chapter 8

Aspiring Asian Brand Cases

The successful case stories of Singapore Airlines, Aman resorts, Shiseido, and Samsung have indeed laid the blueprint for branding success in Asia. As is evident from the brand stories in the previous chapter, the main reason for their success has been the continuous support from corporate management, including the chairman and CEO.

It is indeed good to see these Asian brands becoming successful well beyond Asia. But although it has two-thirds of the global population, growing economies, and a rapidly growing middle class with an increasing disposable income, Asia still boasts only a handful of powerful brands, which is a cause for concern.

Despite Asia's historical focus on manufacturing and trading activities, the global landscape could potentially face a wealth of new Asian brands in the coming years. Every country in Asia has its own list of aspiring brands just waiting to cross the local borders. In literally every industry sector, many companies are realizing the potential value creation that they might be forgoing due to a lack of branding. These companies are gradually making a mark in the region, having been inspired by the industry leaders. But, as yet, not many have managed to attain international recognition.

Even the governments of Asian countries are providing incentives for companies to adopt the right brand management practices to move up the value chain, and a large number of companies across Asia are already somewhere on the branding journey.

In the next 10–20 years, Asia will definitely contribute to the next generation of internationally recognized brands. This chapter examines some of these aspiring brands that could make a mark in the global brandscape.

AmorePacific – The Asian Beauty Creator

Background

AMOREPACIFIC CORPORATION

AmorePacific company logo

Established in 1945, AmorePacific Corporation is South Korea's largest beauty and health company with over 30 brands of skincare, makeup, fragrance, hair care, oral care, and body care products. The brand portfolio also includes green tea. The company started out as a small family business selling hair oil made from camellia seeds in 1932.

Although AmorePacific has nearly 40 per cent market share in South Korea and been ranked among the top 20 global beauty companies, its foray into global markets is relatively recent. Its premium Laneige brand debuted in 1993 but only became available outside Korea in 2002. With an expected world population of 7.6 billion by 2020, a rising trend in tourist cosmetic purchases[1] and many new Asian consumers, AmorePacific knows that its future success depends on becoming a regional and global brand.

AmorePacific aims to become Asia's number one beauty company, one of the world's top five beauty companies,[2] and generate US$12 billion in sales by 2020 with 51 per cent from global markets, compared to 17 per cent presently.[3]

In 2013, AmorePacific was ranked the 17th biggest global cosmetics company in terms of global sales. L'Oréal was first, followed by Unilever and Procter & Gamble.[4] AmorePacific is the third-largest Asian cosmetics company behind Japanese companies Shiseido and Kao.[5] Its gradual expansion in Asia is highlighted by an increase in its skincare market share in China from 1.2 per cent in 2007 to 2.6 per cent in 2012, putting it above Unilever and Johnson & Johnson, according to global research firm Euromonitor.

AmorePacific operates around 13,300 points of sale across all distribution channels in 14 countries including the US, France, Singapore, and Indonesia.

AmorePacific is headed by Suh Kyung-Bae, who succeeded his father and the firm's founder Suh Sung-Whan in 1997. As the youngest son, he grew up watching his grandmother and father develop cosmetics products. Suh Kyung-Bae is famous for trying all products before their launch – except mascara. He is the company's chairman and CEO.

Today, AmorePacific's brand portfolio ranges from traditional oriental herbal cosmetics to cutting-edge biotechnology cosmetics spanning high-end luxury, premium, and mass-market categories. International success and image likely rest on two of the company's prominent brands – Laneige and Sulwhasoo. While Laneige – "la neige" is "snow" in French – is positioned as a Western skin cream, Sulwhasoo's herbal products, which combine traditional herbal treatments with advanced technology, cater to the demands of ultra-premium Asian consumers.

AmorePacific has a wide portfolio of brands under the group umbrella, including Aestura, Amos Professional, Annick Goutal (Paris), Dantrol, Espoir, Etude House, Hanyul, Happy Bath, Hera, Illi, Innisfree, Iope, Lirikos, Lolita Lempicka, Makeon, Mamonde, Median, Mirepa, Mise en Scene, Odyssey, Osulloc, Primera, Ryo, Songyum, VBProgram, and Verite.

Inner beauty is as important as outer beauty in AmorePacific's brand philosophy. Nutrition, vitality, and cosmeceuticals are part of this belief, as well as a vision of treating obesity, skin diseases, and chronic pain. It is AmorePacific's commitment to innovation, the discerning nature of local shoppers, and Korea's strengthening nation brand that provides it with an enviable platform for global growth. The company's website explicitly mentions that its corporate identity reflects the harmony between inner and outer beauty, traditions and the future, and reason and sensibility.[6]

Brand Philosophy

AmorePacific's vision is to be the "Asian Beauty Creator" in customers' minds by providing total care beauty and health products. "Beauty" is a word that permeates many levels of AmorePacific's brand, including how they refer to creating beautiful relationships with business partners and local communities. The belief can guide social contributions as well. One of their main citizenship campaigns is "MakeUp Your Beautiful Life," whereby confidence is restored to female cancer patients through beautiful changes and the transferal of beauty know-how.[7]

Country-of-origin has always been a prestige indicator for beauty brands. Similarly to how Paris and New York are symbolic capitals of beauty, much of AmorePacific's brand equity will be due to its country-of-origin. Apart from the synonymous relationship between Japan and technology, it is still difficult for many Western consumers to positively associate an Asian country with a competitive advantage other than low-cost. However, just as Korean and Taiwanese technology brands have largely broken this mold over the last decade, Korean beauty brands are following suit. A survey found that women in Southeast Asia and China believe that Korea is now the model for Asian beauty.[8] This is largely because South Korean women emphasize skincare much more than women in other parts of the world.

Between skincare, makeup, and night routine, South Korean women use an estimated 17 products daily. Because appearance seems to be such a constant preoccupation, it is sometimes misunderstood as vanity. There is a buzz word, *ul-jjang*, which literally means "best face," that promotes characteristics of the ideal Korean face. While this has contributed to South Korea having the highest plastic surgery rate globally, Koreans believe that skin is an important area of their overall health – much like maintaining a fit body through exercise and a healthy diet. Many beauty products sold in Korean pharmacies often have health benefits as the most prominent selling features.

The philosophy and concept of beauty in South Korea attract Asian women to the country's beauty industry. AmorePacific has succeeded in leveraging and capitalizing on this increasing interest. According to a report released by the Korea Customs Service in 2013, skincare exports have witnessed an explosive growth of 1,500 per cent in the last 15 years (1998–2012) accounting for 61 per cent of commodity exports.[9] In 2012, it reached US$1.1 billion, exceeding imports for the first time.[10]

The Evolution of Western and Asian Beauty Ideals

As Europe and Asia slowly recovered from World War II in the 1950s, Hollywood cinema became global and American shows were a major source of television programming worldwide. At that time, the US accounted for nearly 60 per cent of the global cosmetics market. With Paris and New York as fashion capitals, beauty also meant "Western." However, even as Asian beauty companies looked to France and the US for inspiration and brand names, differences in beauty standards evolved between East and West.

By the early 1960s an estimated 86 per cent of American girls aged 14–17 were using lipstick while three-fifths of the total Japanese beauty market was held by skin preparations – a preference shared by Koreans today. In terms of cosmetic surgery, Western women typically exaggerate their features with fuller lips or bigger breasts, while Asian women seek to refine their features, with smaller noses or chins, without really changing their features.[11] While Western women use tanning beds and spray to darken their skin artificially, Asian women lighten their complexion by using whitening creams or other cosmetic treatments to lighten their skin.

In the more recent globalization era since the 1980s, the rapid economic growth of China, India, and other emerging markets has raised global awareness of non-Western cultures. The impact is evident in the increasing popularity of non-Western cinema such as Bollywood and the "Korean Wave" (Hallyu) starting in the late 1990s. Through locally-dubbed Korean soap operas, young girls all over Asia now want to look like their favorite actors. The end of the mass-industrialization era has led many brands to rediscover local ingredients and create a strong revival of local traditions and a new confidence in unique Asian beauty.

Brand Strategy

Within its home country, AmorePacific has a broad distribution strategy. Korea accounts for more than 80 per cent of company sales. By channel, door-to-door sales represent almost 22 per cent of total sales, department stores account for 12 per cent and home-shopping/online accounts for more than 10 per cent. The fastest growing distribution channels are digital and duty-free.

From a brand portfolio management perspective, AmorePacific's portfolio can be described as a "house of brands," where a company manufactures and markets a range of brands. A close match of AmorePacific's brand management philosophy is Procter & Gamble's. In this model, each brand competes in a specific segment of a specific category. The markets in which the brand competes can be local, regional, or global. AmorePacific's brands, initially local, are now competing with other personal care and skincare brands regionally or globally.

AmorePacific has a strong brand management philosophy that consistently develops and establishes individual brands. All new brands have no company branding support and have been nurtured individually.

