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AMERICAN BRANDS IN DEVELOPING COUNTRIES

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ABSTRACT

American brands Coke, McDonald's, Levi's and Kellogg's are known all over the world. They command high mind and market shares in the US and Europe and are leaders in their categories. They can therefore be called "High Power Brands" (HPBs). However, their performance in the developing countries has not been as impressive as expected. This paper investigates the reasons for their subdued performance and recommends an action plan. At the root of the indifferent performance of HPBs lies inadequate grasp of the realities in emerging markets. This leads to two fundamental limitations that the HPBs suffer from namely, value dysfunctionality and image dysfunctionality. Value dysfunctionality is the inability to deliver what is of importance to the consumer. Image dysfuntionality is the inability to communicate the right signals about the brand. The sources of value dysfunctionality are largely incorrect assessment of consumer needs, inadequate appreciation of buying habits and inaccurate evaluation of market opportunities. Image dysfunctionality can be tracked back to lack of communication of functional values, inadequate communication of the larger good done by the brand to the society and using of American advertisements directly in developing countries. The paper elaborates on how to avoid these pitfalls and build strong brands in developing economies.

Key words: High Power Brand (HPB), value, image, dysfunctionality, developing countries

AMERICAN BRANDS IN DEVELOPING COUNTRIES

The collapse of the erstwhile Soviet Union prompted several countries to rethink their economic policies. Developing countries in Asia, Latin America and Eastern Europe embarked on an ambitious program of liberalization. This encouraged multinationals to look at the emerging economies with renewed interest. The economies of the developing countries were growing much faster than developed countries. Between 1990 and 2000, the average annual GDP growth rates for China, India and Argentina were 10.3%, 6% and 4.3% respectively. The corresponding figures for developed countries like US, Germany and Japan were 3.5%, 1.5% and 1.3% respectively [1]. The consumer markets in the West were also attaining saturation. It would therefore be difficult to achieve significant increases in sales in developed countries. By contrast, the growth rates and general business climate are more favorable in developing countries. This is encouraging reputed brands from the West to aggressively bid for market share in developing countries.

This paper examines the performance of leading American brands in developing countries. The brands considered are Coke, MacDonald's, Levi and Kellogg's. There are important reasons for choosing these brands. They are all Fortune 500 companies and have global presence. They are benchmark brands in their product categories. Coke is the leader in soft drinks category. It markets 230 brands in 200 countries [2]. McDonald's pioneered self service in United States and set new standards in hygiene and efficiency [3]. Kellogg's has been in existence since 1906. It is world's leading producer of cereal and convenience foods [4]. Levi's is one of the most widely recognized brands in the history of apparel industry [5]. These brands are leaders in market share and brand recall. More importantly they are not just brands. They define lifestyles. In view of their size, presence and importance they can be called "High Power Brands" (henceforth HPBs). The future of HPBs in developing countries is important in two ways. It is important for developing countries because the success of HPBs, in some sense, holds the key to greater foreign investment in emerging markets. It is also important for HPBs because their traditional markets are saturating. Besides, their progress is worth exploring purely from the point of view of marketing theory because markets in developing countries are very different from the home market of HPBs.

Oddly, despite their relative popularity, the performance of HPBs in developing countries has been mixed. In Poland, while Coke is strong in the market, it is increasingly competing for shelf space with the lower-priced, locally produced natural fruit juices [6]. MacDonald's while opening to capacity crowds in China is facing difficulty in switching more Chinese from their ethnic food. Levi's claims of satisfactory performance in Asia is not backed by numbers [7]. Given that only 1.5% of affluent Japan's population consumes Kellogg's how many consumers from developing countries like China and India will opt for it [8]? The question is same across brands. Why did the famous American brands not make as strong an impact as they were supposed to?

The chain of causes that contributes to poor market performance is shown in Fig 1. The root cause of indifferent performance of HPBs in developing countries is "inadequate grasp of the market". This might be due to several reasons like lack of adequate knowledge of the market, perfunctory approach to understanding the consumers and overconfidence of being HPBs. Inadequate grasp of the market has two undesirable consequences as shown in Fig 1 a) poor market assessment b) improper communication. Poor market assessment is the inability to understand the needs of the consumer and the realities of the host country market. Improper communication results when the consumer is sent messages he or she cannot understands. Through a series of consequences poor market assessment leads to what is being termed "value dysfunctionality" (Fig 1). Through a similar chain, improper communication with consumers leads to "image dysfunctionality". The two types of dysfunctionality are explained below.

When the consumer is price sensitive not delivering value-for-money products is value dysfunctional. When the consumer wants a product at a corner grocery store, delivering it at super market 10 miles away is value dysfunctional. When competitors are offering a bundle of benefits that are of importance to the consumer, offering something unrelated and alien is value dysfunctional.

Just as delivering what the consumer does not need causes value dysfunctionality, communicating what he does not like or understand, results in image dysfunctionality. Communicating an elitist, aspirational and self-expressive message about a brand causes image dysfunctionality when the consumer expects no-frills, functional communication. Inability to communicate the benign aspects of the brand causes image dysfunctionality when the residual images of American brands are of "Coca-colonization" [9] and "MacDonaldization" [10]. Instead of being seen as big and beneficial, image dysfunctionality causes the HPBs to be viewed as snobbish and overbearing.

The two dysfunctionalities mentioned lead to poor market performance. This might mean low market share, waiting for long periods of time to make profits or the brand not realizing the objectives it sets for itself.

1.0 POOR MARKET ASSESSMENT

Poor market assessment chiefly arises out of a) Incorrect assessment of what the consumer seeks in the product b) Inadequate appreciation of buying habits c) Inaccurate evaluation of market opportunities (Fig 1). The first source, incorrect assessment of consumer needs, is a result of lack of empathy for and willingness to learn about the consumer. It might also be a result of lack of time and effort spent on understanding the needs of the consumer. The second source, inadequate appreciation of buying habits is largely a function of lack of comprehension of the shopping behavior of the consumers. Shopping behavior is different in developing countries and developed countries. The differences are distinctly observable in purchase frequency, quantity of purchase and the outlet type. Inability to take cognizance of these differences often leads to improper distribution decisions as shall be explained later. Finally, the third source, inaccurate evaluation of market opportunities also stems from lack of insights into how markets in developing countries function and how competition responds.

