

# An Investigation into International Branding Strategies of Global Companies in Emerging Markets: A Case of China

Albert Dzikiti<sup>1</sup>, Qiantao Fan<sup>2</sup>

<sup>1</sup>Zhejiang University of Science and Technology School of Economics and Management

<sup>2</sup>Professor, Zhejiang University of Science and Technology School of Economics and Management

**Abstract:** *Branding strategies of is an integral part of international marketing for companies to sustain presence in the market as well stay ahead of competition. This paper seeks to identify, explore and evaluate branding strategies adopted by most successful global companies currently operating in emerging markets such as China to avoid negative consumer attitudes across industries using real life case such as Starbucks .This could serve as a useful model by new or potential companies to effectively market their products in China.*

**Keywords:** Branding Strategies, Brand, Emerging markets, Culture

## 1. Introduction

The world has since shrunk to become one big global market with no boundaries in terms of movement of goods and services mostly due to rapid increase of communication technologies, cheap and efficient transport networks and growth world tourism .This therefore calls for international marketers to develop marketing channels and branding strategies at global level and these strategies must clearly distinguish the company's products or service from its competitors and should be easily identified by consumers on the international market but with careful consideration of cultural differences in the respective markets .Branding Strategies can be also used interchangeably with Branding Architectures and has a direct effect on market share or firm value, profitability and efficiency (Rao et al.,2004;Morgan and Rego,2009)

According to McKinsey &Company middle class population will be 550 million by the year 2022 in China of which 75% will be urban households. China is also the largest economy based on Purchasing Power Parity according to IMF (2018) .More so it happens to have the largest population in the world and most importantly Chinese consumers are obsessive with global brands (Tian and Dong 2011).In recent years this huge potential market has attracted the attention of Global companies into China. However it is often cited that 48% of Global companies fail and withdraw from China within two years of starting operations and also there rare cases of companies that get it right the first time and according to experts this mostly attributed to cultural differences. In this regard, there are different branding strategies available to global companies, yet there is limited literature on the evaluation of these branding strategies in emerging markets

The purpose of this research based on case studies is to identify, explore and evaluate the branding strategies that have been adopted by most successful global companies to avoid antagonistic consumer attitudes across industries in emerging markets such as China. This could serve as a

useful model by new or potential global companies to effectively market their services and products in china

## 2. Literature Review

According to Azuayi (2016), a brand is defined as a name, term, sign, symbol, design or a mixture of them intended to classify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Brand therefore, comprises of both physical attributes of product and feeling or emotion, identity, characteristics, culture, customer relationship etc. One of the major marketing strategies a global company could adopt to sell its products or service is branding.

### Components of Branding

Components of branding includes firstly Positioning, according to (Healey, 2008,p.8) Positioning means identifying what a brand stands for and how it compares with rival brands in the consumers' view. The root of this principle of brand positioning can be related to the belief that customers shape particular opinion bout each brand they meet and by engaging in brand positioning companies attempt to influence this opinion in a favorable manner. Brand positioning comes into four separate components first product or service category and the structure of the market place, secondly consumer segmentation, thirdly consumer perception in relation to the brand compared with the competitors and ultimately the last aspect of brand positioning relates to the benefits associated with the brand's buying products and services.

Secondly Design, Abbing argue that design and all its variations, has the ability to bring products to life with a manner that can be experienced in a meaningful way. It can also be defined as an integral part of the brand proposal and as a visual articulator of what the brand tends to be and the expression of the brand.

The third one is Story telling which that which develops the bond among the company and the consumer (Fog et al.,

2010, p.23). Elements of storytelling as part of branding can be specified as message, conflict, character and plot. These elements should be included in branding strategy in order to ensure that the strategy is successful.

To implement storytelling with a higher level of efficiency, companies must communicate the same story to organizational stakeholders through effective integration of different channels of marketing communication.

Followed by Customer relationship management is "the sometimes quixotic effort of corporations to make each of us feel special" (Healey, 2008, p.9) and is widely believed to be the key component of a successful branding strategy. The customer relationship branding involves the need for business to make each client feel special despite the fact of having thousands and thousands of customers. Hammond (2011) argument emphasizes the role of information and technology in general and increasing number of social media, particularly in the maintenance of customer relationships between large corporations. Business can strengthen its relationship with current and potential customers effectively through social networks such as YouTube and face book and so on.

Last but not least "pricing is an important element of marketing and branding strategy, as it is one of the first indicators of brand positioning for consumers" (Okonkwo, 2007, p.140).

