



Selling with passport

RAMON AYMERICH

Resorting to the origins is part of the repertoire of trade policies at multinational corporations that are not surrendered even in a global world where this sort of attributes is more volatile and fragile. The scope of this strategy is limited by the solidity of the image it tries to convey: going the identity way as a commercial strategy works if there is an economy with a good reputation behind; without this strength, nobody can assure the success of commercial policies based on the country brand.



Nordic design

The most visited exhibition at the MKG museum in Hamburg last winter was «Ikea Phenomenon», featuring more than 250 household objects designed and sold by this Swedish multinational founded by Ingvar Kamprad in 1943. It is not usual that a company we could generally term as a large retailer makes the topic of an exhibition, but as the curators explain in the catalogue, Ikea has been able to put «democratisation of design» into practice, as the Werkbund, Bauhaus and other artistic movements in the early 20th century had dreamed of.

Ikea is a successful example of how a brand created for mass consumption can also be a cult object for a reduced and educated population. And it is also a good example of how to turn the origin of a company into a distinctive value. Ikea is a global brand. Anybody bothering to take a look at any of its pottery cups will see that it has the *Made in Romania* label stuck on the bottom, just like some of its textile products used to say *Made in Spain* not a long time ago by virtue of some Catalan company.

The Ikea headquarters got rid of manufacturing many years ago: the first foreign supplier of Ikea was Polish and started working for them in the early 1960s. Yet Ikea has kept in Sweden all that gives value to and makes the difference for the brand: design.

Ikea's success is based not only on price and product but also on the consensus created out of its values.

Ikea products are the result of commercial mass stylisation of Scandinavian modernism and Swedish folklore. As the company likes to explain in its publications, Ikea was founded in the Swedish region of Småland, a poor land «where people are known for working hard and living frugally». All products, or at least most of them, are made in manufacturing countries characterised by low labour cost. However, the

design is definitely Scandinavian, and just in case it had not been made clear to everybody, every object keeps its original Swedish name in any shop across the world, which makes it probably unpronounceable to most of the 660 million people visiting its points of sale each year and buying its products.

Ikea has been successful in the market because it offers minimum quality at a good price (an obsession dominating the company since its beginnings) and because of its extraordinary ability to quickly adapt to change in population and habits within the Western society. But without the big social and cultural consensus based on design and its origin, Ikea would not be the same.

The obsession at Nokia has been exactly the contrary of Ikea: it is very difficult to discover on the corporate website where its origins are.

Ikea is not the only Scandinavian company having made its origin its big distinctive value. Marimekko, a Finnish women and household garment company, also follows this strategy. It even emphasises it: Marimekko always appears as «Finnish fashion». The company, created in 1951 and led by women ever since, plays in another division, namely that of expensive clothes for more exclusive market segments, which makes it considerably less known than Ikea.

However, not all Nordic companies play the same game. Nokia, the latest phenomenon of the Nordic industry, has not made any reference to its origin since it first appeared in the mobile phone market. Either because of the nature of the product it sells, mobile phones, or for other reasons, the obsession at Nokia has been exactly the contrary: it is very difficult to discover on the corporate website where its origins are. Instead, the words global and world predominate throughout its vocabulary.



▲ Like Ikea, the Finnish women and household brand Marimekko makes its Nordic origin its distinctive value.

The American dream

Reminding the origin may seem a minor strategy in an economy having emphasised its global profile at a strong pace. In fact, the Ikea strategy is not precisely common among big multinational corporations. The big brands want to be global and try to express this aspiration in very different ways. The case of **Coca-Cola**, very similar though different from **McDonald's** in pace and time, is a good example. Up to the mid 1980s, Coca-Cola expressed this global aspiration by selling the American dream. They were not the only ones. In those years, **Marlboro** used to be sold as «the genuinely American flavour», a claim disputed with other cigarette brands like **Winston**. Coming back to Coca-Cola, its consumers knew that behind each sip was the



▲ Marlboro used to be sold as «the genuinely American flavour», a claim disputed with Winston.

promise of enjoying American lifestyle. But in the late 1980s, the multinational started modulating its global message – to Coca-Cola, as for almost everybody then, global meant American – and adapting it to very different settings. The reason of this change was less the existence of competitors – not surprisingly, alternatives to Coke came from socialist or Islamic countries, where the hegemonic American model was most contested – than increasing hostility towards the American vision of the world.