1.1 Incorrect assessment of what the consumer wants

The HPBs have sizable home country sales turnovers. They are represented in several countries of the world, though they may not be equally successful in all of them. They also have a history of persistence. Therefore they normally tend to preserve the product as well as the positioning of their home country. But the functionality offered in the home country may not be relevant to the consumer in the developing world. The result is, products that do not offer the functionality and the price expected by the consumer, reach him or her. Therefore an incorrect assessment of the consumer's needs leads to 2 specific types of value dsyfunctionality namely i) high unit price ii) lack of functionality.

1.1.1 High Unit Price

A basic limitation of the HPBs is their high price. Developing countries are characterized by low incomes. Consumers therefore do not afford high prices. Despite this, Levis sells in Asia and Europe at twice its price in US [11]. In Europe such a pricing might be manageable. But in Asia the pricing should be more attractive. A MacDonald's family meal costs one-sixth of a worker's monthly salary in China [12]. Kellogg's was priced 33% more than the competitor in India, a premium that was viewed as unacceptable by the consumer [13]. Coke found it very difficult to maintain a value for money price in Latin America. Prices were government controlled and Latin American economies traditionally suffer from steep inflation. Costs were high and the low price forced on Coke dented its margins. Similar problems were encountered in Africa where Coke had to sell at low price [9]. In other words the HPBs did not price their offerings right.

This is quite different from what the consumers expect in many developed countries. Raja Ramachandran opines "The Indian consumer seems to be looking for just "price" not even "value". The vast majority of the Indian market is exceptionally price-sensitive. Firms that keep prices as low as possible outperform those trying to sell more expensive premium models" [14]. Gerald Celente, director of The Trends Research Institute, New York has the following to say about the Vietnamese consumer "These people are living in thatched huts and marketers are trying to sell them M&Ms.....it's going to be a long time before they have the disposable income for buying nonessential consumer goods" [15]. In general, in the collectivist societies of Asia and Latin America price consciousness is more universal [16]. Thus, across products and countries, it can be seen that the HPBs are charging a high premium. This is one of the principle stumbling blocks to the acceptance of HPBs in developing countries.

There might be another dimension to the issue of high price. What is value-for-money in United States is not value-for-money in the developing world. A Big Mac is a worker's meal in the United States. But at its price it cannot be value meals for a worker in the developing world. After pricing its jeans at a premium in India, Levis realized that the premium was too high [17]. It reduced the premium but discovered that even after the reduction it was priced high. If Coke has to compete in China it should be priced closer to tea as it realized later [9]. However, in the United States itself, its pricing aimed the common man. When Coke increased the price from its 5cents in the late 1940s, profits plunged [9, p256]. Before that in 1910s there was similar pressure when its price tried to breach the one-cent mark. Thus while the prices of HPBs might be reasonable in the United States, they are not affordable by the standards of the developing countries.

One probable reason for this high price is what might be called the dollar equivalent pricing. This is converting dollar price to a local currency through exchange rate. This makes a brand extremely expensive in developing countries. For instance, if a brand costs a dollar in United States, it will translate to 48 rupees in India. A 100$ in US will therefore equal Rs. 4800/- in India. Such a big sum of money is reserved for buying high priced consumer durables in developing countries. More importantly, exchange rates often skew up the differences between currencies. Exchange rates are based more on speculation than the transactions of goods and services. Purchase power parity method is probably a better way to price specific goods and services [18]. This approach equates the price paid by the consumer to buy the same basket of goods in the two countries and calculates the exchange rate between the two currencies. Such an approach brings the dollar exchange rate of Indian rupee closer to Rs. 30. However, if a straight foreign exchange conversion is attempted, the brand will out-price itself. Pricing HPBs based on purchase parity or preferably what the market can bear is likely to attract more consumers.

1.1.2 Lack of functionality

Functionality of a product is the basic purpose it serves. It has been observed that consumers in developing countries overridingly seek value from their products. This means they are primarily interested in the product delivering what it promises to. The average Indian consumer repairs things and reuses them for years [14]. The Chinese is also functional in his approach to products. He is keen on a fair return and exchange policy in the case of low involvement products [19]. When viewed in relation to this expectation, HPBs are not seen as delivering functionality. For instance, Coke's role in the life of a consumer from a developing country has not been clearly defined. It is not often used as a substitute to water in developing countries as it is in developed countries. Then what is its primary purpose? McDonalds is just one of the options available for fast food in developing countries. Most of the countries have their own versions of fast food. Similarly Kellogg's is one of the breakfast options available in developing countries. Each country has its own breakfast tradition developed over ages. What is it that Kellogg's can do that ethnic foods cannot? The answer is not clear. That is why Kellogg's waited 28 years to break even in neighboring Mexico [20].

Besides, what is functional in the United Sates need not be functional in other countries (this is similar to what was observed in pricing). The HPB organization is often too strongly tied to the home market. Therefore, it focuses on functional values relevant to its country-of-origin. These values may or may not be transferable to a developing country. Though this is a truism, all the HPBs are handicapped by this limitation [9]. Indians want the taste of the soft drink to linger long after consumption [21]. This is not true of American consumers. While Coke is the common man's drink in US, in China it is seen as a drink for celebration [22]. A Big Mac is seen as a meal in US but as a snack in South East Asia [12]. Kellogg's breakfast cereal is consumed with cold milk in the United States. It is consumed with hot milk in India, however, and becomes soggy. Besides just 3% of Indians eat breakfast cereal. Most prefer cooked breakfast [22]. The popularity of jeans cuts across socio-economic strata in United States. They are used for their functionality (less washing, more durable and more casual). In developing countries on the other hand, only the last of these benefits ("more casual") is grasped and the brand becomes aspirational. Thus functionality as defined in developing countries is different from its counterpart in developed countries like US.

There is another issue worth mentioning here. There is a clear distinction between the urban and rural consumer in the developing countries. The urban consumer is closer in attitudes and habits to his American counterpart. But the rural consumer is very different. Campbell soup, for instance, is probably bought by urban as well as rural consumers in United States. In developing countries, if soup is consumed in urban areas, homemade preparations and unbranded products are consumed in rural areas. For instance, the rural consumer in Brazil has not been influenced by ready-to-eat foods [23]. They are more of an urban phenomenon. Therefore the HPBs have found themselves to be more relevant in urban areas rather than rural areas. Due to lack of relevance, they were not able to penetrate the larger part of the hinterland in developing countries. Given that most of the population in developing countries is rural (except some countries in Latin America) the HPBs have got confined to high priced, urban, niche brands. Thus the HPBs should not only deliver what is considered functional in developing countries but also cater to the distinction between the urban and rural audience there.