Global branding strategies available to multinational brands can be broken down into three categories which are ethnocentric, polycentric and geocentric pricing. Ethnocentric pricing strategy "is a kind of cost based approach which prices vary by region or country based variations in freight, duty and other additional costs" (Gelder, 2005, p.49).

Polycentric is a pricing strategy which has provisions for price variances based on market –related differences and relevant competitive conditions, for example McDonald's pricing strategy. Geocentric strategy is designed to take into account local market specifications and competitive conditions, but this strategy provides for the alignment of local prices with global pricing strategy.

### **Branding Strategy**

Is formal plan used by company to create a particular image of itself in the minds of current and potential customers. A brand strategy brings about a particular feeling or opinion about the company and its products which will influence buying decisions. Brand strategy encompasses what the brand stands for, what promises the brand to customers and what personality your brand conveys through marketing (Allen Martinez)

There are four brand strategies these includes corporate brands, product brands, corporate and product brands with dominant use of corporate brand and product and corporate brand with dominant use product brand (Urde). A mixture or combinations of product and corporate brand strategies can also be referred to hybrid branding strategy. Product Branding involves marketing of the product without focus or

mentioning the marketing company while corporate branding is marketing the whole range of products and services in the name of the company offering them.

*Corporate branding* refers to a marketing strategy in which brand and corporate name are the same (Yu Xie and Boggs 2008) Corporate branding can also be defined as "The process involved in creating a unique name and image for a product in the customer's mind mainly through advertising campaigns with consistent theme "(Business Dictionary.com). It is an important facet of a company's overall advertising strategy. A thriving corporate brand should reflect the company's core values, personality and mission in every point of contact a company has with customers (Azuyi R 2016). According to Balmer a corporate brand should communicate visibly the promises of the corporate brand, distinguish the corporate brand from its competitors and enhance the respect and reliability of the organization that is given by takeholders.

### **Examples of Corporate brands**

Nike  
Apple,  
Sony  
Virgin

*Product branding* refers to separate brand identities for different products (Yu Xie and Boggs 2008) In other words it defines the way the product's image is communicated to customers with the main objective of differentiating the product from competitors. Product branding give room for flexibility for the company to position themselves in different market segments.

### **Comparison of Corporate and Product branding**

The main objectives of both corporate branding and product is to differentiate the product or service from competitors there are benefits and short comings associated with each one of them. A comparison of the two according to Hatch and Shultz

### **Branding Responsibility**

Branding efforts for products is the marketing department's responsibility and corporate branding everyone is involved in making sure that the companies achieve its goals. For corporate branding to be successful internal and external communication must be aligned in order to create a single and clear image across multiple channels and media

According to Hatch and Shultz corporate brand success is achieved when there is an relationship between strategic vision, organizational culture and the corporate images held by its stake holders

### **Shift in focus from product to corporation**

More attention is given to corporate and its ideologies and beliefs .This puts organizational behavior in the spot light and employees will be included as brand ambassadors and their interactions will be under scrutiny

### **Organizational Culture**

The management role moves from the middle management up to the CEO. Due to increased focus on employs and organizational behavior there is need for health

organizational culture

### Focus

Product branding targets consumers and on the other hand corporate branding focuses on multiple internal and external stake holder groups.

### Change in Horizons

Product branding has a short life cycle while corporate branding has a long life cycle. In other words product brands are regularly rebranded and corporate brands cannot be rebranded.

### Increase strategic importance of corporate brand

Product brands are more functional while corporate brands are more strategic function importance to the company. One major difference is the shift of focus from product to corporation. Product branding is associated with higher advertising costs on the other it is also advantageous in the sense that if one product fails it will not damage the image of the corporation.

Product branding is associated with high advertising costs because the target market segments with different products. In order for companies to stand out in a crowded market it is of paramount importance to understand the characteristics of both corporate and product branding strategies as well as internal and external factors that affect them so as to make well informed choices of branding strategy. The best choice of branding strategy is determined by the market circumstances. Factors like culture, country of origin, materialism, product service quality exert a strong influence on brand image (Smriti Bajaj 2000) what works in one may not in another.

