Economist Intelligence Unit

The Economist

Guarding the brand

A report from the Economist Intelligence Unit

Sponsored by SDL International

Preface

Guarding the brand is an Economist Intelligence Unit briefing paper, sponsored by SDL International.

The Economist Intelligence Unit bears sole responsibility for the content of this report. The Economist Intelligence Unit's editorial team executed the survey, conducted the analysis and wrote the report. The findings and views expressed in this report do not necessarily reflect the views of the sponsor.

Our research drew on two main initiatives.

- We conducted a survey of 145 senior executives from around the world, between March and April 2006. The survey group was very senior, with C-level executives accounting for 42% of all respondents. A range of industries was represented, with the largest number of respondents coming from the financial services, technology, professional services and manufacturing sectors. Thirty-eight percent of respondents were from companies with revenue in excess of US$1bn.
- To supplement the survey results, we also conducted in-depth interviews with senior executives at six firms, who provided insights on the brand challenges they face within a range of industries.

The author of the report was Dr Brian D. Smith and the editor was James Watson. Mike Kenny was responsible for design and layout.

Our sincere thanks go to the survey participants for sharing their insights on this topic.

July 2006

Executive summary

Brand matters. In a global economy, with fiercely competitive firms rapidly commoditizing products, strong brands help companies to stand out from the crowd and differentiate themselves on a basis other than cost. No longer the preserve of consumer packaged goods companies, brands are now taken seriously in almost every industry and at the highest echelons of management. Even firms that once competed almost entirely on technical excellence or cheap prices are now trying to build and leverage the strength of their brand.

However, creating a compelling brand experience is becoming harder just as it becomes more important. Cultural differences between countries, the intangible nature of services and the fragmentation of marketing channels, all exacerbated by acquisition strategies that bring with them disparate brands and company cultures, are all acting to make brand management more challenging than ever.

This briefing paper, sponsored by SDL International and based on an Economist Intelligence Unit survey of 145 senior executives, reveals the challenges and issues companies face in developing powerful global brands. Some of the key findings emerging from the report are outlined below.

- **Globalization is making brand management harder, but more vital than ever.** Firms today are highly globalized: nine out of ten firms surveyed for this report are generating at least 10% of their revenue from outside their home market, while 47% get about one-third or more of their revenue abroad. To avoid being just another commoditized rival competing solely on cost, strong brands are crucial. However, operating in an international environment provides companies with considerable challenges. Forty-nine percent of firms agree that brand consistency is getting harder to achieve as they enter new countries. Executives say cultural differences (63%), along with language and translation issues (44%) are the two primary barriers to maintaining their brand effectively in international markets. However, efforts to localize brands, through translation and cultural adaptation, do pay off: two-thirds of survey respondents agreed that such efforts had a positive impact on sales in those regions.

- **An explosion of channels is adding to the challenge.** Technology is introducing a plethora of new channels that marketers must deal with, from mobile phones and e-commerce sites, to newer variations, such as blogs, wikis, podcasts and more. All this is making brand consistency and management harder to achieve. Forty-five percent of firms polled for this report agree that it is difficult to deliver a consistent customer experience across both online and offline channels, while 33% describe themselves as ineffective when it comes to online marketing.

- **Skin-deep brands will not prosper.** Branding goes much deeper than a smart logo or flashy advertising. Successful brands create a consistently positive customer experience that encourages repeat business. Getting this right goes far beyond marketing and advertising, but requires extensive work across all aspects of the business, from rigorous staff training to excellence in areas such as customer service and order fulfillment. In particular, it is important not to forget the role that employees play in delivering a strong brand experience. This may be one reason why 65% of executives believe that face-to-face customer contact represents the biggest challenge for maintaining a consistent customer experience, far ahead of any other channel.

- **Firms are putting their resources behind a few star brands**. Maintaining a large stable of brands is no longer financially feasible for most companies, with the majority choosing to focus their marketing spending on a few star brands. Companies surveyed for this report also show a clear preference for their corporate brands ahead of individual product brands. Eighty-one percent rate their corporate brand as critical, while just 64% think the same about their product brand. For companies driving their growth through acquisitions, this highlights another challenge: how to decide which brands to retain, remove or change.

- **Technology is helping to facilitate better brand management**. For many firms, a range of communication and collaborative technologies are helping them to manage their brand experience across multiple channels and geographies. It is also aiding firms in their efforts to measure the brand experience: for example, technology allows firms like Dell to measure and compare brand-experience metrics, such as customer satisfaction, on a global basis. However, getting information technology (IT) right is not without its own challenges. Almost 10% of executives polled for this report believe their global, regional and country-specific websites are entirely inconsistent. Only one-third of respondents believe their company's brand is maintained consistently across all customer touch-points.

- **The "brand police" are giving way to a more consensus-driven approach**. The traditional "command and control" approach to branding, where every related decision had to be approved by the firm's "brand police", is giving way to a more consensus-driven approach. In this consensus view, brands are built up from the bottom, involving nearly every department in the business, rather than being imposed by head office. All companies interviewed for this report noted that they are adopting this approach to brand management.

- **Brand issues are being led from the top, but middle management support is often lacking**. Considering its importance to the firm, there is little surprise that nine out of ten of those surveyed for this report say their chief executive takes active consideration of brand issues across the company. However, there are warning signs that the same enthusiasm may not extend to all levels of the business: approximately 30% of those surveyed in the US and Asia agreed that senior executives in their organization simply pay lip service to brand considerations, while nearly half (46%) in Europe believe the same. If firms intend using their brands to help them stand out in the crowd, ensuring management support throughout the company will be crucial.

A number of forces, from globalization to a general shift towards services-based businesses in developed markets, are all serving to make the job of brand management harder than ever. This is driving firms to change the way they handle their brands: getting staff involved at every level of the organization; relying more than ever on technology; and exploring new ways of positioning their brands within the market.

