

Jurnal **Bisnis &** **Manajemen**

FAKULTAS EKONOMI UNIVERSITAS ANDALAS

Special Feature

**PERTANGGUNGJAWABAN KEPALA DAERAH
DAN UPAYA PENCEGAHAN KORUPSI**

Sjahrudin Rasul

- | | |
|---|---|
| Tafdil Husni | Reaksi Harga Terhadap Repurchase Stock Announcement pada Bursa Efek Jakarta |
| Heru Aulia Azman | Analisis Perilaku Beralih Merek (Brand Switching) Nasabah Taplus dalam Penempatan Dana pada PT. BNI (Persero) Tbk. Cabang Bukittinggi |
| Aisaf Oswald Igau,
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Local Products Branding Strategy in Penetrating Global Markets

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Abstract

This article is based on intensive literature reviewed after taking into consideration all previous studies on branding issue. All views and suggestions from academicians and practitioners were digested and tailored fits to Malaysian perspective. Domestic entrepreneurs are expected to be confronted by fierce competitions in the local markets after the implementation of Regional Free Trade Agreement in ASEAN countries also known as AFTA (ASEAN Free Trade Area). This situation further worsens by impacts of globalization which indirectly influence their business performance. As entrepreneurs from developing country it is very challenging for them to compete with well-established brands that have been global players. Therefore, the discussion on this working paper concentrated on the issue of branding which guidelines to local entrepreneurs in their effort to management brand more effectively. Finally, the framework on global branding strategic will be discussed more detailed

Keyword: brands; local products, strategy, global competition

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INTRODUCTION

Brand plays a vital role as a crucial driver of businesses success as well as provides higher profit margins for firms if it is properly managed. Building established global brands should be the main objective of a company; in fact, it must be seen as an important source for sustainable competitive advantage and must be included in the formulation of the company strategies (Gordon et al, 1993; Kumar et al., 2003).

Possessing strong brands is a key success factor for companies currently pursuing global marketing strategy. The implementation of strategic branding method can facilitates a firm to prosper. Many Western companies have succeeded in developing trusted brand names by their consumers, and furthermore use these competitive advantages as a platform to enter new foreign markets more effectively. These are well demonstrated by well established global brands such as Coca-cola, Kodak and Kellogg that still control a large portion of market share in the world today (Kohli and Thakur, 1997).

Brand development in Malaysia

During the early years after this country independence, local product brands are not so obvious in the markets. This might be due to two factors, first, fewer local products are in the markets. Most of local entrepreneurs are only focusing on producing agricultural based products such as rubber, cocoa, coconut, pineapple, vegetables, local fruits and herbs. During this period, product lines are generally restricted¹ and the usage of brands in marketing their products are negligible. The second factor is the knowledge about brands still foreign and limited among local entrepreneurs.

The introduction of economic reforms through New Economic Policy (NEP) and current economic policy, some achievements could be seen with the emergence of several successful domestic products that are competing in both local and global markets. Lately, local brands such as *Air Asia*, *Anakku*, *Petronas*, *Malaysia Airline* and *Selangor Pewter* have shown local entrepreneurs have the ability to compete in the global markets. Currently, amongst the tops brands in Malaysia are include *Proton*, *Maybank*, *Public Bank*, and *Maxis* (Armstrong et. al., 2003).

Besides, the support, promotion and encouragement of Malaysian government (i.e. in the form of loan facility and advices from relevant Government agencies), the growth of information communication technologies (ICTs) have stimulated the growth local products in the markets. Local products such as canned foods, frozen foods, cosmetic, furniture and others are among popular products that are well received by consumers nationwide. Notice that, local products such as household consumer products, clothing, furniture and food if properly managed by their producers can be introduced to the global markets using more competitive branding strategy. With the implementation of consistent and superior branding strategy, it is hoped that this country would be able to produce products with global brands which is well received by consumers in the global markets.

