European Business and Brand Building

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(eds.)

P.I.E. Peter Lang

A strong brand is a key factor in business success, both in the short-term and in the long-term. Brands help to provide a better understanding of the corporate and commercial culture of different firms. A brand reveals the knowledge capital held by a company, but also often reflects the perception of the firm held by consumers and stake-holders.

The book explores the historical process of building some of the most famous brands among European businesses and examines the extent to which the brands have contributed to the image of the firms and their differentiation against competitors in the industry.

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Preface

Andrzej K. KOZMINSKI

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The choice of Warsaw as a venue for the international ICCA workshop on branding might be judged from different perspectives. Firstly, in 2007 Poland was still an emerging economy in its 18th year of transition. The Polish market was being "invaded" by foreign brands seeking to position themselves in the most advantageous way, while local companies were busy building up their brand image on the local market, while rather shyly and cautiously exploring foreign markets on their own, much more often going through intermediaries, acting as subcontractors or contract manufacturers. Lack of branding skills and experience resulted in lower margins and a less prestigious and profitable market positioning. The branding debate was then particularly useful and needed in Warsaw, on the basis that both managers and academics can learn a lot from business history. Secondly, it has to be admitted, unfortunately, that the local body of knowledge and the "intellectually digested" practical experience was in the past rather limited. Since then it has expanded considerably. Thirdly, a new European identity, formed after the "big enlargement" in 2004, is supposedly reflected in the messages carried out by pan European brands. This reflection calls for systematic study and explanation.

The present volume provides the readers with a unique historical outlook on European branding presented in a comparative perspective in relation to the American "steamroller" approach to branding. Higher education services are undoubtedly a branded product endangered by "massification" and "commoditization". To introduce the reader to the host institution of the workshop let me illustrate the branding cycle model as proposed by Hatch and Schultz[1] with a brief description of how Kozminski built up its brand in management education. The cycle is composed of four elements:

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[1] Hatch, M.J., and M.S. Schultz, 2003, "Bringing the corporation into corporate branding", *European Journal of Marketing*, Vol. 37, pp. 1041-64.

1. Stating – company reconnects with its heritage and its customer base.
2. Linking – restructuring to emphasize desired change.
3. Involving – getting internal and external stakeholders on board.
4. Integrating – creating coherence in practices, policies and communications.

Stating

Kozminski University (as it has been called since 2008) was created in 1993 as a private higher education institution offering bachelor degrees in management. Its target market was the emerging Polish middle class badly in need of management and leadership skills and needing to educate a second generation of heirs capable of taking over recently started and developed companies. The roots of the newly created Academy of Entrepreneurship and Management were deeper and more complex. The School was founded by the International Business School (IBS), a private executive development provider offering the first Executive MBA programme in the region of Central and Eastern Europe (with almost 2000 graduates up to 2010). IBS in turn was a venture of younger-generation Polish academics in the field of management with strong Western (mostly American) training and experience. They cherished a dream of a "Polish Harvard". At the first stage, however, the brand name of the School was almost generic, unable to contribute to any differentiation strategy.

Linking

Gradually a dream was coming true as a result of the strategy (seeking competitive advantage in the quality of teaching and academic excellence) was being confirmed by national and international credentials: degree granting rights, accreditations and rankings. The School has obtained the rights to run masters programmes in: Management, Accounting and Finance, Administration, Business Law and Sociology. Doctoral degree granting rights in Management, Economics and Business Law followed, as well as a habilitation degree granting right in Management. The State Accrediting Agency gave its programme in Management the mark "excellent" as the only higher education institution in Poland. First place in national rankings was a logical consequence. In 1999 the School became the sixteenth business school in Europe to gain the prestigious EQUIS (European Quality Improvement System) awarded by EFMD (European Foundation for Management Development) in Brussels, and has kept it ever since. Consecutive EQUIS reaccreditations were imposing increasing internationalisation requirements related to students, faculty, research and corporate relations. To underline close links with the business world, the British AMBA (Association of MBAs) accreditation followed. Changes in the competitive positioning were reflected in the changes of the brand name. After 4 years of operation the School adopted the name of the late Professor Leon Kozminski, a pioneer of entrepreneurial studies in the pre-war period, calling itself the Leon Kozminski Academy of Entrepreneurship and Management (LKAEM). In this way a link to the academic and entrepreneurial traditions was established in the brand name of the institution, helping to differentiate its position on the market of management education services in Poland. In 2008 when the second PhD granting right was bestowed upon the Academy, according to the Polish Law on Higher Education it was entitled to call itself a University. The new name: Kozminski University (KU) indicated the academic standing of the institution and linked it clearly to the world of academia. In order to underline clearly its international character, KU decided to participate in the 2009 Financial Times ranking of business schools. Encouraging results (42^{nd} place in the general ranking of 70 institutions, 36^{th} among 50 global masters in management, hitting the top 10 schools in 4 selected categories, and inclusion in the top 100 best Executive MBA programmes in the world) helped to indicate the link to the global market of management education.

