Entrepreneurship, brands and the development of global business*

Empreendedorismo, marcas e desenvolvimento de negócios globais

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ABSTRACT
This paper provides an account of how entrepreneurs have contributed to the development of successful global brands in consumer goods industries along the twentieth century and why so few independent brands survived the merger waves of the 1980s. The industries analyzed are those where the promotion of the brand relies principally on advertising rather than the technology embodied in the product. Drawing on cross-industry and cross-country comparisons of brands in consumer goods, and using a ‘stretched’ definition of the entrepreneur, the paper highlights the entrepreneurial and innovative strategies pursued by brand managers. It emphasizes the role of distinct types of entrepreneurs and marketing knowledge in the creation and development of brands in successful global businesses.

Keywords: successful global brands; entrepreneurs; marketing knowledge.

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RESUMO
Este artigo analisa a maneira como os empreendedores contribuíram para o desenvolvimento de marcas globais bem sucedidas na indústria de bens de consumo no século XX, e porque, assim, tão poucas marcas independentes sobreviveram às ondas de fusão dos anos 1980. As indústrias analisadas são aquelas nas quais a promoção de marca baseia-se, principalmente, no anúncio publicitário e não na tecnologia carregada pelo produto. Desenhando uma comparação cruzada na indústria e comparações cruzadas entre países das marcas em bens de consumo e usando uma definição “ampliada” de empreendedor, o artigo salienta as estratégias empreendedoras e ino-vadoras, buscadas por gerentes de marca e dá ênfase a tipos distintos de empreendedores e de conhecimento de marketing na criação e no desenvolvimento das marcas em negócios globais bem sucedidos.

Palavras-chave: marcas globais bem sucedidas; empreendedores; conhecimento mercadológico.

OVERVIEW
There is a wide literature in business history, economics and management studies on the role of the entrepreneur in explaining the growth of firms and of successful brands. These studies tend to focus on a single entrepreneur, who was usually the founder of the firm, and created a single successful product and brand with distinctive characteristics. This study expands the definition of the entrepreneur, allowing us to consider innovative management as a kind of entrepreneurial activity. Furthermore, while researchers such as Schumpeter tend to associate the role of the entrepreneur with invention and innovation in technology-based industries, here the analysis focuses on marketing-based industries, where innovation relies on other activities such as branding. Marketing knowledge is defined as the intelligence and skills that exist within the firms concerning the management of brands and distribution channels.

This study examines the lives of successful brands in global marketing-based industries and traces their trajectories, from the time they were created until the present day. It analyses the roles of the entrepreneurs and entrepreneurial managers that helped develop those brands. Successful brands are defined as those that became
leading (measured in terms of market share) in their product categories in the relevant markets (domestic or global). Global brands are those sold in multiple markets using similar marketing strategies, even if in practice only a small number of such markets accounts for most of the sales. In this study a brand is considered to go from international to global when there is almost total standardisation in the marketing strategy of that brand across different markets.¹

The industries analysed are those where the promotion of the brand relies principally on advertising (brand image and other intangible assets) rather than on product performance (attributable to tangible assets such as high quality production plant).² In such industries, conventional forms of invention (associated with patenting) are minimal, and so we must look elsewhere for innovative behaviour. Relevant industries include food and drink, fashion and cosmetics. Some of the global brands studied are Smirnoff vodka, Carlsberg beer, Perrier water, Lancôme beauty products, Gucci fashion, Nescafé coffee, and KitKat chocolate.³ Some of these are long-established brands, going back to the nineteenth century, whilst others are more recent. The key finding is that the long-run success of a global brand depends not just on the entrepreneurial flair of the individual founder but on the subsequent refinement and rejuvenation of the brand by entrepreneurial marketing managers in multiproduct multinational firms.

The choice of a group of successful brands in particular industries leads naturally to the selection of firms to be analysed. These are firms which owned such brands at particular points in time. Some are leading multinationals, whilst others are small firms. As the paper will show, frequently the personality-centred entrepreneurs who created the brands are distinct from the organisation-centred entrepreneurs who, from managerial positions, adapted the brands to changing supply and demand conditions by turning them into successful global brands.

² In order to place a particular brand and the industry where it operates in this spectrum of alternatives we can use a proxy – number of patents registered each year weighted by the size of the industry. See for example United States Patent and Trademark Office, Patent Counts by Class by Year, Jan. 1977- Dec. 31, 2001.
³ See these brands rankings in the world’s top brands in Interbrand, The 2006 Best Global Brands Report, 2006.
Most of the brands analysed changed ownership during their lives. Many of the brands have outlived the firms that first developed them. This is just a consequence of the method of sampling used in this paper, but appears to reflect a basic feature of the lives of brands in consumer goods industries. Only a few global brands have remained in the ownership of the same firm throughout their lives. Most of the firms concerned are controlled by families, trusts, or a small group of major shareholders. They have been relatively immune to pressure from independent shareholders to maximise short term payment of dividends. They also tend to be headquartered in a country in which larger firms can rely on long-term support from banks rather than being obliged to issue equity to finance expansions, as is the norm in some countries; examples are Carlsberg from Denmark, Asahi Brewery from Japan, and Nestlé from Switzerland.