Nevertheless, at present, there are various challenges faced by local firms that make them unable to compete with leading well-established global brands. One of these challenges is marketing environment pressure such as increasing consumers' demands, increase and diversity of new distribution channels and drastic technological changes (Douglas, 2001). This challenge is seen could be overcome if local entrepreneurs more sensitive with the changes in marketing environment, and at the same time also taken into account those factors mentioned before in an effort to build the best brands for their products. Baum (1990) stressed that brand competitiveness is not placed on the launching of new brand but heavily dependent on the company's strategy and reaction in facing the changes in marketing environment

Along with an ever challenging competitive environment as an implication from globalization, and local products position in the local or global markets which is still unstable; one question raises, is it possible for local products to increase its market share under such challenges? This article is trying to shed some light on issue that rose by the question above, by looking at the supremacy of branding strategy in helping local entrepreneurs to confront the challenges of globalization.

¹ Malaysian Statistics Department Annual Report, 1980.

INTRODUCTION TO BRAND

There are various views on the concept of brand. Some of them are as follows: first, brand is associated with trademarks name. Second, brand is an image that could be used to channel image value and differential point. Third, brand if referred more specifically is a value that either intangible or tangible provided by the products or services. Benefit seems acquired when the consumers obtained benefit directly from the brand in which he/she purchased. In the aspect of invisible benefit, it covers the overall experience of consumers and their critical views on a particular brand which includes name, product features product and the distribution channel of the product (Leventhal, 1996).

Based on the above interpretation, it can be summarized that brand is a value-added to the product. This value-added differentiated a particular product from its competitor in the markets; they are includes easy to remember, logo, unique symbol, better packaging and additional services. In developing a brand it is essential for a brand to project its own uniqueness on a product or service (Pearson, 1996).

Normally brand is used to take advantage on consumers' uncertainty during buying decision process. It could also boost the monopoly power of manufacturer in distribution channel of a particular product. In addition, brands also provide benefit to the manufacturer as a result of achieving economies of scales in mass production and furthermore it will create consumers with higher loyalty (Leventhal, 1996).

BASIC BRANDING STRATEGY

The success of acquiring market surplus is closely related with the ability of the company to develop a strong brand. What is more important is the ability of brand to give competitive edge, which is its capacity to give differential benefit in comparison with other brands products. This differential benefit is vital in enhancing branding strategy.

The main differences for a brand are based on the uniqueness of brand name and easier to be associated with something good. For example, Keller (1988) found out that Federal Express's name success is associated with speed, reliable and comfort to its customers. Creating an attractive image and linking it with a unique brand name will contribute to an absolute differential for a brand. McDonald have succeeded in creating a unique image among its fans, whereby it is considered as a restaurant that is trustworthy which offer quality foods, good services, clean, value to consumers, the best place for children and comfort.

The use of new technology has enabled to create better and cheaper distribution systems. It also could streamline business system structure to be more efficient and in turn more capable of delivering branding method more effectively. This method requires three very important elements; they are to be the best in the industry, to be trusted by consumers and developing relationship with the customers.

Strive to be the best in the industry

In order to be the best in the industry, it is very important for the firm to apply continuous evaluation and control to its main asset - its brand. The main asset here is referring to elements such as recipe, name, trademark, image, packaging and the overall value of the brand (Arjun and Morris, 2001). So it is not surprising that KFC, Coca-cola and Levi could still be able to survive until now, even though these brands are the pioneer in their industry respectively. This is because they are successful in guarding their recipe and their overall main asset's value until now to avoid new competitors that could challenge their position.

Building brand loyalty

Consumer confidence on a brand is the core of forming brand loyalty. The process of confidence building on the image of a particular brand is based on the experience of ownership and usage of the brand (D. Ballester and M. Aleman, 1999:2005). Thus, consumers' experience will influence the direct assessment on the brand. Consumers' experiences are formed as a direct consequence of testing, usage and satisfaction when using the purchase brand. In addition, indirect assessment on the brands also plays important role and it is happened through advertisement, and through words of mouth (Krishnan, 1996: Grace and O'Cass, 2005). In all, experience from the ownership and usage of a particular brand is more relevant and important as source to build customers' trust on the brand.

Total satisfaction will build customers' trust on a particular brand. This is because it is the main indication to brand performance, which is consistent in fulfilling all those promises communicated through its commercial, in addition to guarding personal interest and individual welfare (D. Ballester and M. Aleman, 1999; 2005).

Building customers relationship effectively

Branding is one of the channels of building relationship between firms with its customers. This can be seen if consumers trusted the firm's brand and continuously buying its products, an indirect relationship has been sealed (Chernatony, 1996). In strengthening brands and establishing relationship with customers, it can be demonstrated that many of firms from the banking, finance and insurance industries, making an efforts to foster better long term relationship with their clients by providing free experts advice services to their clientele. These efforts could be adapted to local products by setting up customers' relationship department to entertain any grievances, comments and problems from their customers.