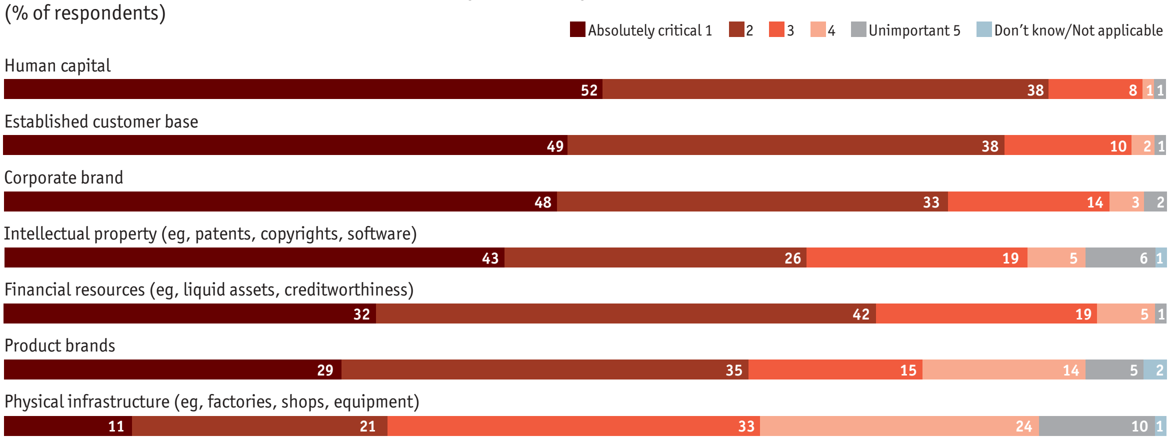
Strong brands are crucial in a global market

Competing in a global marketplace obliges firms to face up to an array of challenges, from low-cost competition and shorter product life cycles to the threat of commoditization in nearly every possible market. Against this threat, the brand experience has become the foundation of companies' efforts to create a competitive advantage in their industry. A strong brand is often the key differentiator that allows one firm to command a premium on its wares over its rivals. "The challenge," says Peter Stringham, group general manager for marketing at financial services firm, HSBC, "is to capture the imagination, set higher expectations than our competitors, and deliver against them."

Executives interviewed for this survey clearly recognize the importance of their brand. Eighty-one percent of respondents rated their corporate brand as a critical or important asset, behind only their human capital (90%) and their established customer base (87%). This is especially true for large firms, with revenue in excess of US$10bn, which generally rated the brand as the number-one corporate asset—56% of those surveyed rated the corporate brand as "absolutely critical". This was less so for smaller companies, as those with revenue under US$500m listed their brand as their third most important asset, on average—45% regarded the corporate brand as "absolutely critical". In general, services firms rated their brand more highly than firms from other sectors.

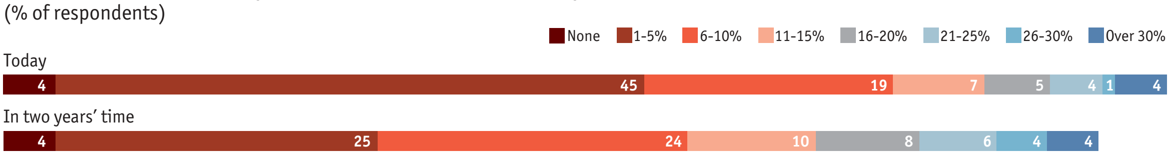
In line with this focus on the brand, firms are planning to spend more on brand management, typically shifting up from between 1% and 5% of turnover to between 6% and 10% over the next two years. Interestingly, many large firms expect to decrease their spending slightly. The proportion of big companies spending more than 10% of their revenue on brand management is expected to decline from 29% to 24%. Meanwhile, smaller companies expect to

How important are the following corporate assets to your company?
(% of respondents)



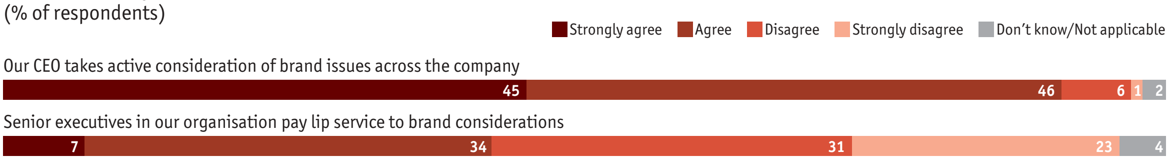
Source: Economist Intelligence Unit survey, 2006.

Approximately how much does your company spend on its overall brand management activities (excluding sales) as a percentage of annual revenues? How do you perceive this will change in two years' time?
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

Please indicate your level of agreement with the following statements.
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

be more aggressive: 37% expect to spend more than 10% of revenue on their brand, up from 28% currently.

The perceived importance of brands and the resource allocation that follows it reflects a key point emerging from this survey: the corollary of a global and intensely competitive market is an important shift of emphasis in the way many firms compete.

The shift of resource allocation suggests that the performance of a product or service is now taken for granted in many markets. Similarly, competitive pricing and cost control are seen as necessary, but not sufficient. Rather, it is the brand perception and customer experience, built up through many different customer touch-points, that is now the principal source of competitive advantage. "Our goal is a globally salient brand, but that means much more than advertising," says Michael MacDonald, president for global accounts and marketing operations at office electronics firm, Xerox. "We concentrate on the customer experience, especially with our 53 global accounts."

In order to turn the brand experience into a source of competitive advantage, firms are paying much more attention to it. For one, the brand is being taken seriously within top management. About 91% of executives agreed that their chief executive takes active consideration of brand issues across the company. However, not everyone participates: about 41% agreed that senior executives in their organization simply pay lip service to brand considerations. This lack of buy-in to brand values could be because it is perceived as being just too difficult, especially when managers are under pressure to deliver on other targets, such as sales. It is worth noting that this scepticism about the brand is more

What have you done to define and articulate your company's brand over the past two years?
(% respondents)

Source: Economist Intelligence Unit survey, 2006.

HSBC: the world's "glocal" bank

Japanese business strategist, Kenichi Ohmae, coined the phrase "think global, act local", which subsequently led to the term "glocal" to describe the panacea of a strategy that combines the virtues of being both global and local at once. One of the leading exponents of this approach has been financial services firm, HSBC.

HSBC is now truly global, with 280,000 employees in 76 countries. It is regarded as one of the world's top-ten banks by assets—in 2004, it was managing a staggering US$1,277bn—but it started its journey as a regionalized East Asian bank in 1865. Its recent growth has been largely driven by the acquisition of other regionally based banks with similar histories, forcing it to assimilate and reconcile many legacy brands. This route to a global presence created a different set of challenges from many of its competitors, which were typically larger, western-based firms and grew either organically or through the acquisition of much smaller companies.