1.2 Inadequate appreciation of buying habits

The second potential source of value dysfunctionality is the inadequate understanding of consumer buying behavior. Consumer buying is different in developing and developed countries. The frequency, quantity and location of purchase are remarkably different in the two cases. If these imperatives are not borne in mind, faulty distribution decisions result.

1.2.1 Faulty distribution related decisions

Usually, buying in the United States is weekend, bulk buying from super markets. Supermarkets are concentrated in a few areas and buyers are not averse to driving 10 miles to reach them. There are very few mom-and-pop stores. By contrast, buying in developing countries is convenience buying. Thus the corner store becomes the centerpiece of distribution for any consumer product. Often there are small stores spread across the length and breadth of a town. A brand will have to reach hundreds of small outlets even to cover cities in developing countries. This leads to fragmented distribution. This issue does not seem to have been adequately addressed by the HPBs.

Wedel, a chocolate and candy company in Poland, has over 180,000 "points of retail sale" and about 1,000 wholesalers. Poland has an estimated total of 529,000 retailers and 20,000 wholesalers, according to Business Central Europe, 1995. While Western countries often have 50-80 percent of sales occurring through large chains, such chains typically account for less than 10 percent of retail sales in countries such as Poland [24]. Wal-Mart was successful in eliminating small retailers in US. But it did not accomplish that yet in Brazil largely because of the relationships built over years between consumers and retailers [22]. Thus the small retailer is an indispensable part of distribution in the developing world. The implication is that if McDonald's has to sell large numbers, it should not only reduce its price but also be available in more locations to cater to a large base of consumers. Coke's bottles and vending machines should make deeper inroads into the hinterland.

The other issue is that of pack sizes. Since purchases in developing countries are made more frequently and at convenience, smaller packs are preferred. Eventually pack sizes covering all price points will have to be introduced. This leads to a proliferation of SKUs. To quote Levi's vice-president, marketing for Asia Pacific, Martin Rippon "The Asian market loves innovation and loves lots of new things and we satisfy that, but you need to be very, very careful because otherwise you can see stock keeping units (SKUs) exploding and then you hit the wall' [7].

As mentioned, there is also the difference between buying habits of urban and rural consumers in developing countries. Rural buying is done through village fairs and community markets which meet at regular intervals. The channel therefore is not the typical store but a temporary market that meets at a certain frequency. To serve these markets long standing multinationals like Levers have dedicated hired or owned van services in India. P&G, for example, has set up van sales representative visits to smaller retail outlets, as well as initiated cash-and-carry availability in Romania [24]. To reach rural consumers in Brazil, Avon and Brazilian-based Natura and Racco Cosmeticos (which have 60,000 representatives each) travel to these consumers. These consumers tend to buy in large volumes due to their isolation and the infrequency of representative visits [25]. These oddities of individual countries have to be factored into the distribution strategy of the HPBs.

1.3 Inaccurate evaluation of market opportunities

A third source of value dysfunctionality is incorrect estimate of the opportunities available in the market. Often these errors relate to the overestimation of market potential. The numbers are wrongly computed due to faulty assumptions about number of consumers, consumption rate etc. [26] (see Box 1, p23). Another source of error is unrealistic estimate of competitor's strengths and weaknesses. Though the market opportunity may be sizable, it may not be able to accommodate many players. Besides, home players might use their knowledge of the market and consumer to respond better [27]. The HPB will then not be able to realize its sales expectations. Underestimating local competition can therefore result in an inflated assessment of a market opportunity.

1.3.1 Overestimation of the market

Kellogg's market estimates, for instance, in both China and India were out of sync with reality. The miscalculation or overestimation of numbers has three sources of error. The first is mistaking population for potential. There is much higher incidence of poverty in urban China than is imagined [28]. 77.5% of Indian population earns less than 5000$ a year. The estimate of 200 million middle consumers in India was a great exaggeration [14]. 75% of Hungarians do a second job or punch overtime to make ends meet [29]. Much of sub-Saharan Africa is not participating in the consumer boom at all [30]. Thus numbers themselves do not always translate into potential. That happens only when the buyers have purchasing power. The purchasing power of the buyer in developing countries is limited. Given that, the numbers worked out by the HPBs are clearly on the higher side.

The second source of error is the attitude of consumers in developing countries. The consumer in developing countries is more cautious than his American counterpart. An average Chinese does not necessarily want to be a guinea pig at the hands of foreign brands [28]. (This, of course, does not mean that he is averse to using them if value is offered). Levi's market estimates in India were consistently found exaggerated [31]. This is because the consumers found that at its price, local brand Arvind's offerings were as good as Levi's. While Coke sells well in China it has hardly scratched the surface of its potential for consumption [9]. This is because it is yet to excite the consumer in the rural hinterland to buy. The same is true of India. 60% of Coke's consumption in India is in the cities [32]. Besides, in US Coke is consumed by almost all age groups, but in developing countries it is basically consumed by youth. Thus till the non-urban, non-youth consumer takes to Coke, its sales in developing countries will not grow in leaps and bounds.

A third source of error is lack of brand loyalty in developing countries. At a given time, a brand might have its consumers. But, since brand switching is endemic, no brand can claim the consumer for itself. Paul Temporal (2000) describes the lack of brand loyalty in Asia as follows [33]. He opines "They (consumers) appear to be a bit like locusts, moving from one brand to another after avariciously devouring one. For example with watches, they moved rapidly from Swatch to Baby G to AKA to Fossil to Nike. So brand loyalty tends to suffer in the face of fashion". Indian consumers, on average, try about six brands of the same package-goods product in one year, compared to two for Americans [14]. Thus while the market looks big it is fleeting. Consumers switch brands and upset market estimates. Prahlad and Leiberthal (1998) confirm the same [34]. Thus not taking into account rapid brand switching also leads to overestimation of a market opportunity.