From branding perspective, advertising is needed; in fact it is one of the devices used to develop relationship between firm and customers. This process is involving a one-way communication, impersonal and extremely limited time. Thus, it makes advertising to be less effective than personal relationship (Leventhal, 1996). Therefore, most of the consumers more inclined towards personal and friendly treatments, local entrepreneurs now could form warm and friendlier relationship with their consumers through attractive promotions. This relationship could be promoted by introducing various types of loyalty cards; for instances Shell has introduced "bonus link card" to its loyal customers.

BRANDING STRATEGY FOR LOCAL ENTREPRENEURS

As for local entrepreneurs, in their efforts to develop strategic brands, exploration of local and global markets' scenario is very vital. For domestic markets the used of brand reinforcement strategy should be considered which is more cautious that enables local entrepreneurs to survive and in turn, fend off the attack from foreign brands in the market in the country. At the same time, the outcome of implementing brand reinforcement, they could widen their market share in local markets if they able to prevent the driving force of foreign brands.

On the other hand, different role will be played by local entrepreneurs in the global markets; they must emphasize on systematic brand development method, starting from the selection of suitable brand name up to repetitive brand communication. The branding process here is concerned more towards developing brands which are acceptable to different types of customers worldwide.

Product and brand factor

Local company should critically evaluate its brand's potential before making a move to compete in foreign markets. This evaluation could be done by referring to product and brand factors. Product factor namely the target market of the product, cultural environment of the product and the structure of market competition, all of these become determinant factors for a product. Therefore, local entrepreneurs could identify whether their products and brands have the potential in the global market or just limited to be leader in the local markets (Douglas, 2001).

If local entrepreneurs want to produce products which are acceptable by overseas markets unrestricted, based on generally homogenous wants and tastes, the effort on branding extension (international/global brands) is the best strategy. Many local small and medium enterprises' products (SME) have target markets that are the same as foreign markets, for example shampoo. Hence, when naming the brand of that particular shampoo must be made with special care and sensitivity in accordance with global markets' needs. Here, the elements of local name and image which is not suitable to be transferred to the new markets should be avoided because it is alien to the new market (Srivastava and Shocker, 1991). It could be a disaster if a company use brand name that does not suitable with the new markets (Dagnoli, 1990).

Generally, a product that is closely related its culture must use local brands strategy (Douglas, 2001) food and household goods are one of the types of products that are closely related with local cultural. It is strange if curry powder which is part of the Malays and Indians' culture to use "Western" brand name and image to make it more commercial, and it is never done before.

The structure of market competition structure influence branding strategy of a company (Douglas and Craig, 1996). This is based on strength of local and global brands in a specific market. Coca cola is one of the companies that are succeeding in its market competition structure. In Turkey, one of the popular beverages among its people is a drink made from pear and this factor had forced coca cola to launch a new beverage brand flavoured with pear fruit (Echikson and Foust, 2000).

After analysis on product factor has been done, local entrepreneurs have two alternatives strategy when faced with the challenges of AFTA and the issue of globalization. First is a defensive strategy and market share expansion in the local markets. In this strategy, full attention must be made to brands reinforcement. The second alternative is expansionist strategy, at this juncture local entrepreneurs

should take advantage on the implementation AFTA with market penetration of ASEAN members countries' markets based on effective branding management strategy (see figure 1).

The authors believed that this module could be absorbed as one of the main strategies of local company in developing local brands that could compete either in local markets or at the global level.

Local strategy (Reinforcement)

Local strategy or reinforcement is a key requirement for any local firms which are still unable to produce products and brands which are unique and to be marketed in foreign markets. It stills need to be referred to product and brand factor whereby the strategy has to be tailored when the products produced cannot fulfilled the traits of global brands.