The knowledge of South Korean and Asian beauty consumers about AmorePacific lends credibility and prestige to any brand from the AmorePacific portfolio. Even then, there is no direct use of the company's name in individual advertising and communication strategies for the brands.

As it positions for growth in major overseas markets, especially China and South East Asia, AmorePacific is replicating this approach. While standard practice in Asia Pacific is to open shops under individual brand names, the strategy in the US is different. American luxury shoppers prefer high-end department stores for convenience and because they can touch and feel the products.[12]

Today, AmorePacific brands are sold in almost 200 specialty stores, including Bergdorf Goodman, Holt Renfrew, Neiman Marcus, Nordstrom, and Sephora. The luxury Sulwhasoo brand recently made its American debut at Bergdorf Goodman in New York City. As a soft-entry strategy for the US, AmorePacific launched a Beauty Gallery & Spa in SoHo, New York, to create a high-end footprint in the lucrative market and serve as a creative center to understand American consumers. The spa blends AmorePacific's cultural and scientific philosophies, promoting Korea's unique oriental sensibility with cutting-edge technology.

The most unique aspect of their Asian strategy is the shift toward indirect distribution via duty-free channels. As air travel expanded in the 1950s and is now undergoing a second wave of growth driven by Asia, travel retail provides exposure to many new potential customers with less distribution costs. Fittingly for AmorePacific's luxury brand image, the exclusivity adds some allure while and makes the tax-free products more affordable. In fact, the 2008 debut of Laneige outside South Korea was at Singapore Changi Airport's Terminal 3 mega-store. Singapore is a major hub for regional luxury shoppers and Laneige has been seeing strong growth in travel retail ever since. The brand quickly proceeded to secure a listing onboard the in-flight shop on Singapore Airlines.

Today, Laneige counters are in 34 regional airports and its products are available on 17 airlines. In 2010, Sulwhasoo was also launched in Changi Airport. AmorePacific has credited the boom in duty-free business as a key growth factor.

Sustainability Initiatives

To become a company that global customers love, AmorePacific believes it has a role to play in environmentalism – an important consideration for Korean consumers. In 2012, AmorePacific announced its intention to become an "evergreen company" by promoting sustainable product lines and focusing more R&D in the areas of biotechnology and green research projects. From these initiatives, AmorePacific achieved a 35 per cent reduction in carbon dioxide emissions by instituting a low temperature production process, and aims to reduce the amount of packaging used per product by 25 per cent by 2020.

AmorePacific created the Beautiful Fair Trade program in 2010, a purchasing program consisting of agreements with towns, villages, and local agriculture associations in Korea to source raw materials such as nutmeg, bamboos, lotus seeds, ginseng, and lilies without pesticides or chemical fertilizer. The plan is also to expand Beautiful Fair Trade overseas.

Innovation is Key to Success

South Korean beauty consumers are constantly looking for something new and are willing to pay a premium for it. A prime example was when LG Household & Health Care introduced the world's luxury chilled cosmetic, Frostine. Since the ingredients required cold storage, LG introduced a specialized cosmetics fridge called an Icemetic Cellar. Despite the exorbitant price tag, LG's overall cosmetic sales recorded 300 per cent growth in a month after launching. Similarly, when Sulwhasoo's Dahamsul Cream, a super-premium anti-ager with caviar ingredients, debuted on the home shopping channel, it sold more than 2,000 sets within 40 minutes and was frequently sold out for the next six months.

As a competitive necessity, AmorePacific has invested heavily in research and development throughout its history by "contributing to humanity by providing beauty & health through technology and devotion." Since the 1980s, investments have evolved from strictly dermatological research to a total health approach with greater emphasis on health and nutrition. AmorePacific's two main R&D buildings in Korea carry out research in: Cosmetic Research, Skin & Science, Medical Beauty, Health & Science, and Bio Science. Globally, AmorePacific has been developing networks in new markets through alliances with local universities, medical schools, hospitals, and research institutions to gain better knowledge of local women and climates.

In 2014, it opened a new 41,000 square-meters R&D and factory facility in Shanghai (China) to further capitalize on demand for beauty products from China and the Asia Pacific region. The annual production capacity of the factory is 13,000 tons, or 100 million units.[13]

In the traditional makeup category, this innovative approach allowed AmorePacific to break ground in new categories. They spearheaded a form of "nonflowing liquid," called "Cushion foundation (compact)," for sunscreens that is light and easily absorbed after reapplication – a chief complaint for users. AmorePacific also initiated the commercialization of an aerosol foam hair dye.[14]

AmorePacific cushion compound

Source: Courtesy of AmorePacific.

Their prowess as innovators also prevents AmorePacific from losing ground to competitors by missing out on new consumer preferences and fads. In 2012, as Korean women increasingly preferred not to touch cosmetic products with their hands, manufacturers introduced diverse high-tech make-up applicators while AmorePacific's own response, the vibrating make-up sponge, became a sensation as the category exploded. Global research company Nielsen found that Asian consumers are most likely to try new products – meaning brands that consistently do something different that effectively responds to consumer preferences can thrive.

In biotechnology, food, and drug categories, AmorePacific labs are on the cutting edge of stem cell and molecular biology. Aside from rejuvenation and metabolism, AmorePacific dreams of developing cosmeceutical products for weight-loss, disease, and aging. A recent design is a dosage release technology that controls drug absorption, a technique already been used by an arthritis treatment drug. These new innovations are increasingly becoming known as cosmeceuticals.

The company's innovation initiatives are not restricted to its core business of beauty and cosmetics. In line with creating synergy and balance between inner and outer beauty, AmorePacific also has a very successful organic tea brand – Osulloc. The tea leaves are grown in tea fields in Jeju Island, utilizing nature's gifts of rich quality volcanic soil, optimal climate, and volcanic mineral water. The manufacturing system for Osulloc has been certified as the world's best and the brand has won numerous awards in international tea competitions. The brand is also exported to Japan, Germany, the US, Australia, Switzerland, and Canada.

The brand is marketed through "experiential marketing," with tea roasting demonstrations, Osulloc tea classes, and so on. There are Osulloc-branded tea shops, an Osulloc Tea Museum in Jeju Island and the brand is sold in tea houses popular with global tourists. Thus the power of innovation in production, marketing, and various stages of the value chain cannot be undermined.

Brand Communications

In general, advertising for AmorePacific's many brands follows the same strategy as most beauty brands – mainly television and glossy magazine ads. Following the placement of Laneige and Sulwhasoo in major travel outlets, promotional campaigns have targeted groups who most frequently travel to those regions, such as Chinese tour groups to Hong Kong and Singapore. While AmorePacific also participates in a variety of interactive and social communication channels, their most effective communication strategies are via brand ambassadors, thanks to the highly collectivist nature of the Korean culture.

In South Korea, Asian models are often utilized to sell makeup while Western models are used to sell more risqué items, such as lingerie. Three different members of the K-pop group Girls' Generation endorse three different AmorePacific brands. This brand endorsement strategy, enhanced by the global appetite for Korean popular culture, has increased AmorePacific's brand awareness in Asia and globally.

However, AmorePacific must adapt its marketing strategy in China so as not to rely fully on celebrities. Korean women are emotional customers, but the Chinese are more practical, placing more importance on scientific and dermatological testing in beauty products.[15]

To cultivate its brand image, AmorePacific has become a knowledge curator, owning and operating the Amore Museum (once known as the Pacific Museum) since 1979, which specializes in Korean culture, tea drinking, traditional makeup, and other histories. In 2012, AmorePacific published the

Beautiful Story of Native Plants in Jeju. The book not only contributed to conserving Jeju's native plants and traditional knowledge but also included detailed information on the raw materials used in AmorePacific products. As an accompaniment to the launch of an herbal medicinal body care brand, Illi, AmorePacific published Jataebogam Illi, which contained the history and cosmetic effects of Illi's key ingredients, and the traditional beauty methods of famous Korean women.

AmorePacific is increasingly using the digital media landscape to market its portfolio of brands. Facebook quotes AmorePacific's use of the social media-networking platform for brand marketing as a business success case. The company has 19 different Facebook pages dedicated to separate brands, with more than 600,000 fans.

Future Challenges

Major competition from global organizations is always a concern. Together, L'Oréal and Procter & Gamble collectively sell a quarter of global beauty products and have aggressively expanded into the Asian market with acquisitions such as L'Oréal's purchase of the Japanese brand Shu Uemura and Yue-Sai, a local brand developed by a famous Chinese television personality.

Unilever's highly successful skin whitener, Fair and Lovely, launched in India in the 1970s. It still holds over half of India's skin lightening market and has now expanded into nearly 40 countries across Asia, Africa, the Caribbean, and the Middle East.

Luckily, these competitors in Asia achieved success through the lowest common denominators of their products, which are widely distributed and appeal to the majority of consumers. This is not the space AmorePacific occupies.

