

SAMPLE
CHAPTER

MARTIN ROLL

ASIAN BUILDING & SUSTAINING STRONG GLOBAL BRANDS IN ASIA BRAND STRATEGY

'Building successful global brands is – and will be – critical for the rapidly increasing number of Asian champions on the global stage. Martin Roll provides a compelling and practical roadmap on how to do this based on his extensive experience advising Asian corporations.'

-Dominic Barton, Global Managing Director, McKinsey & Company

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Praise for *Asian Brand Strategy*

“Building successful global brands is – and will be – critical for the rapidly increasing number of Asian champions on the global stage. Martin Roll provides a compelling and practical roadmap on how to do this, based on his extensive experience advising Asian corporations.”

–Dominic Barton, Global Managing Director, McKinsey & Company

“Building brands have become a C-suite topic in Asia as Asian firms seek to globalize. Martin Roll provides a compelling framework, clear guidelines, and multiple insights into successfully brand marketing. A ‘must-read’ for anyone interested in the rise of Asia from the leading expert.”

–David Aaker, Vice-Chairman, Prophet; author of *Aaker on Branding*

“Martin Roll’s *Asian Brand Strategy* provides superb motivation and substance into Asian brands and branding. It offers invaluable inspiration and guidance into one of the hottest areas of marketing.”

–Kevin Lane Keller, Professor of Marketing, Tuck School of Business

“Branding is the hottest topic in marketing! Martin Roll describes all the key opportunities and challenges that Asian firms need to further challenge their Western competitors. As the leading expert on Asian brands, Martin Roll brings a unique knowledge and experience that make his book a ‘must-read’ for all global marketers!”

–Dominique Turpin, President, IMD Business School

“An insightful look into branding as a strategic tool for Asian companies – *Asian Brand Strategy* by Martin Roll is a brilliant, incisive read. A treasure of ideas and case studies, this compelling new book discusses the challenges Asian corporations face to stay relevant in today’s dynamic, global market.”

–N. R. Narayana Murthy, Founder, Infosys

“*Asian Brand Strategy* is an important handbook for Asian executives aspiring to build strong brands. It provides a solid foundation for future success in the global market place.”

–John A. Quelch, Charles Edward Wilson Professor of Business Administration, Harvard Business School

“The 21st century will be the Asian century. Asian corporations will naturally attain greater global prominence. However, they can achieve global recognition much faster if they pay greater attention to their brand strategies. Martin Roll’s book could not be more relevant and timely. Asians should heed his advice.”

–Kishore Mahbubani, Dean, LKY School of Public Policy (NUS),
author of *The New Asian Hemisphere*

“*Asian Brand Strategy* is a brilliant publication with valuable in-depth analysis of the current Asian Branding Platforms that are shaping the retail and consumer perceptions of products and services in a highly dynamic and competitive Asia. The market place

today has many established and emerging brands and the key to a successful brand with sustainable growth and customer loyalty is a total approach and a detailed 360-degree strategy. Martin Roll has done an excellent job in giving readers great insights and has demonstrated clearly the challenges ahead for all stakeholders of Asian Brands to be accomplished performers in the global stage! Highly recommended!”

–Sudhitham Chirathivat, Chairman of Advisory Board, Central Group of Companies

“Branding has become a hot topic for Asian companies which are no longer able to compete purely as contract manufacturers and now need to directly ‘own’ the end consumer. As shelf space in bookstores get filled with myriad books on branding as the next best thing, Martin Roll’s book *Asian Brand Strategy* stands out above the pack. It has the serious theoretical framework which underpins any real understanding of the role of branding in business. And it has the practical pointers which make it useful for anyone wanting to implement a brand strategy. Roll’s five major messages – that branding can enhance shareholder value; that it must be led by the top person in a company; that it is not simply slick advertising and PR but a holistic integration of many business functions; that Asian companies must embrace branding to move up the value chain, and that branding strategies can be measured through metrics – resonate strongly within my own company and have been the key factors for Banyan Tree’s own success in branding. I would strongly recommend this book as compulsory reading for anyone who wants to understand the power of branding and how to implement a practical, no-gimmicks brand strategy.”

–Ho Kwon Ping, Executive Chairman, Banyan Tree Group

“Martin Roll provides clear, insightful strategies for Asian firms seeking to globalize their brands, and for global brands -aspiring to succeed in Asia. A brilliant guideline!”

–Michael Aagaard Andersen, Senior Advisor and Vice President, ONLY (Bestseller, China)

About the Author

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Martin Roll is the founder of Martin Roll Company, a global advisory firm. The company seeks to empower clients to succeed through better business performance and to become enduring, leading enterprises.

Martin Roll delivers the combined value of an experienced global business strategist, senior advisor, and facilitator to Fortune 500 companies, Asian firms, and family-owned businesses on how to build and manage strong, global brands as well as leadership of high-performing, marketing-oriented businesses.

Martin Roll is very experienced in engaging and advising clients at all management levels from business owners and C-suite leaders to functional staff across multiple industries and cultures.