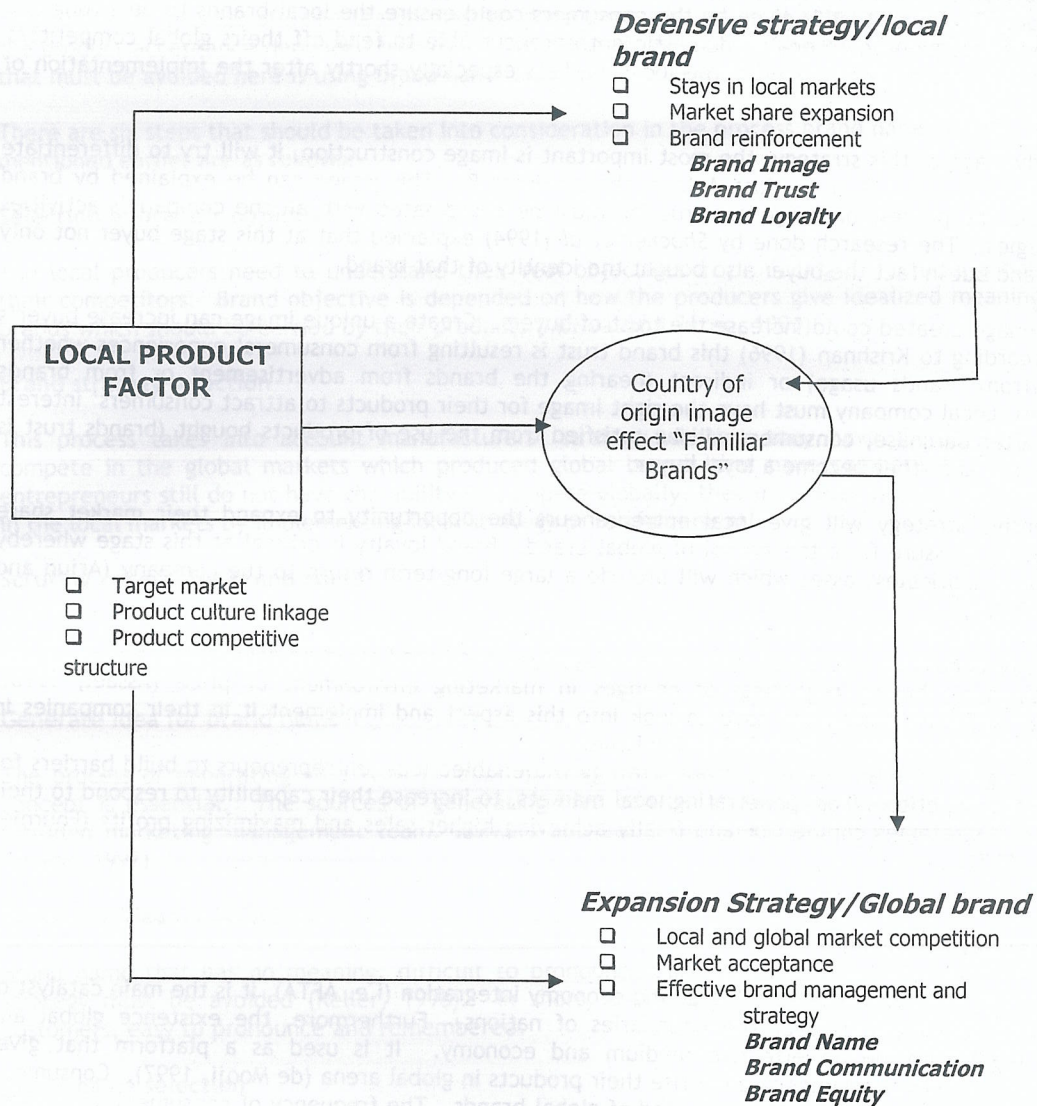


Figure 1: Branding strategy for SME's entrepreneurs in globalization challenge.

Currently, the majority of local entrepreneurs might be comfortable with their product brands' positions in the local markets as those tariff and non-tariff barriers created by the government in order to protect them. In other word, the flows of foreign products to this country still have some restriction. However, with the implementation of AFTA in this country, the current benefits enjoy by them for so long are

most likely not secured anymore. Consequently, the opening of foreign products to this country will create a more competitive environment in the domestic markets.

Branding is not the only ways that can remedy this problem but this strategy can help boost the competitive edge some of the products (Chaudhuri and Arjun, 2001). When a particular brand has won the trust amongst its consumers, it helps to extend the product life cycle and this will help the entrepreneurs to expand their market share and consequently, this will improve the competitive edge of their product in the markets. It is clear that the trusts from local consumers on local brands themselves are the critical factor in the process of brand reinforcement.