The study goes beyond conventional analysis of the role of the entrepreneur in the growth of firms. The cross-industry and cross-country comparison of entrepreneurial activity highlights the role of different types of entrepreneurs and of distinctive kinds of marketing knowledge in the creation and development of successful global brands. It first analyses and compares the traditional concept of entrepreneur with the ‘stretched’ version used here. It then analyses the different trajectories followed by the sample of brands in their lives. The cases are classified according to the types of trajectories. The study then looks at the relationship between the stages in the lives of brands, types of entrepreneurs and resources they require. The conclusion highlights the evolving needs for different types of entrepreneurs and resources in the lives of brands, and considers the applicability of this analysis to other industries.

**Traditional versus stretched definitions of entrepreneur**

It has been widely acknowledged that entrepreneurship and innovation are vital forces in explaining the development of big business, international business and global competitiveness of economies in general. Yet, there is little consensus about what en-
entrepreneurial activity and innovation actually entail. Conventional studies define the entrepreneur as ‘someone who specialises in taking judgemental decisions about the coordination of scarce resources with an economic aim and under conditions of uncertainty’. This means that the entrepreneur is not necessarily a capitalist or an inventor, but instead is someone who is not afraid of risk and who ‘gets things done’ with an economic aim. Following Casson (1982), this paper uses a stretched definition of the entrepreneur, in this study the traditional and the stretched definition of the entrepreneur differ in the type of entrepreneurial activities they engage in, and the resources they require. This economic definition has much in common with the distinction in the managerial literature between exploratory and exploitative behaviour of firms. The traditional entrepreneur focuses exclusively on exploration, while the ‘stretched’ entrepreneur is involved in exploitation too. The traditional entrepreneur originates new products of consistent quality and gives those products their brand names. Traditional entrepreneurs are usually associated with single brand firms, especially family businesses, which have a deep knowledge of their local environments. The stretched entrepreneur has the additional capability to extend, rejuvenate and globalise existing brands, using a different kind of marketing knowledge. The ‘stretched’ entrepreneur may work in either a small independent firm – which he grows into a

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large firm – or he may work in large firm from the outset, normally as a marketing director or CEO. If we leave aside newly established sectors, particularly those of the ‘digital economy’ and focus on well-established firms, it seems little more than a truism to argue that the traditional type of entrepreneur was more common in the late nineteenth and early twentieth century, as these firms were set up, while the ‘stretched’ type is more characteristic of developed countries in the second half of the twentieth and early twenty-first century, as established firms looked for new markets and new ways of doing business. 8

**Brands’ trajectories**

This study develops the concept of the ‘life of brands’ to explain why and how, in different industries, brands emerge, evolve and become global, staying ‘forever young’. It traces the lives of brands from their creation until the present day. However, particular focus is placed on the period from the 1980s, when liberalisation of markets took place, world trade and foreign direct investment increased and the global merger waves accelerated. In this process only a small number of successful global brands survived independently, not changing hands.

During the period covered trademark legislation was in force in the major economies, and so were brands or trademarks as legally defensible proprietary names. Brands are recognised by consumers as a signal that the product satisfies basic requirements for consistency and quality (so-called vertical differentiation) and that it embodies a unique combination of characteristics that differentiates it from other brands (so-called horizontal differentiation). 9

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Brands are seen as an important mechanism by which firms communicate with consumers and cultivate their loyalty. They add value to the firm by sustaining a continuing revenue stream because of the consumer propensity for long-term brand loyalty.\textsuperscript{10} Brands also create ‘personalities’ for products or services.\textsuperscript{11} These personalities usually combine performance or tangible characteristics of products with imagery or intangible characteristics. In some cases such as in the automotive industry, the performance aspects outweigh other characteristics of the personality of the brand.\textsuperscript{12} In others, imagery predominates.\textsuperscript{13} This is the case of alcoholic beverages brands for example, as production technologies tend to be quite standardised, in either, wines, spirits or beer.\textsuperscript{14} The account provided here of the evolution of firms and brands in the beauty industry, bottled water, chocolate, and fashion, where technological innovation is not in itself a condition for competitive advantages of the firm and success of the brand, also aims to show the importance of imagery in marketing. The concept of the ‘life of brands’ is used here to illustrate the different trajectories followed by individual brands. Table 1 lists the lives of the brands analysed in this study. It shows the industry where the


\textsuperscript{12} However, car companies are increasingly investing in marketing campaigns which highlight intangible aspects of the products creating associations of status or lifestyle with the product.

