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Where Are All the Global Asian Brands?

Emerging market companies have grabbed market share by doing things faster and cheaper. But their next phase of value creation will come from building their brands.

Asian companies that used to be back-end workhorses, manufacturing consumer goods cheaply for Western companies, are slowly realising the benefits of branding. Samsung is a prominent case example of an Asian company that decided to move up the value chain and build their own brand.

In a market where competition implies slashing prices on their unbranded products, Asian businesses are slowly becoming more attentive to the power of branding in capturing consumers and returning larger profits on their investments. Firms are realising that instead of continuing to wear themselves down on razor-thin margins to compete with global suppliers, they could increase returns by investing in their brands.

This shift in thinking is pushing boardrooms in Asia towards creating strong brands to differentiate themselves and consequently realise greater profits. Branding is an investment that must be perceived as such and is required to deliver return on investment (ROI) and shareholder value like any other feasible business activity.

More than a logo

Most Asian firms, however, still view branding as advertising or logo design. The typical Asian company views marketing as tactical activities and a function hidden somewhere in the organisation. If firms are to benefit from branding, they must recognise that it impacts the entire business – the structure, goals, attitude and the very outlook of those in the boardroom. Managers will need to see branding not as an appendage to the ongoing business, but rather as an infusion which seeps through the very spirit of the organisation, as a healthy ROI.

Western companies, by buying from some of these Asian firms or aggressively outsourcing some of their operations, are already streamlining their cost structures. Low cost alone no longer provides a significant advantage.

Asia is still one of the world's biggest providers of commoditised products. At the same time, Asian manufacturers mostly produce for other companies and the majority of these products are therefore non-branded. In other words, these are volume products without strong brand equity.

The largest part of the financial value is captured by the manufacturers' customers – the next player in the value chain – primarily driven by strong brand strategies and successfully planned and executed marketing programmes.

Key reasons for lack of strong brands in Asia

Many reputed global brand surveys have found that only four of the top brands originate in Asia. Three classic brands come from Japan and a fast-growing ambitious brand comes from South Korea: Sony, Honda, Toyota and Samsung. China does not have a single brand on the global rankings yet. But given the size and volume of Asian business today, it is evident that Asia could build many more prominent global brands and capture more financial value from better price premiums and customer loyalty.

There are three reasons why Asian companies and their executive management teams have not been able to build more global brands yet:

- The diversification of businesses spanning many industries with limited overlap and synergies has been a major impediment to building brands in Asia. The prevalent mindset in Asia is based on trading, rather than branding, and the generation of revenues, rather than profits. But it is hard to create a relevant, clear and differentiated brand strategy, and build a corporate brand which encompasses all areas, when a business has its hands dipped in every pie.
- Another important reason for the lack of strong brands can be found in the prevalent business structure within Asia, which consists of many small and often family-owned businesses – with diversified business interests as illustrated before. Management teams favour short-term business wins against brand strategies which require more resources and long-term perspectives, contrary to popular belief about Asian long-sightedness.
- The implications of IP protection in Asia have been a major barrier to brand growth. In their own backyards, many Asian companies have faced rampant counterfeiting and infringement of IP rights. Until and unless legislation and law enforcement get better in the region, it may be a hurdle that prevents a deeper appreciation and respect for intangible asset management in the Asian boardroom.

But the one reason, more than any other mentioned above, that influences the creation of strong brands is the mindset of the boardroom and the CEO. Branding is a boardroom discipline and successful brands can be built only when the boardroom, led by the chairman and the CEO, understands, appreciates and commits to treating branding as a strategic discipline. Asian businesses are predominantly family-owned, so the real change towards building and sustaining more global Asian brands is a decision that must be taken by the Asian business families - they need the right mindset more than anything else.

In my post, **Boards Should Guide Branding**, I elaborate on why Asian boardrooms need a change of mindset and how they can take their brands to the global arena.

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