The nature of the financial services sector that HSBC operates in makes it all the more important to differentiate its brand experience. "In many parts of this market, the core offering is not very differentiated and advantage comes from the brand and customer experience," says Peter Stringham, group general manager for marketing at HSBC.

To differentiate itself in the market, HSBC embarked on a major branding campaign, centered on its "world's local bank" positioning, which was developed following widespread internal discussion and external research. "We've been delighted by the results of this positioning, not just in western markets but in places like Mexico and the Middle East too," says Mr Stringham. "It works because it reflects a cosmopolitan attitude that is a common thread in our customers, wherever they are."

Two lessons that Mr Stringham took from this experience were to not be afraid to differentiate and to rapidly to implement the strategy in local markets. "Find out your strengths and leverage them, rather than try to emulate the sector," he says. "Ours, for instance, was our relationship with our customers. Then, imbue the strategy as quickly as possible at a local level. With hindsight, we were perhaps too frugal and should have done it more quickly."

prevalent in Western Europe, with 46% in agreement that senior executives pay lip service to brand considerations compared to about 30% in the US and Asia-Pacific.

About two-thirds of firms surveyed for this report have revized or updated their corporate brand over the past two years. More than half have formally documented what their brand stands for and also trained employees in those values. Surprisingly, a large proportion of this brand rejuvenation has been done without the aid of a brand consultancy, which only about one-fifth of firms have used.

Managing the brand experience is increasingly difficult

Historically, managing the brand experience usually meant managing the product and the channel it took to the market. Even within the memory of many practising marketers, a single channel dominated the way the customers experienced a product. In consumer goods, the customer experience was predominantly an advertising experience, while within business-to-business markets, it was primarily wrapped up in the sales call between a product representative and the client's purchasing manager.

In both the consumer and business industries, the market generally meant the home market. Even in those cases where international sales were important, it was generally an echo of the domestic marketing strategy. Finally, the brand experience was, for the most part, a product experience. Services companies like McKinsey or Zurich might have famous names, but the brand textbook was based heavily on the examples of Procter & Gamble, Unilever and other product-based companies.

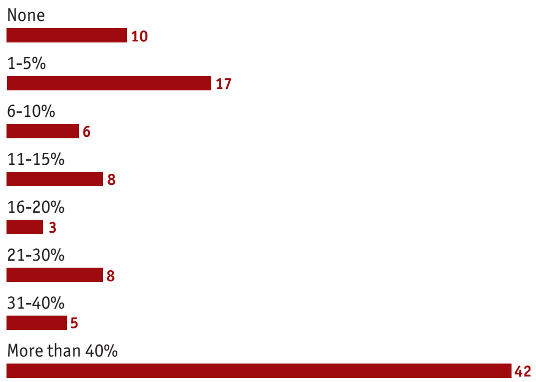
However, four key trends are changing much of this, moving the brand management function away from a world of product-led, home-market-focused companies that push products through a single dominant channel. In turn, this is serving to make brand management more challenging than before.

Globalization of markets

Ninety percent of companies surveyed for this report do business internationally, with 42% now deriving more than 40% of their annual global revenue from markets outside their home country.

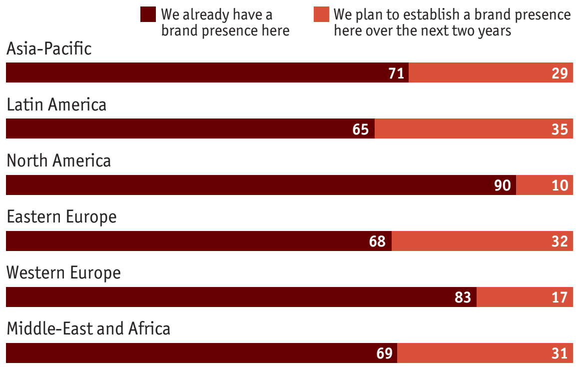
The majority of firms polled for this report already

Approximately what percentage of your annual global revenues is derived from markets outside of your home country?
(% respondents)



Source: Economist Intelligence Unit survey, 2006.

In which regions does your company have a brand presence, and in which will it be extending its brand over the next two years?
(% of respondents)

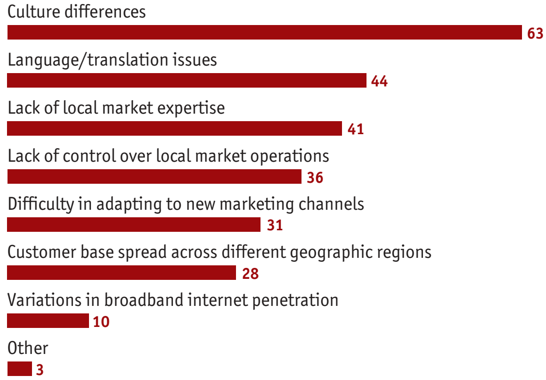


Source: Economist Intelligence Unit survey, 2006.

What is your typical approach to managing brands?
(% respondents)

Source: Economist Intelligence Unit survey, 2006.

What are the main barriers to managing your brand effectively in international markets?
(% respondents)



Source: Economist Intelligence Unit survey, 2006.

have a brand presence in North America and western Europe, with nearly all intending to expand their presence into various developing markets.

However, generating revenue from abroad is not necessarily synonymous with the globalization of the brand experience. Forty-nine percent of executives agree that brand consistency is getting harder to achieve as they enter new countries. Typical first steps for companies expanding into foreign markets have been to appoint distributors and franchisees that sell the product, but provide a different brand experience. However, this survey highlights that firms are increasingly working to establish truly global brands, providing customers with a consistent brand experience across different regions. Accordingly, the majority of firms (60%) manage their brands centrally, with a consistent global implementation. Just 9% developed distinct local branding for each market they operate in.