\textsuperscript{13} The intangible characteristics of brands can either be functional and objective (such as quality, value for money and consistency) or abstract and emotional (reflecting psychological and social values such as prestige associated with products from a certain region or country and heritage). Leslie de Chernatony, Brand Management (Aldershot, 1998); Leslie Chernatony and Francesca Dall’Olmo Riley, ‘Defining a Brand: Beyond the Literature with Experts’ Interpretations’; Journal of Marketing Management, Vol.14, No.5 (1998): 417-43; S. King, Developing New Brands (Bath, 1973).

brands are from, when they were launched and the different owners they have had. It also shows the countries of origin of these owners, down to the present day. Ownership refers either to the names of the personality-centred entrepreneurs who created and developed the brands or the names of those firms whose organisation-centred entrepreneurial managers transformed those brands into successful global brands.

Table 1 indicates four key patterns in the lives of imagery brands, irrespective of their industry. Firstly, very few brands (Carlsberg, Nescafé and Asahi Super Dry) remained successful and became global under the single ownership and management of the entrepreneurs who created them or their descendants. Secondly, brands may change ownership in multiple ways. They may be traded together with the firms that own them, through mergers and acquisitions; may involve just the transfer of brand ownership independently from firms; or just the transfer of ownership through licensing agreements. Thirdly, ownership of modern brands is concentrated in a relatively small number of countries. The high levels of investment necessary to manage global branded products, and the complex networks required to distribute them worldwide, explain why these global brands are based in Western countries such as the United Kingdom, United States, France and Switzerland or Japan, in which organisation-centred entrepreneurs have opportunities to prove their worth, and receive recognition for their success. These are also countries where the nature of the educational system (in particular with the specialization of degrees), the relative status of entrepreneurial careers, the regulatory environment, the religious beliefs and the entrepreneurial culture in general, are all favourable to the development of entrepreneurship. The fourth pattern concerns the timing of changes in brand ownership. There was a high turnover in the ownership of brands during the 1980s, when the

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15 UNCTAD statistics show that a high proportion of outward foreign direct investment in consumer goods industries is concentrated in a very limited number of countries. World Investment Report (New York, 2002).

Table 1 – The life of brands

<table>
<thead>
<tr>
<th>Industry/Brand</th>
<th>Date of origin</th>
<th>Ownership</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smirnoff</td>
<td>1854</td>
<td>Vladimir Smirnoff</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>1933</td>
<td>Kumm et al.</td>
<td>USA, USA, UK, UK</td>
</tr>
<tr>
<td></td>
<td>1939</td>
<td>Heublein</td>
<td>UK, USA, UK, UK</td>
</tr>
<tr>
<td></td>
<td>1947</td>
<td>Grand Metropolitan</td>
<td>UK, USA, UK, UK</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Diageo</td>
<td>UK, USA, UK, UK</td>
</tr>
<tr>
<td>Anheuser-Busch</td>
<td>1925</td>
<td>Thomas Badenhausen</td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>1934</td>
<td>Guinness</td>
<td>UK, USA, UK, UK</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Diageo</td>
<td>UK, USA, UK, UK</td>
</tr>
<tr>
<td>Carlsberg</td>
<td>1847</td>
<td>Carlsberg</td>
<td>Denmark</td>
</tr>
<tr>
<td>Bombay Sapphire</td>
<td>1908</td>
<td>Grand Metropolitan</td>
<td>Mexico</td>
</tr>
<tr>
<td></td>
<td>1937</td>
<td>Bombay</td>
<td>Mexico</td>
</tr>
<tr>
<td>Corona</td>
<td>1923</td>
<td>Modelo</td>
<td>Mexico</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>Modelo - 50% investment by Anheuser-Busch</td>
<td>Mexico</td>
</tr>
<tr>
<td>Asahi Super Dry</td>
<td>1987</td>
<td>Asahi Brewery</td>
<td>Japan</td>
</tr>
<tr>
<td>Bottled Water</td>
<td>1887</td>
<td>Louis Perrier</td>
<td>France</td>
</tr>
<tr>
<td>Perrier</td>
<td>1888</td>
<td>Sir John Harmsworth</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1903</td>
<td>Guinness</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1947</td>
<td>的所有者</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1950</td>
<td>Esso</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1992</td>
<td>Nestlé</td>
<td>France</td>
</tr>
<tr>
<td>Evian</td>
<td>1979</td>
<td>de Lessert</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>n/a</td>
<td>Société Anonyme des Eaux Minérales d'Evian</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1969</td>
<td>Société</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1971</td>
<td>BSN</td>
<td>France</td>
</tr>
<tr>
<td>Fashion</td>
<td>1946</td>
<td>Christian Dior and Marcel Boussac</td>
<td>France</td>
</tr>
<tr>
<td>Dior</td>
<td>1972</td>
<td>Sidi trademark for perfumes and cosmetics to</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1978</td>
<td>SHI</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1984</td>
<td>Agache</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>Agache</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>LMHI (Bernard Arnault)</td>
<td>France</td>
</tr>
<tr>
<td>Gucci</td>
<td>1881/1921</td>
<td>Gucci (CEO)</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>1987</td>
<td>50% Gucci Family, 50%</td>
<td>Italy, Switzerland</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>InvestCorp</td>
<td>Italy, Switzerland</td>
</tr>
<tr>
<td></td>
<td>1996</td>
<td>100% InvestCorp</td>
<td>Italy, Switzerland</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>Fully Publicly owned</td>
<td>Italian</td>
</tr>
<tr>
<td>Fragrances and upmarket cosmetics</td>
<td>1933</td>
<td>Lilincome</td>
<td>USA</td>
</tr>
<tr>
<td>Edicome</td>
<td>1955</td>
<td>Lilincome</td>
<td>USA</td>
</tr>
<tr>
<td>Heelien Rubenstein</td>
<td>1902</td>
<td>Heelien Rubenstein</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>1978</td>
<td>Colgate</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>Allied Enterprises</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>Palmolive (51%) + L’Oréal (40%)</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>L’Oréal (100%)</td>
<td>USA</td>
</tr>
<tr>
<td>Hugo Boss</td>
<td>1923</td>
<td>Hugo Boss</td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>Procter &amp; Gamble – Licensing agreement</td>
<td>Germany</td>
</tr>
<tr>
<td>Calvin Klein</td>
<td>1968</td>
<td>Bruce Schrauz and Calvin Klein</td>
<td>USA</td>
</tr>
<tr>
<td>Mature Wear and Licensing agreement</td>
<td>1995</td>
<td>Calazo – Licensing agreement</td>
<td>USA</td>
</tr>
<tr>
<td>Coffee</td>
<td>1938</td>
<td>Nestlé</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Nestle</td>
<td>1971</td>
<td>Starbucks (Howard and Baldwin)</td>
<td>USA</td>
</tr>
<tr>
<td>Starbucks</td>
<td>1987</td>
<td>Il Giornale (Howard Schultz)</td>
<td>USA</td>
</tr>
<tr>
<td>Chocolate</td>
<td>1935</td>
<td>Rowntree</td>
<td>UK</td>
</tr>
<tr>
<td>Kellogg</td>
<td>1909</td>
<td>Rowntree merger with</td>
<td>UK</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>McKinnon</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Cadbury</td>
<td>1924</td>
<td>Cadbury</td>
<td>UK</td>
</tr>
<tr>
<td></td>
<td>1919</td>
<td>Cadbury and J. S. Fry and Sons</td>
<td>UK</td>
</tr>
<tr>
<td></td>
<td>1969</td>
<td>Cadbury merger with Schweppes</td>
<td>UK</td>
</tr>
</tbody>
</table>