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Building and Sustaining
Strong Global Brands in
Asia

Asian Brand Strategy (Revised and Updated)

Martin Roll

*Business & Brand Strategist, Senior Advisor,
Martin Roll Company, Singapore*

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To Mads, Jens, Leah, Camilla, Emma, Oskar, Erik, and Nicklas. May you find journeys where you can make differences that matter.

In memory of Sue Blake, my book publicist, who sadly passed away too early and could not be part of the second journey. You will be missed forever.

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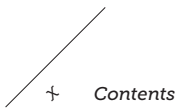
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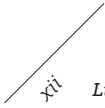
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Consulting and Speaking Enquiries

Martin Roll Company, a global advisory firm, seeks to empower clients to succeed through better business performance and to become enduring, leading enterprises. The advisory firm has wide knowledge and experience within a broad range of management topics, industries, and markets. The company engages with businesses, government, and associations all over the world.

Clients can also engage Martin Roll as a moderator for conferences, seminars, workshops, and in-house meetings.

Martin Roll delivers the combined value of an experienced global business strategist, senior advisor, and facilitator to Fortune 500 companies, Asian firms, and family-owned businesses on how to build and manage strong, global brands as well as leadership of high-performing, marketing-oriented businesses.

Martin Roll is very experienced in engaging and advising clients at all management levels from business owners and C-suite leaders to functional staff across multiple industries and cultures.

Martin Roll is a regular visitor to all continents where he passes on his experience, foresight and comprehensive toolbox on global leadership, strategy, business development, branding, and marketing. With his global consultancy business based in Singapore, Martin Roll is also in great demand for his insights into Asia, Asian affairs and business and leadership issues in Asia.

Martin Roll represents a flexible business approach including consulting, advisory services and mentoring assignments, and he is available on an ad hoc basis or for longer-term projects. His global customers often establish long-term

agreements with him to secure continuity and close dialogue on the numerous challenges and opportunities facing their companies.

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Foreword

A strong brand can differentiate a company from its rivals, make it stand out from the competition, successfully influence consumer purchase decision, build customer loyalty, and boost the company's financial performance.

Asian Brand Strategy explores these issues, with a focus on the Asian market environment and on attempts to build Asian brands.

Brand management is essential if a firm desires sustained success, especially during intense periods of competition and difficult product differentiation. This situation is observed in many parts of Asia and in many product categories, and has often led to market commoditization, in which pricing is the only applicable rule of the game.

Branding is one way out of commoditization and its consequent profit erosion. Strong brand building requires long-term commitment, and the sacrifice of short-term profits. Unfortunately, many Asian companies traditionally favor investment in tangible assets such as manufacturing capacity and property. Intangible assets such as intellectual property, proprietary technologies, and products, systems, and brands have generally been given lower priority. This is reflected in the percentage of companies' market value accounted for by intangible assets – less than than 50 per cent and sometimes as low as one-third, even in the case of large Asian companies recognized as brand leaders. In contrast, it is more than 75 percent for Western branded consumer goods companies, which own the most prominent brands.

Furthermore, Asian firms tend to use price to push sales, thereby undermining both the implicit guarantee of the consistency of the offer and the quality perception essential to brand building. As a result, few Asian brands are considered globally strong and those in the top league come mainly from Japan and Korea. The first Chinese companies like Lenovo and Huawei are in the process of joining them.

The overall weakness of Asian brands in international markets does not mean that local brands do not exist or are not preferred in some Asian countries. The Chinese computer market is dominated by Lenovo and the beer market by three domestic brands, despite the major efforts of global leaders like Budweiser, Carlsberg, and Heineken. In the Philippines, local brand Jollibee has a dominant share of the domestic fast-food market, beating the established global brand McDonald's. In the 2014 BrandZ Top 100 Most Valuable Chinese Brands rankings, China Mobile enjoys the first rank, followed by ICBC and Tencent in second and third places respectively.¹

The real challenge for many of these local brands comes when they try to sell to foreign consumers. Very few have succeeded, and attempts to build regional brands in a global marketplace have proved difficult. The immense population, increasing base of middle-class consumers, and unexploited market territories make Asia a thriving marketplace. Additionally, diverse cultures, disparity between rich and poor, infrastructural changes, and evolving mind-sets represent enormous challenges.

Branding in Asia is often wrongly referred to as an exercise that involves changing the company logo, design style, and colour scheme. It is often accompanied by a new corporate slogan, and everyone expects immediate results. Naturally, these are important elements to consider and potentially change once the strategy has been decided upon, but strategy development must precede this. Branding is a serious, long-term undertaking involving more skills and activities than the mere production of an updated glossy marketing facade with meaningless jargon.

In the Asian context, this is less evident. Branding is often seen as costly and is driven tactically at a low organizational level. Very often, advertising and promotion are the core activities driving brand-building efforts. Branding, as Martin Roll discusses vividly, is still not fully appreciated at boardroom and senior management level. Beyond that, the inherent cost- and volume-driven characteristics of Asian companies have resulted in a short-term view on return on branding investments. Such a view will not help companies to build trust in brands that come from a part of the world that became famous (or infamous) for cheap products and low-quality fakes. While Japanese and Korean products have long overcome this country-of-origin disadvantage, Chinese brands will have to work hard and smart to overcome this negative image when competing in the international arena.