However, Western brands that have drawn on their expertise with Japanese lightening creams pose the biggest threat to AmorePacific's niche. Lancôme rapidly established itself as the leading prestige brand in China in 1999. Two-thirds of the brand's sales in Asia are skincare products. Procter & Gamble owns the highly successful ultra-premium brand SK-II, which originated in Japan.

Maintain the Edge in China

China is the ideal market for AmorePacific's most differentiated product – the super-premium Sulwhasoo brand. China's share of the global beauty market may seem small compared to those of the US and Japan, but with a population of 1.3 billion, its growth potential is staggering. China now represents 42 per cent of

AmorePacific's overseas sales, followed by France (29 per cent), the rest of Asia (25 per cent), and the US (3 per cent).

The beauty market in China is worth an estimated US$44 billion, and AmorePacific holds 1 per cent market share.[16] AmorePacific expects its China revenues to grow 40 per cent annually to 2020, twice the rate in 2013.[17]

Since entering China in 1992, AmorePacific has operated over 2,900 stores for its five brands: Sulwhasoo, Laneige, Mamonde, Innisfree, and Etude House.[18]

Chinese brands like Shanghai Jahwa are building brands that honor past traditions similar to Sulwhasoo, but AmorePacific holds an edge in terms of cultural influence. Much can be learned from Shiseido's approach in China, where it launched Aupres, a brand specifically for the Chinese skincare market utilizing a perception referred to as "J Sense" by local marketers in China.

Another important aspect is Chinese women's perception toward beauty products and their country-of-origin. Although the company is slowly making gains in the country it needs to account for the stronghold of Asian competitor Shiseido over China. It has long been established that Chinese believe Japanese technology to be the best and Japanese skin to be closest to Chinese skin in terms of makeup and beauty regime requirements. These are important cultural aspects that AmorePacific will need to consider as it implements its China strategy.

The beauty and skincare categories in China will become increasingly competitive. Local Chinese cosmetics brands like Houdy, Caisy, Longrich, CMM, Herborist, and Chinfie are increasingly becoming popular. Shanghai Jahwa United Co., Ltd is slowly emerging as a significant competitor with successful brands like Liushen and Herborist.

Multinationals are also not sitting back. Estée Lauder, the American giant, launched a completely new brand, Osiao, only for Asian markets in 2012, which reportedly contains ingredients like ginseng. The brand was developed after five years of intensive research at the company's R&D center in Shanghai. Every aspect of the brand has a strong Chinese connection. Osiao has five letters, a number considered lucky in China, and the "O" at either end of the brand name is meant to reflect balance in skin.[19]

AmorePacific needs to keep pushing its strategy in China consistently as its market share was less than 3 per cent in 2013 compared to that of L'Oréal (16.8 per cent), Shiseido (10.3 per cent), and Procter & Gamble (9.8 per cent) according to Euromonitor.[20]

Even though it faces an uphill battle in China, AmorePacific seems to be attracting Chinese women shopping overseas. South Korea's scenic Jeju Island is a hugely popular destination for Chinese tourists due to the allure of the fresh air, volcanic peaks, scenic waterfalls, and local dishes like "black pork," but most importantly the duty-free shops. AmorePacific has been the winner in this domain, with its duty-free sales in South Korea to customers from China, Taiwan, and Hong Kong increasing by 184 per cent in the first half of 2014 compared to 2013.

Encountering and Fighting Fake Products

Korean cosmetic products continue to be popular in China, but concern is growing about the online sale of counterfeit products with almost identical brand-logos and appearance. Even fakes of some products not yet officially on sale in China are being offered. Fake versions of AmorePacific's best-selling

Iope lipsticks from AmorePacific

Source: Courtesy of AmorePacific.

items such as Iope's "Air Cushion" are being sold for cut prices on Taobao, a Chinese equivalent of eBay. Korean companies are concerned that the fake products are tarnishing their image and brand equity because they contain different ingredients that may damage the skin.[21]

AmorePacific should continue to fight fake products in China and ensure that their brands are well protected in trademark and patents terms.

Developing Men's Cosmetics

Urban men globally are increasingly investing in skincare products. While Western Europe has a large male grooming market, the latest boom in male beauty products is in Asia, where many men now use foundation with sunscreen, not just traditional aftershave or colognes.

Asia-Pacific is the fastest growing market for men's skincare, accounting for US$2.1 billion (63 per cent) of the global market of US$3.3 billion (2013).[22] China, including Hong Kong, is the largest single market for men's skincare at US$974 million (2013) and is expected to grow to US$1.2 billion in 2014. Asian countries account for five of the top 10 global skincare markets in per capita spending, according to research firm Euromonitor.

Euromonitor estimates that South Korean men spend nearly twice as much today on skincare than they did in 2007. Korean men spent US$635 million on skincare in 2013. Today, TV shows and spas devoted exclusively to male makeovers exist. This style, known as *kkonminam* – directly translated as flower handsome man – has been heavily popularized by Korean superstars, including singer/actor Rain and actor Lee Byung-Hun, who have recently featured in American movies.

AmorePacific's Laneige Homme line for men will face a tough fight for the male skincare market – arguably the industry's most lucrative and untapped. Procter & Gamble is the world's largest men's grooming products company, with strong distribution throughout Asia, but AmorePacific's emphasis on technology and innovation could appeal to many men if it continues to differentiate itself as a luxury Asian specialist brand for men.

The global skincare market for women is still 30 times larger (US$107 billion in 2013) than men's skincare, but men's skincare is growing faster (9.4 per cent) compared to women's skincare (4.8 per cent).[23] AmorePacific has a huge opportunity to tap into men's skincare, but will face tough competition from international brands like L'Oréal, Shiseido, and Estée Lauder.

Continued Innovation

Continuous innovation is critical for success and for staying competitive in fast-evolving product segments like beauty, cosmetics, and personal care. AmorePacific operates in product segments where product obsolescence is rife. The hyper-competitive nature of these categories demands continuous innovation.

AmorePacific's innovative "cushion compact," a mixture of colored foundation, sunscreen, and moisturizer to be applied by touching a foam pad to a spongy, liquid-filled cushion, was developed by AmorePacific research labs in 2008. It has been a huge success, with more than 30 million units sold. The company needs to have more such innovations that are huge commercial successes to maintain its edge against the likes of L'Oréal, Procter & Gamble, and regional players like Shiseido. It is also important to understand that innovation is hugely expensive and AmorePacific should have an innovation strategy focused on core business areas.

Innovation is copied and replicated very quickly. AmorePacific and L'Oréal were early innovators in the development of nanotech-based beauty products, using tiny molecular compounds to improve the performance of creams, sunscreens, and shampoos, but the rest of the beauty industry began to catch up aggressively. From 2000 through the end of 2009, a total of 217 personal-care brands that incorporated the term "nano" were trademarked worldwide. The second half of that period had 575 per cent more registered marks. This foray into technology has even attracted new competition from companies not associated with the cosmetics industry, including Fujifilm and BASF. This shows that an organization can very quickly lose its competitive edge through the sheer pace of innovation replication. Therefore, consumer education must become a central pillar of AmorePacific's communication strategy. This will require disciplined effort, matching and exceeding competitors' innovation budgets and efforts and employing the best in terms of skill sets and capabilities.

Global Expansion Strategy

As it pursues an expansion strategy in regional and global markets, AmorePacific needs to change its thinking and operating model to match a global mind-set for success. For example, the company's brand communication strategy still remains very regional. All of the brand's ambassadors are Korean celebrities. This may be successful when targeting the Chinese consumer, but unsuccessful when targeting consumers in Europe and the US. Elements of Korean culture, including the allure of Korean celebrities, are virtually unknown there. Consequently, a change in brand ambassadors is necessary to increase brand awareness in global markets. Most of the global beauty giants have global ambassadors, thereby having a balance of global versus local appeal.

Secondly, a global expansion strategy requires a strategic rethink of the brand portfolio. Western consumers still have markedly different preferences and attitudes toward their beauty and skincare regimes, and consequently toward products and brands. AmorePacific needs to gain an in-depth understanding of these preferences and position its brand portfolio accordingly. This is also important to give a strategic direction to its innovation roadmap, which should help in developing new products that have a broader market appeal but remain in touch with the AmorePacific brand ethos. Developing and launching brands with global appeal and relevance will help the company develop a coherent brand architecture. A clear brand architecture outlining the relationships between the parent and sub-brands will be crucial for portfolio management and making brand positioning decisions.

Finally, expansion into new markets does not start and end with the launch and development of new brands. To ensure visibility and generate awareness, effective advertising campaigns need to be coupled with efficient distribution strategies. Distribution is the key driver of preference and point-in-time sales in the beauty and cosmetics business. AmorePacific's distribution strategy in the US has been described as "narrow and deep," with the brand's products available in select Bergdorf Goodman, Nordstrom, Neiman Marcus, and Sephora retail stores. The company has plans to further deepen this narrow distribution by adding its range to all stores of these chains. This is crucial because it is operating on the turf of the legendary Estée Lauder and Procter & Gamble.