Sources: various companies’ archives, histories, newspaper articles, and annual reports and accounts.
accelerating globalization of leading economies had a significant effect on the structure of global consumer goods industries. The marketing and logistical strategies of the leading firms began to converge as they switched from a regional to a global focus. Multi-market competition emerged between a small group of large multinational firms with high levels of marketing knowledge. A key aspect of this corporate globalisation strategy in the alcoholic beverages industry was to acquire existing regional brands which were believed to have the potential to become global, so that the acquiring firm could rapidly obtain market share in new geographic regions, while maintaining high levels of control over implementation in terms of costs and time. During this period, new opportunities appeared in some emerging markets in Africa, Latin America, and Asia where rising incomes stimulated an interest in western lifestyles and brands.

The net result of all these changes is that ownership of brands in food, drink and cosmetics is now highly concentrated on a small group of multinationals: Bacardi, Diageo, Danone, Louis Vuitton Moët-Hennessy (LVMH), Pinault-Printemps-Redoute, L’Oréal, Procter & Gamble (P&G), Unilever and Nestlé. Amongst the many brands owned by these firms are the world’s most valuable brands.

**STRATEGIES FOR GLOBAL SUCCESS: SINGLE-FIRM BRANDS**

Some brands were able to become globally successful while remaining, throughout their lives, under the management of the personality-centred entrepreneurs who created them (often the founders of firms) or their descendants. Other brands only become successful when they change ownership, and become managed by organisation-centred entrepreneurs distinct from those who created them.

17 See, for instance the case of alcoholic beverages Teresa da Silva Lopes, Global Brands (New York, 2007).

18 This route of expansion can have both advantages and disadvantages. On the one hand, firms may acquire large portfolios of complementary brands. On the other hand, problems of brand rationalisation may arise due to the acquisition of brands that compete with ones already in the firms’ existing portfolios.

19 Johnson & Johnson and Colgate-Palmolive are also included in this group of multinationals. Interbrand, Best Global Brands 2006 - A Ranking by Brand by Value (2006).
BRANDS CREATED AND RETAINED BY SMALL HIGH-GROWTH FIRMS

Examples of brands which became successful and global under the management of their original entrepreneurs or their descendants are the Danish beer Carlsberg and the fashion brand Gucci. But there are differences in the ways these brands developed. Carlsberg achieved international success soon after it was created, while Gucci achieved success several years after its creation. However, both became global brands only after their original entrepreneurs had died.