Companies need to realize the strategic importance of branding. This call for Asian boardrooms and management teams to take charge of the branding

domain themselves. A strong brand strategy can add significant value in helping the entire corporation and the management team to implement the long-term vision, create unique positions in the market, and unlock leadership potential within the organization.

Successful brands are managed by the top management level and implemented by the entire organization through multiple actions, behaviors, and customer touch points. Few publications in the past have detailed the strategic aspects of branding in Asia. In *Asian Brand Strategy*, Martin Roll has successfully tackled head-on many of the challenges illustrated and critical factors in the Asian environment such as culture and corporate structure. *Asian Brand Strategy* demonstrates how successful brands are helping top-tier Asian companies penetrate the global stage and how some aspiring Asian companies are beginning to make their mark against larger Western players. These brands share the same common denominator – a strong commitment to branding by their boardrooms and senior management teams.

Asian Brand Strategy provides insights, tools, and practical step-by-step guides that demystify the process and delivery of brand development and management. It demonstrates clearly why Asian boardrooms and management teams must begin to improve their competitiveness through branding. Martin Roll provides a very compelling framework and a winning formula for this process. *Asian Brand Strategy* is solid proof that there is no excuse for not building strong Asian brands and delivering better shareholder value across the region.

Prof. Dr. Hellmut Schütte
Dean Emeritus of CEIBS
Professor Emeritus of International Management – INSEAD

Preface and Acknowledgments

Strategic brand transformation: From nice to have, to need to have

My first encounter with Asia goes back to September 1992 when I flew into Tokyo Narita Airport in the early morning. The sun was shining brightly on Mount Fuji, a breathtaking scene for an Asian first-timer, a classic and picturesque scene taken from a leisure travel guide. I was in Asia for the first time with an open mind and eager to learn about the region. What made a great impression on me that early morning in Japan became the start of a journey that grew deeper and deeper into the Asian region with a fascination for all her myths, ancient histories, and blend of cultures, people and traditions. A region which combines low and high tech like no other, the past is sometimes part of the present and the future – where one has to expect the unexpected – all fast-paced, Asian style.

I have been intrigued since that defining moment. When I settled in Singapore in 2001 as a management advisor after leaving the global advertising industry and graduating from INSEAD, Asia was characterized by local companies like the South Korean Hyundai and Samsung, and the Japanese Shiseido and Sony, but none of them were anywhere near the global versions of today. The huge imbalance between East and West in terms of branding led me to write *Asian Brand Strategy*.

The first edition of this book, published in 2006, was a recipe for Asian brand challenges in management, strategy, branding, and internationalization. To successfully globalize means to build brands and avoid competition on the basis on low-cost production and price. This path has indeed increased the business value of many brands.

Since 2001, many more local brands have expanded regionally and globally, to face new competition. With increasing opportunities and further deregulation, home markets are opening up to global brands whether local incumbents

like it or not. Hence, branding is no longer something nice for Asian brands to have – it is mandatory.

Some brands that have become hugely successful since I last wrote this book now face new challenges. Arrogance and complacency have hit many successful organisations, weakening their leadership power and leading to a danger of succumbing to the “victory disease” of hubris.

A large part of the findings and recommendations has been drawn from my many years working with global management teams and business owners. Through innumerable consulting projects with global boardrooms and corporate management teams, including several Fortune 500 companies, I have made observations and gained insights which shaped the arguments in the book. Additionally, delivering keynote speeches, panelling at many international conferences, and hosting many annual boardroom workshops globally have further distilled the ideas presented. The audiences attending these events have served as valuable sounding boards and discussion partners.

Asian Brand Strategy is written for boardrooms and corporate management teams. The book is aimed primarily at Asian business leaders and Western observers. Firstly, Asian boardrooms are facing defining moments for enhancing shareholder value. This is where comprehensive, consistent, and truly committed brand building comes in, with all its intricacies and challenges. Branding done right is not easy – yet it seems simple.

Secondly, Western business leaders are looking toward Asia like never before. The region not only provides cheap manufacturing and new growth opportunities, but also represents important potential threats from tough Asian competition, whether non-branded or branded. *Asian Brand Strategy* offers first-hand insights into Asian consumers, markets, and companies’ efforts to build strong brands. The book details the strategies and activities in building, managing, and leveraging stronger Asian brands. I also hope the book will inspire researchers, students, and anyone else interested in the world’s most fascinating and fast-paced region.

I have been inspired by many friends and business associates throughout my career in Asia. Without these wonderful people, this book could not have been written. One particular person has contributed significantly to the profound interest in Asia that later led me to live and work there: Professor Hellmut Schütte, Vice President, Dean and Distinguished Professor of International Management, CEIBS. Hellmut introduced me to and inspired my interest in Asia with his brilliant classes at INSEAD. He remains an inspiring mentor and a good friend, for which I am grateful.