Global Leadership and Vision

An effective global strategy can only be implemented with a visionary senior management. As AmorePacific expands and takes up a regional and global competitive stance, it needs to have senior management representing diverse cultures, with a mix of strategic experience across multiple sectors, an appreciation of global trends, and an in-depth understanding of the external and internal forces that shape the organization's future.

The success of AmorePacific's perfume brand Lolita Lempicka in France and of its skincare products in the US is attributed to the company's ability to correctly predict future trends and prepare for opportunities. For this to continue to happen, the company must have the right set of people in senior management locally and globally.

Overall, AmorePacific is well poised for growth as it expands into markets outside China and Korea. To sustain this growth and remain competitive in the segments it operates in, AmorePacific needs an aggressive, innovation-driven marketing model with a global mind-set and deep consumer understanding. Going beyond the shores of its home country will be challenging, but with its credentials and past successes in foreign markets, it can be reasonably assumed that the company has the right compass to map a course through new, uncharted waters.

Jim Thompson – The Asian Silk Brand[24]

JIM THOMPSON

Jim Thompson company logo

The Jim Thompson Thai Silk Company from Thailand is a well-known Asian brand with great potential to become a strong international lifestyle brand. Known for its silk fabrics, apparel, accessories, and, recently, home furnishings, it is one of the few brands praised by Thai Royalty, celebrities, and the discriminating public for its quality, designs, and Asian sensibility. From the time it was established in 1951 by Jim Thompson, an American soldier settled in Thailand,[25] the brand has steadily strengthened its reputation.

The company operates 32 retail stores in Thailand, three in Malaysia and two in Singapore. Jim Thompson has showrooms in Paris, Munich, and Atlanta, and it plans to open one in London in 2015. Jim Thompson has established a strong name for itself locally and regionally with more than US$100 million in sales across the group. The company employs 2,433 people across its operations, and the brand is present in more than 40 countries globally.

Evolution of the Jim Thompson Brand

When Jim Thompson resigned from the American armed forces and decided to settle down in Thailand, he spent much of his time initially travelling around the country, particularly the northeast region. He became fascinated with the pervasive rural Thai silk cottage industry, which flourished as most

Jim Thompson – founder of Jim Thompson Company

Source: Courtesy of Jim Thompson Company.

village families had traditional hand looms under their houses where cloth was woven locally for their personal clothing. Jim Thompson astutely realized the potential to bring Thai silk to international attention and acclaim, and to an honored place on the international fabric stage. He took the initiative to "go international" by standardizing the silk woven through the use of chemical dyes. He used his acute sense of style to adapt traditional Thai designs and color schemes to international tastes.

Thompson began his first commercial weaving operation in the Muslim Ban Krua village that now lies just across the canal from his renowned house. He established close personal ties with these village weavers and they became small stakeholders in the Jim Thompson Company.

Jim Thompson was able to produce a world-class silk product that captivated the international community with the charm and feel of a hand-woven product that was far superior to similar products. For example, Thai silk is different from Chinese silk. Thai silk is inconsistent and has "humps and bumps" and iridescent colors (changing colors depending on the light). Also, Thai silk is not only good for garments but also ideal for home furnishing materials.

To ensure 100 per cent quality control of the output, Jim Thompson has a vertically integrated production model. Although 100 per cent of materials were hand-woven silk in 1967, today only 50 per cent are hand-woven silk and the remaining 50 per cent use other materials. But, according to William Warren, a Jim Thompson biographer based in Bangkok, "it took years of experiment, frequent frustration and plain hard work first to persuade a handful of remaining weavers to increase production on better looms, using colour-fast chemical dyes instead of traditional vegetable colors, and then open up foreign markets where none had existed before."[26]

Thompson successfully took Thai silk beyond Thailand by leveraging his contacts in the US and other countries. Thai silk gained international recognition in *Vogue* magazine, and in 1951 it was featured in a Broadway production.[27] The company also benefited a great deal from the personal charisma and personality of Thompson himself. His efforts to establish his Thai silk company proved to be a major profit-earner. This gained him much respect and adulation. In 1967, Thompson disappeared mysteriously in Malaysia's Cameron Highlands and was never found. There has been no proof found to give credence to any of the many theories around his disappearance. Thus, this lingering mystery has added greatly to the brand's legend and myth.

Today, almost 65 years since its inception, the Jim Thompson Company continues to grow with its inimitable zest and passion. Although it started out with just silk fabrics, by leveraging its brand equity and the Thai heritage, the company has now diversified into many other related product lines, the latest one being food and beverages (restaurants) and home furnishings. In 2001, it signed renowned London-based Thai designer Ou Baholyodhin, known for his vibrant designs strongly influenced by Asian cultures, to craft the new furnishing line in collaboration with the in-house design teams.[28] Ou Baholyodhin has over the years advised Jim Thompson, and helped to craft new innovations and designs for the company.

The Jim Thompson Company's strategy going forward is to focus on finished products for the home. The company is focusing on retail products in Asia, where it has strong brand equity. As the brand is strongly linked to the Thai experience, buying Jim Thompson products for a tourist equates to bringing home a piece of Thai culture. This is why a significant proportion of retail customers in Thailand are tourists who buy gift items when returning from Thailand.

However, in Europe and the US, where the company is building its brand, the Thai connection and direct experience with Thai culture is difficult to establish. Therefore, the company is focusing on finished products for the home, which are distributed through local distributors and displayed in Jim Thompson's own showrooms in Paris, Munich, and Atlanta.

Jim Thompson has also collaborated with Ed Tuttle, a leading American designer. Through this collaboration, Jim Thompson provided custom-made fabrics (Rue de la Paix, Vendome, and Chenille Canvas) for his architecture and design projects, which include Aman resorts and Park Hyatt Hotels. As design is a vital part of the company's success, these collaborations with external consultants have also provided the company with valuable insights into upcoming trends in global markets.

Brand Philosophy

The company's brand is primarily built on three pillars. The first is the legend surrounding the founder Jim Thompson. The second is the unique blend of Eastern (Thai) tradition and heritage with Western contemporary designs based on traditional Thai symbols and patterns. The third is the elevation of the brand from a cottage industry product into a fashion and lifestyle concept.

The Jim Thompson Company has built a story of the brand surrounding the founder, his origins, his contributions to the Thai silk industry, and his eventual mysterious disappearance. The founder's journey to take the Thai silk industry global and his drive to involve the weaving community as strategic partners in the business itself is a legend in Thailand. By leveraging this connection, the Jim Thompson Company has been able to blend into the social fabric of the country.

Finally, Jim Thompson has created a lifestyle concept centered on silk and contemporary designs. Although the company started out with silk fabrics, it has successfully expanded into home furnishings and even into restaurants. Jim Thompson runs two restaurants in Bangkok and one in Singapore. These brand extensions have enabled Jim Thompson to create an emerging premium lifestyle concept around the core brand offering.

By developing the brand on these three pillars, Jim Thompson has been able to maintain its differentiation and build a strong brand. The brand is perceived to be highly authentic, and to have high quality and a strong heritage.

In recent years, global competition and customer trends have evolved significantly, and Jim Thompson will have to revisit its brand identity and market position to ensure it stays competitive in this changing global landscape. Jim Thompson has other global brands and their positioning strategies from which to get inspiration. For example, Ralph Lauren is excellent at creating dreams and delivering promises over a complete and distinct lifestyle. French luxury brand Hermès has an uncompromising attitude toward quality and is a very high-end, authentic brand. Bottega Veneta is known for its unbeatable craftsmanship and unwavering belief in a single strong signature product.

Jim Thompson Brand Growth

Renowned for its quality, design, and Asian feel, Jim Thompson has been widely acknowledged by leading brands in the hospitality industry. The brand's furnishing materials have been widely used by many luxury hotels in Bangkok, which include The Oriental, The Four Seasons, Amanpuri, the Regent, Conrad, and the Sukhothai. In Europe, the Park Hyatt Paris and Park Hyatt Milan hotels, among others, have been attracted to Jim Thompson's furnishing materials. The Park Hyatt Paris has used 9,000 square meters of furnishing materials alone. These hospitality industry clients, among many others, serve as very strong testimonials for the Jim Thompson brand.[29]

As it is common for a strong brand to leverage its equity and diversify into related market segments, Jim Thompson has also followed this path. Today, its portfolio consists of many additional product lines apart from mere silk fabrics, including scarves, ties, handbags, textiles, apparel, and accessories for home furnishing.

The company also launched No. 9 Thompson in 2008, an elegant and relaxed brand extension of Jim Thompson. It adopts a new take on Oriental inspiration, staying true to the Jim Thompson heritage while using a lighter, more painterly style for a young, contemporary edge.

Brand Communications

Jim Thompson has selectively used mass communication channels to build its retail brand. The company uses other communication channels like fairs and exhibitions to create awareness about its professional home furnishings brand. It showcases its products during these events and generates considerable interest. By leveraging the unique designs of its retail stores, where it showcases its entire product portfolio, the company offers a comprehensive customer experience. As Jim Thompson does not own retail outlets outside Asia, it works very closely with its international distribution partners.