Involving

A real commitment of internal and external stakeholders gives a brand emotional flavour and helps to communicate the message of uniqueness. The International Corporate Advisory Board (ICAB) serves this purpose *vis-à-vis* the business community. Including high profile international business leaders associated with the Kozminski brand in the ICAB was the key to success. Involving world class scholars in the School's activities served a similar purpose *vis-à-vis* the academic community and the general public. A distinguished Public Lectures Series featuring, among others, famous academics and Nobel Prize winners (Robert Mundell, Robert Auman, Douglas North and Edward Prescott) and publications presenting transcripts of the lectures, helps to promote the brand name both nationally and internationally. The effect was boosted by the consent of two Nobel Prize winners (Mundell and Prescott) to sit on the School's advisory boards. High profile events and conferences such as the EFMD Annual Conference (2000), the World Congress of Business Ethics (to be hosted by the KU in 2012) or the 2007 ICCA conference on "European Business and Brand Building" enhance the UK visibility and brand name recognition. Mobilization of the internal stakeholders through affinity to the brand name is accomplished through participation in the institution building effort. The

Academic Senate and the academic democratic institutions, such as the Students' Self Government, task forces and committees provide useful platforms for this effort. A recent faculty development drive including PhD studies, post docs in the best European and US universities and performance evaluation and promotion procedures are together supposed to build up an institutional *esprit de corps* from the inside. Alumni relations, being built up, to embrace over 7,000 graduates of both diploma and post-diploma programmes is designed to bridge internal and external audiences, providing them with the sense of pride associated with the KU brand. Alumni relations are built through regular mailings containing information about the School and its standing, special events (such as re-unions, picnics etc.) and an extensive portfolio of management development courses, seminars, workshops etc. offered specially to graduates. Alumni relations are also intended to serve as a "spring board" for fundraising, which is still in an early stage of development.

Integrating

Integrating and coordinating communication dedicated to different external and internal audiences seems to be the most difficult part of a brand building process. The multi-faced nature of an organisation as complex as a higher education institution can easily lead to contradictions and conflicts between messages. Let me name some of the dilemmas which have to be resolved:

- Open and friendly vs. highly selective and demanding institution;
- Academic vs. practical;
- International vs. local and regional;
- "Value for money" vs. premium;
- Academic vs. managerial, businesslike governance;
- Not for profit vs. self-financing and margin driven.

Such dilemmas have to be openly addressed and resolved in a debate involving target audiences. Through endless cycles of reiterations, a logical and coherent brand image should result from such debates. A conscious choice of media conveying different messages to different audiences follows.

Given that Kozminski is very young institution operating in a highly competitive emerging market, its branding cycle can be considered an informative example proving that branding is by no means just a marketing exercise, but a complex process involving and permeating the entire institution and its environment.

Foreword

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History has shown that the heart of a company, its identity, is frequently linked to a strong brand. Brands visualize a company's self-image and express the way the firm wants to be seen by the public. However, a newly created brand cannot be simply imposed on the customer. Decisive for its success is whether the customer accepts the brand the same way the creator intends it to be seen. Thus, a brand can only be successful if the company's self-image and the customers' approval correspond.

Identity is also closely related to unity, which is – according to its philosophical definition – indivisible. This means that a company has to strive for maximal integrity and still needs to unite various identities under its name, which are valid in different cultures and religions. A brand of a global company has to be seen similarly in every country around the world. As a consequence, the brand becomes a symbol of the company's integrity; and the more complete this unity is, the stronger is the company's identity.

Moreover, a company needs to be careful not to miss the point in time when a brand is out-dated. The company has to realize the moment when a new brand is necessary due to changing perceptions of the customer. We could evoke several examples of changing buying patterns here, but we will concentrate on one concrete example instead: demographic change. Around 1900 the group of sixty to eighty year-olds was small enough to be neglected in terms of branding. Today, however, it is particularly this age group that has a big impact on purchase behaviour. Aging is a universal phenomenon that affects men and women alike. Whereas in 2000 only 10 per cent of the world population was aged sixty and above, this group will have more than doubled in 2050. Thus, it has become indispensable to reflect on particular brands for this age group, which constitutes a large new market. Despite adjustments as regards new developments, tradition is a value that should always be kept in mind. A successful company utilises its past experience – its corporate memory – to form its present actions and to prepare the company for the challenges that a rapidly changing world engenders.