1.3.2 Underestimation of local competition

The HPBs, by virtue of their size, often underestimate the prowess of local competition. While McDonald's has plans for 10-15 new restaurants next year, Russian firms like Rostik's and Bistro are taking a big bite out of the market [35]. It is the same in Asia. The strongest competitor to Coke in India is stable mate Thums Up. Coke tried to beat competitor Thums Up in the market but could not. It then bought the brand Thums Up from its parent Parle Drinks. Later, in line with its global policies, it tried to replace Thums Up with Coke. There was such resistance from consumers that Thums Up had to be brought back. Continuing today as Coke's stable mate, Thums Up outsells Coke. Therefore, it may not be prudent to underestimate local brands or local competition. Mohun's, Kellogg's competitor derived "free rider advantage" from Kellogg's efforts and investment in educating the Indian consumers. Kellogg's itself could not benefit from its campaigns because of its high price. Mohun's, its competitor benefited because it was suitably priced. When actress Waheeda Rehman, who launched a breakfast cereal named Farm House in India, heard of Kellogg's launch she thought her brand would have a tough time. But after two months of slump, sales picked up again [36]. A similar story was repeated by Aravind's Ruf-and-Tuf, New Port and other value for money offerings to Levis. Ruf and Tuf jeans is targeted at the rural market. Arvind Mills is teaching tailors in the villages how to stitch the jeans. In a short span of time owing to its innovative approach Arvind overtook Levis [37]. Unless the product is unique and cannot be purchased from Indian producers, American companies will often find that the typical Indian consumer will revert back to local brands [14].

6 of the 10 highly recognized brands in China are Japanese brands and not American brands according to Gallup [15]. In Singapore, for example, Giordano, a major Hong Kong-based competitor, had modem lines linking its 10 stores and replaces inventory overnight. Within a week it could replenish fast-selling lines with new stock from its Hong Kong factories. Levis computerized its Singapore operations much later and gave the competitor an opportunity to react faster [38]. More Asian consumers are now buying Junco, Gap and Slates (which is a stable mate) rather than the traditional Levi 501 [39]. Nautica, the Taiwanese fashion clothing company is as well known in the South East Asia as the American brands. Even in Latin America, in times of economic crisis, consumers tend to favor familiar icons and local heritage, giving an advantage to local brands [40]. Thus whenever the HPBs underestimated the resourcefulness of the local competitors the latter performed better in the market. Batra (1997) sums it up saying "Many consumers in TEs associate new foreign products with superior quality. However, consumers in many cases also appear to have discovered that not all brands with Western brand names have high quality, and there have in some cases been reports of a backlash return to local-branded goods" [24].

Gupta and Govindarajan (2001) also hint at why even a globally known brand is not always comfortable in a developing country. They note, "Whenever a company enters a new country, it can expect retaliation from local competitors as well as from other multinationals already operating there. Successfully establishing local presence requires anticipating and responding to these competitive threats. Established local competitors enjoy several advantages: knowledge of the local market; working relationships with local consumers; understanding of local distribution channels; and so on" [27].

Another source of potential competition is "fakes". Consumers in developing countries want American brands but not at steep prices. To bridge the gap between aspirations and reality, enterprising local manufacturers started producing fake Levis in Poland. This made a dent in Levi's sales [41]. MacDonald's already has local competition in India whose names sound similar and offer the same product at a lower price. Thus one type of local competition fights HPBs through better knowledge of markets, consumer and its historical strengths like distribution and established service network. The other type upsets the market share estimates of HPBs through producing fakes. Therefore it is important to realistically the strengths and weaknesses of local competition. Otherwise the attractiveness of a market opportunity could not be overestimated.

2.0 IMPROPER COMMUNICATION

Just as poor market assessment causes value dysfunctionality, improper communication results in image dysfunctionality. Improper communication is due to insensitivity to what the consumer wants to hear and see about the brand. It might stem from arrogance of being a big brand. It might also result from misunderstanding or genuine lack of understanding of the communication needs. There are at least 3 major reasons that feed to image dysfunctionality namely, a) Lack of communication of functional values b) Inadequate communication about the larger good that the brand delivers to the society c) Adoption of communication used in the American advertisements directly into developing countries. These lapses in communication distort the meaning of the brand. They cause the brand to be interpreted wrongly, narrowly and often negatively.

2.1 Lack of communication of functional values

One common dimension in the communication of HPBs is that it is basically "aspirational". Self-expressive benefits figure more prominently than functional benefits. However, the aspirational and self-expressive communication of the HPBs is popular only among urban youth. Urban youth all over the world seeks the HPBs actively [42]. They identify with symbols communicated in the advertisements and understand the subtleties of the communication as well. But that still leaves a large part of the population untouched in developing countries. As explained, a typical consumer from a developing country is a value-seeking consumer. Such a consumer might reject the brand if no functional benefits are seen in brand communication. This forces the HPBs to become high priced, aspirational, niche brands. To grow beyond these confines they have to communicate functional values to the common man. Inability to communicate functional values could lead to two types of image dysfunctionality i.e., a) the consumer questioning the competence of the brand b) the consumer identifying the brand with superfluous, conspicuous consumption.

2.1.1 *Brand's competence questioned by the consumer*

"This brand does not communicate anything about what it delivers, is it really useful?" is the question a consumer often asks himself when functional values are not communicated. Even simple functional values like "filling", "quenches thirst" are not communicated by Coke in its advertisements. Coke is excited about the potential in Islamic countries in the South East Asia where alcohol consumption is banned [9]. But unless the "reason-why" and functionality are made clear, the common man there is unlikely to adopt Coke. About 33% of Indians surveyed in a Gallup poll reported "no confidence" in multinational organizations, while 22% reported a lot of confidence. The verdict is therefore somewhat adverse to HPBs [43]. Such reactions are an outcome of the take-home of the brand not being clear.

