ESCP EUROPE

“An insight on international brand management – from a strategy of business development to a strategy of brand building on an international scale”

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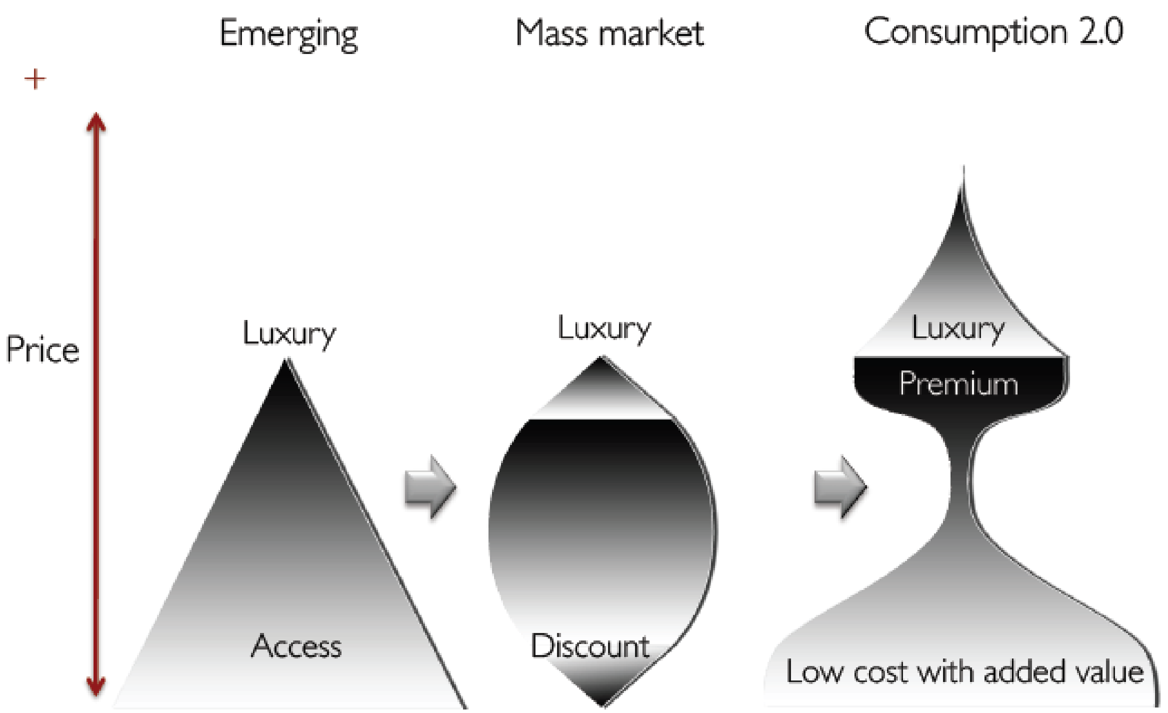
Executive Summary

Based on actual examples with well known international brands, this masterclass aims at explaining the key points to consider when working out an international strategy of business development for a brand.

- ✓ How does marketing and sales work together for a successful brand development internationally?
- ✓ How to go? Which channels?
- ✓ Where to go? When to Go?
- ✓ Should we act local or global?

Chapter 1 : Some key brand management concepts to master before developping international business for a brand