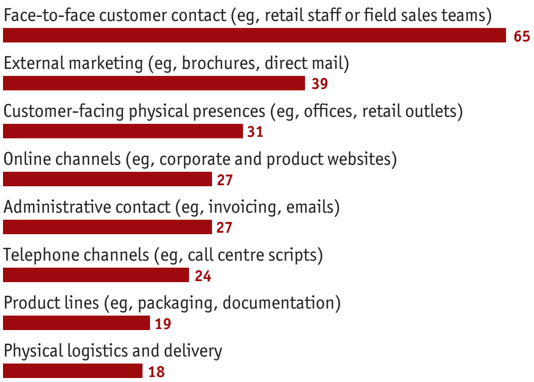
However, this rush towards global brand management is not simply a matter of doing more of what works in the home market. “The expectation of the customer experience is very different in different markets,” says Didier Riou, a senior vice-president at building materials company, Lafarge. “This makes measuring and managing the experience more difficult.”

Cultural differences and language and translation issues are cited as major barriers to managing brands effectively in international markets by 63% and 44% of respondents respectively. Fifty-four percent of Asian companies and 46% of US companies cite language translation issues as one of the main barriers to managing their brand effectively in international markets, compared to just 38% of European companies, indicating that Europeans are more comfortable dealing with other languages in their operations. Internal organizational factors are also important: a lack of control over local market operations is a problem for 36% of firms, while 41% say a lack of local market expertise is an issue.

An ongoing shift to services

The brand experience, upon which competitive advantage increasingly rests, is taken not only from advertising, but from every experience the customer has with a company. In the fast-moving consumer goods industry, those experiences were largely within the direct control of the brand manager: the product itself, its distribution and related sales promotion could be controlled from head office to within reasonably tight tolerance limits.

Which of the following channels represent a considerable challenge for maintaining a consistent customer experience across your entire business?
(% respondents)



Source: Economist Intelligence Unit survey, 2006.

However, interest in the brand experience has now spread far beyond its origins in consumer products. In this voluntary survey in which self-selection is a partial indicator of interest in the topic, only about one in 20 respondents were from consumer goods companies. Services, both financial and professional, represented the two largest groups.

This shift to services has major implications for brand management. The experiences on which brand perception is based are now much wider and less easily controlled. Instead of a standardized product, the brand experience is now determined largely by interactions that are far more variable and people-based.

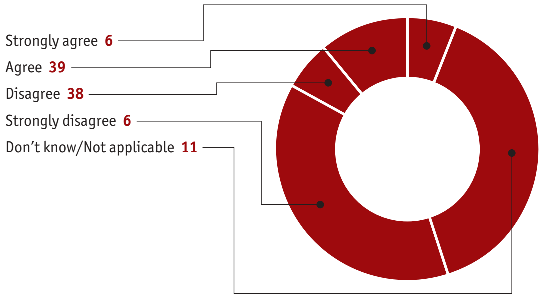
Serco, a company that specializes in delivering services for local and national government, provides one example. Clive Barton, Serco's marketing director, says that the challenge comes from managing an essentially human experience. "Customers can spot inauthentic behavior, when there is a mismatch between stated values and actual behavior," he says. "That means we have to work with openness and honesty, often on an open-book basis." The majority of companies surveyed for this report agree. About two-thirds of executives believe that face-to-face customer contact represents the biggest challenge for maintaining a consistent customer experience, far ahead of any other channel.

A proliferation of channels

To some extent, the brand experience has always depended on multiple channels. Even the simplest campaign might involve advertising, a sales team and some kind of promotion at the point-of-sale. However, new technology has taken multi-channel marketing to another level. While existing channels of advertising and sales promotion have remained, they have been fragmented. At one level, there have been many IT-enabled developments of existing customer interaction points, such as offshore call centers, automated telephone selling and digitally tailored direct mail. Alongside this has been the advent of new media, encompassing both the web and mobile telephony.

Delivering a consistent customer experience both online and offline is hard. Forty-five percent of respondents agreed that this was difficult to achieve. "The Internet has become the place where most people deal with a bank," says HSBC's Mr Stringham. "That's hard for a brand that is people based."

Please indicate your level of agreement with the following statement.
We find it difficult to deliver a highly consistent customer experience across online and offline channels
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

These developments not only alter the number of "touch points" that customers interact with, but they increase their functionality too. Now, much of the customer experience, from first contact right through to after-sales service, happens via channels that were non-existent just a generation ago. And customer expectations, fed by some exemplary companies and by social trends towards less deference, are increasing.

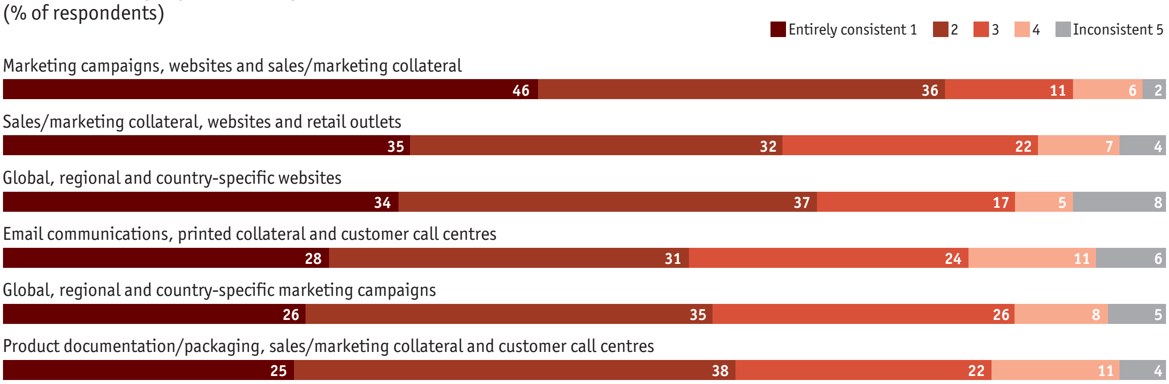
Firms now need to create a consistently good brand experience across every mix of customer interaction points. However, executives surveyed for this report believe that such consistency is rarely achieved. An average of just one-third of those polled believe their company's brand is maintained entirely consistently across six different sets of customer touch-points, such as ensuring a consistent brand is presented across the company's sales collateral, websites and physical retail outlets. Interestingly, more than one in ten US executives believe their company's brand is completely inconsistent across global, regional and country-specific websites, compared to about 8% in Asia and only 2% in Europe. Whereas the US appears to have a greater appreciation of the brand, European companies seem to be doing more to cater for different languages and cultures.

