Asian Brand Strategy

New paradigm required

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 a market where competition implies slashing prices on their unbranded products, Asian businesses are slowly becoming more attentive to the power of branding in capturing consumers and returning larger profits on their investments. Firms realize that while they were wearing themselves down on razor-thin margins to compete with the next supplier, they could increase returns by investing in their brands. This, then is the shift in thinking that is pushing boardrooms in Asia toward creating strong brands to differentiate themselves and consequently realize greater profits. Branding is an investment that must be perceived as such and is required to deliver ROI and shareholder value like any other feasible business activity.

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 which seeps through the very spirit of the organization, as a healthy return on investment (ROI). In fact, it will require a shift in focus and priority for every functional aspect of the organization aligned around multiple customer touch points.

A large part of Asia's economic development until now can be attributed to low-cost advantages which enabled Asian companies to gain market share from other suppliers. But Western companies, through buying some of these Asian firms or aggressively outsourcing some of their operations, are already streamlining their cost structures. Low cost alone no longer provides a significant advantage.

Asia is still one of the world's biggest providers of commodity products. At the same time, 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 equity. The largest part of the 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 programmes.

Reasons for lack of strong brands in Asia

Many reputed global brand surveys have found that only four of the top brands originate in Asia. Three classic brands come from Japan and a fast-growing ambitious brand comes from South Korea; Sony, Honda, Toyota and Samsung. But given the size and volume of Asian business today, it is evident that Asia could build many more prominent brands and capture more financial value from better price premiums and customer loyalty.

There are many reasons why Asian companies have not fostered many global brands until now:

Firstly, the diversification of businesses spanning many industries with limited overlap and synergies has been a major impediment to building brands in Asia. The prevalent mindset in Asia is based on trading, rather than branding, and the generation of revenues, rather than profits. But it is hard to create a relevant, clear and differentiated brand strategy, and build a corporate brand which encompasses all areas, when a business has its hands dipped in every pie.

> A large part of Asia's economic development until now can be attributed to low-cost advantages ... Low cost alone no longer provides a significant advantage.

Another important reason for the lack of strong brands can be found in the prevalent business structure within Asia, which consists of many small and often family-owned businesses – with diversified business interests as illustrated before. The management perspective would favour short-term business wins against brand strategies which require more resources and long-term perspectives.

Also, the implications of Intellectual Property (IP) protection in Asia have been a major barrier against building brands. In their own backyards, many Asian companies have faced rampant counterfeiting and infringement of IP rights. 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.

But the one reason, more than any other mentioned above, that influences the creation of strong brands is the mindset of the boardroom and the CEO. Branding is a boardroom discipline and successful brands can be built only when the boardroom, led by the chairman and the CEO, understands, appreciates and commits to treating branding as a strategic discipline.

Branding drives shareholder value

The primary objective of boardrooms is to build and sustain shareholder value, and deliver competitive returns to shareholders. One of the most effective ways to achieve this is to build brands with strong brand equity. Brand equity is the reputational asset that any successful business builds in the minds of customers and other stakeholders. Strong brand equity is also one of the main reasons why the market capitalization of a company often exceeds its book value. Many Asian companies traditionally focused on asset-intensive industries. But it has been demonstrated that the most profitable Asian companies focus on intangibles such as human capital, exploiting network effects, and creating synergies based on brands or reputation, rather than investing in tangible assets. Intangible assets like brands play a significant role in value creation and can become an important driver of shareholder value for many more Asian companies than today. On the New York Stock Exchange and NASDAQ, for example, intangible assets are known to account for 50%–75% of the market capitalization of the listed companies, where the majority is accounted for by their brands.