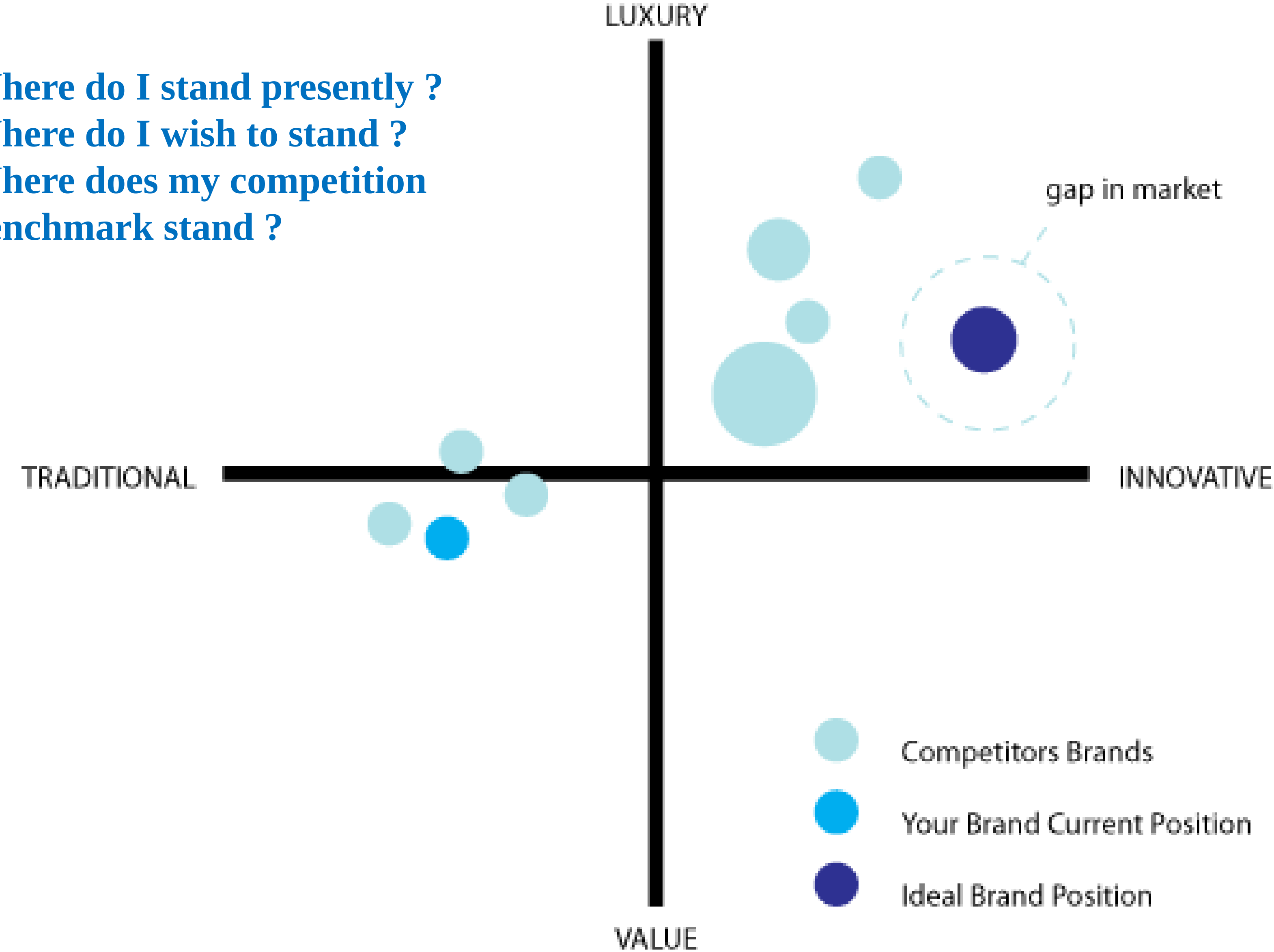
A- Notion of brand positioning



Today, distribution and consumer's expectations have evolved so much worldwide that there is **no more room for an intermediary brand positioning such as medium-end**

B- Notion of competitor's mapping

Where do I stand presently ?
Where do I wish to stand ?
Where does my competition benchmark stand ?

