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Global Brands in Digital Era¹

Глобални брендови у ери дигитализације

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Abstract: One of the most prominent word today definitely is: digital. It is all over us. From products that are digital to a highest possible degree, to the digital management practices in operating different businesses, all up to discussions on benefits and shortcomings of the digital society. At the same time, the world is becoming increasingly global, that to a large extent is boosting digitization. Related to different aspects of globalization, the paper is focused on researching possibilities that digitization is bringing within itself, which can be productive in a process of making (and empowering) global brands. Sharply increasing number of information that are available to global consumers today through digital touchpoints (Facebook, Twitter, or product-evaluation platforms), is giving a great opportunities for products/services to become globally branded. At the same time, for globally oriented companies it poses a threat of a free interpretation of intended information value about their brands.

Keywords: globalization, global brands, digitization, consumer decision journey.

Сажетак: Једна од најчешће коришћених речи у савременом свету је: дигитално. Почевши од производа који су дигитални у што је већој могућој мери, преко примене дигиталних метода пословања у различитим областима примене, па до бројних дискусија о предностима и недостатцима дигиталног друштва. Истовремено, свет у све већој мери постаје глобалан, што у великој мери даје ветар у леђа дигитализацији. Разматрајући различите аспекте глобализације, фокус у раду је на установљавању могућности које дигитализација носи у себи а које могу бити продуктивно употребљене у процесу креирања (или оснаживања) глобалних брендова. Брзо растући број информација које су доступне потрошачима глобалних брендова путем дигиталних "тачака додира" (touchpoints) попут Facebook-а, Twitter-а и других платформи за оцену производа, пружа велике могућности за глобално брендирање производа/услуга. У исто време то представља и опасност за глобално оријентисане компаније обзиром на могућност слободне интерпретације свега онога што оне желе представити као вредност њиховог бренда.

Кључне речи: глобализација, глобални бренд, дигитализација, потрошачки пут одлучивања.

Introduction

Amongst different causes if only one, which had a strong and constant impact on mankind development is to be chosen, than connectivity is the one. Throughout mankind history it was time after time proven that those nations that were more successful in making connections with other people around the globe made faster progress than closed societies. For that reason it is logically that today we are living in a global world where people are connected to a large extent. Modern information technology is enabling transfer of information to literally every corner of the world. Logistical systems are in a service of information flow thus enabling

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worldwide delivery of globally available products and services. In one word we are living in a global era with countless connections between people, companies and governments.

The very concept of globalization has different aspects to be taken in consideration. Thus authors Albrow (1990) and Held et al. (1999) in their definitions of globalization are stressing that it is a process (or set of processes) related to integration of different nations in form of networks into one global society. International Monetary Fund (IMF) is mainly focused on integration of different national economies through movements of goods, services and capital. Stieglitz (2003) is also considering globalization predominantly as a mean of destroying artificially created frontiers for free movement of capital, people, goods and services by decreasing costs of transportation and communication. Common to all of these definitions (and others as well) is the idea of pervasion of the globalization process in all pore of the social tissue.

Business practice is proving it in a most obvious example of ICT sector (information and communication technologies). As Desruelle and Stancik (2014) claim in their research: "ICT value chains span the globe; ICT firms select on a global basis the best locations, not only for ICT production, but also for ICT R&D and innovation." In a conditions of global competition "creative economy" is arising (Kyng Sung, 2015). Opposed to 20th century industrial economic ecosystem (that was based on labor and capital), in the new one value creation is in the form of innovative technology and creative ideas on a global level. Basic feature of that innovative, new technologies is that it enables extremely rapid communication. Thus all of us have the sensation of living in a global state with national economies "evolving under the influence of globalization generated by globalization" (Mihai & Titan, 2014).

However, when we are talking about importance and future of the globalization process it is possible to recognize three different groups of opinion on this (Held et al., 1999). The first one, so called "hyper globalists" are advocating that it is a process of creating unified, global market where global competitiveness will be prerequisite for development. Through creating transnational networks of production, trade and finance, all economic activities will become denationalized. National governments are already confronted with growing power of regional and international institutions like EU, STO, IMF and others, they say. Therefore, globalization is most of all economic phenomenon and an unstoppable force towards world market without frontiers, they conclude.