### Examples of Product brands

Proctor and Gamble

Unilever

Standardization and localization

Cultural differences still matter today regardless of globalization because of its influence in consumers' behavior which makes it impossible for standardization at a global scale. This is supported by Cleveland and Laroche (2007, p.250) "More than any other factor, culture is the prime determinant of consumers' attitudes, behavior and life styles, and therefore, the needs that consumers satisfy through the acquisition and use of goods and services" On the other hand localization comes in hand since the inclusion of local symbols or tastes reveal an understanding and value of locals by the global brands and also adaptation of local language, style signify cultural respect and change the way in which foreign brands are judged or influences the consumers' decisions (Xiaoling Guo, Martin Heinberg, and Shaoming Zou). Nevertheless standardization should not be viewed as bad intentions by global brands though it has its pros and cons.

### Emerging Markets

According to Arnold and Quelch (1998) emerging markets are countries that have rapid increase in economic activities backed by government liberalization policies towards achieving free market economy. Characteristics of emerging

markets include high growth rate and high returns, increase in investments, less mature capital markets as compared to the developed world countries and lower than average per capita incomes and foreign exchange rates controls. Examples of emerging markets include Brazil, Russia, India and China shortened BRICS. When expanding into new markets it's important to differentiate developed and emerging markets so as to make informed decision in relation to the degree of risk involved as well as growth potential of the markets.

### Research Objectives

Establish and explore branding strategies currently being implemented by global companies in China.

Analyze factors that determine choice of branding strategies by global companies in emerging markets

Assess the level of success from the use of these branding strategies in China.

Proffer possible areas of improvement in line with the research findings.

## 3. Methodology

For the purpose of this research qualitative meta analysis was used. This technique is used to create an integrative review (Neuman 2011, p.124). It uses details from the previous researches as well as articles and synthesizes the results (Neuman, 2011). This method can also be described as an attempt to carry out a rigorous secondary qualitative of the primary qualitative findings with the main aim to give a comprehensive description of a phenomenon and an assessment of the influence of the method of investigation on the finding thereof. In this study qualitative meta analysis was used to analyze key considerations of branding of Starbucks. This way the researcher is able to come up with conclusions on which key branding strategies which are behind the success of Starbucks in China a very complex market.

## 4. Data Analysis

Qualitative meta analysis involves five steps. Firstly there is need to locate all potential studies or research questions and the second step is to devise a consistent criteria and scan the studies for relevance and quality. The third step is to identify and record relevant information then synthesize and analyze the information into broad findings which the fourth step and lastly give conclusions based on the findings (Neuman 2011). Data was collected from published academic articles, advertisements on the internet about global branding success of Starbucks.

### Validity and Reliability

The research is limited to global branding and marketing strategies of Starbucks with particular attention to its Chinese market. For validity and reliability articles which were not relevant to the research were eliminated.

### Ethical Considerations

The author was careful to make sure of ethical standards and sources of information. Sources which were used in this study can be traced back to the source through citation details. Previous Studies

## 5. Previous Researches

### Stakeholder interests

It is of paramount importance to consider many stakeholders that a company's brand strategy affects so as to come up with the best strategy. Stake holders stand between brand and customers therefore they can both distort or aid brand success.

Branding affects all aspects of the business internally and externally. Therefore it is essential to consider and identify these stakeholders' interests in formulating a branding strategy. These stakeholders include: Employees, regulators, Consumers, Business partners, Investors, Community, media, (Hatch and Schultz 2006)

#### *Employees*

Are ambassadors of the brand, hence they should be educated about the brand because if they do not believe in your brand promise and they are not onboard moving the brand forward the brand will not be successful (Harris and de Chernatony 2001). Best baristas are sent to train and establish Starbucks culture in new markets. Employees are treated as partners at Starbucks

#### *Regulators and Business partners*

According to the works of Arnold and Quelch 1998 national and local governments' policies have great impact to the business activities hence there is need to have a health relationship with the authorities especially in imaging markets in order to get licenses, permits and joint ventures? Starbucks has entered into partnership with local companies therefore it eases pressure on the regulation issues. Like it is often cited that most companies that fail in China it because difference in business differences (guanxi)

#### *Consumers*

The company needs to understand both existing and prospecting customers that the brand could appeal to. There is need to have a deeper understanding of their emotions and feelings so as to create a brand that meet and exceed their expectations. "If a brand provides an emotional connection and sense of identity in a way that is consistent with social and cultural consciousness your customers will spend extra for the privilege of being one of your stakeholders" Denise Lee Yohn.

#### *Strategic Business partners*

In emerging markets theory stated that global companies must cooperate with the local partners so as to establish stable and efficient distribution channels (Yu Xie 2006). Partnership enhances the rapid expansion of MNEs as well as wins the hearts of the locals because the learning process will be eliminated.