Many of its resources are focused on internal marketing, which involves educating the channel partners about the brand, product features, and benefits. Jim Thompson also maintains a list of more than 50,000 customer names in Thailand for local promotions. As all of these customers have already purchased Jim Thompson merchandise at least once, they also act as strong word-of-mouth marketers.

In recent years, the company has taken steps to enhance its marketing capabilities and insights to better tackle increased competition and changing customer needs and demographics. Jim Thompson has established a global marketing department as it aspires to become more market-driven and customer-centric. This also includes an enhanced focus on digital capabilities, including a social media strategy and new online properties.

As the brand is strongly associated with its founder, with Thailand, and with the Jim Thompson House in Bangkok, a museum open to the public could not be overlooked. The Jim Thompson House belongs to the legally, but not spiritually, separate James HW Thompson Foundation (a non-profit organization devoted to the preservation and development of art, culture, and heritage in Thailand). It displays a wide range of traditional objets d'art along with the entire product portfolio of Jim Thompson. In 2014, the museum had over 200,000 visitors, adding significantly to the promotion of the brand to foreign tourists, including keeping the mystery around Jim Thompson's disappearance alive as part of the brand story. This not only helps build awareness among the company's prospective customer base but also reiterates its strong link with Thailand's heritage and culture.

The James HW Thompson Foundation also created and funded the Jim Thompson Art Center. Finally, the Jim Thompson Company is engaged in philanthropy, including annual scholarships for children of workers.

Future Challenges

Jim Thompson is faced with many challenges moving forward as several factors like increased competition, evolving global trends, the modernization of Asia, and macro-economic changes will impact the future success and growth path of the company. The Jim Thompson brand has been successful so far and is unique in many ways, but arguably it has grown slowly compared to how Asian and global markets have evolved in the last 20 years. In order to compete effectively, the company needs to acknowledge and tackle a variety of strategic issues around competition and revitalizing brand equity.

Creating a strong brand identity and personality: Jim Thompson's legend around its founder and the brand is popular in Asia among retail customers.

However, in Europe and the United States, the company deals with hotels, designers, and interior decorators. Thus, at an aggregate level, Jim Thompson primarily operates as a B2C (business-to-consumer) brand in Asia and a B2B (business-to-business) brand in Europe and the United States. Thus it needs to create a consistent brand identity that resonates across regions and customer bases, while still remaining responsive to the specific needs of any particular customer segment. Bridging a brand successfully across both B2C and B2B categories is always a challenge that needs dedicated marketing attention.

Installing a brand management system: As the brand grows, it becomes crucial to constantly monitor and hone the brand to reflect market demands. With any retail brand, the brand promise and brand delivery must work in tandem. Customer service, for example, is an important element. Jim Thompson owns retail outlets only within Asia, and in particular in Thailand where the brand is strongest. This necessitates that the channel members are properly trained in executing the brand promises outside Asia. For such a training system to endure, consistent support from the corporate management and continuous investment of resources is required.

Protecting the core Thai market: Thailand provides a disproportionate part of the company's revenues and primarily from retail stores – which is a cause for concern. Recently, the Thai market has been under pressure from the challenging political situation, and the associated decline in overseas tourists coming to Thailand – a major customer segment for Jim Thompson. The brand also seems to have somehow lost touch with the local, affluent Thai population. It thus needs to regain its strong position in Thailand to protect revenues and brand image.

Expansion beyond Asia: Jim Thompson's brand equity within Asia is related to a large extent to the legend of the founder. But outside Asia, this legend is less known and may not be very relevant. Moreover, an Asian brand with a Western name might confuse customers. Given these impediments, Jim Thompson should strive to create a brand with an appealing identity that not only is relevant to customers across regions but also captures its unique Asian heritage.

Taking a brand to multiple markets and sustaining investment in brand building can have a toll on resource capabilities. Moreover, most resources are utilized for operations and production. Jim Thompson needs to consider these factors before venturing into multiple markets and product segments.

Single brand company: Another major challenge will be to leverage the Jim Thompson brand name and potentially introduce new brands into the market.

Until now, Jim Thompson has been a single brand company. Moving ahead, the challenge will be to cautiously leverage the brand equity through brand or line extensions so as to explore new opportunities either by introducing new brands to cater to new segments or by venturing into new product categories. Jim Thompson must be cautious in carrying out this exercise as it might result in a possible dilution of brand equity as a result of brand stretch. Finding the right balance between pursuing an expansion strategy and protecting the brand equity from dilution will prove to be a considerable challenge.

Capture a younger generation: Jim Thompson's core clientele is concentrated among the older age groups, both in Thailand and overseas. The brand does not have a strong image or preference among younger consumers. Targeting the younger consumer and not diluting the brand equity will be an ongoing challenge and balancing act. The product segments are traditionally not those that appeal to youth. Appreciation and sensitivity toward finely crafted silk, homemade furnishings, silks, ties, scarves, and accessories are life-stage driven and generally mature later in life.

Capturing the interest of the younger generation and thereby tapping into the lucrative apparel market will be a matter of careful strategic consideration. Launching a sub-brand (such as No. 9), which can be positioned toward the younger generation, without diluting brand equity, might be a solution.

Having a presence in the apparel segment for youngsters and being successful in it are two completely different stories. The company will come up against sizeable competition in this segment wherever it expands into, as well as in the regional markets where it has a successful presence.

Taking the brand into new product categories either via the use of the existing parent brand name or through a new sub-brand is viable, but only after the category has been rationally selected, carefully researched, and strategically analyzed. Launching into the restaurant business has been successful until now, but it is too far from an "adjacency play" for it to be successful in every market.

The company does have potential to expand its presence in the premium and luxury designer apparel segments by identifying more collaboration opportunities with influential designers. Premium and luxury are age-encompassing and will allow Jim Thompson to get closer to a wider age group of potential consumers.

Evolution of the product portfolio: Jim Thompson needs to streamline its product portfolio in the retail business and ensure a constant evolution of new merchandise in tune with customer needs and global trends. Again, a collaboration pipeline with influential designers can be a key success factor here. This will enable the company to influence trends (and not follow them). However, the collaboration choices need to be careful, strategic, and forward looking. Noting that the company is slowly embarking on a global expansion plan, its collaboration should be with individuals who have at least regional (if not global) appeal.

Jim Thompson has been strategic and sensitive enough to continually expand its product lines, but management of these lines, what to push and what to hold back in different markets, understanding distribution channel nuances, and an in-depth understanding of consumer needs and preferences will be the key success factors.

Globalizing the company operations: Home furnishing is the only business unit operating in Europe and the US. For a company used to operating only in Thailand, along with a few other Asian countries, operating globally can be a strategic, cultural, and operational challenge.

Until now, the company does not have any of its own retail outlets in global markets outside Asia – despite the fact that the Jim Thompson brand has a huge, untapped global potential. The company is solely reliant on its few partners in these markets. Operating via a franchise/distribution model is not a recipe for disaster, but it is not effective for every product category. Jim Thompson operates at the juncture of legacy, tradition, and luxury. These kinds of product characteristics and image require tight control over the whole marketing mix of the brands in the portfolio. That can only come from either full or shared ownership in country-level ventures or operations.

Besides the brand's intangible aspects, there is the challenge of having globally efficient production and distribution models. Because the primary raw material for the company's products is still Thai silk, decisions around locations for manufacturing need to be taken very carefully. The company has two key challenges to address here – one, the export of the raw Thai silk to any global manufacturing site and, more importantly, how to access the skill of the local Thai craftsman in terms of working on the silk. The first challenge may well be addressed, but the second is more difficult.

As mentioned earlier, global expansion and establishing presence in multiple markets require tight control over the brand and its presence. Jim Thompson has to ensure the same level of quality, the same image around legacy and tradition, and the same level of experiential marketing that it has managed to create in Thailand. These cannot be created overnight, but the company has to make visible and conscious efforts and strongly portray its intentions to maintain its legacy and credibility everywhere it has a presence.

Transition of the senior management team: Last, but not least, is the challenge of creating a globally focused senior management team. Not only do the board and the management teams have the responsibility to become more strategic, but also the local teams in the countries where the company has a presence or plans to have a presence need to operate with a global mind-set too.

Expansion of teams through fresh hiring and relocation should keep the trait of strategic thinking and global vision as key success criteria for individuals. Additionally, individuals responsible for shaping and driving the company's global operations should have a deep appreciation of the company's founder, values, contribution to reviving an almost dying Thai silk industry, quality, and manufacturing process.