Carlsberg beer was produced for the first time in 1847 after J. C. Jacobsen created a new lager beer that was stronger and had higher quality than its competitors in Denmark.\(^\text{20}\) The early success of the brand Carlsberg is not associated with the domestic market, but also with its exports. The firm started exporting to the United Kingdom in 1868. By the end of the twentieth century Carlsberg was one of the most global beer brands in the world. Currently around ninety five percent of Carlsberg sales are generated outside the home market.\(^\text{21}\) After World War II, the firm started intense marketing campaigns to sell more beer abroad.\(^\text{22}\) Between 1958 and 1972 exports had tripled, and Carlsberg established breweries in Europe and Asia. In 1969 Carlsberg also merged with its major Danish competitor Tuborg.\(^\text{23}\) Slogans such as ‘Carlsberg is probably the best lager in the world’ were also launched in the 1970s.\(^\text{24}\) The advertising still emphasises the inter-

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\(^{20}\) One of those competitors was Jacobsen’s son, Carl Jacobsen, who established a production unit in an Annexe of J.C. Jacobsen plant in 1871 producing a beer branded as Ny Carlsberg. The use of a similar brand name by the son, led J.C. Jacobsen to sue his son. Both breweries were united under the same ownership - a foundation - in 1902, after the death of both father and son. Kristof Glamann, Jacobsen of Carlsberg – Brewer and Philantropist (Copenhagen, 1991), 216-17.

\(^{21}\) In 2005 Carlsberg sold 3.4 mil hl of beer in Denmark out of 68.9 m hl sold in total. Carlsberg, Annual Report and Accounts, 2005.

\(^{22}\) Glamann, Jacobsen of Carlsberg. For instance, Carlsberg had around 42-44 percent of the Danish market in the 1920s.

\(^{23}\) In 1968 it made its first investment in a foreign market by setting up brewing operations in Malawi, and 1969 it created it first licensing agreement in Cyprus. An important step in its process of internationalization strategy was the joint venture created with Grand Metropolitan in 1974 to sell Carlsberg in the UK, in a period when tastes were changing towards lighter beers in that market. The United Breweries Ltd., Annual Reports and Accounts, 1969/70; 1970/71; 1975/76.

\(^{24}\) This slogan was launched in the UK in 1975 with a voice over by Orson Wells. United Breweries, Annual Report and Accounts, 1975/76.
national prestige image of the brand and also the original values of the founder (J. C. Jacobsen) of heritage and high quality. The fashion brand Gucci also became successful while its creator was alive even though that occurred later in his life. The House of Gucci was founded as a saddlery shop in Florence in 1881. But it was only in the 1920s that Guccio Gucci started producing luxury luggage. He learned that his clients were gradually replacing equine transportation with horseless carriages and that luggage functioned as a symbol of affluence and taste. In the 1950s Guccio Gucci diversified in other luxury items such as ties, shoes and handbags sporting a bamboo handle. He died in 1953 and his family took the successful company to new heights by opening stores in fashionable locations such as Paris, Beverly Hills, London, Palm Beach and Tokyo. During the 1980s the brand suffered some erosion due to family disagreements and over-licensing, and was sold out to InvestCorp in Bahrain, which failed to improve the global image of the brand. In the 1990s under new ownership Gucci was brought back to centre of chic. In the late 1990s the threat of its acquisition by Bernard Arnault, the owner of Louis Vuitton Moët-Hennessy (LVMH), led the management of the firm to sell it to another French multinational Pinault-Printemps-Redoute, which invested highly in Gucci’s global image.

BRANDS CREATED BY LARGE MULTI-BRAND FIRMS

Carlsberg and Gucci both represent brands that were created by small firms which then retained ownership of a single brand and which over time delegated the control of the brand to professional teams. The controlling family successfully adapted from being personality-centred entrepreneurs to organisation-centred entrepreneurs over several generations (although the Gucci family finally sold out). Other brands, however were created by large firms which already had one or more existing brands under their control. In this case it was the organisation-centred entrepreneurs

who were running these firms that adapted their organisations in order to foster intrapreneurship, and thereby enhanced their capabilities to innovate new brands. The advantage of innovation by a large firm is that once the brand takes off, the firm already has access to the skills and the capital required to develop it. Such development includes rejuvenation, globalisation, and possible extension to other products. It might be expected, however, that the brands created by a team of managers led by an organisation-centred entrepreneur do not represent such a radical innovation as those effected by successful smaller firms, and the evidence suggests that this is indeed the case. The new brands created were often closely related to existing brands possessed by the firm, and may, for certain purposes, be seen as natural extensions of them. This is illustrated by the case of Asahi Super Dry discussed below. By contrast, Nescafé and KitKat were radical innovations which bore little relationship to its creator’s existing portfolio of brands.

An entrepreneurial CEO of a large firm may authorise his marketing department to carry out market research designed to identify emerging product niches which remain to be filled. The newly discovered niches can then be filled either by the extension of an existing brand (as in the case of Asahi Super Dry), or the creation of a new brand, or some compromise between the two (as in the case of Nescafé below). The firm may also hire new managers and consultants in order to temporarily boost the creative resources at the firm’s disposal (as in the case of KitKat). A more permanent solution may be obtained by changing the firm’s recruitment policies, and hiring new managers with stronger entrepreneurial capabilities.