The authors have suggested that local brands need to win the trust of local customers. This usually will be followed by buying (purchase) repetition and consequently followed by, the existence of loyalty amongst its domestic consumers. Consumers' experience in using a particular brand will drive them to make an assessment on compatibility between the images its carries with the personality owns by that particular brand. If a local brand is trusted by its domestic consumers, based on the personality image of that particular product, this particular brand will certainly be able to sustain in the domestic competition. The trust that is given by the consumers could ensure the local brands to be strong and stable, and consequently, to enable domestic entrepreneur able to fend off their global competitors' forces by becoming market leader in the local markets especially shortly after the implementation of AFTA.

In the early stage of this strategy, the most important is image construction, it will try to differentiate between brands A and B or product A from the products B. This image can be explained by brand identity and the process of image construction must be coordinated with all the company's activities and strategies. The research done by *Shocker et al* (1994) explained that at this stage buyer not only bought brand but in fact the buyer also bought the identity of that brand.

A unique image created could increase the trust of buyers. Create a unique image can increase buyer's belief. According to Krishnan (1996) this brand trust is resulting from consumers' experiences whether directly (from brands usage) or indirect (hearing the brands from advertisement or from brands reputation). Local company must have the right image for their products to attract consumers' interest to buy. After purchase, consumers will be satisfied from the use of products bought (brands trust is established) and further become a loyal buyer.

The defensive strategy will give local entrepreneurs the opportunity to expand their market share before facing pressure from the arrival of global brand. Brand loyalty is critical at this stage whereby this factor is a priceless asset which will provide a large long-term return to the company (Arjun and Morris, 2001).

Market share expansion would materialize when loyalty to the brand could be developed. Buyer will buy and continuously buying regardless of changes in marketing environment or price (Assael, 1998). Therefore, SME's entrepreneurs have to look into this aspect and implement it in their companies in order to face the challenges of globalization issue.

The advantage from brand reinforcement strategy will enabled local entrepreneurs to build barriers for their global competitors from penetrating local markets, to increase their capability to respond to their competitors' strategies competitor and finally achieving higher sales and maximizing profits (Fournier and Yao, 1997).

Global strategy (Expansion)

Environmental structure such as political and economy integration (i.e. AFTA), it is the main catalyst of diffusion of global brands over the boundaries of nations. Furthermore, the existence global and regional media provide an effective medium and economy. It is used as a platform that gives opportunity to local companies to advertise their products in global arena (de Mooji, 1997). Consumers' mobility also becomes a factor for the need of global brands. The frequency of consumers' movement across several countries borders give them active exposure brands in various countries (Alden, Steenkamp and Batra, 1999).

Global branding strategy or expansion must consider the concept of using a single brand name which give the advantage in terms cost savings, uniformity of brand identity in all the markets explored and the strengthening the value of intangible assets could be done by the entrepreneurs (McDonald and Roberts, 1990). For example, successful companies that used this concept are Kodak, McDonald and

Visa. In any markets worldwide, they only used one brand name as their absolute identity for their product offered to the consumers.

In exploring a new brand name, markets play a vital role. Choosing a suitable brand name for a product gives the entrepreneurs' competitive edge. Suitable brand name concept must base on the sensitivity to the differences in culture and language of a particular place. For example, Japanese do not pay much attention to meaning of a particular brand but more emphasizing on the sound of word used by that particular brand. Syllable such as chi, tsu and pi have the characteristics strong elements and qualities. On the other hand, gu, zu, and da suggested boredom (Robert and McDonald, 1990).

During this process the appreciation of about culture and language is very critical, for using the example of the brand Darlie by taking away brand Darlie case for example. From Malaysian perspective, it former name was Darkie, in Malays dialect the brand name sound like the word dirt. Berry (1998) has proposed a set of criteria in developing good brand name, they must have the important characteristics such as uniqueness, suitable to product category, have been mentioned easily and spelt by the user which are descended from different Country and the brand name could be associated with good elements. The process of name search must be done thoroughly by local entrepreneurs considering that the product acceptance depended heavily on the chosen brand name (Charmasson, 1998). The concern that must be avoided here is using brand name that does not have universal trait.