The proliferation of channels means that brand management for many firms now goes far beyond branding in the traditional sense. For the most well-run firms, it is as much about delivering excellence in their corporate IT infrastructures, supply-chain logistics and other areas of the business, in order to ensure that customers have a smooth interaction with the business, regardless of the channel they use.

Brands and acquisitions

The mergers and acquisitions that have characterized most maturing industries have been driven by a number of factors, such as the desire to increase market share or deliver increased economies of scale. However, in relatively few cases has an acquisition strategy been driven primarily by brand considerations. As a result, acquisitive companies often find themselves in charge of a collection of brands that are often inconsistent and sometimes conflicting. HSBC's rise from an East Asian bank to a global financial services firm has relied heavily on acquisitions. This led to a collection of brands that have had to be consolidated into a single corporate image.

How consistently is your company's brand maintained across the following mix of channels?
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

Serco: private-sector branding in a public-sector environment

Services firm, Serco, operates in 40 countries and derives 90% of its US$4bn revenue from the public sector, providing services for national and local governments in sectors as varied as defense, transport and healthcare. It is involved in everything from Australia's Ghan train project to refuse collection in local British councils.

However, the firm faces a special brand challenge, as the culture and values of the public sector are notoriously different from those of the private sector.

The key to Serco's success lies in a brand experience that melds public-sector commitment to service with private-sector management skills. "Because we work primarily in the public sector and our customers and many of our employees hold the public-service ethos too, that has to be central to our values," says Serco marketing director, Clive Barton.

The combination of fragmented business units and a workforce that often has its roots in the public sector calls for an especially delicate approach to evolving and promulgating brand values. "We are extremely devolved, with over 400 business units, each having a high degree of autonomy," says Mr Barton. "In return for that autonomy, we are very 'centralist' over our values. We control some elements of branding, but the details of the customer experience have to be extracted to the businesses within that value system."

A second aspect of Serco's approach to the brand experience is the degree to which it is driven by a genuine belief in certain values. "We start by getting clarity about the big idea and customer experience," says Mr Barton. "In practice, this often means going beyond the contract and redefining goals."

For Serco, managing the brand experience is an emotional as well as a rational process. "It is important to understand who we are and what we believe at a deep level. At a practical level, it is easy to make exceptions, but we have to have the courage of our convictions and live by our values," says Mr Barton.

Beyond basic brand concerns, conflicts also occur in the customer experience processes that come with the acquisition. Resolving these requires difficult decisions about which brands, and which associated processes, should be kept, axed or changed. The rapid growth demanded by globalization therefore leads to a paradox: acquisition aids global competitiveness by creating a critical mass in key markets. At the same time, acquisition hinders growth by making a consistent customer experience harder to achieve.

Companies are adopting new approaches to managing the brand experience

Companies are responding to the changing issues of brand management in a variety of ways, depending on what sector they operate in. Many firms, especially smaller ones, are increasing their brand-related spending. However, interviews conducted for this report revealed much detailed information about how individual firms are dealing with their brand challenges. They also identified four habits that are more general and that serve as practical lessons to other companies struggling to manage their brand experience.

Disbanding the "brand police" in favor of a consensus approach

The traditional method of achieving a consistent brand experience was based on a "command and control" mechanism, in which rules were set and activity controlled by a complex system of procedures and authorizations. While still part of the approach of most companies, it is increasingly being judged as too laborious for a global, multi-channel market. This approach also copes poorly with those parts of the brand experience that are intangible, such as contact via email or through a company blog site, or face-to-face. However, it is exactly these kinds of interactions that have become more important as industries become more service-based. As Xerox's Mr McDonald describes it: "formal brand manuals and sign-off processes do have their place, but we try to rely on less prescriptive methods".

Within HSBC, Mr Stringham has eschewed the idea of "brand police" as too clumsy and impractical, especially with 280,000 employees spread across the world. In his view, it restricts creativity and leaves people disgruntled. "Our approach begins with a simple booklet that explains our brand values and positioning, but also covers employees' attitudes," he says. "After that, we rely on constant mentoring and coaching."

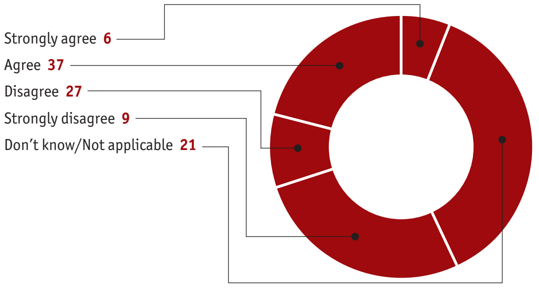
All companies interviewed for this report have instead adopted a more consensus-driven approach to brand management. Instead of head office imposing its ideas from above, they are building the brand from the bottom. In a world where not just words and logos have to be standardized, but attitudes and behaviors too, consensus appears to be the only viable approach. HSBC consulted widely across the firm when developing its "world's local bank" positioning. "Our current brand direction was established in 2002 after consultation with our 40 leading countries and a lot of research and consultation," says Mr Stringham.

Once agreed, this consensus view is then exhaustively documented and communicated across the company. Every action that forms part of the customer experience, from logo colors to writing style to call-center scripts, is then driven by these core values. Marketers also enlist the help of human resources to recruit, train and retain staff who hold and advocate brand-consistent attitudes.

However, this approach is not without consequences. Obtaining consensus on brand positioning, and then implementing that across large, global firms clearly demands much investment, in both money and management time. It also can make brands slow to respond to major market changes, such as shifting consumer preferences.

One approach to striking the balance between ensuring consistency and getting things done is to consider outsourcing. Consolidating the management

Please indicate your level of agreement with the following statement.
Outsourcing of business processes, such as customer call centres or transaction processing, represents a risk to our brand.
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

of a critical business process into the hands of a single supplier helps head office maintain control more effectively than if it were in the hands of different agencies in each country. "Concentrating all of our marketing communications activity into one world-wide agency is an important step in gaining consistency," says Mr McDonald.

However, this approach is not without risks. More than 40% of firms surveyed for this report believe that outsourcing business processes, such as customer call centers, represents a risk to their brand.

