of branding in Asia, and provide a growth strategy guideline for Asian business leaders to manage a successful branding operation. Starting off with the background exploration of what branding is and its implications to the modern business world. We understand that it is an inevitable change in the business landscape that Asian business leaders could not afford to ignore. Next, the idea of brand as a business asset is explored and an overview of the competition of brand value creation in both regional and country level is illustrated. Asian countries would need to look into how Western countries have been investing in their brands over the past decades and how has it affected their business equities and especially the creation of projected market value which reflects the value of the brand. The complexities of the Asian market identify key factors to consider when entering new markets in Asia. The fact that Asia is a highly diversified region with fragmented market realities amongst Asian countries creates a vast challenge for brand managers to overcome by understanding the key insights and trends occurring in this region while having sensitivities to local behavior, culture and economical structure of individual countries. Last but not least, the brand growth strategies for Asian brands are presented. Brand growth strategy development in Asian businesses is truly a meticulous and complicated business issue which requires a multitude of resources and investments, multidisciplinary talents, a strong commitment from the boardroom with the core competency of the company intact. The challenges are high but the perceivable returns in the long run are also highly considerable. Asian companies today have to start building their brand competency and invest in creating brand values to pave the path for sustainable success.

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亞洲企業之品牌成長策略

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摘　要

過去幾個世紀以來，品牌已經變成現代企業不可抗拒的商業焦點並且亦同時扮演著整合全體企業功能的角色。 現代企業在品牌經營上的成果不但可觀也對於全球商業環境具有舉足輕重的影響。 嶄新的全球品牌策略將需要結合對區域差異的了解以及在地化策略調整的彈性，方能成功進入不同的國際市場。

今天，亞洲企業正在尋找著新的成長策略以及新的企業方向，以協助企業本身獲得更強大的競爭力、 創造更高的價值並且達成永續性的市場成功。 本研究的探討重點為品牌經營對於亞洲企業具備什麼關鍵影響；同時整理出能夠有效協助亞洲企業建立強勢品牌的關鍵成功因素，讓亞洲企業得以順利拓展到國際市場，逐步發展成為全球性的成功品牌。

關鍵詞: 亞洲品牌、品牌鑑價、成長策略、亞洲市場