2.1.2 *Brand identified with conspicuous consumption*

McDonalds delivers a specific amount of calories and energy when consumed. Its recipe is, in fact prepared keeping that delivery in mind [12]. Yet this fact is never communicated to the consumer. What is more in the United States, McDonalds had to admit that their vegetarian preparations were not entirely vegetarian because they used animal fat [44]. This led to adverse publicity. Other HPBs also received similar adverse publicity. We quote an excerpt on some Kellogg's products here. It reads "The worst offender in a survey of 18 bars was Kellogg's Coco Pops bar, with 41 per cent of its calories comprised of sugar. Saturated fats accounted for 29 per cent of the calories in Kellogg's Rice Krispies bar, while 29 per cent of the calories in Kellogg's Frosties bar were sugar. The report also said that the bars were worse because sugar was more likely to stick to your teeth, whereas sugar in a bowl of cereal could be washed down with milk" [45]. Levis as a brand stands for 8 aspirational values namely original, masculine, sexy, youthful, rebellious, individual, free and American. But it also has rational associations like simple, strong, reliable and long lasting [33]. Given the knowledge of the emphasis on functionality in Asia, Levi's should have concentrated on the latter set of values rather than the former. The former set is more likely to appeal to Western audience. However, even today, Levi's advertisements in Asia reflect aspirational values rather than functional ones. This makes it easy for an Asian consumer to describe it as "conspicuous consumption". Coke has been criticized often on the same lines. It was blamed when Mexican families sold chicken to buy Coke for the father, while the children wasted away for lack of protein [9, p.308] In Africa, Coke was accused of "....leading us into temptation, peddling a kind of sweet, sweet pesticide" [9, p. 520]. Nutritionists fear that Coke and Big Mac will displace cheap, traditional and healthier food. They feel the long-term impact will be to "...progressively undermine the core diet of poor agrarian societies" [9, p. 402]. Uniformly the HPBs have been accused, at least in some quarters, of contributing to conspicuous consumption.

2.2 Inadequate communication about the larger good the brand does to the society

The second source of image dysfunctionality is inadequate communication of the larger purpose behind the brand or the organization. An organization with foreign roots is usually viewed with some suspicion in developing countries, especially in its early years. It should steadily change that perception to that of a social partner, if it has to gain widespread acceptability. Kellogg's, for instance, supported flood relief efforts in Latin America and India [46]. But it was not publicized adequately. McDonalds gives scholarships to school going children in the South East Asia [12]. Coke got its premises inspected by Islamic clerics to win their approval in the Middle East. Levis went out of China and came back only after it was satisfied with the conditions of the labor in the Chinese factories [47]. To help educate children in Bangla Desh it bore their tuition fee [48]. Despite this and several other laudable social initiatives, the HPBs are not seen as benign, gentle or useful to the society. It is therefore advisable for them to project the more humane aspect of their brands when they communicate.

2.2.1 Accusations of "Coca-colonisation"

The inability of HPBs to communicate the larger social role of their brand leads to perceptions of neo-colonialism. As mentioned, most multinational brands evoke discomfort in certain groups in developing countries (e.g.: politicians, intellectuals). American brands evoke particularly strong feelings because they operate in consumer product categories that are highly visible. (By contrast a business-to-business brand like Seimens, though as big, is less visible). Hambrock and Hauptmann (1999) point out "They (political leaders) are worried that Indian culture will be eroded by western consumerism such as food habits brought in by Kentucky Fried Chicken or McDonald's. Such sentiments cause alarm [49]." Often local competition is afraid of their technology, resources and staying power. It is therefore easy to accuse the HPBs of "Coca-Colonization". The word "Coca-Colonization" was first used in world war years by leftists to protest against the Americanization of European culture. But later the word has generally been used to mean the replacement of indigenous values by American values in any country. As to how wary intellectual opinion in the developing world is to the influence of HPBs can be inferred from this quote. "Globalization means not merely uniformity but also conformity to the dominant, primarily American culture. This applies as much to food as it does to music and clothes. People around the world are expected to eat greasy McDonald hamburgers, drink Pepsi or Coke, wear Levi jeans and gyrate to Michael Jackson music. If they have any spare time left, then the ubiquitous CNN is there to occupy it" [50]. Such perceptions are not uncommon in developing countries. In Mexico masked protestors sacked Mac restaurant shouting slogans "Yankee Go Home" [12]. Chinese leadership has expressed alarm about the growing clout of Mac, KFC and Pizza Hut. In Seoul local critics equated "rice eating" with patriotism and burger eating with Yankee imperialism. Mac caught in the cross fire found it very difficult to sell to the common man. Lascu and Vetacescu report on a similar vein. "First, Romanians have been exposed to numerous Western products, which in the past were not available for purchase. Today, most Romanians still do not have access to these products, given their limited income. Thus, this exposure has led to frustration and anger at the inability to afford many of the Western products on the market. Second, the marketization of Romania has led to an influx of foreign traders and tourists who have exacerbated the envy that Romanians feel toward foreign consumption lifestyles. Thus, merchants from other countries are the objects of popular envy and derision" [6]. Many in the developing world are afraid of this "MTV, Mcintosh, McDonald, McWorld" [51].

Thus the world over, American brands are seen as political symbols even when they do not intend to be seen as such. Often this leads to negative perceptions about the brands. These perceptions erect an invisible barrier to the wider acceptance of HPBs in most developing countries.

2.3 Using American advertisements directly in developing countries

Often, HPBs use the advertisements from the parent country with minimal or no adaptation to developing countries. The consumer from the host country does not relate to them. Consequently, the brands are interpreted as alien or outlandish. Often the knowledge of HPB heritage can be taken for granted in the home country. Coke has more than a hundred years of heritage in US [9]. McDonalds changed American life by introducing self-service, a new way of consuming a meal. 96% of the American population has visited a Mac restaurant at least once [12]. Levis is identified with the California Gold Rush era in the US and it brings back nostalgic memories in that country. Kellogg's icons Tony the Tiger, Ernie Keebler are widely recognized in the US. But most of this history is not appreciated or even seen as relevant by consumers in the developing world. Often the consumer is not concerned because the benefits do not relate to him or her. Thus the advertisements that unconsciously assume knowledge of the brand heritage miss the mark in developing countries.