I want to thank researcher Marc Bauche for his invaluable contributions to Martin Roll Company and this book. Insights director Sandeep Das is a great source of inspiration and contributed immensely to the book. I also want to thank Dora Chan and Riko Mulia for excellent work in editing and completing the manuscript.

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Martin Roll
Singapore, January 2015
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chapter **1**

Introduction

A journey of a thousand miles begins with a single step.
—Confucius

The face of business in Asia is changing faster than one can blink one's eyes. Asian companies that used to be back-end workhorses, manufacturing consumer goods cheaply for Western companies, are slowly realizing the benefits of branding. In China, a smartphone manufacturer established in 2011 was able to overtake Apple to become the nation's dominant mobile phone maker.¹ By nearly replicating Apple's processing power and design while improving distribution and manufacturing, some say the mobile industry's future will no longer be decided in Silicon Valley, but in the Beijing headquarters of Xiaomi. Even Apple co-founder Steve Wozniak has admitted Xiaomi is "good enough to break the American market."² However, Chinese mobile brands like Xiaomi will face bumpy roads ahead when they expand globally due to patent disputes, user concerns over cyber spying, poor brand recognition, strong branded competition, and other challenges.³

In a market where competition implies slashing prices on unbranded products, Asian businesses are slowly realizing the power of brand identity in capturing consumers and returning larger profits on their investments. Asian boardrooms are realizing that instead of wearing themselves down on razor-thin margins to compete with the next supplier, they could increase returns through brand investment and differentiation.

Starting with a ladies' footwear store in Singapore in 1996, brothers Charles and Keith Wong observed that while selling wholesale shoes provided a

cost advantage, the lack of uniqueness meant limited growth. This made them realize the potential of creating a brand that consumers could identify with – leading to the creation of the Charles & Keith brand. Today, it is well-known among fashion-conscious shoppers for its distinctive designs and quick in-season turnaround that offers 20–30 new designs in stores every week. Charles & Keith has expanded its product range to include bags, belts, shades, tech accessories, and bracelets, evolving from a footwear brand to a lifestyle brand. The group has also created Pedro, a line of men’s footwear and accessories.

With the sale of a 20 percent stake in the company to L Capital Asia in 2011 – a private equity group sponsored by the LVMH Group and other investors – the world is taking notice of Charles & Keith. With more than 500 stores across Asia, Eastern Europe, and the Middle East, Charles & Keith is looking to conquer China, the US, and Western Europe to become a global aspirational fashion brand by utilizing the expertise of L Capital Asia and their sponsors.⁴

Sometimes, successful branding means doing the opposite of what is fashionable. Japanese clothing chain Uniqlo has become Asia’s biggest clothing retailer, thanks to its “Made for All” brand philosophy.⁵ Often mistaken as a fast fashion brand, Uniqlo’s strategy is to “totally ignore fashion” by not chasing trends.⁶ Instead, they focus on basic, affordable items that transcend age, gender, and ethnicity so that every individual can create his unique style. Uniqlo now has more than 800 stores worldwide and an ambitious CEO, Tadashi Yanai, who intends to make Uniqlo the world’s largest clothing retailer by 2020. The firm has learned much from its first failed attempt at expanding overseas. After opening too many stores too quickly in the UK in 2002, only eight remained open by 2006. Executives have admitted that they did not do a good enough job establishing a brand identity in new markets.⁷ With seven stores in the US, Uniqlo’s planned expansion of 1,000 locations in America will surely rely on their commitment to branding at the boardroom level.⁸

Most Asian firms, however, still view branding as advertising or logo design. If firms are to benefit from branding, they must recognize that it impacts the entire business – the structure, goals, attitude, and the very outlook of those in the boardroom. Managers will need to see branding not as an appendage to the ongoing business, but rather as an infusion that seeps through the very spirit of the organization, driving healthy return on investment (ROI). It will require a shift in focus and priority for every functional aspect of the organization.

Before branding can be implemented, it is important to understand its implications, its various shades and hues, its forms and practices, its purpose, and its advantages. It is indeed a paradigm shift that executives must undertake across Asian boardrooms. How this change in thinking can be analyzed, captured, and managed by Asian boardrooms and corporate management teams forms the core of this book.

／ Lack of Value Creation

Goldman Sachs has forecast that, by 2026, China will have overtaken the US economy in size to become the world's largest economy. The Indian economy would be larger than Japan's by 2028. China and India are indeed leading Asia's growth path, with implications for industries and companies all over the world.⁹

The changes in the Asian competitive environment are driven by several factors: the rapid development of China and India, increasing deregulation and trade liberalization, and the emergence of new demographic and social trends throughout the region. These changes involve entire value chains in manufacturing and services, issues related to efficiencies in operations and productivity gains, innovation and design, and a reduced focus on broad diversification – which has been the prevalent structure of Asian businesses, particularly within family businesses.