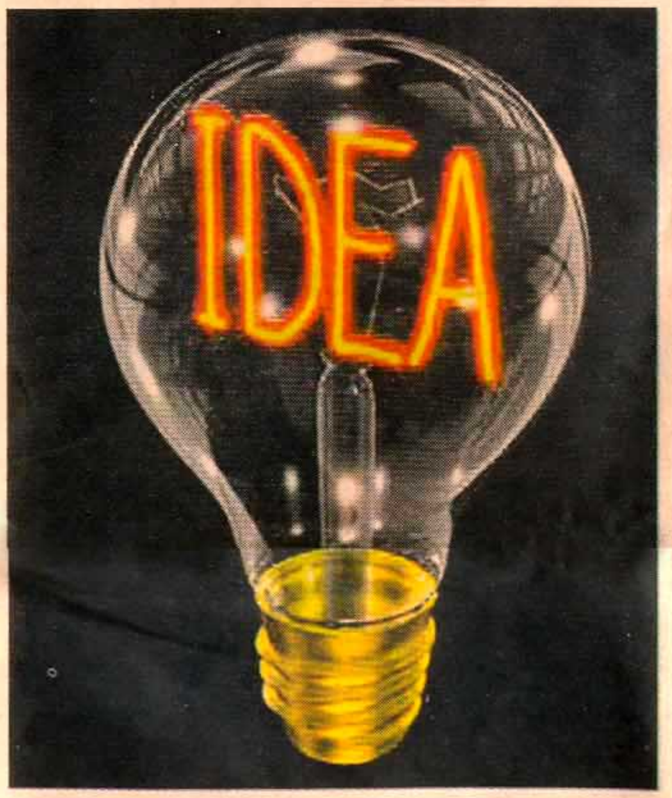
The role of the Asian boardroom

A strong brand is characterized by a unique brand promise (the customer focus) and an outstanding brand delivery (the organizational system and performance behind the promise). The brand promise and the brand delivery must be consistently balanced in order to build and sustain strong brand equity. The modern brand-driven organization is characterized by three distinct characteristics which set it apart from less brand-focused organizations:

- The right boardroom mindset toward and beliefs about branding
- The right skill sets to build and manage brands
- The right allocation of organizational and financial resources to achieve the various business objectives and build sustainable brand equity

for boardrooms

– Martin Roll



Companies must ensure that everyone in the company is properly aligned with the brand values with the right mindset and belief. The entire company and its multiple and cross-functional actions and activities should be channelled towards this goal. Internally, this comprehensive task of aligning and managing customer touch points cannot be left to or even controlled successfully by marketing departments alone. The boardroom should take a more active role in the cross-functional orientation of marketing in the Asian organisation. Externally, the Asian business leaders can benefit tremendously by representing and leading their brands by example. Asian business leaders can help to build their brand portfolios by appearing more outside the boardroom, and acting as the primary spokesperson of the brand strategy and vision, internally and externally. It is important to note that marketing function and discipline has come under increasing pressure to demonstrate financial results. Boardrooms must recognise this development and act accordingly.

> Branding is a boardroom discipline and successful brands can be built only when the boardroom, led by the Chairman and the CEO, understands, appreciates and commits to treating branding as a strategic discipline.

The first change is related to the role of marketing. As marketing is increasingly taking place along the entire value chain, marketing is not the responsibility of the marketing function alone. Instead, everyone in the organisation is involved. This requires a more cross-functional orientation of marketing, with a solid understanding of all the elements in the value chain including skills within engineering, purchasing, manufacturing, logistics, finance and accounting. This might require an upgrade of skill sets and ongoing training of the marketing personnel.

The second change required is related to the outcome of marketing. For the marketing function to become an integrated part of the boardroom agenda, the key issue for the future is to focus on demonstrating the financial consequences of marketing expenditures.

Finally the boardroom should recognise the critical importance of resource management in building strong brands. Therefore, the last cornerstone of successful Asian branding refers to organisational and financial resources, their allocation and management. The more everyone throughout an organisation can be trained and involved in delivering on the brand promise, the more efficient and competitive the brand strategy will become.

Asian cultures have always valued the long-term aspects in almost any facet of life. Asian boardrooms should use this unique strength to influence them in creating more successful brands – but it requires a different mindset in the Asian boardroom.

(The Insight Bureau)

The writer, Martin Roll, is the CEO of VentureRepublic and is a leading strategic advisor on brand leadership. He is also the author of a global bestseller *Asian Brand Strategy*, which provides frameworks and models - along with case studies - on Asian brands. Martin is a frequent guest lecturer at INSEAD and other leading global business schools. He is also a member of The Insight Bureau's global resource network and a regular speaker and presenter at international business conferences around the world.