However, a global approach may be full of paradoxes. Let us take for instance the Budweiser case, a beer that is seen in Asian – and probably other emerging – markets as a symbol of American culture, which has probably a lot to do with its consumption. In fact, **Budweiser** has not been American for a long time but is owned by the Belgian company **Anheuser-Busch InBev**, which is in turn the result of the merger between **Brazilian AmBev** and Belgian Interbrew. And of course, it is not made in the United States. Global aspiration and origin, as can be stated, make a mirror game difficult to figure out

Even «global» messages are modulated and change according to the balance of cultural and political forces at each time.



▲ Despite being owned by a Belgian multinational, Budweiser still sells American ale.

Quality lies in the origin

Nevertheless, things do not need to be made so explicit. This is the case of Erich Schmitt, the chairman of **Seat**, the **Volkswagen** subsidiary, between 2007 and 2008. Every time Mr Schmitt received a journalist at the company's Martorell headquarters, the latter understood within less than half an hour that Seat was still far from the targets its owners had set: making it a «German» company, German in that it means quality and good technology.

In fact, during the 1980s, the core of Seat publicity in the Spanish market was precisely that: «Seat, German technology within your reach». Coming back to the Martorell plant, Mr Schmitt showed his interlocutor the interior of the cars that were being manufactured and whispered: «Did you hear that? Do you see how it trembles? It shouldn't!» Mr Schmitt never made the slightest comment on the causes of poorer quality of Seat cars, but he always finished giving a master class of how to do things, which in the end meant to do them the German way. And just in case he did not make his point clearly enough, he started talking of the wonders of **Audi** cars (made in Germany).

One day, on one of the visits paid by journalists to Mr Schmitt, the happiest moment to him came when he showed an experimental assembly line where quality tests were made with door rubber joints. It was then when he introduced the person heading the line to the journalists, a young blond man with pink complexion just arrived from **Ingolstadt**, Bavaria, to show his Catalan colleagues how things were done over there. It was the first day Mr Schmitt was seen smiling – an unusual thing with him – just as he was saying in low voice: «It's German.»

Mr Schmitt conveyed the message that only German hands were able to make products like those. And he behaved so because he really believed it! It was **chauvinistic**, but it was something more than that. If the products he showed had not been good, his talking would



▲ During many years, SEAT advertised itself as «German technology within your reach».

have seemed void. But what backed it up were years and years of well done work, technological expertise dating back to the early 20th century, when German factories successfully rivalled American ones and proved to be able to manufacture highly elaborate goods while creating a much more complex technology than the rest of their European neighbours.

The message that German technology is an important thing is spread out by almost all big German corporations, even those emphasising most their global profile like **Siemens**. The reason is basically that in the global world, and this is the most important, «German technology» is what makes a consumer pay more for a product even if next to it stand others looking the same but at a cheaper price.

German multinationals, even the most global ones, implicitly sell the equation Germany = technology.

One cannot boast what they do not have. Chinese companies have right now no need of using a strategy based on the quality of their products as their competitive advantage lies in price. Moreover, if they tried to attack commercially upper market segments, their origin would even harm them in finding customers. China stands for cheap price and, as of now, poor quality, the same way that Germany stands for good technology of high quality or France and Italy are countries having always met an excellent response in two branches, fashion and food.