The insights of the international conference on “European Business and Brand Building” at Kozminski University in Warsaw, which was hosted by the Institute for Corporate Culture Affairs (ICCA), are shared in this publication. ICCA is an independent not-for-profit organisation based in Frankfurt, Germany. It has the ongoing aim to help companies achieve the integration of Corporate Social Responsibility (CSR) into their future strategy, by bringing together high level business executives, organisations, and academics from all disciplines to deliver world-class events, training seminars, consultancy and publications. ICCA calls this concept “Future CSR” and believes it to be essential for any company that wishes to succeed in the global market. In 2007 ICCA released its most successful publication to date, “The A to Z of Corporate Social Responsibility”. This represented the first attempt to collect key concepts and terms related to CSR in one volume, and its international success so far demonstrates the market and scope of the topic. In 2010 the Institute published “Responsible Business – How to Manage a CSR Strategy Successfully”, which is pushing the field even further and will hopefully enable more companies to integrate CSR goals into their corporate strategy. A further project, and ICCA’s latest, is based on the principle that the future success of society and business in Europe rests by definition on the young people of today. The “My Europe” project aims at creating a special, sustainable relationship between young adults, entrepreneurs, politicians and the media in over 20 European states. This will be achieved through workshops with representatives from politics, business and local/ national newspapers cooperating with fifteen to twenty year olds, in order that these are able to express their vision of the future of politics and economics in Europe. ICCA’s vision for the project – bringing Europe and the Euro into the hearts of the people – is something similar to strengthening the awareness and acceptance of a brand.

INTRODUCTORY REMARKS

Caution: Brands at Work! Branding between Time, History, and Financial Markets

Luciano SEGRETO

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1. How much is that brand? Defining and evaluating the brands

In early March 2011, when Bernard Arnault, the owner of LVMH, acquired the Italian jeweller Bulgari from the founder's family[1], the famous anecdote by the actor Richard Burton referring to Liz Taylor came to the mind of many commentators*:* "The only word she knows in Italian is 'Bulgari'. I introduced Liz to beer and she introduced me to Bulgari". Apart from the evident intent of the (fifth and sixth) husband of the movie star, who recently died, this expression can be considered the best introduction to evaluate the importance of a brand: a single word for an entire linguistic dictionary. Some years ago scholars involved in research about brand and brand value took a new direction: "a new dominant logic for marketing has emerged, shifting the focus from tangible to intangible resources, from frozen value to co-created value and from transaction to relationships".[2] To some extent we could argue that they were finally realizing the importance of that anecdote.

How to measure the value of a brand has always been an important issue in business activity, as well as in any approach to analyse it. In 1998 General Motors had record sales of 166 billion dollars; its capital was 229 billion dollars and in that year profits were 7 billion dollars. The same year Coca Cola's sales were just 19 billion dollars, while its capital was 17 billion dollars and the profits were around 4 billion dollars. Coca Cola market capitalisation was nevertheless four times

1 *The Lex Column – LVMH/Bulgari*, in "Financial Times", 8 March 2011.

2 L. de Chernatony, *From Brand Vision to Brand Evaluation. The strategic Process of Growing and Strengthening Brands*, Oxford, Butterword-Heinemann, 2006, p. 5.

bigger than GM market capitalisation. Commentators suggested that this trend had something to do with brand. In the case of Coca Cola brand equity was more than the double the GM brand equity. Specialists in this sector define brand equity as the amount of resources and costs connected with the name and the symbol of a brand, which are added to – or which must be deducted from – a product or service, to determine its intrinsic value. Nevertheless, analysts say that it is difficult to estimate the brand value precisely: estimates – they argue – can diverge by up to 30 per cent, probably too much to give force to this kind of evaluation.

Brand equity is one of the gifts of 1980's euphoria. In that decade of increased liberalisation and of a new image of the firm and of its values, the issue had great relevance. A large part of today's terminology in this semantic universe goes back to that period, which marks a milestone in the attitude firms, marketing strategists and advertising companies adopted towards the brand. Nevertheless, many commentators believed that this phenomenon was just another managerial fashion that could not last for more than a few years. But they were only partly right. In fact, in many industrial sectors there was a new discovery of brand awareness; a recognition of the perceived quality, the customer loyalty, and a strong brand personality with the most precise characterisation (brand associations) as being absolutely necessary to compete.