Targeting different customers with common brand values

Firms are increasingly segmenting their markets by attitudes and needs, rather than by sizes or sectors. In doing so, companies are finding it easier to use core brand values, harmonize their brand experiences and even to choose acquisitions. It also provides a stronger defense against rival companies with similar products. By focusing on their core values, companies are effectively simplifying the complexity of global brand management. For example, companies like Xerox and Dell may appear to target firms of all sizes, industries and geographies, but in practice they focus on only those customers that share a common attitude.

Xerox focuses on a common attitude to document management. "We have to address a very large range of target customers in an equally large range of geographies," notes Mr MacDonald. "All of this complicates the task of managing the brand experience. That complexity is addressed by the way we focus not on products, but on improving customers' results, providing expertise about how better to manage the flow of documents within a firm."

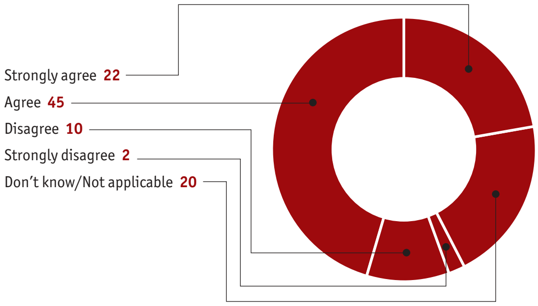
In Dell's case, the core value is its direct selling model. "Business markets tend to lead consumer markets in their openness to the direct model," says Jeff Kimble, a director for enterprise business unit marketing at Dell. "There are also significant differences between national markets in their attitudes to the direct model. In lagging sectors, our task is to make customers more comfortable with the direct model."

Technology is being used as an enabler

At first sight, the explosion of new channels enabled by IT has only complicated the task of managing the brand experience. However, technology is also providing new opportunities too. For one, it has shrunk distances and eased communication. It is an important facilitator of the consensus-led branding approach outlined earlier, with email, video conferencing and online collaboration tools all playing a major role. These tools are helping to ensure brand consistency in a variety of new ways.

For example, Forrester, a research organization, ensures that all of its presentations and tender proposals are subject to the same quality control processes that tangible products from a production line are. "All of our written material, reports and presentations from all over the world go through our editing department," says Forrester's Brian Kardon.

Please indicate your level of agreement with the following statement.
The effort we put into localising our brand, such as language translations and cultural adaptation, has a positive impact on sales in those regions
(% of respondents)



Source: Economist Intelligence Unit survey, 2006.

"For instance, a report from Germany might be sent in the afternoon and returned the following morning. Overnight it is read, corrected and our branding guidelines applied. It's win-win, because we get both a better result and the authors get a responsive service."

Similarly, technology helps firms entering new markets. A range of software applications are assisting brand managers in ensuring that everything from advertising posters to customer-focused websites communicate corporate and product messaging correctly and consistently in the local language, especially as increasing amounts of material are generated electronically. Technology manages this global information through its life cycle from creation in one language to publication in many different languages, using the Internet to facilitate the consensus approach without losing control. Such efforts clearly pay off: two-thirds of survey respondents agreed that translation, cultural adaptation and other efforts to localize the brand for various markets had a positive impact on sales in those regions.

Invest in star brands

The economic logic of globalization and multiple channels has also changed the rationale for brand architecture within many companies. Increased competition and fragmented media mean that it is no longer feasible to maintain a huge stable of separate brands. To do so means to forego possible economies of scale in promotional spend. This is most sharply seen in industries that lack the large promotional budgets of consumer markets, such as within Lafarge. "The policy is Lafarge everywhere, but we keep innovative international brands where we see them adding value," says Mr Riou. "Where they don't, we drop them and Lafarge becomes the default."

The response of global brand managers has been to polarize and flatten their brand structures, with the effort and money put behind brands strongly shifting to the higher corporate brand. Within many firms, the number of brand has been culled and the fewer, larger product brands that exist are not allowed to stand alone, but must contribute to the unifying values of the corporate brand. Just as in management structures, the middle layer of umbrella brands has withered, and those that do exist are tightly defined around a closely related set of products or services, such as the variants of iconic products like Apple's iPod.

HSBC, Lafarge and Serco all illustrate this focus on the corporate brand, with each having to incorporate the histories and values of the brands that they have acquired. "When we acquired Premier Prisons, we thought of keeping the brand in case some negative publicity reflected badly on Serco," says Mr Barton, "but our employees were against this 'hiding' of the brand and asked to be associated with Serco."

Conclusion

This report reveals three lessons for firms aiming to optimize and standardize their brand experience in a global, multi-channel market.

First, globalization and technology are driving market maturation in many sectors. For business leaders, this means that traditional strategies of technical or cost leadership remain necessary, but are no longer sufficient. Building, maintaining and leveraging the brand is the basis of most competitive advantage, especially in a global market.

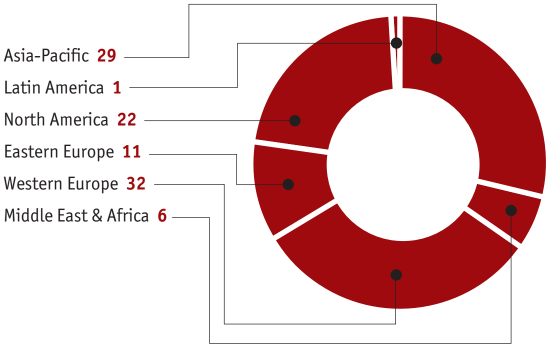
Second, the dominance of services, multiple channels to market, globalization and acquisition policies are all serving to make managing the brand experience more difficult. Brand management for these firms is less controllable, more costly and has to combine coherence with flexibility.

Finally, the appropriate response to these challenges appears not to be the reinforcement of traditional command and control systems. Instead, managing brands in a global multi-channel market requires a more subtle, value-focused and technology-enabled approach to what is an increasingly critical process: the brand experience.