2.3.1 Perceptions of snobbishness and arrogance of the brand

Given the lack of knowledge of the HPB heritage, when messages meant for the American audience are repeated in developing countries verbatim, they are either misunderstood or not understood. For instance, the Levi's advertisement in India is a repeat of the American advertisement. It shows two convicts escaping from a speeding train. Levi's heritage is understood in its country-of-origin [52]. But it is difficult for the Indian consumer to associate with it because Levi's is consumed in a very different setting in his country. In fact, its Indian competitor Arvind skillfully exploited this gap for its Ruf-and-Tuf jeans. Its advertisement shows a sophisticated young man being rude to an Indian elder while the down-to-earth Indian youth wearing Ruf-and-Tuf is shown as deferential and respectful. By contrast, Levi's communication is seen as brash and unrelated. This reflects on the brand. It is then judged as arrogant and snobbish. Similar mistakes seem to have been repeated in other countries. To quote Lascu and Vetasescu again ".... the big brands seem to be persisting with their habits. With regard to marketing actively in Romania, it is evident that many global firms are still using a waitand-see approach, using a standardized marketing strategy, rather than one adopted specifically for this market. This is most evident in their advertising strategies: many firms use ads produced for the home-country market, changing only the message into a tersely translated, dubbed Romanian version" [6]. This feeling is not confined to Romania. Consumers all over Eastern Europe resent this [53]. The Coke advertisement "Coke adds life" was refused in Thailand because it was considered an over claim [22]. In the film, "Gods must be Crazy", the Coke bottle dropped from an aircraft becomes a totem symbol for the Kalahari bushmen [9, p.406]. Such inadvertent signals from the HPBs tend to label them as arrogant and snobbish. Poorly dubbed commercials also do not enhance the image of HPBs. Sometimes the commercial is re-shot with local star cast but the content remains unaltered. By and large, the HPBs do not seem to have done much to mitigate the impression of snobbishness.

3.0 RECOMMENDATIONS

The above account shows that the HPBs suffer from limitations of value and image dysfunctionality. It is apt to note here the difference between the two types of dysfunctionalities. The factors that contribute to value dysfunctionality (high price, lack of functionality etc.) are largely within the control of the company. Therefore the organization, by refining its internal processes, can handle most of the causes contributing to value dysfunctionality. For instance, price can be brought down by selling basic rather than advanced product. Value analysis and engineering can be profitably used to tackle lack of functionality. By contrast, the sources of image dysfunctionality lie with the consumer. For instance, associations of a brand with conspicuous consumption or coca-colonization are inextricably linked with its history, memory and experiences. They are also a function of the images carried by influencers like reference groups, opinion leaders and respected publications. These sources of influence are not in the control of the company. They demand a sustained engagement with the consumer. It takes patience and effort to correct negative impressions about the brand. Therefore it is more difficult to deal with issues associated with image dysfunctionality than value dysfunctionality. We, however, suggest strategies to overcome both types of dysfunctionalities below.

3.1 COMBATING VALUE DYSFUNCTIONALITY

The factors that contribute to value dysfunctionality have been explained in the preceding pages. These can be handled by a) adapting the price to suit the consumers in developing countries b) make the brand more functional c) Adapting distribution decisions to match consumer buying patterns in developing countries d) a realistic estimate of the market size and e) an accurate assessment of competition's capabilities.

a) Adapt price to developing countries

High unit price has been a significant inhibitor to the growth of HPBs in developing countries. Their pricing has to be more realistic. The HPB's price should be within the reach of a typical consumer in any developing country. One way of achieving this is to reduce pack size. Lower pack size automatically brings down unit price. Low unit price brings in many more consumers. Shampoo, for instance, was bought in bottles in India till 1990. In 1990 the pack size was brought down to a 10ml. sachet (costing 1 rupee or 2 American cents) and that triggered manifold growth in shampoo consumption [54]. In response to lower Russian incomes, Gillette altered the product mix. The Russian consumer typically purchased the least expensive blade, the double-edged one, which was widespread in America several decades ago. In addition, Gillette also reduced the number of blades per package to make each purchase more affordable to its target customers [55]. The HPBs may adopt this approach to attract a wider pool of consumers.

The other option is to reduce the features in the product and make it a basic offering at low price. It is desirable to offer "core" product in developing countries at an affordable price initially and then upgrade it to "augmented" product when the consumer is converted to the brand. A third option is to have a line extension that satisfies the value-seeking consumer. For instance, a "Mac Economique" or "Kellogg mini pack" can be created for developing countries. These offer lower quantity of the brand at low price. Finally there is the alternative of building a separate brand for developing countries. Since developing countries are the markets of future it may be worth dedicating a brand for them. For instance, Sony owns the brand Aiwa but the two operate in distinct market segments. Sony caters to the premium segment and Aiwa to the popular segment of the consumer electronics market.

What is value-for-money in United States is seen as expensive in developing countries. Thus pricing in developing countries should bear the host country market and consumer in mind. Price in US should not be converted through exchange rate to derive the price for developing countries. That would make it prohibitively expensive. Pricing should therefore be based either on purchase parity or what the consumer can bear.

b) Make the brand more functional

It has been pointed out, earlier in this paper, that the HPBs seem to be addressing aspirational needs rather than functional ones in developing countries. It is advisable to make the brand more functional. For instance, Coke can be specifically produced to satisfy the functional need of "filling". Or it could satisfy the other functional need of "quenching thirst". Levi could make trousers that are more "long-lasting". It is helpful to have such demonstrably functional values in the brand.

As seen in pricing, so in functionality, what is functional in the United States is not necessarily functional in developing countries. Therefore, wherever possible the product should be modified to suit local tastes. In food products, in particular, it is difficult to change the tastes of consumers. Thus modifying the product to suit local tastes is almost imperative. This applies to MacDonald's, Kellogg's and even Coke. The distinction between urban and rural consumer should also be kept in mind while configuring products. Rural audience demands even greater functionality and value from brands. One way for HPBs to satisfy the wide range of tastes is to extend their brand to product categories that are relevant to the consumers. For instance, after establishing itself as a noodle brand in India, Maggie extended its brand to become a pickle. Pickle has strong relevance to Indian consumers. Extending the logic further, the brand can move into a food category that is of relevance to the rural audience as well. Thus one innovative option for HPBs in developing countries is to extend their brand into product categories that are already in great demand there.

c) Adapting distribution decisions to suit consumers

In developing countries, consumer buying is generally convenience buying. The brand should therefore be available at the nearest outlet. This in turn means reaching a number of small stores spread all over the country. It also means quick replenishment of stocks because the consumer buys a small quantity of the product at high frequency. By inference the pack size should be small. Therefore, as opposed to super market selling in US, the emphasis in developing countries should be on extensive distribution, small pack sizes and early replenishment. Wholesalers with a track record of efficiently servicing a large number of retail outlets should be chosen. (There is evidence that channel members were not always chosen with care by multinationals in developing countries [24]). Further in developing countries, the more rural a location, the more fragmented its distribution. In each developing country there are certain special vehicles of distribution for rural areas. These are village fairs in India, vans in Poland and personal selling in Brazil. These options should be given their role in the distribution mix.