／ The Eroding Low-Cost Advantage

A large part of Asia's economic development can be attributed to low-cost advantages which enabled Asian companies to gain market share from other suppliers. In the past two decades, Asian countries have slowly but surely attracted many industries: light manufacturing in Guangdong, electrical equipment in Guangxi, and software development in Bangalore. But Western companies, by buying these Asian firms or aggressively outsourcing their operations, are already streamlining their cost structures. Low-cost alone no longer provides a significant advantage. The cut-throat competition in many industries, resulting in tremendous pressure on margins, has forced companies to look for additional measures for survival and growth. One example is mobile phones, where brand owners can reach gross margins up to double that of contract manufacturers.

Major companies based in Asia and expanding outside their home market believe innovation and brand building will be vital to flourishing overseas. Accenture asked senior executives what they believed the source of their competitive advantage would be in three years' time. From 2012 to 2013, low-cost R&D slid in importance by 16 percent while low operating costs were down by 34 percent. Replacing them was an increase in importance for selling high-value, quality, branded, innovative products and services.¹⁰

However, Asia is still one of the world's biggest providers of commodity products, a production hub housing 47 percent of the world's manufacturing.¹¹ Asian manufacturers mostly produce for other companies and the majority of these products are therefore non-branded. In other words, these are volume products without strong brand identities. Instead, the largest financial value is captured by the manufacturers' customers – the next player in the value chain – primarily driven by strong brand strategies and successfully planned and executed marketing programs.

The difference in the proportion of value captured between the Asian manufacturing price and the Western retail price serves as a good example. A branded sports shoe is produced in Asia at an estimated US\$5, sold to the sports shoe brand for US\$10, and the consumer buys it in the retail store for US\$100 – in other words, a twenty-fold increase throughout the “product-to-brand” value chain. This leaves the Asian manufacturer with only a fraction of the substantial value that consumers are willing to pay for, in addition to the fact that the consumer never comes to know the name of the Asian manufacturer who originally made the sports shoe.

Figure 1.1 illustrates four scenarios of how a brand is integrated in the value chain. In certain cases, companies are vertically integrated and can own part of the channels, including retail outlets, the distributors, and/or the production facilities.

Since 2000, the number of distributors in the sports goods industry has declined more than 50 percent as many sports brands became distributors themselves. This is particularly the trend among larger brands. The sports shoe brand captures an estimated 40–95 percent of the entire financial value depending on its level of vertical integration.¹²

Successful global companies share certain common characteristics, including strong brand equity. Despite Asia's size and economic growth, it has not seen the emergence of many strong, international brands.

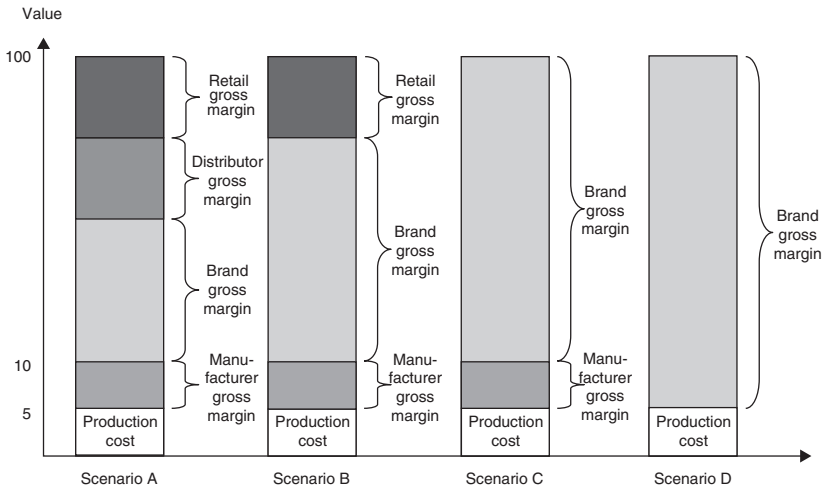


FIGURE 1.1 Four scenarios for value creation through branding

Source: Martin Roll Company.

Few Global Brands Originating from Asia

In a 2014 Interbrand study measuring the financial value of worldwide brands, only 11 of the top 100 global brands originated in Asia.¹³ These brands are the familiar technology and automobile giants from Japan and South Korea, such as Samsung, Toyota, Honda, Canon, and Hyundai, and a single Chinese brand Huawei (ranked 94th) appeared on the global list for the first time. A simple question arises: What about the rest of Asia?

Given the size and volume of Asian businesses today, it is evident that Asia could build many more prominent brands and capture more financial value through better price premiums and customer loyalty. Asia certainly has some of the world's largest companies. China is home to the world's three biggest public sector companies and five of the top 10 public sector companies in the world. With 674 members on the Forbes Global 2000 list of largest public companies coming from Asia, it is the most strongly represented region. Yet these companies lack the brand recognition and value which accompany most of America and Europe's largest companies.¹⁴

Branding can become an important driver of shareholder value for Asian companies in the future, as this book will illustrate.

Reasons for the Lack of Strong Asian Brands

There are many reasons why Asian companies have not developed many global brands until now. The appreciation of branding in Asian companies is primarily inhibited by the following five factors:

- Stage of economic development of societies
- Less focus on innovation
- Broad diversification of businesses
- Asian business structures
- Implications of intellectual property (IP) protection

Stage of Economic Development of Societies

Asian countries are at different stages of development. At one end of the spectrum are developed countries like Japan, South Korea, Singapore, Taiwan, and Hong Kong. At the other end are developing countries like Vietnam, Cambodia, and Indonesia. In between are countries like Malaysia, Thailand, China, and India, which are moving through rapid transitory phases. The development stages of these countries can influence business priorities, the degree of business sophistication, and where to fit into the value chain.