The Japanese beer Asahi Super Dry launched in 1987 by Asahi Brewery as an extension of Asahi Draft beer, was in fact based on a revolutionary innovation which was product based (its ingredients and production process). In the late 1980s the Japanese beer industry was suffering a variety of demographic, dietary, social, economic and distribution changes that affected the demand for beer. Whereas Japanese consumers traditionally exhibited strong brand loyalty and conservative taste, the modern drinkers were eager to try new types of beer. This was also a

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difficult period for the firm, which was on the edge of bankruptcy and was therefore sufficiently desperate to risk a frontal attack on the industry leader, Kirin. Asahi Super Dry, targeted an unexploited niche of the Japanese market koku-kire, “rich in taste and yet also sharp and refreshing.” The level of sales not only surpassed those of any other brand owned by the firm but led Asahi Brewery in 2002 to become Japan’s top beer brand.29

Nescafé soluble coffee is another illustration of a global brand which was launched by a team of managers in a large multi-brand multinational.30 Since the late nineteenth century, with the development of modern consumer society, there were several attempts by entrepreneurs to produce a soluble coffee. The First World War, due to the supply for troops, increased that demand. But the products offered did not correspond to the aroma of a coffee from freshly roasted beans, were not durable, were too expensive and not satisfactorily soluble in a liquid.31

Nescafé was created by Nestlé from Switzerland in 1938.32 The new brand resulted from a combination of internal motivations within the firm and external opportunities. Nestlé, was starting to suffer an economic crisis due to its high reliance in two major market segments – mothers and babies.33 Nestlé’s management felt it was important to find a product to target men.34 Nestlé had investments in the Brazilian market since the 1920s. In the early 1930s the board of Directors of the Banque Française et Italienne pour...

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30 Henri Nestlé started producing formula milk in 1843 in Switzerland. He tried to convince doctors, pharmacists and hospitals, but it is the mothers that start using his formula milk after evidence that he had saved a premature baby. In 1905 Nestlé merged with the Anglo-Swiss Condensed Milk Company, and throughout the 1920s and 1930s continued growing acquiring other companies. After the World War II Nestlé diversified by first creating an alliance with the chocolate producer Vevey, and subsequently merging with this firm. In 1947 by merging with Maggi (a large Swiss multinational famous for its sauces and soups).

31 Albert Pfiffner, ‘A Real Winner One Day: The Development of Nescafé in the 1930s’ in Roman Rossfeld (Hrsg.), Genuss und Nüchternheit. Geschichte des Kaffees in der Schweiz vom 18 (Baden, 2002).

32 Rapport au Conseil d’Administration, Séance du 10 Juin 1928 à Cham’; Nestlé Historical Archive.

33 Heer, Nestlé – 125 Years.

34 Letter from E. Muller (Vice President Nestlé) to J. W. Gwynn (Managing Director of N.M.P. Ltd.), 15 April 1937; Nestlé Historical Archive.
l’Amérique approached Nestlé’s management with a view to get some help to foster the consumption of coffee on account of the excess stocks they had in Brazil. Nestlé’s laboratories started research to try to find a dry coffee extract which could be prepared instantaneously, having appointed to main chemists - Bakke and Morgenthaler. After 4 years of unsuccessful research Nestlé management decided to abandon the project. However, one of the scientists Morgenthaler continued the experiments on his own account, until he found an adequate formula for instant coffee in 1936. After showing Nestlé’s management his findings, the company decided to launch the product. As soon as it was launched in 1938, Nescafé instant coffee quickly became very popular.


KitKat is another good illustration of a brand launched by a firm in a difficult period, which overcame its internal problems by hiring new managers and also consultants. The aim was to create a line outside of the direct Cadbury chocolate competition. The product was created by Rowntree in 1935 and was initially branded as ‘Chocolate Crisp’, having changed its name to KitKat in 1937. The 1930s was a period when Rowntree was almost facing bankruptcy, and as a result of that the firm hired new professional managers, among which was George Harris, who also married into the Rowntree family. Harris emulated the successful strategy for the