d) Realistic estimate of market size

Overestimation of the market is often a result of ignoring certain important factors relevant to the market and the consumer. For instance, lack of brand loyalty is often not factored into market share calculations. Several consumers in developing countries are switchers with fleeting loyalty. Therefore market share expectations based on the high trial rate can be misleading. Another important reason for misjudgment of market size is inadequate market research. Superficial data on population and income does not yield reliable estimates. Population itself does not translate into potential. The attitudes of the consumers have to be understood. As mentioned, the attitudes of urban and rural consumers in developing countries are markedly different. This demands deeper and wider studies on consumer buying in developing countries. Studying histories of multinational corporations like Levers that have been more successful in developing countries than others can be useful. Adequate market research and abundant caution should form the foundation of market size estimates in developing countries.

e) Accurate assessment of competition's capabilities

Firstly, it is not always easy to identify competition in developing countries because their consumption patterns differ from developed countries. For instance, it is difficult to see tea as a competitor to Coke in India and China. Competition is often inadequately defined as Pepsi or any other brand of soft drink (Pepsi and other brands are, of course competitors, but that is not all competition.) Similarly local fast food might be the competitor to MacDonald's. The competition is not restricted to other eating-out experiences like KFC or Pizza Hut. The generic competitor has to be carefully identified. Secondly HPBs are often obsessed with home country standards in their product. But a perfect product is not what a consumer wants. If the brand delivers more than competition at a reasonable price it stands a better chance of success than when it offers a perfect product at a prohibitive price. Thirdly it is important for the brand to distinguish itself from fakes. This can be achieved through holograms, distinctive packaging and unique product. Often raids are also conducted on fake manufacturing units, their contractors and channel members so that spurious goods do not proliferate [56]. Fourthly it is important for the HPBs to stake out for the market on the basis of their core strengths namely technology and staying power. Through their technological ingenuity they should bring in products of relevance to the developing countries. They should use their staying power to offer an attractive price for the brand. This will ensure a sizable pool of consumers. Finally it is sometimes possible and necessary to learn from local competition. It has a good knowledge of the host country, the product market and the trade. It also has an established distribution and service network. It can react faster than HPBs if it desire to. Therefore, learning from local competition and outsmarting it should form an important component of HPB's strategy in developing countries.

3.2 COMBATING IMAGE DYSFUNCTIONALITY

As mentioned in section 3.0, it is difficult to handle image dysfunctionality because it has its roots in consumer perceptions. It can be tackled only on a long term. The communication should be made relevant to the consumer. It should address his or her concerns about the functionality, delivery and acceptability of the brand. Any fears that may be associated with the brand have to be allayed and positive feelings read. This can be done by: a) making the communication more functional b) becoming a close social ally rather than a distant foreigner c) avoiding snobbishness and arrogance in communication

a) Making the communication more functional

This is closely related to making the product itself functional (item b) in 3.1). However delivering functionality in the product is not sufficient. Communicating it is as important. As mentioned, the HPB communication has confined itself to an elitist, self-expressive niche. This kept the average consumer away. Strangely, even when functional values were present in the product, the HPB communication did not showcase them for the consumer. But it is necessary to put the communication of HPBs on a functional footing to reach out to the common man. In effect, this means not just making Levi jeans "long-lasting" but also communicating the virtue of their being "long-lasting". It is important to stress these values in communication not just because they are functional but also because they are part of Levi's brand personality. In other words, the functional aspects like "long-lasting" have to be stressed more in communication in developing countries rather than self-expressive values like "American". Similarly McDonald's should highlight functional cues like "hygiene" and "balanced food" in communication.

b) Fighting perceptions of conspicuous consumption

The other important role of communication in developing countries is to actively fight negative perceptions of "junk food" and "conspicuous consumption". Part of the communication effort should therefore focus on communicating that HPBs are not wasteful consumption. However, communication alone cannot be deliver results. It should be coupled with a functional product a moderate price. Only then will the total package appeal to the consumer. Convincing consumers in developing countries might involve using local vehicles of communication like folk music. These are more effective than mass media advertising. Collaborating with educational institutions to conduct seminars on related topics like the attitude of youth in developing countries is another venue for subtle communication. This corrective communication should however be used in tandem with the more positive and functional communication of HPBs. The two together should position HPBs as "useful" brands (reliable/ rugged/ functional) rather than "attitude" brands.

c) Becoming a social ally

In some quarters, the HPBs have been stereotyped as indulging in "coca-colonization" of developing countries. If this impression gains ground, no amount of functionality in the brand and communication will be effective. Part of the task of image refurbishing is accomplished through the steps advocated in 3.2 a) and b). These will show the brand in more positive light. But that is not adequate because the objections from concerned intellectuals, politicians and other pressure groups are on cultural and political grounds. Several measures need to be taken up to address these concerns. Firstly, the HPBs should initiate an ongoing dialogue with opinion leaders, intellectuals and non-governmental service organizations. They should convey to these groups the more positive aspects of their brands. The impressions of these stakeholders are important for the brand in the long run. Secondly, HPBs should align themselves visibly with the priorities of the nation they are operating in. Most developing countries are grappling with problems of illiteracy, inequalities and low incomes. Actively getting associated with the solution to some of these problems gives a more benign image to the HPBs. Partnering with the government in these activities also brings down political objections to the brand. These initiatives will help the brand to be perceived as "caring" rather than "colonizing". Thirdly it is not adequate if the brand identifies itself with socially relevant activity. It should also communicate such efforts through public relations exercises to the community at large. Only then perceptions of "coca-colonization" can be effectively handled. In short, it entails the HPBs moving from their "big brother" image to "gentle giant" image.

d) Avoid snobbishness in communication

The HPBs are seen as talking down to the consumer in the developing countries. This is because, they use the communication meant for the home market, sometimes directly and often without any adaptation. As mentioned, the consumers in developing countries are unaware of the heritage of the HPBs in their home country. This heritage may or may not be relevant to the host country consumers. Most advertising of HPBs in US assumes some knowledge of this heritage. Therefore HPB advertisements when used directly in developing countries become counter-productive. They are seen as filled with alien symbols. This in turn leads to an impression of arrogance and snobbishness of the brand. It is therefore better to communicate simply and directly, through symbols the consumer understands. At present HPB communication is confined to symbols and images understood by a restricted set of urban dwellers. Communication should be widened to address the common man. Local celebrities and situations can be creatively used to give a native hue to communication. Further, care has to be exercised while dubbing advertisements from English to other languages. The content must be kept relevant. Even when an advertisement is borrowed from home country, it should be communicated skillfully so as to not sound alien. In other words, advertising should comfort rather than confront the consumer.