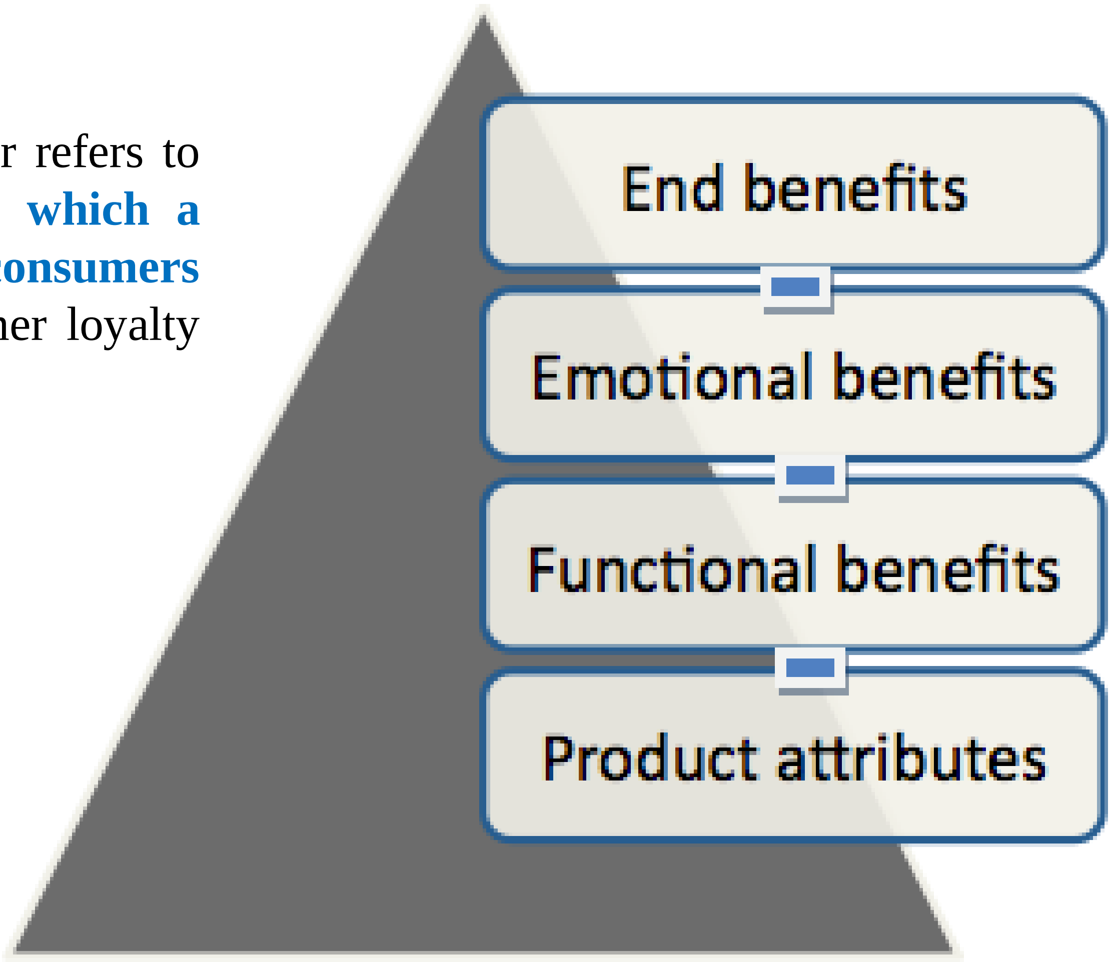


Example of repetto PARIS

[redacted]

C- Notion of brand ladder

The notion of Brand Ladder refers to **the various benefit levels which a brand provides to its consumers** with a view to gain customer loyalty over its lifecycle



Example of Red Bull

Core Values :

A unique and differentiating Lifestyle / Opening minds and challenging bodies

Emotional Benefits :

- Red Bull gives you wings
- A taste of prohibition (liquid cocaine/liquid Viagra)
- Boldness, self-transcendence, feeling different and unique

Functional Benefits :

- Stimulation of body and mind
- RB increases physical endurance, improves concentration and reaction, speed, improves and stimulates the metabolism
- Kinetic virility and pugnacity

Attributes :

- Unconventional packaging : electric silver and red, 250 ml slender can
- Surprising aspect : fluorescent, carbonated drink
- Magic potion ingredients : components usually connotated with power and energy (Taurine, Caffeine and Vitamin)

D- Notion of the brand's identity matrix

Example of repetto PARIS

- **Central values**
- **Complementary values**
- **Vision**
- **Mission**
- **Promise**
- **Competition**
- **Customer target**
- **Aspirational target**
- **Insight**
- **Reasons to believe**