When countries and industries move from a low to a hi-tech environment, they are generally more inclined to supplement their low-cost advantage with a holistic value perspective. Very often they are forced to move up the value chain while losing their low-cost advantage in manufacturing to competitors with lower labor costs. Although the value perspective does not exclude seeking to drive costs down constantly, it aims primarily at creating additional perceived value for products and services. This is where brands often start to play their role as drivers of shareholder value through better price premiums and enhanced customer loyalty.

It is incorrect to assume that the economic stage of development and degree of branding are always correlated. In general, any company can decide to build brands. However, the economic development stage of a country and the level of sophistication of an industry can serve as important indicators to estimate whether branding gains wide appreciation and momentum.

Another important factor to consider while formulating a brand building strategy is the level of importance a consumer will place on a brand or a trademark name when buying a product. Successful companies with strong brands have created the need for a brand and the associated equity, when it previously did not exist.

**T H E I N D O N E S I A N C O N S U M E R
O P P O R T U N I T Y**

By 2030, 90 million Indonesians will join the consumer class and contribute an additional US\$1 trillion in annual spending. Indonesia's consumer spending of 61 percent of GDP (2010) is already close to levels in developed economies. The urbanization of Indonesia's population will migrate from roughly 53 percent (2013) to 71 percent by 2030. It is estimated that categories like financial services, leisure, travel, and apparel will grow to satisfy the upwardly mobile, tech-savvy, individualistic urban consumers.

Indonesia comprises more than 17,500 islands with a complex, fragmented distribution infrastructure. Mom-and-Pop stores predominate in many categories, but channels are evolving and modern retailing is emerging rapidly. Brands need to manage multiple channels to cater to various consumer segments. At the same time, digital technology is influencing marketing in Indonesia, and is increasingly playing a significant role with the rise in numbers of consumers connected to the Internet (100 million by 2016) and on mobile devices (60 percent of Indonesians own a mobile phone).

Indonesian consumers generally attach strong importance to brands compared to other emerging markets. The important aspect is to build brand positions that resonate with local consumers rather than relying on country-of-origin. Indonesian consumers are not strongly aware of brand ownership and background, but are mostly concerned about what the brand offers them. Many Indonesians consider Nestlé's Kit Kat chocolate brand to be local, and the Japanese brand Honda used the Bahasa Indonesian words *satu hati* ("one heart") in a successful local advertising campaign.¹⁵

Finally, about 30 percent of the world's middle-class spending is contributed by Asians, up from 20 percent in 2000, according to the Brookings Institutions, a think-tank, which defines the middle-class as those earning US\$10–100 daily.¹⁶ Asia has therefore become a great cluster of consumer markets with increasing potential for global brands as well as emerging Asian brands.

Less Focus on Innovation

An anonymous survey of senior executives from some of China's largest state-owned enterprises shows that over half believed that China will be a bigger economic power than the US by 2025. However, only 13 percent believed that China would have overtaken the US on the technology frontier by then.¹⁷

Although innovation is difficult to measure, R&D spending can be an indication. On a national level, Asian economies have traditionally lagged behind the rest of the world on R&D spending as a ratio of GDP, with the exception of a few nations. Countries that spend the most on R&D are the US, China, Japan, Germany, South Korea, France, and the UK.¹⁸

In 2013, the following five countries filled the most patent applications in the world: the US (57,239), Japan (43,918), China (21,516), Germany (17,927), and South Korea (12,386).¹⁹

Asian countries are trying to take a lead in three areas likely to generate the next wave of innovation: biotechnology, nanotechnology, and information technology (IT). Asia spends as much as the US and Europe combined on nanotechnology. In addition, China, India, South Korea, and Taiwan have shifted from top-down, state-directed technology policies to more flexible, market-oriented approaches in order to foster innovation and entrepreneurship. China spent 1.98 percent of its GDP on R&D in 2012, almost tripling the levels it was spending in 1998.²⁰

As low cost is ceasing to provide a competitive edge for Asian companies, differentiation driven by enhanced innovation capabilities will be paramount for future success. Innovation needs to become a top priority for Asian companies aspiring to build strong brands.

Although design is only a tiny part of a broader brand strategy, it can help to create visible differentiation for products and shape customer perceptions.

Sometimes, the right partnerships can boost a brand's ability to innovate. One of the easiest ways to build creative capital is through joint ventures, mergers, or acquisitions. Lenovo benefited from the purchase of IBM's personal computer business in 2005, instantly becoming the world's number 3 computer maker, while the longstanding relationship of Apple with Foxconn and other Chinese partners via the beloved iPhone is having a trickle-down effect.