In the last 20 to 30 years increasing competition among firms and producers took the form of a price war. The proliferation of products of basically the same type, as well as the increasingly massive dimensions of the distribution structures, can help to explain the process that gave impetus to brand building. It appears clear at this point that it would be necessary to introduce a definition of brand among many of them.[3] The various definitions given to the concept of brand have their watershed in the 1990's, because the market complexity reached in that decade made obsolete and inadequate all the previous definitions (which were linked too strictly to the juridical definition and distinctive aspects of the trademark), failed to consider the functional and symbolic uses of the brand. We will be adopting the definition offered by de Chematony and McDoland, who wrote that brand is a product, a service a person or even a place, whose characteristics has been increased to such extent that the buyer – or the user – can perceive the uniqueness and the relevance of the added value his needs are encountering, and that this value can be

3 See for example, B.B. Gardner and S.J. Levy, *The Product and the Brand*, *Harvard Business Review*, March-April 1955, pp. 33-39; D.A. Aaker, *Building Strong Brands*, New York, The Free Press, 1996; L. de Chernatony and M. McDonald, *Creating Powerful Brands in Consumer, Service and Industrial Markets*, second edition, Oxford, Butterworth Heinemann, 1998.

sustainable towards the competitors.[4] It appears evident, using that approach, that if on the one hand the brand has a legal owner, its "invention" and, even more, its perception includes – and needs – the customer, the client, or the user, who has a decisive role in building the image of the brand.

Definitions seem to be made in order to demand an immediate, yet reasonable exception. In May 1931 Neil McElroy, later US Secretary of Defense in the second Eisenhower administration (1957-1960), before becoming Chairman of the board of Procter & Gamble, was a junior marketing manager for the company. At that time he was responsible for the Camay soap campaign, which later became of the biggest success of the firm. In 1931 "Camay" was not the front runner for the company. "Ivory", another soap brand, was Procter & Gamble's main brand in this field and the advertising for that product used a slogan along the lines of "since 1897 99.44% pure". McElroy realised that the marketing strategy for "Camay" had no clear and unified direction and lacked coordination. The budget to promote "Camay" was irrelevant and its management was without continuity.

McElroy wrote a memo, which became a very famous document, and not only internally at Procter & Gamble. Specifically he proposed to set up a special team led by a "brand man", an assistant, and a number of others responsible for monitoring the market in order to detect every single movement that could be interpreted in order to adapt the commercial strategy for the product. Despite the fact that the memo did not mention it at all, one of the most important aspects of the innovative ideas of McElroy was that every brand must be in competition within the same firm. Business historians and advertising historians believe that McElroy's idea was not original, but it was inspired by what was happening inside General Motors, where already in the interwar period different brands of cars, such as Chevrolet, Buick, Olds Mobile, were competing against each other in the interest of the car maker.[5] With this in mind, it would be valid to ask if anyone has considered the hypothesis that Marcel Proust could have been included among McElroy's preferred writers. The French writer affirmed in the first chapter of *Albertine disparue*, the sixth volume of his *Recherche du temps perdu*, that "on peut faire d'aussi précieuses découvertes que dans les *Pensées* de Pascal dans une réclame pour un savon".

In the last lines of his entry on "fashion" for the *Encyclopaedia of Social Sciences* published in 1931, Edward Sapir wrote that "in

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4 L. de Chernatony, *Brand Management*, Aldershot, Ashgate Publishing, 1998.

5 D.A. Aaker and E. Joachimsthaler, *Brand leadership*, New York, Free Press, 2000, p. 21.

contemporary society it is not fashion that men wear trousers; it is the custom. Fashion merely dictates such variations as whether trousers are to be so or so long, what colours they are to have and whether they are to have cuffs or not".[6] With some minor changes, this sentence could be adapted for the concept of brand. As David Aaker and Eric Joachimsthaler correctly put, McElroy was trying to find a solution to the sale problems, analysing data about sales and profits in each geographic zone into which the market was divided. This was the way to understand were the problems and the difficulties were greater.[7] They were indirectly saying that brands cannot even be considered without a strong marketing strategy. The interaction between these two levels is perfectly clear if one considers the evolution of the consumer behaviour in history and the adaptation of sales strategies.[8] One of the first analyses of this issue appeared in a book published at the beginning of the international crisis of 1929,[9] a period which can be considered a sort of watershed in brand and marketing strategy because of the sociological shift from a "production era" to a "sales era".[10]

But more recently it has been considered that as well as historians speaking about a proto-industrialisation, one can also consider it reasonable to widen research into brands to the period before the industrial revolution.[11] This opens the door to a very elastic approach to the question, because the concept of brand becomes so wide – and finally generic – that it can be considered adequate also for non-commercial goods such as towns[12] (pushing some local authorities to

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6 E. Sapir, *Fashion*, in *Encyclopaedia of Social Sciences*, Vol. 6, New York, Macmillan, 1931, p. 144.