Alibaba – The Chinese Brand Leading Disruptive Innovation

The world had started noticing Alibaba before, but when the Chinese e-commerce company created the world's biggest Initial Public Offering (IPO), valued at US$25 billion, in September 2014, it raised everyone's eyebrows.[30] Jack Ma, the company's billionaire founder, started the company in 1999 by founding the website Alibaba.com in his apartment.[31]

The company's consumer-to-consumer trading portal, Taobao, features close to a billion products. The company has become synonymous with e-commerce in China, and the group of websites that it owns and operates accounted for more than 60 per cent of the parcels delivered in China in March 2013,[32] and 80 per cent of online sales by September 2014.[33]

Jack Ma thought of the company's name while sitting in a café in San Francisco. As part of his short and focused market research project to validate the attractiveness of the name, he asked one of the waitresses in the café whether she was aware of the name and its meaning. The waitress said yes and that the name meant "Open Sesame."[34] The moment she said this, Jack Ma decided on the name for his company. Trudy Dai, one of Jack's friends and the company's earliest employees, reportedly sent hundreds of emails every night answering queries from American customers without letting them know that she was Chinese, earning a paltry sum of 550 yuan (US$6) per month.[35]

Today, Alibaba is the world's largest e-commerce company, boasting 279 million active buyers using its websites, who place 14.5 billion orders a year, which translate into revenues of US$8.6 billion in fiscal year 2014.[36] Before the record breaking IPO was launched, many analysts had already started sounding the death-knell for Alibaba in terms of it growing its business in the US. But, in spite of all negative publicity and outlook, the company's founder went through with the IPO, which was more than a year in planning.

The attractiveness and potential of the company's business model were never in doubt. In the first two years, it was successful in raising US$25 million in funding from SoftBank, Goldman Sachs, and a host of institutional investors.[37] The company's vision clearly centers on the power and potential of the Internet as a medium for trade and business. The exact wording reads "from the outset, the company's founders shared a belief that the Internet would level the playing field by enabling small enterprises to leverage innovation and technology to grow and compete more effectively in the domestic and global economies."[38] Since the start, it has done just that by providing the Internet platform for facilitating trade between small and medium-sized traders globally.

Jack Ma's vision has constantly evolved and kept pace with the technological changes and innovations in the online space. Alibaba provides not only a trading platform, but also its own online payment system called Alipay, which now controls more than half of China's online payments market.[39] In addition, the group now has a portfolio of Internet-based businesses targeted toward specific segments and niche areas of online commerce. Some of the companies include Tmall.com (online retail platform), Juhuasuan (group shopping website offering "flash sales" items), eTao (comparison shopping website), AliExpress (online retail service for small sellers), and 1688.com (B2B trade in China).[40]

In China, young single Chinese celebrate the loosely defined 11/11 holiday for its four "1s," the number representing their single status.[41] It has become a day for a nationwide shopping spree, attracting enormous e-commerce transaction volumes. In 2014, Alibaba's Single's Day transaction was US$9.3 billion, an increase of 58 per cent compared to 2013 (US$5.9 billion). 43 per cent of all transactions came through mobile devices (up from 21 per cent in 2013), illustrating how e-commerce is changing the retail industry in China, although e-commerce penetration is still low.

Background

As mentioned earlier, Jack Ma founded the company in 1999, leading 18 other individuals who were investors and the company's first employees. Ma always had an entrepreneurial instinct and had founded multiple companies before, one of which was a translation company and the other called China Pages, which allowed Chinese companies to scour for customers globally. Four years after China Pages turned out to be a failure, Ma founded Alibaba.[42] The company's success, although attributed to Ma's hard work and vision, is also equally driven by his distinct personality, his captivating speaking style, his ability to engage and drive employees, and his management and operating style. Ma speaks fluent English, which has worked toward the advantage of communicating clearly to the Western media. He also has a dose of eccentricity, which includes turning up at a company rally wearing a nose ring, dark lipstick, and a blond wig.[43] In short, Ma is Alibaba's brand creator, curator, artist, and communicator.

Within two years, the company achieved profitability. In 2003, Taobao, the world's biggest consumer trading platform was founded. On its 10th anniversary, the company made its foray into the next generation of computing services with the launch of Alibaba Cloud Computing.

Brand Philosophy

Jack Ma calls Alibaba the "everything company." Ma's strategy, right from the very beginning, has been to make a company so diversified that a customer will not have to go anywhere else. In a difficult market marred by global recession, fears of a slowing Chinese economy, fleeing customers, and competitors with deep pockets, Alibaba has been able to grow continuously and expand with the help of strategic partnerships, mergers and acquisitions, and unrelenting leadership from its founder to build a company that truly serves its customers.

The company's philosophy is customers first, employees second, and shareholders third, and is reiterated and re-emphasized by Mr. Ma in most company meetings and public appearances. The brand philosophy is closely tied to this company philosophy.

All its branded digital offerings in the market, which are essentially its family of websites and portals, have a similarity – the strong positioning toward a specific customer segment (be it broad or niche). For example, the corporate website Alibaba.com is targeted toward international importers and exporters. Taobao Marketplace is targeted toward the massive consumer-to-consumer segment while Tmall.com is an online retail platform targeted toward manufacturers.

The philosophy is also driven by constant evolution of the company's capabilities and innovation in its offerings. This is the hallmark of any successful brand with multiple digital properties. The concept of a "one-stop shop" is strongly integrated into Alibaba's business model. From its inception in Jack Ma's apartment in 1999 to its current stature as an e-commerce behemoth, the need to diversify into a conglomerate has been Alibaba's driving force. Going forward, even with its intention to become a global player, diversification is still an essential component of the brand philosophy.

The global ambition is also supported by a strong sense of humility and dedication to wealth sharing that permeates throughout the organization. After the US markets closed after the first day of the company's IPO, Jack Ma hosted a company reception and re-emphasized the company's values and philosophy – Customer First, Teamwork, Embrace Change, Integrity, Passion, and Commitment.[44]

Brand Strategy

Alibaba's digital brand portfolio is organized around a hybrid brand architecture model. This is characterized by two sets of digital properties and services and the extent to which the corporate brand name (Alibaba) is associated or disassociated with the specific digital brand. The properties can be categorized into the following two groups.

Master brand and product family brand architecture: Alibaba, the master brand, lends its equity, promise, and philosophy to all the product family brands. Examples of product family brands in the portfolio are Alipay (third party online payment platform), AliExpress (online retail service), Alibaba Cloud Computing (cloud computing service platform), and AliWang (instant messaging service).

Product brand architecture: The product brand portfolio has been created to communicate a distinct value proposition to customers. Product brands have long-term strategic importance and substantial marketing investments driving them. The most important product brand in the portfolio is Taobao Marketplace, China's answer to eBay. Other product brands include Tmall.com, Juhuasuan, eTao, and 11 Main (US shopping website launched in 2014).

The group strategy has a strong underpinning in driving the equity and simplicity of the Alibaba brand name across product family brands. This serves the dual purpose of extending the equity of the Alibaba brand name across the group offerings and also follows the diversification strategy.

In 2014, this strategy was further extended by the launch of Alimama, the Google AdSense-like contextual advertising program of Alibaba and Alibaba Pictures, a film and TV production company.

The product brands that have operated independently within Alibaba's portfolio have been its biggest success drivers. The digital property Taobao Marketplace has its own mascot, an ant. Ma introduced the platform globally by stating that "we are the ant army." The word "Taobao" stands for "search for treasure" in Chinese, which exemplifies the fact that the website has more than 800 million product listings as of June 2014[45] and was in the top 10 most visited global websites.[46]

The brand strategy across the hybrid architecture model has placed equal emphasis on both the product brands and the product family brands. There are two differentiating features:

Use master brand equity to diversify: The equity of Alibaba as a brand name and the fact that it has a simple meaning and can be easily pronounced by anyone gives it a global appeal. This tenet is being used to expand the name into associated services and products, which are essential for the company's global success.

Strengthen appeal of product brands at a local level: Alibaba does not believe in attaching the prefix "Ali" to every product or service it launches. Jack Ma has been known to say that the company's success is attributed to an "Act Local, Think Global" strategy. Everyone has written reams about Taobao's success in China. But for its US growth strategy, it launched the US-focused shopping website 11 Main in 2014, instead of extending the Taobao brand name. 11 Main provides a platform for US-based specialty goods manufacturers to sell their products and make them visible to the American consumer.

These are two defining aspects of Alibaba's overall brand strategy in its significant growth phase.

Future Challenges

The group faces multiple challenges as it looks to expand beyond China. These challenges are not restricted to global markets, but are also emerging in the increasingly competitive Chinese landscape, which has been Alibaba's growth driver.

Handling the Made-in-China Challenge

Global perceptions of brands are often related to the country-of-origin, which makes it a vital ingredient in a brand. However, brands that globalize often forget about the importance of roots and culture. In this context, made-in-China will eventually become globally accepted and a positive trait for Chinese brands, but until that happens on a broader level, Alibaba needs to work hard to overcome any negative or skeptical perceptions related to its Chinese country-of-origin. Alibaba has to commit itself to excellent quality, reliability, and transparency, and provide good governance in all aspects of operations and business.