#### *Investors*

According to Friedler and Subrahmanyam (2002) the better the brands the more it attracts investments from investors, increase profitability and also influences the company position in the financial markets

#### *Media*

How will media report about your brand? Media includes conventional media and social media. This is important so

that you know how to manage and monitor the brand reputation

#### *Community*

Social responsibility is very important thus there is need to be cautious on how your brand will be perceived in the community where you are going into.

### Corporate image and Reputation

Taxonomy of questions to define corporate image reputation by Argenti and Druckenmiller (2004 pge 369) Corporate image is who do you say you are and want to be. Image is what do stakeholders think of who you are and who you tell then you are. Reputation is what do all stakeholders think of who you tell them you are and have you done. Global brands with the best reputation are those who have close interactive relationship with stakeholders. Their policies and practices offer room for continuing, ongoing and mutual benefit to these stakeholders, who include employees, customers, shareholders, regulators and suppliers and there have strong communication cultures, both internally and externally. They listen and as well as flexible in their operations.

### Market Complexity

Market complexity includes Barriers to international Business environment such as consumer characteristic and behaviors, government regulations competition (macro environment). Task environment-inter- institutional environment relationships, behavioral norms and channel structures.

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Organizational environment which includes cost structures, operational flexibility, management styles and cultures. To ease the uncertainty of the Chinese market Starbucks went into partnership with the locals which includes Taiwan based Uni President, Beijing Mei Da Coffee company and Maxim's Caterers (Zeng2015) Starbucks China management Structure comprised of locals who then report to the Head office (Starbucks website).

### Environmental factors

Long term orientation, local relationships and product localization strategy (Praveen Gupta, Ankita Nagpal, DikshaMalik 2018)



**Marketing costs**

According to Yu Xie and Boggs (2006) Corporate branding reduces High marketing costs related to targeting different market segments and also results Economies of scale .Marketing costs are no longer an issue due to social media marketing whether product or corporate branding .

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**Starbucks Case**

In this section review literature about Starbucks because it provides a comprehensive example of an effective branding Strategy which makes it a perfect fit and it is also one of recent examples of successful brands in China. An American corporation which was founded in Seattle which started off as a single store and sold some of the world’s finest fresh roasted whole bean coffee and it has since grown to be the largest coffee house in the world with 30 226 retail shops in 80 countries by 2019. In china there are 3521 stores. Some of its main products include coffee, beans hot and cold drinks, Sandwiches, sweets, snacks and salads hot and cold. In addition to the above products they also have an Entertainment division and Hear Music Brand for books, music and films and Starbucks branded ice cream and coffees can also be found in grocery stores (www.starbucks.com)

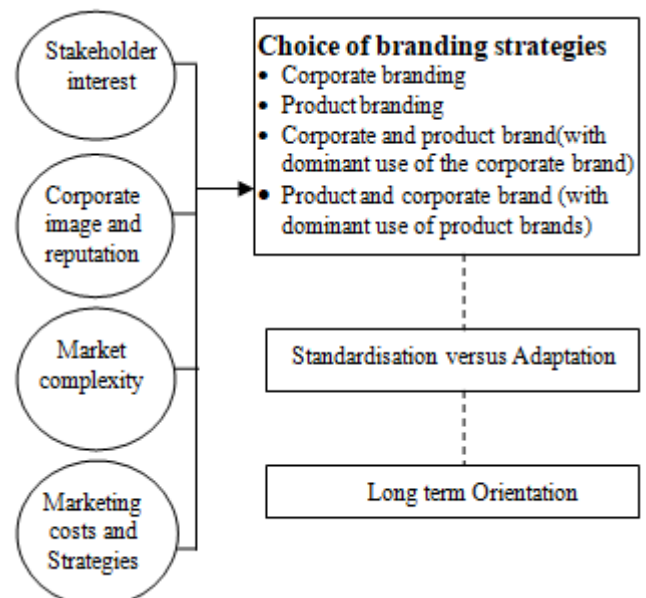
The Chinese market is not homogeneous it differs with regions in terms of buying power, lifestyles and attitudes which makes complicated for foreign brands to succeed. Cui, Geng and Liu, Qiming .The Company needs to understand both existing and prospecting customers that the brand could appeal to. There is need to have a deeper understanding of their emotions and feelings so as to create a brand that meet and exceed their expectations. Owing to market research Starbucks localized it menu. According to the works of Yang,Q.,and Tu,X( 2016) the tea drinking tradition began in China and then spread to other parts of the world which implies that Chinese have a long history of tea drinking however Starbucks succeeded in this community of mostly tea consumers .This can be attributed to its glocalization branding strategy . Apart from its coffee it introduced beverages that included local tea ingredients with the support of local partners.