There are six steps that should be taken into consideration in the process brand name search. The steps mentioned earlier are as follows:

Selection of brand's objective

The local producers need to understand their real objectives in producing differential products from their competitors. Brand objective is depended on how the producers give idealized meaning to their brands which should be carried by their products (McNeal and Zeren, 1981).

Brand strategy selection

This process takes into account manufacturers' strategy whether they have the ability or not to compete in the global markets which produced global brands that have competitive edge. If local entrepreneurs still do not have the ability to compete globally, they must first strengthen their position in the local markets by implementing local strategy or reinforcement.

Scrutiny criteria for brand name

Berry (1998) suggested that a brand name must have four main criteria namely differential, relevant, and easy to be remembered and flexibility.

Generate idea for brand name

The process of generating idea is to produce as many as possible potential brands names and brand concept is essential. The sources of generating idea can be attained from various parties that are included marketing management team, workers and also from the consumers themselves (Kohli and Thakor, 1997).

Screening idea for brand name

Brand name that has no meaning, difficult to pronounced and not suitable with product differential strategy must be avoided (Keller, 1998). In short, a strong brand name should be meaningful to customers, easy to pronounce and remembered.

Brand name selection

Chan and Huang (2001) suggest that brand name that was selected for a product or service must possess three important components: the name must be based upon markets, has legal component and lastly has linguistic elements. Brand name must be based upon the markets where its name reflects its real value of the product. As of legal component the brand should not break any laws whether social or business laws. While from the linguistic aspect the brand name must be easy to spel¹, pronounced and to be heard.

After the brand name fulfil all the characteristics mentioned above and can influence its consumers able to accept it , a strategic brand communication which is unique, attractive and effective must be carried

out in order to increase the process of acceptance. Brand communication also functions as to build awareness about the existence of the brand. The best brand is depended to the ability of a company to continuously make intensive investments advertising the brand (Leventhal, 1996). Gregory (1993) has proven that investment in advertisement is important where this investment will produce higher total acceptance and awareness of the existence of the brand among its consumers. The main key success factor a particular brand in the global markets is efficient in brand management and efficient in the application of brand management, making brand communication limited to target group outside the company only. In fact, promoting "brand loyalty" should also be done within the company amongst its staff and management (Dibb and Simkin, 2001). McDonald's restaurants have successfully proved it is one of the successful companies in the world because of its company philosophy mould brand loyalty in all of the company internal activities (Chenatony, 1999).

Original influence of the country image

To expand the brand to the foreign markets, entrepreneurs must take into account the role played by the influence of original image towards the acceptance of their products by foreign consumers. It has become a habit that the process of consumers' acceptance on a particular brand is very complicated process and usually that particular brand becomes too foreign to the consumers. This problem occurs when the consumers lack of information or do not know the particular brand. If such thing happens, the consumers will use a clue from where those particular brands come from before trying them (Cordell, 1992). Usually the image carried by a particular brand is of the image of the producer's country (Bikey and Nes, 1982). For example, electronic products brands from Japan such as Sony are believed to have high-quality which makes it a very popular brand worldwide (B. Romeo and S Roth, 1993).

The relationship between brands and nationality from consumers assessment aspect was studied by Nagashima (1997) based on the sign of "Made in..." and he found out that such sign did influence consumers' perception in the early stage of buying process. Uslinier (1993) found that that consumer usually look for the image of imported brands. Comparison is generally made by the buyer by referring generally referred to the advantages of domestic brands or national product image when it is compared with global brands. In addition, elements such image of manufacturers' country, the method use to disperse brand image and the "made in..." sign manufacturer, method used to spread brand image and sign "Country's artificial.." also has an impact on the consumers' perception on the image carried by a particular product.

Figure 2 below explained that the new image of a particular brand in foreign markets is influenced by factors such as country image, country of origin image, role, media, product features, and buyers' experience (Niss, 1995):