Genuineness of Products Sold on Platform

This has been one of the most persistent problems to have impacted Alibaba's equity with the outside world. China, which had a dubious past of being the hotbed of fake products, is still in the process of shrugging off this image. But Alibaba's Taobao platforms (for B2C trade) and other specific platforms for B2B trade, have been plagued by fake product listings, dubious suppliers, and a sustained perception that it has never done enough to increase the level of trust the outside world can place on Chinese suppliers.

This perception needs to be changed rapidly as the company expands globally. If this challenge does not receive the attention it deserves, then the global business community will never treat the portals with the seriousness they need to become a global shopping destination. Alibaba has maintained that it regularly takes down listings selling spurious or fake goods, but the problem and its associated negative perceptions have not gone away.

Lack of Awareness Outside China

Outside China, Alibaba and its portfolio of digital properties have very little or zero awareness. Though it was able to beat eBay in China, it does not have the global awareness and equity enjoyed by the likes of eBay and Amazon. This is going to be a significant challenge for Alibaba to overcome as it plans to expand into global markets. The fact that it is using the product brand approach to extend its presence in outside markets is a good strategy to start with. However, eventually the parent brand equity needs to be associated with the local product brand to give it the credibility it requires. Also, having a multiplicity of product brands focused no different regions or countries leads to inefficient resource allocation and marketing investments within the business. This also leads to more complex brand management processes and fragmentation of brand building and consolidation.

Having locally-focused digital properties (online marketplaces) allows Alibaba to have a stronger cultural impact, but leads to the development of a portfolio where each product brand has a sphere of awareness limited to a small geographic area. This is not a portfolio structure that any company with global ambitions would like to manage.

Increasing Competition in China

Although Alibaba still remains one of the biggest e-commerce players in China, enjoying majority market share both in terms of value and number of shipments, the external environment has not remained the same. Just as Alibaba has expanded and taken a new shape, China has also evolved into a market with a new set of challenges.

Alibaba's biggest competitor in China is Tencent, the technology company that owns the increasingly popular QQ and WeChat instant messaging services. It also owns QZone, one of China's largest social networking services and Tencent Weibo, a micro-blogging service. Alibaba used to have the WeChat instant messaging service as a feature on its portals, before switching to its own messaging service AliWang. Tencent slowly started making strides in the online payments market, by enabling payment features in WeChat. It has started showing ambitions to take Alibaba on in its home territory of e-commerce, by taking a stake in the online retailer JD.com.

Chinese businesses are also increasingly collaborating to take on Alibaba. In August 2014, Dalian Wanda Group (China's biggest commercial land developer), Tencent Holding, and Baidu Inc. formed an US$813 million venture with the aim of seamlessly integrating the physical and the digital worlds these companies dominate.

China is no longer the massive growth juggernaut it once was, with GDP growth rates in 2014 almost half of those recorded immediately before 2008. This could well have been the trigger for Alibaba to open its eyes to international expansion, but it will have a significant impact on the company's business operations, which have been and will continue to be the largest contributor toward revenues and profits.

Huawei – Transforming a Chinese Technology Business into a Global Brand

History

Huawei Technologies was founded in 1987 in Shenzhen, China as a rural sales agent for Hong Kong-based phone and cable network businesses.[47] Between 1996 and 1998 Huawei expanded into metropolitan areas of China as urban populations exploded. McKinsey predicts that China's urban population will hit the 1 billion mark by 2030 and the country will have 221 cities with over

1 million inhabitants by 2025, compared to 35 in Europe.[48] Vast cities require complex communication networks and Huawei has continued to grow at an astounding rate by expanding on this need.

Today, Huawei's products and solutions are deployed in over 170 countries, serving more than one third of global population.[49] The third-biggest global manufacturer of routers, switches and other telecommunications equipment by market share after Alcatel-Lucent and Cisco,[50] it recently joined in the ultra-competitive smartphone race.[51]

For many observers, Huawei has seemingly come out of nowhere to become one of the world's most dominant technology brands. Primarily a business-to-business company (B2B), its biggest gains have been outside of the public eye. Major customers include telephone and Internet operators, who use Huawei's expertise to provide services to customers under their brand name, not Huawei's. The company also lacked worldwide fame due to its origins. With up to one-fifth of the world's population within the borders of its own country, Huawei has been able to grow while still remaining isolated.

Huawei's core business can be dissected into three business groups.[52] The first group, the Carrier Network Business Group, provides wireless networks, fixed networks, global services, carrier software, core networks, and network energy solutions that are deployed by almost all major communications carriers worldwide. For seven years leading up to 2012, the compound annual growth rate of Huawei's managed services division exceeded 70 per cent annually, making Huawei the fastest-growing managed services provider globally. The second business group, the Enterprise Business Group, is a perfect complement. Once information is sent and received through "pipes," it has to be analyzed, translated, stored, and saved by Huawei's data center. The newest business group is the Consumer Business Group, which spearheads the company's push into the personal handset and smartphone segments. Huawei calls this its "pipe strategy," which focuses on information storage and processing, information transportation and distribution, and information presentation and creation.

Huawei's personal handset business has steadily built expertise from a low-cost component and assembly provider to one of the top global mobile phone makers. Although it received no branding benefits, by 2008 it ranked number three in the global mobile equipment market. It has now successfully shed its role as an original design manufacturer (ODM) and begun to manufacture and brand its own smart devices. The movement up the value chain from component manufacturer to self-branded smartphone maker is a major part of Huawei's current and future growth strategy. According to Gartner, the company ranked sixth in worldwide mobile sales in Q2 2013.[53]

Brand Philosophy

Huawei's vision is to enrich life through communication.[54] More people are becoming connected worldwide on ever-faster devices, with greater demands on speed, usability, and a secure and personalized experience. Businesses have their own demands and use technology to manage logistics, operations, and all kinds of consumer data. By 2020, interactions between people, things, and the environment are expected to result in over 50 billion connection requirements from GPS, compasses, cameras, and microphones, not just communications. To deal with these digital floods, Huawei is committed to providing broader, smarter, and more energy-efficient pipes.

Working closely with customers is one of Huawei's greatest differentiators. It has set up 28 joint innovation centers directly with leading carriers worldwide to create customized technologies for each carrier's unique needs and establish their competitive edge for customers.

In 2014, Huawei was ranked the 50th most innovative company globally by the Boston Consulting Group.[55] It ranked second in terms of global Patent Cooperation Treaty patent applications in 2013.[56] With 150,000 employees, Huawei has over 70,000 research and development employees in Germany, Sweden, the UK, the US, France, Italy, Belgium, Finland, Ireland, Russia, India, and China. R&D expenses totaled 13 per cent of annual revenue in 2013. This single-minded dedication to innovation is illustrated by the company's philosophy of "Might from a small hole." Just as water can cut through steel plates once highly pressurized through a small opening, Huawei believes that if its resources remain committed to a sharply-defined purpose of enriching life through communication, it can consistently improve.

After its successful foray into the smartphone business, Huawei has pursued a philosophy of positioning its products as technologically-advanced problem-solvers. It aims to link its solution-providing legacy to the world's biggest telecommunication providers with its future platform of manufacturing and selling the most advanced phones. The transition from a non-visible ODM to a visible manufacturer of brands is a challenging one for Huawei to manage and excel in.

Brand Strategy

Outsmarting current technology and setting industry standards are integral strategies for Huawei. To be the first choice and best partner of telecom carriers, Huawei not only has to master the current technological level, but also anticipate future customer needs. There are almost 200 fourth-generation networks operating commercially across 75 countries today, with another 200 still in planning stages.[57] Meanwhile, Huawei's R&D teams have been working on developing fifth-generation, or 5G, networks for several years, expecting to introduce commercial 5G networks by 2020.[58] Huawei's foresight will make it the first-mover in 5G technology when the time comes. Huawei's rotating CEO Ken Hu suggested 5G will be up to 100 times faster than 4G.[59] In 2014, Huawei set up the world's first 5G phone network on the Isle of Man.[60]

Huawei is taking further advantage of its growth by becoming an international leader in various industrial standards. By June 30, 2014, Huawei had joined more than 170 industry standards organizations, holding more than 180 positions in those organizations. From this leadership platform, Huawei can shape the future of information technology policy and stay ahead of its competitors.

Huawei has taken great strides in aligning its internal leadership and hierarchy to remain responsive in a fast-moving industry. Although a chain of command that promotes uniformity and control quality is vital for branding, it can be detrimental to innovation. Making more decentralized decisions is important, and Huawei has begun delegating decision-making authority to customer-facing roles and field offices, encouraging idea flow.

By far the most risky, and potentially the most brilliant leadership strategy, is Huawei's rotating CEO system, by which a small group of executives takes turns to fulfill CEO duties. Compared to one single CEO who is expected to handle multiple strategies with in-depth insight, a group of rotating and acting CEOs is believed to be more effective as they have time to prepare better for their next term as acting CEO. This ensures that a wider breadth of expertise is present in the most senior leadership positions over time.