7 D. Aaker and E. Joachimsthaler, *Brand leadership*, London, Free Press, 2000, p. 4.

8 See R. Tedlow & G Jones (eds.), *The Rise and Fall of Mass Marketing*, London, Routledge, 1993.

9 A.E. Levett, *The consumer in History*, London, Ernest Benn Limited, 1929.

10 S.C. Hollander, *The Marketing Concept: A Déjà Vu*, in *Marketing Management Technology as a Social Process*, edited by George Fisk, New York, Praeger, 1986, p. 7.

11 F.F. Mendels, "Proto-industrialization: The first phase of the industrialization process", in *Journal of Economic History*, Vol. 32, 1972; P. Kriedte, H. Medick, J. Schlumbohm (eds.), *Industrialization before Industrialization. Rural Industry in the Genesis of Capitalism*, Cambridge University Press-Cambridge, 1981; G. Richardson, *Brand names before the industrial revolution*, Cambridge, Mass., National Bureau of Economic Research, 2008; the topic is not really new: see for example B. Fine and E. Leopold, "Consumerism and the Industrial Revolution", in *Social History*, Vol. 15, 1980.

12 M. Greenberge, Branding *New York: how a city in crisis was sold to the world*, New York, Routledge, 2008.

imagine a possible income from the exploitation of such a brand)[13] or a whole country, especially if experimenting a wide and deep transformation, from the economic, social and cultural point of view.[14] The intellectual provocation of these proposals, as well as their impact on the institutions and the business community, is too big to be neglected, but does not belong to the topic we want to consider in these pages. Nevertheless the proposals indirectly show the extent the brand issue has been developed in recent years.

Most of the literature dealing with brands is suggesting a sort of American superiority in developing the concept and the economic strategies connected with it. The most recent economic studies of brand value seem to confirm this assumption, which is usually accepted by media and communication strategists, as well as by the advertising sector. A report published by the *Financial Times* shows in April 2008 that among the global top 100 brands, 54 belong to US firms, and just 31 to European ones, while the rest are spread between Chinese, Japanese, South Korean and Canadian firms. Among the top 10 European firms one is Finnish (Nokia, which is the only non-American among the world top 10), the other nine being equally divided between British, German and French. Among industry sectors, technology and luxury goods are clearly leading the most spectacular developments.

In its third year, this ranking has been strongly improved with a more sophisticated calculation of the brand value. First of all the author of the study, Milward Brown Optimor, determines the proportion of a company's earnings generated "under the banner of a brand". Later he subtracts capital charges to make sure that he's considering "value above and beyond what investors would require any investment in the

13 This is the case of Venice, which has been the first Italian city to couple an institutional symbol with a logo for commercial purposes and cause related marketing. The Venice trademark is positioned "alongside" the institutional symbol of the city, thereby assuming a complementary role: it represents the image of Venice around the world, further bolstering the value and the characteristics thanks to the objectives that distinguish the design. This is, as the website is asserting – a "trademark that represents Venice, along with the partner companies that value and support this city, in a shared journey of cultural, social and economic development". In the end "more than a trademark *of* Venice, it is a trademark *for* Venice" (http://www.comune.venezia.it/flex/cm/pages/ServeBLOB.php/L/EN/IDPagina/7320). For a wider approach to this point see S. Ansholt, *Branding places and nations*, in R. Clifton and J. Simmons *et al.*, *Brand and Branding*, The Economist Books, London, 2003, pp. 213-226 and of the same author, *Competitive Identity. The New Brand Management for Nations, Cities and Regions*, Palgrave-MacMillan, London, 2007.

14 J. Wang, *Brand new China: advertising, media, and commercial culture*, Cambridge, Mass., Harvard University Press, 2008.

brand to earn". This perspective permits a definition implying a bottom-up view of the earnings of the brand business.