At the other end of this scale are those who call themselves "global skeptics". Their view is that globalization is just a myth, most of all in regard to idea of globally integrated world market. They object to hyper globalists' underestimation of the power of national governments, calling them politically naive. National governments are not victims of globalization but active players in that process. Integrative processes of unification of national states into blocks on regional base (EU, NAFTA ...) are showing that idea of one world market will never be achievable, they say.

Proponents of the third school on globalization are so-called "transformationalists". They agree that globalization has a key importance for social, political and economic transformations under which modern society and world order is in a process of reshaping. They see globalization in light of long-term perspective on mixing societies, economies, and institutions thus creating new world order. However, they oppose the idea of creating world without frontiers. As a key argument for it they use the case of EU as an example. Although the strength and importance of institutions that all member states have jointly created has to be appreciated, there will be always need for national governments to take active role in regulating part of the joint market that is under their jurisdiction.

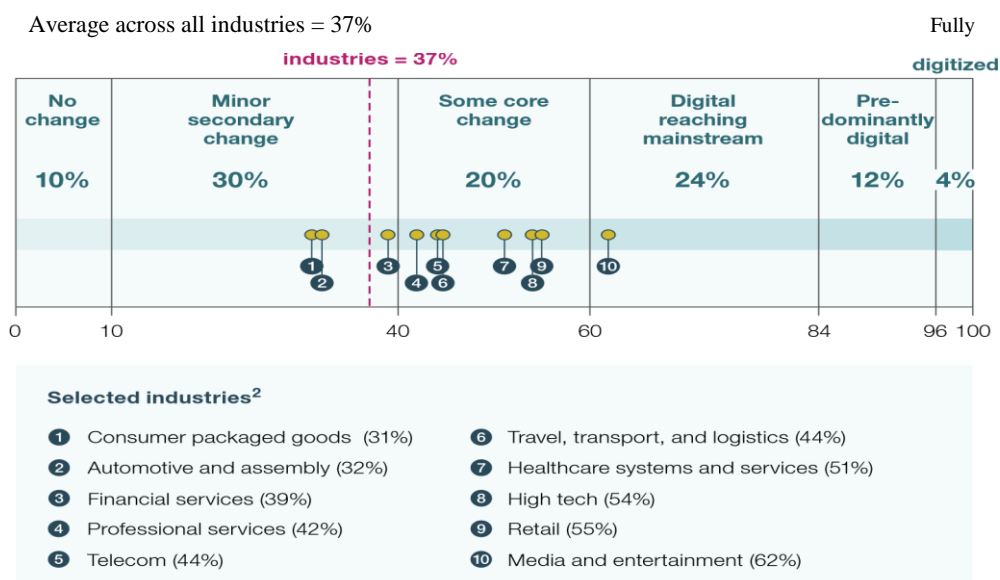
Whichever scenario on outcomes of globalization in times to come is to be accepted, the most important fact that has to be kept in mind is that it will be achieved in new environment that best can be described in one word - digital. Digitization as a process is already in progress and will prevail in future making us talking about era of digitization as a common term.

1. Era of digitization

Concept of a digitization at the company level can be seen from different standpoints. In its most elementary scope of understanding it refers to technology that is digital with all of its benefits that its application is bringing to the company. At a higher level of its comprehension we are talking about digitization as a new way of company engagement with customers. And finally, as an overwhelming concept it can be seen as a "way of doing business" (Dorner & Edelman, 2015) that comprises: creating value at new frontiers, creating value in core businesses and building foundational capabilities that support the entire structure. Creation value at new frontiers can be directed towards business inside or outside borders of the current engagement of the company. For example, new frontier in a car industry that is present in a concept of self-navigation car (connected to the outside world) for car producers is inside challenge, while for some electronic devices producers can be outside challenge in stretching its activities. Creating value in core businesses is in fact rethinking how to use digital technology for better serving the customers. Key words in that process are design and delivery of the best possible experience. If properly done, for its consequence it will have product or service loyalty that will be constantly upgraded based on inputs from the customers. For all of the previously said, company has to build foundational capabilities to implement digital benefits in operating its business by building digital networks that connect devices, objects, and people. It is not to be forgotten that a new mind-set with flattened hierarchy and free flow of new initiatives is of crucial importance for this.