Broad Diversification of Businesses

Another impediment to building brands in Asia in the past was the diversification of businesses spanning many industries with limited overlap and synergies. The

prevalent mindset in Asia is based on trading rather than branding, and revenue generation, rather than profit. It is hard to create a relevant, clear, and differentiated brand strategy, and build a corporate brand that encompasses all areas, when a business has its hands dipped in every pie.

Conglomerates are far more prevalent in Asian markets than the rest of world. McKinsey's research finds that over the past decade, the largest conglomerates in China and India have continued to diversify rapidly, making an average of one new business entry every 18 months, while nearly half of these companies are not directly related to the parent companies' operations.²¹

Thailand's Charoen Pokphand (CP) Group is an example of an Asian company moving against the common diversification trend. Traditionally, it had interests in telecommunications, satellite, cable television, motorcycle manufacturing, petrochemicals, and brewing. Despite its diversified businesses, CP has continued to expand its integrated food business by controlling the entire supply chain. By transferring its agribusiness formula to other agricultural products and across countries, CP has also become one of the world's leading agribusiness groups. Its annual revenue in 2013 was US\$41 billion.

The Korean beauty firm AmorePacific is one of the best examples of a former, diversified conglomerate that has found great success by focusing on only a single core business. Under the leadership of CEO Suh Kyung-Bae, AmorePacific sold off non-core assets such as a baseball team and an underwear maker in order to focus on becoming Asia's third largest cosmetics maker.²²

Asian Business Structures

Another important reason for the lack of strong brands can be found in the prevalent business structures within Asia, which consist of many small and often family-owned businesses – with diversified business interests. It is much harder to overcome the barriers to brand building when resources are limited. In this case, the management perspective would favor short-term business wins against brand strategies, which require more resources and long-term perspectives. Despite younger generations taking over as leaders, it can still be a major barrier to convince older generations about the need for investing in intangibles as it runs against the business heritage and prevalent internal wisdom.

Family-controlled companies are typical for Asia, where many trace their origins to the 19th-century migration of mercantilist entrepreneurs from China. They account for about half of all publicly listed companies and 32 percent

of total market capitalization across 10 Asian countries, according to Credit Suisse.²³

Eu Yan Sang started as a provision shop in 1910 in northern Malaysia providing traditional Chinese herbs. Today, Eu Yan Sang has become an iconic, international brand in the Traditional Chinese Medicine (TCM) industry and the global fast-growing “health and wellness” sector. Richard Eu, former investment banker and fourth-generation family-owner of Eu Yan Sang, provided his perspective on family business and transition in Asia: “Every generation, you have got to think what you want to do with the family business. Is your business the right business for the future? Is it more important to preserve the family or more important to preserve the business? This is not just about the patriarch or the founder – it has got to include everybody.”²⁴

When Richard Eu took over in the 1990s, Eu Yan Sang was barely profitable with a few shops in Singapore and Malaysia. In 2000, Eu Yan Sang was publicly listed. In 2012, net profit was US\$16.8 million, from sales of modern, high-margin products.²⁵ Its core markets are Singapore, Malaysia, and Hong Kong, where it enjoys significant market share.

Implications of IP Protection

The challenges of IP protection in Asia have been a major barrier against building brands. Many Asian companies have faced rampant counterfeiting and infringement of IP rights in their own backyards. Until and unless legislation and law enforcement get better in the region, it may be a hurdle that prevents a deeper appreciation and respect for intangible asset management in the Asian boardroom.

The World Customs Organization has estimated that 5–7 percent of global merchandise trade is due to counterfeits. In the US, China and Hong Kong are the primary sources of intercepted counterfeit products, representing 84 percent of seizures amounting to US\$1.3 billion.²⁶ A staggering 75 percent of all fake goods seized worldwide from 2008 to 2010 were primarily from China, and fake goods account for approximately two percent of world trade.²⁷

In one year, French luxury house LVMH spent more than US\$16 million on investigations, busts, and legal fees against counterfeiting.²⁸

One of the famous spots in Beijing used to be Xiushui or Silk Street. Ranking in the top three of Beijing’s attractions, the narrow and crowded street would attract thousands of foreigners every year to buy cheap counterfeit versions of global luxury brand names like Louis Vuitton, Prada, and many



others. It was eventually closed down by the Chinese authorities for renovation. While this seemed like a tough stance on the counterfeit industry, it could almost be considered a move to profit from it. Stall holders were given an option to take up a stall at the nearby Xiushui shopping centre where a trading corner of less than 5 square meters auctioned for as much as US\$400,000.

Counterfeiting does not just involve products, but entire store concepts too. Famously in 2011, at least 22 fake Apple computer stores were found operating in parts of China.

／ A New Paradigm for the Asian Boardroom

Many of the ideas and recommendations contained in this book are driven by the Asian brand leadership model, illustrated in Table 1.1. The model illustrates the paradigm shift that Asian brands need to undertake in order to unleash their potential.

First, mindsets and practices need to change in Asian boardrooms. This book invites a complete shift in the way that Asian boardrooms think of branding: from a tactical view to a long-term, strategic perspective; from fragmented marketing activities to totally aligned branding activities; from a vision of branding as the sole responsibility of marketing managers to branding as the DNA and most essential function of the firm led by the boardroom.