4.0 CONCLUSION

There are important lessons to be learnt from the performance of the HPBs in developing countries. Firstly to be successful in developing countries, they have to go back to basics. The HPBs have so far been addressing aspirational values relevant to a limited set of consumers. Therefore firstly, they have to emphasize functionality in product. Secondly, price has to be brought in line with what the consumer can pay. Thirdly, operational decisions like distribution have to be tailored to suit the realities of developing countries. This might mean stocking the product in smaller packages, in small shops, spread all over the country. Fourthly, market share and potential estimates have to be based on the insights gathered on consumer buying. This is possible only through committed and consistent market research and an accurate estimate of competitors' capabilities. Fifthly, functional values should not only be delivered by the brand but also communicated by the brand. Sixthly a concerted attempt has to be made to fight negative perceptions like conspicuous consumption, brand arrogance and cultural colonization attributed to American brands. This could be achieved through proactive and positive communication, associating the brand with initiatives of national importance and engaging in broad based public relations exercises. Finally, it means reading positive and socially relevant values into the brand so that it moves closer to the consumer. This will help the HPBs achieve better revenues as well as gain wider acceptability in developing countries.

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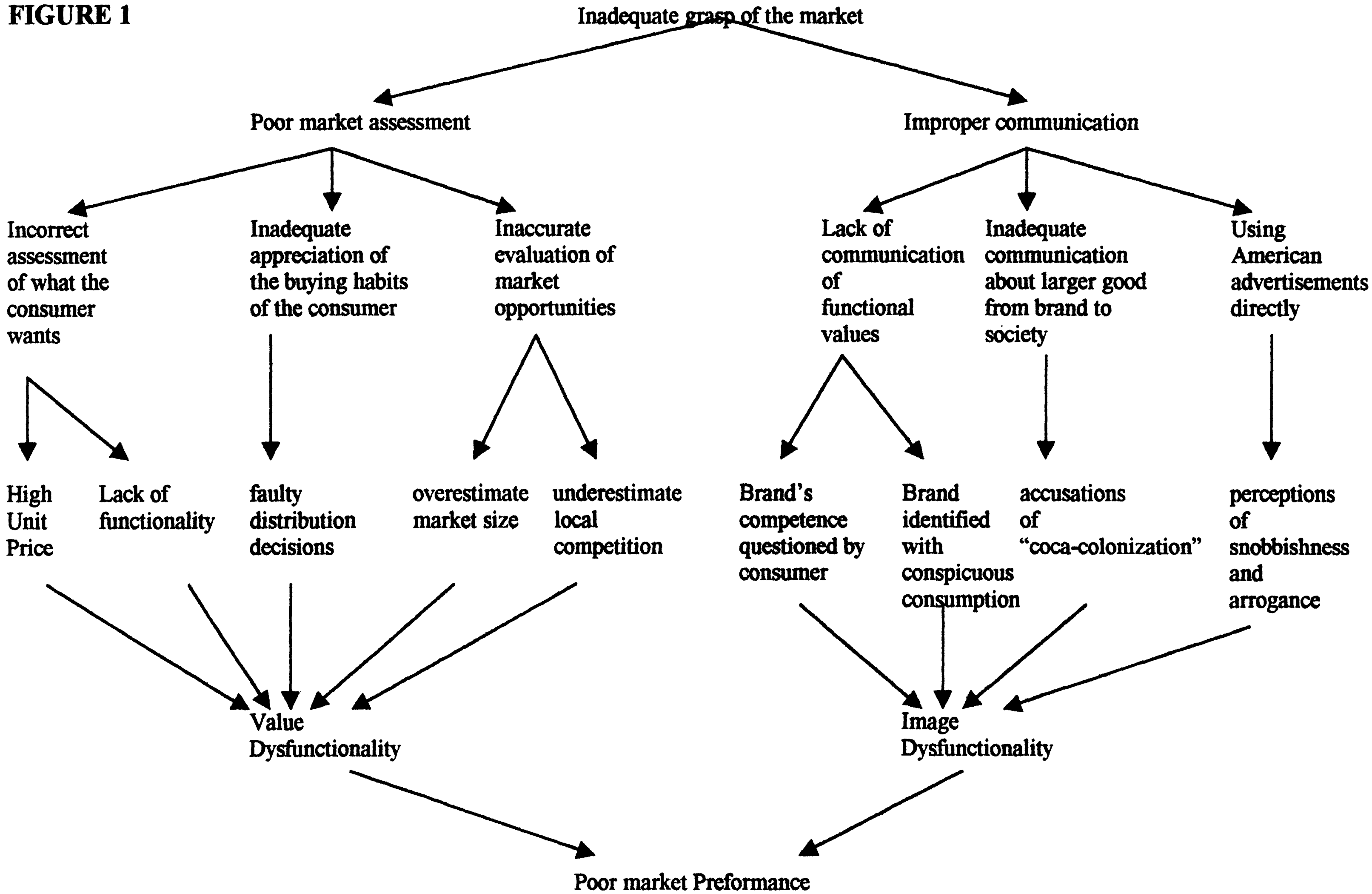
BOX 1

> Maruti, is the company that sells the largest number of cars in India. The director of an MNC shoe company multiplied the number of Marutis in India by 4 to get the market for premium shoes. This forgets the fact that even Maruti owners in India do not buy multiple shoes. Indians usually do not stock more than 1 pair of shoes at a time.

Source: S. Roy, "A dissertation of brand failures," Xavier Labor Relations Institute, India 1998.

FIGURE 1



WHY BIG BRANDS FARE POORLY IN DEVELOPING COUNTRIES