35 Letter from E. Muller to H. Kuhlmann, Rio de Janeiro, 18 March 1937; Nestlé Historical Archive, SG 11 541.
37 Rapport au Conseil d’Administration, Séance du 10 Juin 1938 à Cham; ‘Roasters Turn to Soluble Coffee Business: Roasters Caught in Prize Squeeze find Solubles a Possible Solution’, Tea and Coffee Trade, March 1953; Soluble coffee: what caused phenomenal sales increases?, Tea and Coffee Trade (1953), 105, N°3.
38 Chairman’s Reports on York to General Board, 1933-1935’, Rowntree Archive, R/B/2/2.
40 The brand KirKat was first registered by Rowntree in 1911 and renewed in different periods since then (1925, 1939, 1953, 1967). Register relating to applications for the Registration of Trademarks, Rowntree Archives, Borthwick Library, R/DP/F/19.
penetration of Mars in the British market, by creating new brands to target niche markets. Aided by the new technique of market research and the flair of the J. Walter Thompson advertising agency, a stream of winning products such as KitKat were launched. By the outbreak of World War II, Rowntree had undergone a marketing revolution and recouped much of the ground lost to its rivals.\textsuperscript{41} Rowntree’s internationalization starts after 1945 not only through exports but also through foreign direct investment in markets such as Australia, Canada, South Africa and Ireland.\textsuperscript{42} By early 1950s the growth of the firm meant that it created separate product divisions, each with a different marketing manager (confectionary, grocery and chocolate), and also marketing strategy committees.\textsuperscript{43} However, Rowntree failed to diversify successfully in the 1960s, the same decade when the confectionary market stagnated and international competition intensified. This led to the merger in 1969 with Mackintosh, another confectioner with brands such as Rolo and Quality Street.\textsuperscript{44} Like the merger between Cadbury and Schweppes, the combine looked forward to combining two strongly marketing-oriented companies in confectionary and grocery, and obtain economies in marketing, distribution and production planning.\textsuperscript{45} Rowntree-Macintosh was acquired by Nestlé in 1988 in a hostile takeover. Despite its very respectable financial performance and its innovative record, Rowntree was perceived as an underperformer in stock market terms, as there was a generalized view that the company could have done better in the past twenty years.\textsuperscript{46} The

\textsuperscript{41} Other brands launched in this period were Aero, Smarties and Black Magic chocolates. Robert Fitzgerald, Rowntree and the Marketing Revolution, 1862-1969 (Cambridge, 1995).
\textsuperscript{42} File with Information about Overseas and Exports Division, Rowntree Archive R/DH/SC/16.
\textsuperscript{43} Letter from 1952 with the retirement of G. J. Harris. Rowntree Archive, R/B3/LO/1
\textsuperscript{44} Letter from Donald Barron (Chairman of Rowntree) to the Shareholders of Mackintosh announcing the merger (22 May 1969), Rowntree Archive R/BJ/BJB/4; ‘Rowntree and Company and John Mackintosh and Sons Limited – Press Release’ (2 April 1969), Rowntree Archive R/B2/5.
high price Nestlé paid for Rowntree’s shares reflected the company’s powerful brands and their potential for profitable expansion into world markets. This acquisition by a leading multinational in chocolate allowed the brand KitKat to become global.\textsuperscript{47}

**SMALL FIRMS THAT GROW A BRAND UNDER THE UMBRELLA OF A LARGER FIRM**

A small firm that lacks the large–firm capabilities to develop the brand it has created may find it more convenient to operate under a ‘big firm umbrella’ than to attempt to ‘go it alone’. An experienced large firm may inject capital into the small firm through long-term trade credit, a loan, or a minority equity stake. It gives the small firm access to its international marketing and distribution network, in return for interest payments and a share of the profit. An interesting example of this strategy concerns the Mexican beer brand Corona, produced since 1925 by Modelo, which enjoyed rapid international growth, beginning in the 1980s when it started forming alliances with the American brewer Anheuser Busch. In 1998 this leading multinational acquired a 50 percent non-voting stake in Corona’s Grupo Modelo which owned the leading beer brand in Mexico.

**THROUGH ANHEUSER BUSCH**

Busch which distributes the brand in most of the states, Corona became the leading imported beer brand in the United States.\textsuperscript{48}

**STRATEGIES FOR GLOBAL SUCCESS: MULTI-FIRM BRANDS**

The brands in Table 1 tend to change ownership in two main ways: by merger and acquisition, or by arm’s length contract. Mergers and acquisitions have been the most common form through which brands have moved their ownership. While in acquisitions one of the firms obtains control over the net assets and operations of another, in mergers the shareholders pool their assets and jointly control them.\textsuperscript{49} Acquisitions have been more important than mergers in the food, drink and cosmetics indus-

\textsuperscript{48} Anheuser Busch, Annual Report and Accounts (2005); ‘Modelo Sharpens Overseas Focus and it Rides Bumpy Road in the US, Impact (15 November 2005).
\textsuperscript{49} International Accounting Standards (Rochester: Staples Printers, 1996).
tries. Contractual arrangements may involve either the sale or the licensing of the brand.

Acquisitions by organisation-centred entrepreneurs Starbucks coffee, Perrier water, Evian water, L’âncome and Helena Rubinstein are all examples of brands which only became successful global brands after changing ownership, and becoming managed by entrepreneurs who acquired them from their creators (or their successors). Starbucks is a relatively young coffee brand created in 1971 by two entrepreneurs Bowker and Baldwin who started selling it as high quality coffee in Seattle. Another entrepreneur, Howard Schultz, who at the time worked in a different business realized that the baby boomers in the United States were starting to reject pre-packaged food in favour of more natural and higher quality products. In 1981 Schultz contacted this Seattle company about the possibilities of transforming their business into a high quality national business, re-creating the Italian bar-culture in their home market. The management of Starbucks hired Schultz in 1981, but in 1983 he left to start his own coffee chain called Il Giornale. In 1987 Starbucks came up for sale, and Schultz’s chain bought it, from which time Schultz began to internationalize the brand. It was his understanding of the changing social trends that led him to promote premium coffee sold in a relaxed and informal retail environment. The powerful brand was a key factor of success helping create a mass market for speciality coffee.\(^5^0\)