The following step is focused on establishing, through a country, market, brand-specific and consumer-specific analysis the correct proportion of the earnings that can reasonably be attributed to the brand equity. This is what can be called the "brand contribution".[15] The purpose of this step is to introduce the appreciation of the different importance of brands according to the category of the product: very high in luxury, cars, or beer, for instance; much less for motor fuel, where price and location play a very important role. Even more, as markets develop, the role and the relative importance of brands can change, according to the evolution of the consumer priorities. But, as current research is strongly underlying, and as the old case study about the different brands coexisting – and competing – under the big umbrella of GM show, even in a strongly branded market, it is not absurd to find successful brands using a price strategy to compete strongly with the other brands.[16]

These evaluations are taken into serious consideration by finance and stock market analysts, because the Milward Brown Optimor results, mainly based on the Brandz database (part of the WWP Group, the parent company of Milward Brown Optimor) show that strong brands continuously outperform the market, in good and in bad conditions.[17]

There is room enough to say that brands cannot be ignored, if they have ever been. Brands can be considered the best example of a sort of economic Darwinism: only the "best" products survive in the long term, considering, as a French economic newspaper wrote some years ago, that eight out of ten products disappear in the first years after their introduction into the market.[18] And, in this context, most probably the

15 Almost twenty years ago Jean Noel Kapferer was affirming that the "identity" of a brand is much more important than the physical description of a product and it's a guarantee of consistency. But he immediately added that brands develop personalities. Symbolizing a set of values, including cultural values, brands reflect a consumer's image: not necessarily who they are, but who they probably would like to be or who the wish to be seen to be (J.N. Kapferer, *Strategic Brand Management*, London, Kogan Page, 1992, pp. 92-93).

16 J. Seddon, "How the ranking table is compiled", in *Financial Times*, Special Reports, 21 April 2008, p. 2.

17 S. Davoudi, *Strong names beat the market*, in *Financial Times*, Special Reports, 21 April 2008, p. 3. A more complex explanation of the calculation of brand value can be found in J. Lindemann, *Brand valuation*, in R. Clifton and J. Simons *et al.*, *Brands and branding*, London, The Economist in Association with Profile Books Ltd., 2004, pp. 27-45.

18 S. Peters and C. Briard, "Quand les marques soufflent leurs bougies", in *Les Échos*, 17 July 2006.

early success of a brand contributes to creating a barrier to entry for new firms trying to break in to an industry or sector.[19]

The most recent special report of the *Financial Times* on global brands shows that novelties as well as confirmation are increasingly characterizing this issue. In the 2011 top five global brands there are four firms – and brands – strictly involved with internet and electronics: Apple, Google, IBM, and Microsoft; the only exception being McDonald (ranked at the fourth place).[20] The impressive change in the last few years, and especially the leading brand of the Top 20 risers (Facebook, with a 246% brand value increase on the previous year), detect a very high volatile attitude of the ranking. The success of new mass high-tech products like the tablet explain only partially this trend.[21] What seems increasingly clear is a sort of mirror effect. Brands more and more are like fashion: changeable, according to seasons (the world economic outlook) and to inspiration (are we facing a new internet bubble? there are already signals going into that direction). But one has to cope with. The risk is to be considered old fashioned, a qualification that today nobody is willing to accept.

The discussion shows that a synthesis is needed between the main brand evaluation models, the research-based evaluations (that underline the importance of measuring "customer behavior and attitudes that have an impact on the brands") and the financially-driven approaches (that enlarge the calculations to many factors, such as the value of the brand in itself, the value of the fixed assets, and of some other intangibles), the former being important if not decisive for "companies that base their growth on acquiring and building diversified brand portfolio",[22] such as LVMH, which is controlling some of the most famous luxury brands like Dior, Louis Vuitton, Moët Chandon, and Bulgari. Bernard Arnault, chairman and chief executive of LVMH, expressed this point in an interview after the acquisition of the Italian jeweler: "it is not that we simply wanted to add yet another brand to our portfolio. We already have so many great brands and we are not looking to make another acquisition just for the sake of it". Considering that one of the two other family owned brands, Chanel, is still privately held and not for sale, the

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19 V.N. Balasubramanyam and V.N. Nguyen, *Structure and performance of the UK food and drink industries*, in "Journal of Agricultural Economics" Vol. 42, 1991; V.N. Balasubramanyam, *Entrepreurship and the growth of the firm: the case of the British food and drink industries in the 1980's*, in J. Boown and M, Rose (eds.), *Entrepreurship, Networks and Modern Business*, Manchester, MUPO, 1993.