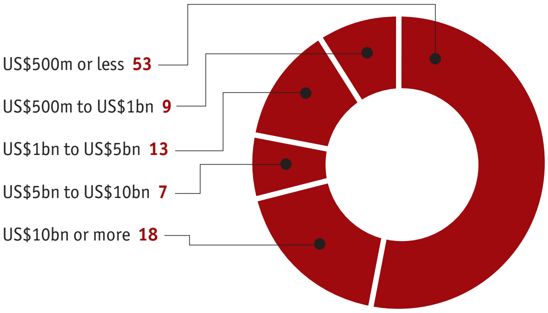
Appendix: survey results

During March and April 2006, the Economist Intelligence Unit conducted a survey of 145 senior finance executives at companies worldwide. Our sincere thanks to all who took part in the survey. Please note that not all answers add up to 100%, because of rounding or because respondents were able to provide multiple answers to some questions.

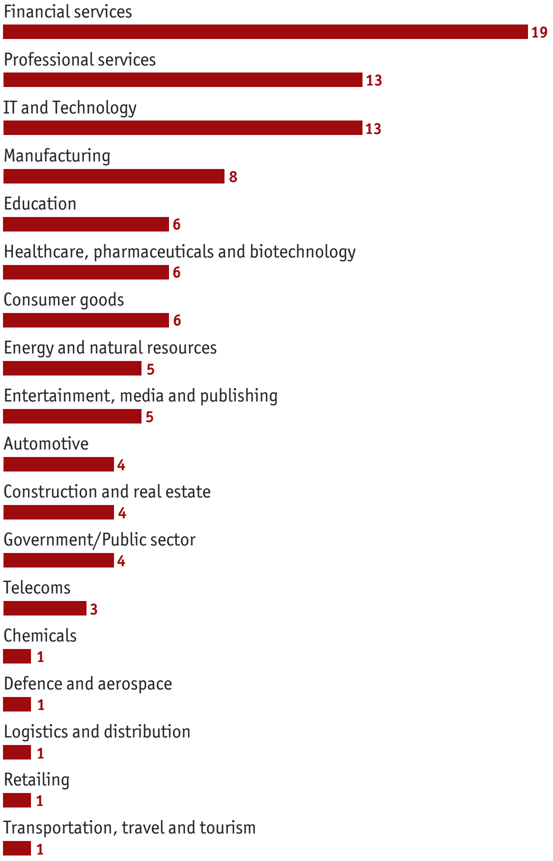
In which region are you personally based?
(% respondents)



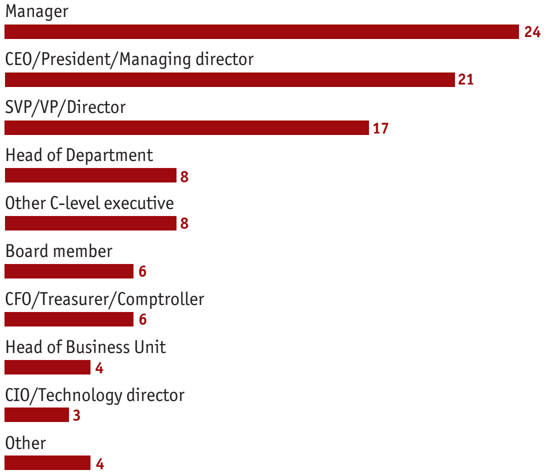
What are your organisation's global annual revenues in US dollars?
(% respondents)



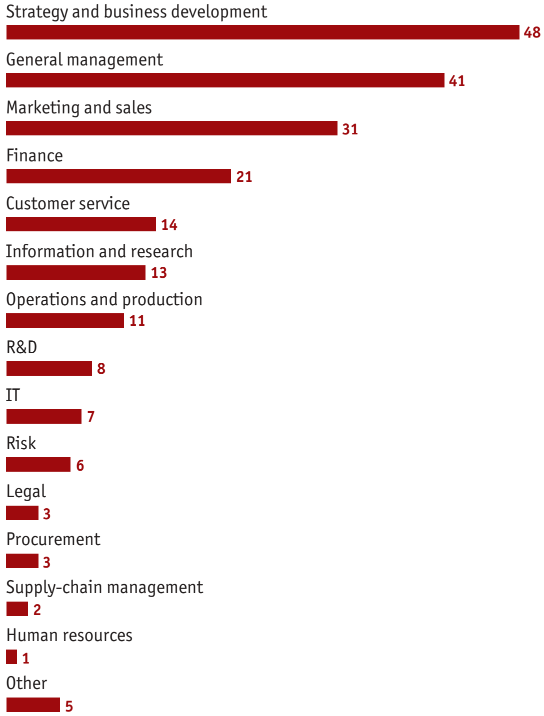
What is your primary industry?
(% respondents)



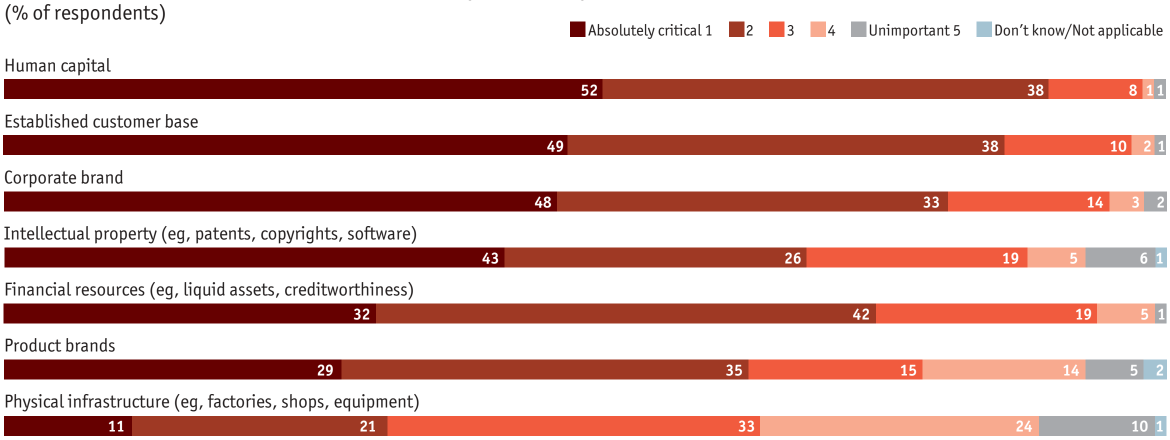
Which of the following best describes your job title?
(% respondents)