Obviously, digitization of company performances is a demanding and long lasting process that is unevenly present in different types of companies. Comprehensive research done by McKinsey's authors Bughin, LaBerge and Mellbye (2017) is proving this in a best possible way. As it can be seen from picture 1, level of penetration of digitization differs substantially between the industries.

Picture 1. Perception of digital penetration by industry, 1 % of respondents



¹ Data reflect average of respondents' ratings on degree of change in the past three years within each industry across 5 dimensions (products, marketing and distribution, processes, supply chains, and new entrants at the ecosystem level).

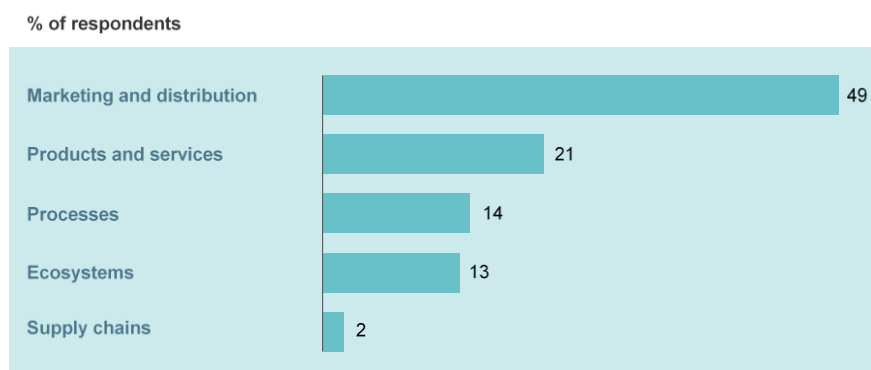
² For consumer packaged goods, n = 85; automotive and assembly, n = 112; financial services, n = 310; professional services, n = 307; telecom, n = 55; travel, transport, and logistics, n = 103; healthcare systems and services, n = 78; high tech, n = 348; retail, n = 89; and media and entertainment, n = 86.

Source: Bughin, LaBerge and Mellbye, McKinsey Quarterly, 2017

The fact that average rate of digitization penetration across all industries is just 37% tells that a lots of ground in this particular way of doing business just has to be won. At the same time it is no surprise that media and entertainment industry is leading in application of digital strategies (62%) due to its fateful relation to consumers that are every day more and more digital.

Amongst many interesting findings of the above mentioned research, for the purpose of this paper, special importance has the answer to the question of focusing digital strategies (picture 2.).

Picture 2. Where are companies focusing their forward-looking digital strategies?



Source: Bughin, LaBerge and Mellbye, McKinsey Quarterly, 2017

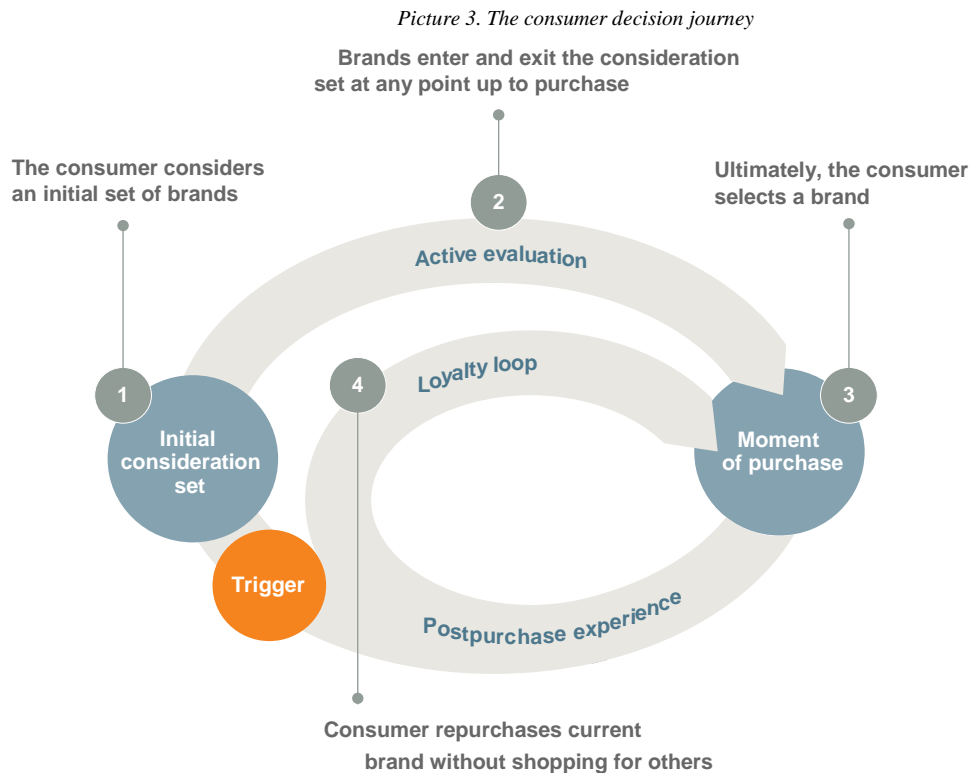
It can be seen that distribution channels and marketing are in focus of digital strategies for 49 percent of the surveyed companies. Such a high percentage in this category of activities is not surprising having in mind substantial impact that digitization already manifested on customer interactions, especially when global brands are in case. In a sense, it is "a must" in order to stay in the game.