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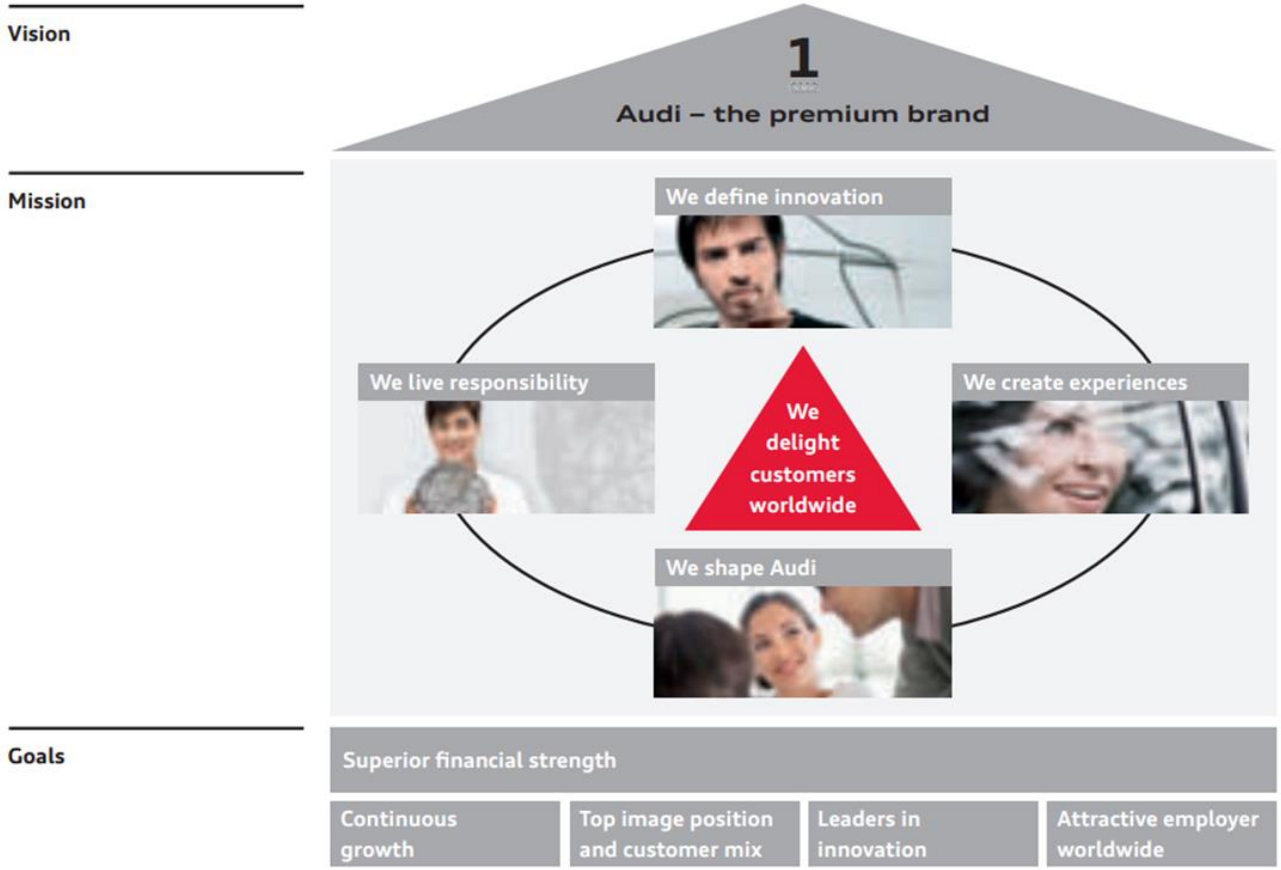
Example of



<u>**Observation 1**</u>: no international brand development is possible without a brand positioning, brand mission and consumer target which are **clearly identified both internally and externally**. You can't develop internationally without knowing your competitors, their referential strategy and the own distinctive capacities of your brand/company

Chapter 2 : The choice of distribution for a brand

A- Notion of multichannel distribution for a brand

1- Wholesale

→ direct export

→ sales via an agent

→ sales via a distributor

2- E-commerce (own E-boutique of the brand, pure players & « click & mortar » accounts)

3- Corners & Shop in Shop within department stores

4- Travel Retail (in-flight sales and airport corners)