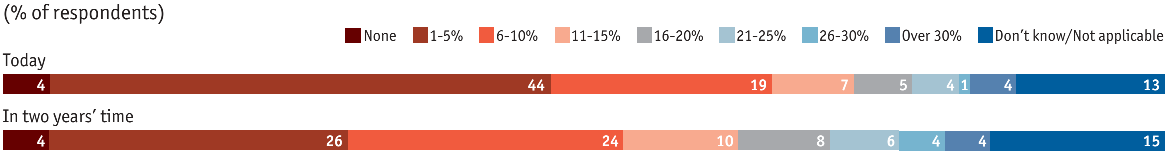
What are your main functional roles?
Please choose no more than three functions.
(% respondents)



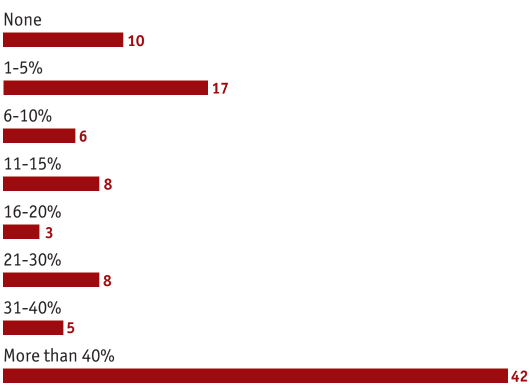
How important are the following corporate assets to your company?
(% of respondents)



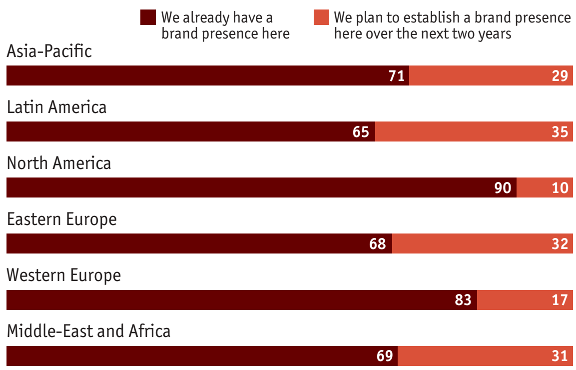
Approximately how much does your company spend on its overall brand management activities (excluding sales) as a percentage of annual revenues? How do you perceive this will change in two years' time?
(% of respondents)



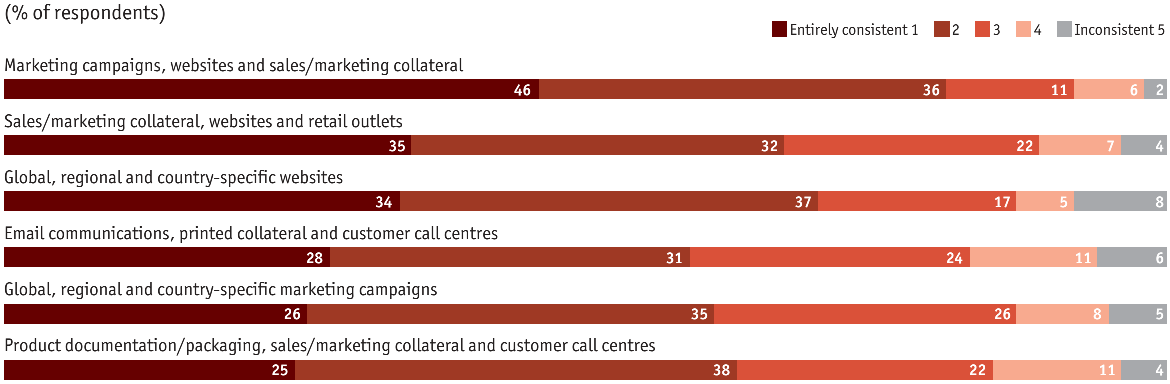
Approximately what percentage of your annual global revenues is derived from markets outside of your home country?
(% respondents)



In which regions does your company have a brand presence, and in which will it be extending its brand over the next two years?
(% of respondents)

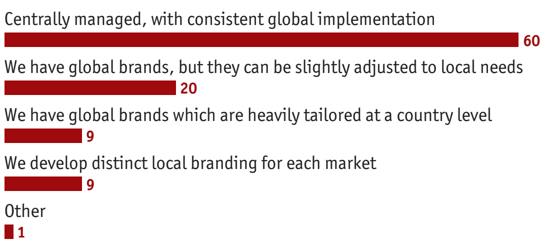


How consistently is your company's brand maintained across the following mix of channels?
(% of respondents)

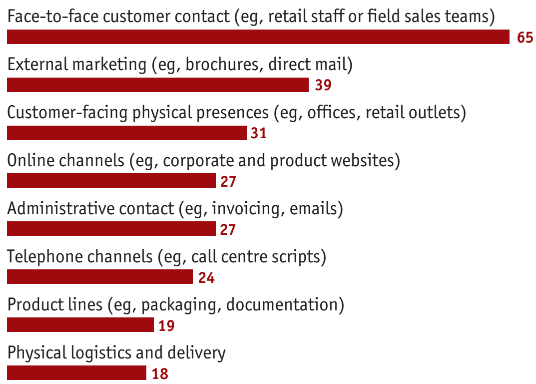


What have you done to define and articulate your company's brand over the past two years?
(% respondents)

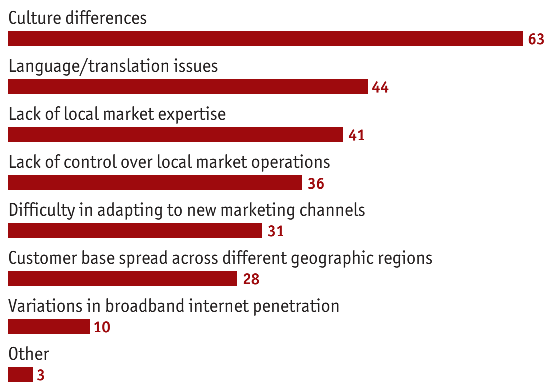
What is your typical approach to managing brands?
(% respondents)



Which of the following channels represent a considerable challenge for maintaining a consistent customer experience across your entire business?
(% respondents)



What are the main barriers to managing your brand effectively in international markets?
(% respondents)



Please indicate your level of agreement with the following statements.
(% of respondents)

How effective is your company at each of the following?
(% of respondents)

About the Economist Intelligence Unit
The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of over 500 analysts, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

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