2. Global brands

However it might seems that it is easy to understand the concept of global brands, it is a demanding task in which so many authors gave their contribution. Some of them (Maljers, 1992; Özsomer & Prussia, 2000; Yip, 1995) took supply side perspective talking about global brands as company's tool to exploit good products and ideas at a large number of markets. Another authors (e.g., Alden, Steenkamp, & Batra, 1999; Holt, Quelch, & Taylor, 2004) are approaching to the concept of global brands from the demand side e.i. from a unique perceived image or "myth" it has worldwide in the mind of the consumers. It is actually due to global positioning in mind of the consumers that global brands are developing similar aspirations, tastes and needs all over the world market (Özsomer & Simonin, 2004; Steenkamp & Ter Hofstede, 2002; Steenkamp & de Jong, 2010).

For the purpose of this paper a synthesized definition by group of authors (Özsomer et al., 2012) will be used: “Global brands are those that have global awareness, availability, acceptance, and desirability and are often found under the same name with consistent positioning, image, personality, look, and feel in major markets enabled by standardized and centrally coordinated marketing strategies and programs.”

In the first part of the definition of global brands, concepts of awareness, acceptance and desirability are emphasized for which implementation of digital assets of the companies have increasing importance today. It is actually, in the first stage of the consumer decision journey that digital communication between company and consumers is of essential importance for global brands (see Picture 3.).



Source: Court, Elzinga and Perrey, McKinsey Quarterly, 2017

We are all witnesses of fast accelerated growth in tools that consumers are using in a process of researching and purchasing products in online mode. Technical aspects of digitization that are present in vast number of mobile shopping applications enables to all producers, not just for a global brands once, to influence consumers opinion in an early stages of decision making. Through this applications consumers are in a situation to easy compare product specifications amongst different brands, their prices, availability etc. Furthermore, the role of social networks (Facebook, LinkedIn and Twitter, to name just few of the most prominent one) makes it easy for every consumer to know up to details what their friends (peers) are buying and how they feel about every brand that they have some experience with. Loyalty as it used to be before, based on the fact that consumers do not know for the better, or to be more precise – based on a lack of information about better offer, is a matter of past. Perhaps best illustration of this statement could be found in research done within McKinsey’s customer decision journey database, which covers more than 125,000 consumers, shopping for

more than 350 brands (Court, Elzinga and Perrey, 2017). The results are worrying for producers of most of the 30 researched categories of products. Only in case of 3 of them (mobile operators, auto insurance and investments) customers were loyalty driven e.i. repeated the brand choice in next purchase instead of shopping around. On the other hand, strong shopping tendencies are present in the other 27 categories of products (amongst them: shoe retail, cosmetics, personal computers, financial services, autos, laptops and women's clothing).

For this reason (lack of loyalty) it is of highest importance for global brands producers to invest its resources in research on what triggers consumers to shop, at a moment just before making initial considerations for their future purchase. For brands that are in a process of becoming global this is crucial. In the above stated research, it was proved that the brands that were in the initial consideration set, had more than two times greater probability to be purchased compared to brands that were considered in later stages of the decision journey. Amongst the consumers who switched brands in their next purchase, it is a significant 69 percent of them who did it based on information they gained in the initial consideration set (Court, Elzinga and Perrey, 2017).