Technical prowess, combined with a unique senior management style, allows the company to operate with fresh thinking toward its brand strategy. In 2014, the company launched its corporate marketing and branding theme, "Building a Better Connected World," demonstrating its vision and future positioning. It follows Apple to some extent by presenting glitzy events to build awareness, but it also invests significantly in public relations and lobbying. Its marketing efforts are linked to a strategy of positioning its products (especially smartphones) as epitomizing excellence. The "Excellence with Edge" campaign for its P7 smartphones in 2014 portrayed visionaries or trendsetters.

Huawei has continually leveraged technological expertise in its product positioning. The company does not hesitate to use words and phrases that describe its products as the "best" or the "fastest." The underlying strategy is to attach a very high value proposition to its products. The brand strategy is accompanied by a strong visibility campaign. By 2012, more than 90 per cent of the company's consumer devices were shipped and sold under the Huawei brand. Although this resulted in a backlash from some telecom providers, who stopped doing business with Huawei, the company refused to relent on building its brand visibility.

This brand visibility push has also been aided by the decline of Sony, BlackBerry, and HTC, which has opened up opportunities in customer retail space. Beyond China and the US, the company's smartphone brands have found potentially lucrative opportunities in India, Indonesia, Taiwan, and many African countries. These newfound opportunities have linked nicely with Huawei's status as an entry-level challenger in most markets and enabled it to design and implement a global marketing strategy rather than grapple with the complexities of different maturity levels in different markets.

Brand Communications

Huawei's landmark year on the global stage came in 2005 when international contract orders first exceeded domestic sales. Recognizing that an identity change would be needed to accompany its ascendance on the global stage, Huawei redesigned its corporate identity to reflect principles of customer-focus, innovation, steadiness, and harmony.[61] The new image was intended to balance internal challenges occurring within Huawei – reflecting its transition from a traditional, local brand to a modern, international one.

Huawei officially released its new visual identity and logo on May 8, 2006. By the end of 2006, Huawei had been awarded "Broadband Infrastructure Vendor of the Year in Asia Pacific" by Frost & Sullivan and boasted 31 of 50 top telecom global operators as chosen corporate partners, including Vodafone, BT, Telefonica, Telfort, FT/Orange, and China Mobile. No longer a rising star, it was now a global leader.

To continually re-imagine itself as a mobile brand rather than simply a B2B service company, Huawei unveiled its "Make it Possible" smartphone initiative using story-telling around its products rather than promoting product features in 2013.[62] In technology industries, branding should focus less on superiority claims, and more on understanding customer desires and improving lives.

Brands also communicate through pricing. Huawei's ultra-affordable $80 Android phone has helped it gain footholds in many markets ignored by premium the smartphone makers Apple, Samsung, HTC, Microsoft, and BlackBerry.[63] In Africa, Huawei plans to put tens of millions of smart devices in the hands of African youths and bring 1 million African small and medium-sized enterprises (SMEs) online by 2016.

For consumers in mature markets like the US and Europe, Huawei may have to consider a different pricing strategy. Whether consciously or unconsciously, customers use pricing as a quality and reliability indicator. In these markets, premium pricing implies a premium product. For Huawei to enter as a low-cost provider by such a wide margin, it risks segmenting itself as a low-quality alternative. In 2013, in the US, Huawei made its first formal marketing push in mobile. But due to the US governments' suspicions that the company was acting as a spy on behalf of China, Huawei received continuous rejections, was banned from bidding in government contracts, and its sales and marketing efforts were severely restricted. By the end of the first quarter of 2014, the company had officially and unofficially announced its intention of not pursuing the US as a market.[64]

The company's investments in marketing and communications have paid off in the short term. In 2014, it became the first Chinese brand to break into the top 100 (rank 94) of Interbrand's ranking of the world's most valuable brands.[65] This has been due to continuous investments in improved brand management, glitzy events, public relations, and lobbying. It toyed with the idea of changing its name to ease pronunciation for Western consumers, but eventually stuck with its name.

Because of its global strategy to increase brand awareness and visibility, Huawei's marketing and advertising campaigns are global in nature (launched in 40+ markets simultaneously). It now employs some of the leading global marketing and advertising groups, including WPP/Ogilvy Mather and Saatchi & Saatchi.

Consistent and heavy investment in advertising and communications has been the mainstay of Huawei's brand strategy. This will continue as the company tries to strengthen visibility and awareness of its products globally and remain competitive (in terms of marketing investments) with the likes of Apple and Samsung.

Future Challenges

Continuing the Pace of Innovation

History has shown that monopoly control is temporary. Structural realities in every industry have and will continue to change, as illustrated by BlackBerry's fall from its once dominant height. The biggest mistake of successful companies is complacency. For Huawei, continuing to push forward with R&D is insufficient. As a cautionary tale, Nokia spent ten times more on R&D than Apple between 2004 and 2007, yet Nokia steadfastly built products to satisfy its current key segment's needs, ignoring the small number of consumers who showed great interest in future touch-screens. Similarly, Huawei must continually seek to satisfy and create future consumer needs rather than their current ones.

Although Huawei is an entirely employee-owned private company, it will certainly attract attention from investors looking to latch on to its impressive growth. Should it pursue an IPO and become more widely held, leadership must resist the shareholder value syndrome that has befallen many of tech's greatest innovators. The focus of stock markets on quarterly returns has entrenched a management system in most great companies that discourages dramatic change because game-changing innovations are risky. Stock markets do not initially respond well to disruptive innovators.

Brand Image in the United States

By far the most difficult challenge in Huawei's global strategy is in the US, where a smear campaign is being conducted by the US government.

Huawei has long been searching for an opportunity to expand into North America, which accounts for about 20 per cent of global telecom spending. Ever since a 2007 report highlighted the military background of CEO Ren Zhengfei, Huawei has become a political target.[66] Before he founded Huawei in 1987, Ren was a civil engineering director for the Chinese military. Huawei currently sells telecom equipment to major Internet carriers which, in turn, carry data for practically every government agency. The US intelligence committee said that US telecommunications firms should avoid business with Huawei because of potential Chinese state influence and security threats.[67]

In response, Huawei has started a charm offensive toward analysts, reporters, and politicians to shake suspicions.[68] Huawei also disclosed the names of its Board of Directors. These B2B challenges are partly why the smartphone will likely be the key to Huawei's growth in America.

Mergers and Acquisitions

A significant part of Huawei's leap from regional player to global leader has to do with its astute strategy of brand partnerships throughout its development. In 2003, Huawei established a joint venture with 3Com, a world leader in networking solutions at the time. The venture was called H3C – a conjunction of both companies' brand names. Under the agreement terms, 3Com would simply sell and rebrand products under H3C while reaping the benefits of Huawei's distribution networks and local knowledge. This venture would be extremely profitable for 3Com, but in the long run possibly even more valuable for Huawei who, after years learning from the American giant, eventually moved to purchase their global operations in 2007. Unfortunately, US government regulators stepped in over concerns that the Chinese military would gain access to 3Com's cyber security unit, which sells software to the US military. Eventually, 3Com was acquired by HP in 2010.

However, Huawei succeeded with Symantec. In 2008, it signed a joint venture with Symantec to boost their capabilities in network, security, and storage technologies. More than 50 per cent of Huawei Symantec employees would be engaged in research and development activities, with labs in Beijing, Shenzhen, Hangzhou, and India. Three years later, Huawei acquired all of Symantec's shares in the joint venture. From a company that had only begun R&D in security technology in 2000 and storage in 2004, Huawei was now a global powerhouse in both fields.

Huawei continues to be mentioned as suitors in potential game-changing acquisitions as it seeks to deploy its capital. In 2010, Huawei purchased products and services from American companies totaling US$6.1 billion. In 2012, rumours began to swirl that Google – who had bought Motorola – was in talks to sell the entire Motorola handset business to Huawei.[69]

In continuing to add its expertise, Huawei will have to stay away from the type of mergers or acquisitions that are predicated on cost efficiency and economies of scale. The most meaningful mergers and acquisitions for brand-building are those that truly add to a company's competitive advantage, not just its bottom-line.

Brand-oriented Global Leadership

Asian companies making their mark against Western players share a common denominator – a strong commitment to branding by their boardrooms and senior management. To succeed in building a strong global brand, Huawei should rotate more marketing-oriented personnel into CEO roles rather than traditional experts in finance and operations. Huawei also needs more managers with a global vision, regardless of nationality or background. CEO Ren Zhengfei has admitted that "Time will tell if the rotating CEO system is the right move or not."[70]

The company has started to make a conscious effort to bring more international and diverse experience in its managerial ranks, not only at board level but in multiple senior and mid-management roles. It has also started hiring high-profile Western executives to diversify its senior management team. This strategy should be followed and implemented in a comprehensive fashion so that diverse, global thinking and experience permeate deep into the organization's fabric. A truly global senior management team is essential for Huawei's success in foreign markets.