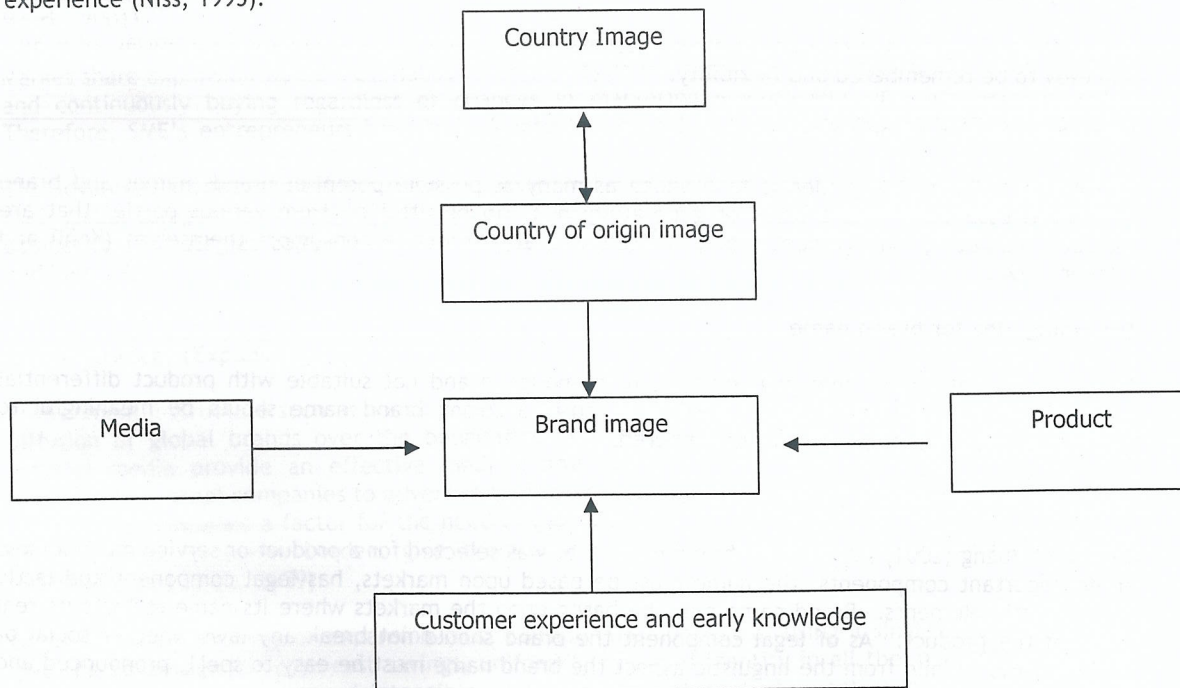


Figure 2: Factors that influence brands acceptance by customers in new markets (Source: Niss, 1995)

Niss (1995) and Mohd Yasin et.al. (2007) found out that the influence of the country of origin image on brands was high, if the consumers do not know which company manufactured a particular product. In this context, no detailed information over which company produced that particular brand, thus, prompting the consumers taking the easy way out by making an assessment based on the origin of the product before trying it.

This factor gives a clear picture to marketers that by establishing favourable image of country of origin is a key success factor in expanding to global strategy. Schaefer (1997) in his study do agreed with this step. He firmly stated that the efforts to reach a new consumers' segment, marketer must be sure what type of image of country is carried by that particular brand.

CONCLUSION

Strategic brand management is one of the factors that contribute to the success of a particular product or brand acceptance in the markets. The current scenario in this country shows that product branding is going to be more important especially after realizing the globalization impacts to the economy. Furthermore, the numbers of local brands that have succeeded in the global arena are still very low. Based on this factor, it shows that the awareness of the importance of brand management among local manufacturer is not encouraging. A local brand could only survive in the markets if it gets the trust and loyalty from local customers themselves. It seems that many campaigns were created to increase the patriotic spirit among Malaysian consumers toward local products such as "*Cintai Barangan Malaysia* (Love Malaysian Products)" and "*Belilah Barangan Buatan Malaysia* (Buy Malaysian Products)" campaigns. These campaigns were organized aggressively, however, this promotion is seen still not enough to persuade the customer to support the campaign. This problem may be caused by the brand itself which is failed to display image, value and confidence to local customers. Brands that already succeed in the domestic markets should be encouraged to enter outside markets that are larger by straighten up their branding strategy. Selecting suitable and formidable brand name is one of key success factors for a company to penetrate foreign markets. Without brand communication, buyer would not be aware the existent of a particular brand. This process is very important and should be executed by local company that wants to compete at the global markets. In the foreign markets, usually buyers will focuses on country of origin. Therefore, it is necessary for local entrepreneurs to assess what type of image to be carried by their products in order to attract consumers from various countries.

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