Victorio y Lucchino is a Spanish fashion firm partnered by José Victor Rodríguez Caro from Cordoba and José Luis Medina del Corral from Seville. The company formally appears as one of the most complete products of Spanish fashion. In practice however, they have always found it difficult to explain why they chose this commercial name for any other reason than anything sounding Italian in fashion sells better

than if it came from Spain. The same applies to the agrofood industry. There are products like French champagne that are very difficult to beat by its Italian or Catalan competitors in foreign markets. And this prestige created over years allows for instance Italian biscuit makers to place cantuccini in all delicatessen shops of the world, which is the Italian name of never-exported Catalan *carquinyolis*.

Prestige and brand need to be worked out. But they are also preserved. Let us take the case of Italy, where economic and political authorities are the first interested in looking after the health and strength of their products. On 16 March 2009, the Italian parliament passed an update of criteria by which companies wishing to label their products as Made in Italy have to abide, specifically in textile and fashion, shoes and leatherware. The Italian government requires all the manufacturing process to be done in Italy in at least 66% of the product as well as the implementation of traceability systems allowing to control the origin

***Made in Italy* is strictly regulated by the national parliament in branches like fashion and luxury.**

As the president of the Italian parliament declared once the law was passed and updated, «it is about allowing consumers to know what they are buying while defending workers in these times of crisis». Excess control? With due reason!



▲ Italian cantuccini have earned an international reputation Catalan *carquinyolis* have not.

Ask otherwise those Catalan companies working for Italian manufacturers. There are at least two highly reputed ones for the good work they do in top quality industries. The problem is that they will never be able to tell that they actually make those products as they are bound by a confidentiality clause forbidding them to reveal the origin of the product!

The country brand

In areas related with marketing, the country brand concept has been settling in recent years as the necessary way of positioning a country or city in a global environment. The concept has been echoed in the tourist industry and related services. However, it remains to be seen if it is applicable as well to other business areas more related with industrial production without any hard facts behind.

The country brand is not a static property. Things that used to be taken for granted are suddenly shaken up. The reasons have to do with the rise of other industrial cultures or sociological change.

In any case, the country brand is not a static property. Moments come at which things that used to be taken for granted are suddenly shaken up. In the case of the Italian industry, one can say that things are not exactly as they used to be. The Italian industry used to symbolise innovation and, to a certain extent, quality some years ago.

It did so for instance for the Catalan textile industry, to which the Italians were a role model local companies tried to imitate with poor success (curiously, Catalan textile retail, be it **Mango** or **Desigual**, left them far behind now).

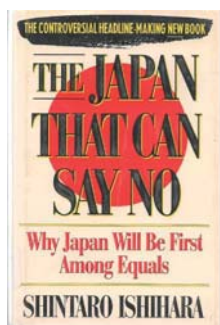
Part of this reputation has been kept in recent years – especially in top-end textile – but trust in Italian industrial products has declined. The

reasons probably have to do with the rise of other industrial cultures or sociological change in the perception of things competitors grasped faster. Looking at comments in the American media, one can now quickly infer increasing contempt of the overloaded design of Italian industrial artefacts to the benefit of stylised and simple products arisen from ICT manufacturing, like the iPod and similar devices.

The Japanese example

The most spectacular case of fragility of the country brand in the global market is found in Japan. In the 1980s, Japan's reputation was at its peak. Nissan advertised its products in Europe with a synthetic «the Japanese», taking for granted that this reflected the consensus and admiration Japanese technology had reached in car making and consumer electronics. Made in Japan was the result of Japanese entrepreneurship and perseverance following the country's big humiliation by the United States in post-World War II.

Japanese factories had become serious companies by then. Yet they only acquired the tools that were to allow them to reach international standard in the second half of the 1940s. At that time, Japan was an occupied country, submitted to foreign military administration under the United States that took four years to consider the possibility of making Japan an ally in the region. In that context, the chief of the



▲ The Japanese even theorised on America's decline on grounds of Japanese superiority.