20 Cf. *Global Brands. Special Report*, in The Financial Times, 19 May 2011, p. 2.

21 L. Kucas and B. Jopson, *Big names fly high despite the gloom*, *ibid*., pp. 1-2.

22 Cf. P. Kotler – W. Pfoertsch, *B2B Brand Management*, Springer, Berlin, 2005, pp. 123-124.

journalist concluded that "M. Arnault is probably hoping that the Bulgari deal might persuade the Hermès family", to reconsider his offer for a takeover after his acquisition of the 14.2% of the capital in October 2010, and the further increase of his stake in January up to 21.2%.[23]

2. Brands in Old Europe

To what extent are European brands part of this phenomenon? Is it possible to perceive the existence of a sort of European touch or European style in branding? Most probably, the answer is positive, but one should also immediately add that there is no European speciality in this field, because everywhere in the world brands play the same role: attracting the customer, confirming his loyalty, and introducing economic, social, and cultural differences in the market.

Brands tend to be global, but not all of them are really able to be so. If the Big Mac is a real global brand which has not yet found a challenger, as suggested by some case studies, most of the brands stop at the border. There are invisible barriers built not by the state and/or the competitors, but by the customers themselves. So brands have to change their qualities to gain the support of the market. Ulrich Lehner, the chief executive of consumer products group Henkel, is convinced that consumers want to buy the same thing with the same name all over the world. But the reality is sometimes different. Everyone who has had experience travelling knows that the same product in the same packaging, using the same advertising campaign can have a different taste if you buy it in the US, Russia, or Japan. The strategy is to adapt the product to local taste.[24] But what do, say, Italian, Greek and Turkish consumers have in common when they buy toothpaste, considering their differences in terms of economic, cultural, and religious backgrounds, if you consider that some products are prepared and packaged in a divisionalization process which exalts geography and a common sense of belonging to the Mediterranean Sea?

European firms have a long tradition of building their image through and/or thanks to brands. Some years ago one of the first books on branding suggested that modern-style brands are one of the gifts of the

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[23] P. Betts, *King of luxury jungles gets his teeth into Hermes*, in "Financial Times", 27 October 2010; S. Daneshkhu, *Wandel and Lafonda fined for swaps raid*, in "Financial Times", 18 January 2011; *Bulgari is new jewel in LVMH crown*, in "Financial Times", 8 March 2011.

[24] Cf. G. Wiesmann, "Brands that stop at the border", in *Financial Times*, 6 October 2006.

late 19th century and pioneered the idea that the power of successful brands is built on quality products and services.[25]

The academic literature is full of examples showing an important factor: the changes brought about by the Americanization process after WWII play a crucial role in defining – or re-defining – the contents and the features of the brands, although they first appeared much earlier. In fact, the appreciation of the brand, especially in consumer products, is one of the effects of the Americanization of mass consumption or, in some cases, the export to some European countries of this model.[26]

In 1967 the Association des Industries des Marques (AIM) was founded in 1967 in Brussels by 6 western European national associations of branded goods manufacturers. Europe's arrival in this field was quite late compared to the United States, where in 1878 the United States Trademark Association (USTA) was established in New York City by 17 merchants and manufacturers "to protect and promote the rights of trademark owners, to secure useful legislation and to give aid and encouragement to all efforts for the advancement and observance of trademark rights".[27] But if one considers the very early examples of organisations with the aim of protecting intellectual ownership and therefore, in a way, the brand, it would be impossible not to mention the Union des Fabricants, which was founded in Paris in 1872. The aim of this organisation was a sort of anti-fake battle, since most of its founders were French pharmaceutical producers fighting against the fake products counterfeited in Germany.[28] USTA later changed its name to INTA, becoming an international non-governmental organisation, and by 2008 had grown to more than 5,500 member companies and firms from more than 190 countries.[29]

Some aspects of these organisations developed out of other international organisations, especially through international conferences.

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25 Geoffrey Jones and Nicholas J. Morgan (eds.), *Adding value. Brands and marketing in food and Drink*, London-New York, Routledge, 1994.

26 Dominique Barjot (ed.), *Catching up with America: productivity missions and the diffusion of American economic and technological influence after the second world war*, Paris, Presses de l'Université de Paris-Sorbonne, 2002; Matthias Kipping and Nick Tiratsoo (eds.), *Americanisation in 20th Europe: economics, culture, politics*, Villeneuve-d'Ascq Université Charles-de-Gaulle Lille 3, 2002; V. De Grazia *Irresistible empire: America's advance through twentieth-century Europe*, Cambridge, Mass., Belknap Press of Harvard University Press, 2005; H.G. Schröter *Americanization of the European economy: a compact survey of American economic influence in Europe since the 1880s*, Dordrecht, Springer, 2005.

27 Cf. http://www.inta.org/index.php.

28 Cf. http://www.unifab.com.

29 http://www.inta.org/index.php.