5- Retail

→ branches

→ affiliation

→ franchises

Observation 2: A **diversified distribution** on a worldwide scale allows :

A/ to optimize the « risk/profitability» ratio for a brand

B/ to increase visibility of the brand across all channels

B- Criteria of distribution for a brand

3 big types of strategy prevail in terms of commercial distribution for a brand

1- Intensive : the product is offered within the largest number of POS possible => inappropriate for a brand with a high-end/luxury positioning, more adapted to commodity goods

2- Exclusive : the number of POS authorized to officially distribute the brand is limited => some luxury brands such as LV or Chanel have an exclusive distribution with a trend towards vertical integration

3- Selective : intermediary kind of distribution between intensive and exclusive. The channel is selected based on predefined criteria such as:

- Brand mix
- Location of the POS (central/ premium vs off-center/low-end)
- Size of the POS (eg sales surface in m²)
- Quality of the facade, of the window displays, of the inside decoration, of the merchandising, etc.

Observation 3: the choice of the distribution channels and thus of the criteria of distribution are **derived from the brand strategy and should be common to all countries** (one brand = one global voice)

C- Specific insight on the retail channel

Q : what is a **flagship store** for a brand?

A : It is the **emblematic store** of a brand in a given country; the **standard bearer** of a brand. Beyond an exceptional location (5th Avenue in NYC, Ginza in Tokyo, etc.), the flagship store is also distinguishable by its size and the events taking place there.

<u>Observation 4</u>: A retail distribution allows:

A/ **to better convey the codes of a brand internationally**; to better control them and to set standards (merchandising, visual identity, architectural concept, product mix, price positioning, etc.). This concept expresses the best the positioning chosen by the brand.

B/ **to back-up the rest of the distribution** (wholesale, travel retail, etc.)

Chapter 3 : the choices of the brand behind its strategy to go international

A- Where to go?

Several elements will help the brand defining its choice to go or not to go in a given country, as well as setting the commercial priorities:

1. The **sectorial information** = is there already a market in the targeted country X for the specific activity field of my brand? If not, am I ready to be a pioneer?

2. The strategy as regards **current and potential targets** = have I identified in the given country X the existence of a current or potential consumer target likely to buy the products of my brand in quantities that would be large enough to make it profitable (eg for Repetto, a woman, inspired by the dream of dance, with a quite high purchasing power?)

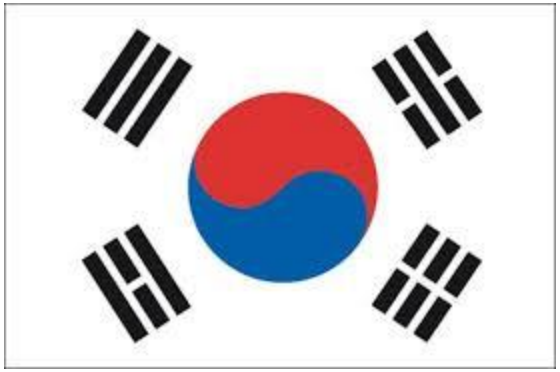
3. The **intensity of competition** = does the market that I have identified at step 1 & 2 show a fierce competition level?

4. The **entry barriers** = there can be <u>tariff barriers </u>(custom duties and fiscality) and <u>non tariff-barriers</u> or NTB (import licences, norms & regulations, quotas, restrictions of importation on certain products, brand registration/IP issues, corruption level, insolvency risks, currency risks, corporate laws, etc.)

5. The **internal competences and ressources**= does my company have the financial, human and logistic means as well as the competences, skills and know how to properly enter the country X and above all to remain there?

<u>Observation 5 </u>:
A/ chose the country targets based on their **adequacy with your business sector** => do a sectorial market study first (Ubifrance, federations and syndicates can help) but also based on their **adequacy with the brand vision**
B/ chosing the « where to go » is not trivial and should be deducted from **a SWOT analysis specific to each targeted countries** => carry out a full external and internal analysis

Eldorado(s) or not ?