Having in mind the fact that most of the consumers in their decision journey are showing strong shopping tendencies (resulting in switching the brands), question on investing marketing dollars predominantly in loyalty programs is arising. This does not mean that investing in postpurchase experience of the loyal consumers should be totally abandoned. It is only a matter of proportion that in times to come will have to be in favor of innovative programs.

For global brands it is not enough that consumers in consideration phase are aware of its name only. They have to know more about its unique benefits and value that consumers are buying together with that name. In previous times this would be, in most of the cases, done by using aggressive television advertising. Today, a lots of other digital sources are in a game for the same task to do. And that is to switch consumers that have no experience with particular brand to buy it or get back consumers that for some reason moved to competitor's brand. The activity that is needed for this is called resegmentation of the consumers. When Disney moved to vacation-cruise business he made resegmentation of the consumers in order to explore why they do not use more of this type of leisure programs. Beside the high costs it was a nature of the cruising experience that consumers had a preconceived notions. Knowing that, Disney made a great use of its already established positive image in entertainment industry and positioned its brand well in minds of the consumers as a unique experience that they will get in vacation-cruise with their ships.

Necessity for making innovative programs, in order to make brand high positioned in mind of the consumers, already in a consideration phase of decision journey, was proven even in a hard economic conditions for doing the business. During the recession in 2008, most of the car producers have been using short term sales incentives. However, global brand in auto industry Hyundai, approach differently by giving to consumers something more valuable than reduction in price. In time of economic instability major concern of potential buyers of the cars was - will they have a current job and constant earnings to make regular instalment payments for the car they bought? And this is exactly what brand Hyundai did. They promised to buyers of their cars that in case of losing the job they can turn the car to the auto dealer where they bought it with no financial obligations further on. Having promotion of this innovative marketing program through digital media to the consumers, who put brand Hyundai in their minds at a phase of initial consideration, they succeeded to be one of the rear companies that had a growth in a difficult times when the complete auto industry was in a serious problems.

Digital means of communication have that difficult task to present global brand in its best light and thus keep competitors brand out of picture during next stage of active evaluation, all up to the moment of purchase.

Loyalty loop as a criterion that distinguishes successful global brands from other brands is based on positive post purchase experience of the consumers as well. As they had a great importance at the beginning of the process, here again social media are playing a vital role for the future of the global brands. Positive post purchase experience of one consumer that is not shared with other is unexploited opportunity for making more of a particular brand market share for itself, which is hard, if not even impossible to compensate.

When speaking about the role of social media in global brand positioning and its expansion on new markets we are exclusively thinking about (and hoping for) only positive aspects of its use. However, a certain threat in a form of a free interpretation of the intended information value about their brands through social media is always present for globally oriented companies.

Conclusion

Global brands are all around us. They are the easiest visible effect of process of globalization that has so many different facets in its manifestation. Parallel with process of globalization that is taking place, modern societies are confronted with challenges that digitization is bringing within itself. Best described as a "new way of doing the things" digitization is unstoppable process with great potential for fostering globalization and global brands as its precious outcome. Experiences of different companies are showing that the role of digital assets in approaching consumers on time in its "decision journey", e.i. in triggering point, is of great importance for global brands destiny. Through social media and mobile applications, positioning of global brands in minds of consumers is a must – not any more just an option.

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Summary

Word digital is one of the most prominent in today's explanation of how we live. It is all over us. From products that are digital to a highest possible degree, to the digital management practices in operating different businesses, all up to the wide discussions on benefits and shortcomings of the digital society. As some of the authors convincingly are claiming: after the agricultural revolution and the industrial revolution the mankind is currently in the era of digital revolution. At the same time, the world is becoming increasingly global, that to a large extent is boosting digitization. Related to different aspects of globalization (that are briefly elaborated) the paper is focused on researching possibilities that digitization is bringing within itself, which can be productive in a process of making (and empowering) global brands. Sharply increasing number of information that are available to global consumers today through digital touchpoints (Facebook, Twitter, or product-evaluation platforms), is giving a great opportunities for certain categories of products/services to become globally branded. In a process of consumer decision journey, this is of great importance especially in a phase when consumers are considering an initial set of brands. However, at the same time, for globally

oriented companies it poses a threat that is present in a form of a free interpretation (or misinterpretation) of the intended information value about their brands.