▲ Nissan advertised its products in Europe with a synthetic «the Japanese».

occupation army, General MacArthur, called an American professor named Edwards Deming to Japan, a pioneer in quality control in manufacturing but relatively little known and considered in the United States.

Deming's teachings were followed with devotion by a whole generation of engineers and technicians who focused all the energy of a vanquished country on creating a new industrial fabric. This originated a whole industrial culture the fruits of which went around the world: the famous quality circles, just in time as a formula of stock management at companies and a human resource policy aiming at overcoming the conflict between labour and capital that came to be named «Toyotism» as it intended to overcome Fordism as a labour organisation method.

The Toyota case proves how country brands are fragile in the global world.

As early as in the 1960s, Toyota was standing out as a landmark in car making and Sony clearly dominated consumer electronics. Those who know that story talk of curiosity and humility as the big drivers of the Japanese miracle. And setting aside these two items is precisely what explains the later decline of the model, the origin



▲ Akio Toyoda appeared before the American Congress to admit Toyota's failure.

of which is set by historians in the early 1980s, when Japan had reached the peak of its reputation.

In 1985, a monetary agreement was reached at the New York Plaza Hotel by which the yen would be revaluated in order to slow down Japan's strong export boom. At the same time, **Shintaro Ishihara**, the right-wing governor of Tokyo, and **Akio Morita**, the soul of Sony, published «The Japan that can say no», where they based America's decline on grounds of Japanese superiority in a tone that struck by its radicalism

Seen with a perspective, Japanese cultural closure partly explains the later decline of its most important companies like Sanyo, Toshiba and Fujitsu.

Seen with a perspective, Japanese cultural closure partly explains the later decline of its most important companies. Towards the turn of the century, **Sanyo** saw how its business empire was dismantled; **Toshiba** and **Fujitsu** were forced to undergo deep reorganisation; Sony became a company much closer to Hollywood than Japanese culture; and **Mazda**, Nissan and **Mitsubishi** all finished joining foreign groups to address times marked by increasing competition from neighbours they had despised so far: South Korea and China.

What was left was Toyota, but it also fell victim to a crisis in 2009 originated by a concatenation of errors resulting probably from cutback in costs and growth above its possibilities. The day Akio Toyoda, president and member of the founding family owning Toyota, appeared before the American Congress to apologise for the failure of some of its best cars, Japanese – who were watching him on TV – knew that their country's reputation had reached its bottom.

Conclusion

Can the loss of a country's prestige abroad drag along its companies? The question is appropriate as it is relatively recent. The crisis that started in 2007 as one of finance and real estate, spilling over to the whole productive economy later, has become a crisis of countries by 2010, more specifically a crisis of indebted countries, which financial markets do not trust regarding their ability to comply with their duties.

The diagnose of a country done by rating agencies has become an obsession that biases the image of these countries in the eyes of public opinion.

As we have seen, the reputation of a country is a fragile issue in the global market, but categorisation and oversimplification in diagnostics as practised by rating agencies with every country has become an obsession in recent months that biases the image of these countries in the eyes of public opinion.

The burst of the Spanish real estate bubble contributed to the bad reputation of the Spanish economic model. Likewise, its banks and more recently uncertainty about its energy industry,

which used to be a role model abroad not a long time ago, have also been under constant criticism. Does all this affect the way companies operate abroad? The answer is complex as it is difficult to distinguish what is typical of times of crisis and funding difficulties from prejudice in terms of image. Yet in late June, as this article was written, the first news reported on problems Spanish companies were having in already signed contracts just because they are Spanish. So the country brand also bears its risks.

RAMON AYMERICH

Degree in Communication Science from the UAB.

Journalist and chief editor of economy at *La Vanguardia* newspaper.

He worked at *El Temps* and *El Observador*, among others. A former professor of Economic Journalism at the UAB and author of the book *Fet a casa. La innovació a les empreses catalanes* (Viena Edicions, 2007). Member of the *Paradigmes* Publishing Council.

<http://www.lavanguardia.es/economia/>