A few useful links to help you seeing clearer…

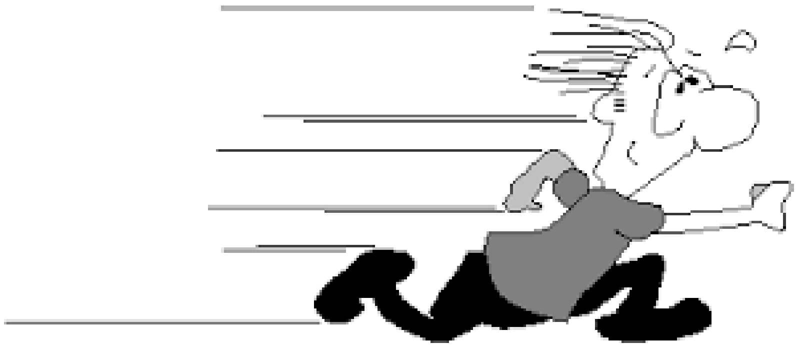
http://www.transparency.org/cpi2014

http://francais.doingbusiness.org/reports/global-reports/doing-business-2016

http://www.lemoci.com/guides/atlas-des-risques-pays-7e-edition-2015-2/

B- When to go?

What about the timing for a brand to develop internationally ?



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Is it better to go **parallely** or **sequentially** ?

Chapter 4 : standardisation or adaptation ?

Global, local or glocal ? => This should be **the real questioning of the international marketing plan of a brand**

1- Global = one homogeneous and standardised offer

→ but the risk is to miss some commercial opportunities (what about specific climatic conditions; local habits, trends and practices; local do's and don'ts; specific sizes & measures; etc ?)

2- Local = the offer is completely adapted to local markets

→ but can there be several brand strategies?

→ what about the risk of image dissolution?

3- Glocal = the offer integrates both elements of global and of local

→ can be sometimes the best mean to mix commercial targets and brand strategy

Some recommendations…

Elements of global (everything which is highly identital to the brand and should ideally not be reinterprated locally)	Elements of glocal (global charter to be followed but some local adaptations possible to meet local laws and practices)	Elements of local
Brand positioning and brand mission	Communication visuals and advertising campaigns	SMU (local specific products)
Selectivity of the distribution channels	Events	Capsule collections per geographic areas
Product territory	Window displays	Specific cobranding per country
Visual Identity (global charter)	Product mix in the monobrand retail stores (brand's core items as Must Have + local specific products)	Some specific local POS practices (such as give-aways)
Visual Merchandising (global charter)		Competition benchmarking
Architectural charter		Choice of the communication media and supports
Customer services		

Some examples…

Global : Louis Vuitton has the same window displays in all its stores across the globe

<u>Some examples…</u>

Mix of Global/Local : Mc Donald has the same store concept everywhere in the world but does offer specific local products

Conclusions for a successful international brand development

1. There is no ready-made recipe. Each brand has to take decisions based on its own specificities

2. The international development of a brand can only go through the establishment of a steering wheel for the brand and through the assertion of ONE brand strategy

3. You should always question each country individually

4. The sales departments and the marketing departments of a brand are closely intertwinned and must collaborate

Appendix : some examples of brands having failed part of their international development

1. **Sephora in Japan** : the brand didn't consider the need to adapt its merchandising concept to the local habits. Cosmetics represent the core business in Japan and not fragrances, contrarily to European practices. Cosmetics should thus not have been relegated at the back of the Sephora stores in Japan. Besides, the concept of « accessible luxury » specific to Sephora was not workable in Japan where local femal consumers consider French beauty concepts as mandatorily high end.
2. **Sephora in Germany** : the brand didn't consider properly the fierce competition of Douglas who stands as the absolute leader on the local market with nearly 400 stores spread out through the whole territory and in all Länder.
3. **Logan in India** : the brand didn't consider the several TB with the Indian market. A car which is longer than 4 meters has to pay extra taxes. With its 4,25m length, Logan was highly taxed and became too expensive for a car positioned as low-cost
4. **Chevrolet Nova in LATAM** : the name of the car has not been thought for the LATAM market. It means « doesn't work » in Spanish. Mistakes with translations of the brand products or brand names not having been tested with an international panel leads to systematic failures in terms of business development outside domestic bounderies.