The most relevant is certainly the Madrid agreement signed in 1891, which gave birth to the World Intellectual Property Organization, whose activities and fields of intervention are larger than those concerning only trademarks. Nevertheless it is quite impressive to note that the number of brands and trademarks registered since the founding of the organization grew from 76 in the first year to more than 60,000 in 2008. This takes into account, for that year, the combined total of new registrations and the renewal of some old ones, the latter of which has shown a very positive trend in the last decade. In fact, since 2004 the two different types of registration have stood more or less at the same amount of units.[30]

The period was a very important one for the consolidation of the business organisations working as pressure groups in Brussels. In the 1950s the representatives of the industrialist associations of the six members countries that signed the Rome Treaty set up UNICE, the federation of the entrepreneurial organs of those countries. Its activity was aimed at interacting both with the Commission and all its branches, especially the Directorates General dealing not only with the economic integration process, such as the tax homogenization process, the transportation system among the Six, but also their mutual industrial relations. The Rome Treaty paid special attention to all the social aspects of the industrial relations and the decisive role in that aspect was played by the Economic and Social Committee of the Economic Community. The role given to that organ was just a consultative one, because its members were not only representatives of the industrials and the trade unions, but also of agricultural, commercial, and professional interests.

This attitude, probably considered too ecumenical and too much tied to the Brussels rituals of many European organisations, pushed a part of the big European industries to build a more informal, but probably more efficient forum of debate and to undertake concrete initiatives related to the European institutions. In 1967 some of the most important European industrialists (among them, just to quote some of the most known: G. Agnelli for Fiat, L. Brower for Kon. Nederlandse Petroleum, F.J., Philips for N.V. Philips, P. von Siemens for Siemens, A. de Vogue for Saint Gobain, W. Baumgatner for Rhône-Poulenc, the Baron Boel for Solvay, L. Pirelli for Pirelli Tyres) set up what they called the “Group for the MEC industrialists”. They were also representatives of some of the most important European brands, which were starting to be considered as a sort of business card of the “new” Old Continent. This

[30] Cf. International Bureau of the World Intellectual Property Organization, *WIPO Gazette of International Marks, Statistical Supplement for 2008-13th year*, Geneva, 2009, pp. 3-4.

organization did not want to destroy the UNICE, but just to have a more direct dialogue with the European institutions and their bureaucrats.[31]

The AIM was set up along the same philosophy, although in this case its presence could be more understandable, considering that in UNICE the issues in which the brands association was involved were not among the first points on the agenda. In the last twenty years its activities developed much more rapidly than before. In 1990, with the gradual achievement of the single market, AIM's members decided to expand the association's activities significantly to cover all issues impacting the ability of manufacturers to design, market, distribute and sell their brands. Under the new conditions of the post 1989 Europe, with the reunification of the European market, the association extended direct membership to individual companies active on a European scale. In many Eastern European countries sister associations were set up. Today, through its network of national branded product manufacturers' associations and corporate members, AIM is considered in many ways to represent the vast majority of European manufacturers of everyday consumer goods.[32]

3. The difficult task for the business historian

The chapters we have included in this book were presented in a conference organised in Warsaw in March 2007 by the Institute for Corporate Culture Affairs together with the Kozminski University. The fact that a meeting on brands and their role in building the image of European firms was organised in a former socialist country gives a limpid impression about the changes from the beginning of the 1990s in the international economy. One of the chapters of this book, written by Mariusz Jastrząb, is the implicit answer to the question about the continuity-discontinuity issue with trademarks and brands in a non-capitalist society: the question was, for a while, put on a secondary stage, but was neither abandoned nor eliminated even in the darkest days of real socialism. The most recent research into the social history of consumption confirms that even in socialist countries, at least from the 1960s onwards and particularly for East Germany, the question was crucial for the social and political stability of that part of Europe.[33]

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31 L. Segreto, *L'UNICE et la construction européenne (1947-1969)*, in Antonio Varsori (ed.), *Inside the European Community. Actors and Policies in the European Integration 1957-1972*, Nomos Verlag/Baden-Baden and Bruylant, Bruxelles, 2006.

32 European Brands Association, *About*, http://www.aim.be/history.htm [Accessed 23.03.2011].

33 F. Feher, A. Heller, G. Màrkus, *Dictatorship over Needs. An Analysis of soviet Societies*, Oxford, 1984; M. Landsman, *Dictatorship and Demand. The Politics of Consumerism in East Germany*, Harvard UP, Harvard, 2005. M. Lemke (Hrsg.),