Second, this new perspective must be grounded in in-depth understanding of consumer behavior patterns. Asia is not a homogeneous entity. More importantly, Asian countries are more and more traversed by cultural flows permeating the region: cinema, music, and fashion trends that at present extend beyond national borders to capture the imagination of millions. Branding and brands do not operate in a vacuum; they are closely linked to developments in society, to people and cultures.

Third, managers wanting to succeed in Asia need to abandon the oriental Asia of the past. Asian consumers are all vying for an Asian type of modernity that has nothing to do with colonial imagery.

Fourth, to create iconic brands, Asian managers will have to become trendsetters. The perspective developed in this book is that, in order to be successful, Asian brands need to capture the spirit of the region, and lead the way by creating that spirit.

TABLE 1.1 Asian Brand Leadership Model

Asian Brand Leadership – A new paradigm for the Asian Boardroom	Old paradigm	New paradigm
Success factors for Asian boardrooms	Manufacturing-driven agenda	Branding-driven agenda
	Production	Design, innovation, and production
	Tactical advertising	Strategic branding and marketing
	Low cost/ low perceived value	Low cost/high perceived value
	Silos of activities	Collaboration
	Price as driver of sales	Value as driver of sales
	OEM	Trademarks and IP (Intellectual Property)
	Short-term financial value	Long-term brand value
	Mid-level and separate marketing functions	Boardroom driven marketing functions
	Fragmented marketing activities	Totally aligned marketing programs
	Disparate product lines	Synergies between brands (brand architecture)
	Marketing through promotion	Branding through people
	A function drives the brand	An organization drives the brand
	Company-centric value creation	Co-creation of value
Consumer behavior	Collectivist	In-group/Out-group
	Regional homogenous	Scapes/Flows/Hybrids
Symbols	Oriental	New Asia
	Products and services	People and places
	Western celebrities	Hybrid + Asian celebrities
Culture	Following trends	Creating trends
	Japanese and Korean icons	Fragmented icons, Pan-Asian icons
	Silos of activities	Collaboration
Strategy drivers and measures	Sales perspective	Branding perspective
	Market share	Brand equity
	Awareness	Brand audit
	Tangible financial value on balance sheets	Tangible + intangible value on balance sheets
	Marketing as cost	Branding as strategic investment

Source: Martin Roll Company.



Finally, this shift can be achieved only if everybody in the company is convinced of the power of branding. This, in turn, can only happen through accountability and systematic monitoring of branding investments and performance. Organizations that utilize data-driven decision-making are 5 percent more productive and 6 percent more profitable than their competitors.²⁹ This will make Asian brands truly great.

／ The Scope of the Book

This chapter has discussed the implications for a new Asian business landscape, where Asian companies can step up and capture more financial value through brands.

Chapter 2 looks at branding and how the discipline relates closely to business strategy. Branding can drive shareholder value. There are many managerial challenges, processes, and tasks needed to succeed with it, which are discussed further.

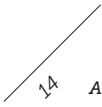
Chapter 3 is dedicated to Asian consumers and cultures and describes some of the transformations taking place in Asia. It provides a new way of looking at the region and covers issues like group versus individual orientation, roles, symbols, and family. The chapter looks at the transformation from a purely collectivist perception toward an in/out-group perspective, which can help us to understand Asian consumers better. It also discusses scapes, flows, and hybrids.

The quality perception of a brand can be derived from the perception of a given country. Chapter 4 discusses country branding and the country-of-origin effect, how it affects brands, and which measures companies should take to benefit most from a given country's image. This includes examples of how some Asian countries have branded themselves.

Strong brands are often driven and influenced by popular culture and multiple activities and trends in society. Celebrities and other public figures can act as potential endorsers for products and services and be an instrumental part of brand strategy. Chapter 5 discusses how to involve celebrities and other endorsers, and their ability to support Asian brand building.

Chapter 6 is dedicated to brand strategy. It provides frameworks for aligning the brand and an entire brand management model.

Chapters 7 and 8 illustrate case studies of successful as well as aspiring Asian brands. The two chapters illustrate different angles of building and managing



brands in an Asian context through a selected portfolio of Asian brands. The multiple and diverse brand stories can inspire the Asian boardroom and serve as discussion points when crafting future brand strategies.

Chapter 9 is a step-by-step guide to brand building for Asian boardrooms, and discusses the processes and systems needed to successfully manage brands.

Finally, Chapter 10 provides a discussion of the challenges in the years to come for Asian boardrooms, what brand change agents will become, and how Asian brands can potentially challenge their Western counterparts.

The appendix provides a useful guideline to brand valuation based on the method used by Interbrand.

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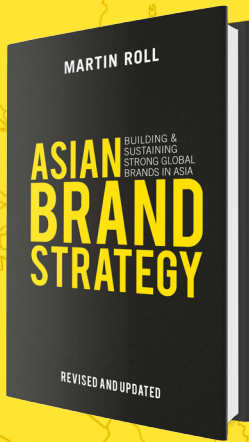
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