What Starbucks did is way more than just adaption to local taste but it shows cultural respect and it worked in its favor by converting tea consumers in coffee lovers without risk of negative perception from locals (Xiaoling Gao, Martin Heinberg and Shaoming Zou 2019) It came with great innovation on its menu mixing oriental and western flavor

by coming up with various tea drinks including Chinese tea and exotic tea and Chinese traditional food such as moon cake ,rice pudding, Chinese Zodiac to match festival like Spring festival, Mid –autumn and Dragon boat festival (Yang,Q.,and Tu,X 2016).This integration of Chinese and western tastes ,induced the emotional connection with consumers and improved their experience. To avoid being viewed as threat to the local tea drinking culture when in launched Sturbucks did not advertise or promote its coffee but it chose locations with high traffic and at the same time visible.

According to many academics cultural differences is still any issue regardless of globalization because of its huge effect on consumer behavior which why it’s difficult for companies to standardize at global scale . The works of Cleveland and Laroche (2007, p.2500) also concurred with this fact when they stated that “More than any other factor, culture is the prime determinant of consumers’ attitudes, behavior and life styles, and therefore, the needs that consumers satisfy through the acquisition and use of goods and services” Localization comes in hand because the inclusion of local symbols or flavors reveal and understanding and value of locals by global companies. In addition the adoption of local languages and style indicate cultural respect and this have a direct effect on how foreign brands are views or influences the consumers’ buying decisions (Xiaoling Guo, Martin Heinberg, and Shaoming Zou)

In their conceptual framework works Yu Xie2006) and Boggs introduced factors that affect the branding strategies of Global companies in emerging markets which are stakeholders interests, Corporate image and reputation, market complexity, marketing costs, and product characteristics. However this research is going to modify by removing product characteristics and bring in the Standardization and Glocalization into the mix.



Adopted from Yu Xie and Boggs Conceptual frame and modified

## 6. Trends and Discussions

The objectives of this research were to firstly establish and explore branding strategies currently being implemented by global companies in China. Secondly to analyze factors that determines choice of branding strategies by global companies in emerging markets and thirdly assess the level of success from the use of these branding strategies in China and lastly proffer possible areas of improvement in line with the research findings.

According to literature Starbucks adopted corporate branding in China because brand and corporate name are the same (Yu Xie and Boggs 2008) in other words the corporate name is used in the labeling. Starbucks is also heavily involved in corporate social responsibilities which is one of those strategies to promote the brand unlike in product brand. This supported the works of (Brassington & Pettit 2006). When they state that Starbucks adopted the societal marketing philosophy in which it tries by all means to add a societal benefit to their brand helping communities and respecting culture and environment. Advertising campaigns tend to be long time thing as compared to product branding. One of the branding strategies current used in China is glocalisation where Starbucks kept its name by altered its menu to suit the Chinese tastes. Yang, Q., and Tu, X 2016 mixing oriental and western flavor by coming up with various tea drinks including Chinese tea and exotic tea and Chinese traditional food such as moon cake, rice pudding, Chinese Zodiac to match festival like Spring festival, Mid – autumn and Dragon boat festival.

The knowledge of factors affecting branding strategies of Global brands in China helps in terms of how to react to various market barriers and come up with best and effective branding strategy. In the case of Starbucks the literature reflects that it understood the Chinese Market and formulated Strategies that give attention to and execution around Chinese social and business culture which includes partnerships with locals (Zeng 2015), Long-term commitment in terms of training the staff and treat them as partners (Paul Temporal 2000) and localizing its menu. According to Starbucks website there are 3521 stores in China by 2019 this evidence suggest that Starbucks has succeeded in China.

Above all the findings supports the objectives outlined above, however the low volume of the research in relation to this topic indicates that there is need for further studies.

## 7. Limitations and Recommendations of the Study

The focus was limited to the study of one organization to make the study manageable due to time constraints but produced limited results because of narrowed focus

## 8. Recommendations

There is need to explore Starbucks strategies from customers' perspective through questionnaires and interviews and so on

## 9. Conclusion

To be a leading global brand depends on how well the company positioned itself in the international market. Cultural respect must be a priority in the formulation of market channels and branding strategies. Starbucks connects with the local cultures by adapting to the market needs thus right cultural expression of the brand as well the consumers 'culture.

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