In 1898 ‘Perrier’, a medical researcher and proponent of the virtues of thermal water, applied for a variety of patents and established the ‘Société des Eaux Minérales, Boissons et Produits Higiéniques de Vergeze’. Using English capital from 1903, the firm first sold Perrier in England and the British Empire. Only in 1933 did it turn to the French market, merging in 1936 with Eaux Minérales de Vergèze. In 1947 it was acquired by Gustave Leven who, through mergers and acquisitions of other water springs and mass advertising, revolutionized the bottled water business and caught his main competitors, Evian and Vittel.\(^5^1\)

\(^{50}\) Howard Schultz and Dori Jones Yang, Pour Your Heart into It; How Starbucks Built a Company one Cup at a Time (New York, 1997); ‘Howard Schultz and Starbucks Coffee Company’ in Nancy F. Kohen, Brand New – How Entrepreneurs Earned Consumers’ Trust from Wedgwood to Dell (Cambridge, Mass., 2001).

In the mid-1970s, Leven took the brand to the United States, despite being advised by several consulting firms that it would be foolish to try to sell sparkling water in the land of Coca Cola and ‘gin and tonic’ drinkers. The saturation of the French market, and the campaigns against soft drinks with added sugar, had served as strong incentives for this investment decision. Its immediate success created a substantial market in the United States for bottled water. The marketing of Perrier positioned it as a status drink for the fashionable and affluent.

The opportunities afforded by the global potential of the brand, coupled with the high cost of transporting and distributing a bulky low-value product like water, created a strategic need to control international distribution, Perrier therefore began to acquire other water firms which held dominant positions in other foreign markets. For instance, in 1980 Perrier group acquired several American bottled water firms with a strong regional presence, such as Poland Spring Corp. and Calistoga Mineral Water Co, in order to reduce the costs of shipping water great distances. Leven also continued investing heavily in marketing by creating different adverts such as ‘De l’eau qui fait Pschitt’. In 1992 Perrier was acquired by Nestlé, after Leven retired and the brand started suffering some erosion. During this decade Nestlé turned Perrier into a truly global brand and invested more in the bottled water business, by acquiring sources such as San Pellegrino mineral water. In 1999 Nestlé started rolling out its Nestlé Pure Life bottled water and in 2003 acquired Hutchison Wham Powwow and also Clear Water, a bottled-water home and office delivery company located in Russia.

Evian bottled water provides another case in which the brand was developed after the firm was purchased. Evian water is differentiated from most other bottled water brands in that the product is not filtered or processed in any way. Source Cachet, the spring

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55 The European Commission ruled that Volvic, should be disposed. Volvic was then acquired by the French group BSN which already had Évian and Badoit. ‘Bruxelles joue les sourciers avec Perrier’, La Croix L’Événement, 24 July 1992; ‘Perrier devra vivre sans le flair de Gustave Leven’, La Tribune de L’Expansion, 2 July 1990.
from which Evian is obtained, was discovered in 1789 near Mont Blanc in France. Soon after this discovery a health resort was constructed at the site. The beverage was first bottled in 1826 and sourced from the Chablais foothills in the Haute Savoie region of France. Until the mid-twentieth century Evian was sold in pharmacies and could only be bought with medical prescription. It was only in the 1960s in France, and the mid-1970s in other countries that bottled water experienced a sudden surge in popularity and the brand became famous internationally.\(^{56}\) By 1969 Evian was suffering from a depressed equity market in France and also the price controls imposed on mineral waters, and ended up being acquired by BSN (Boussois-Soucho-Neuvesel) whose management had major marketing capabilities.\(^ {57}\) At the time this firm produced glass bottles, industrial containers, flagons and table glassware. However, the management of BSN felt that it was losing its competitiveness in the glass bottle industry, and so it decided to diversify into its contents such as water and beer. In 1973 BSN merged with Danone, which started to develop the water business globally.\(^ {58}\) Since then Evian’s management has invested in globalising the brand, being very innovative in the way they bottled the water. They were the first to develop plastic bottles in 1978; to switch to plastic screw-tops in 1984; and to introduce handles on the packages in 1988. These and other innovations allowed Evian to grow even in periods of stagnation of consumption.\(^ {59}\) Currently Evian is the number one selling brand of non-carbonated bottled water in the world.\(^ {60}\)

Lancôme in cosmetics is another example of a brand that became globally successful only after it changed ownership. The brand was created in 1935 by a French entrepreneur Arman

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Petitjean, who had studied with François Coty, the ‘father of twentieth century luxury perfumes’. He launched his first five fragrances in 1935 at the Universal Exhibition in Brussels and immediately captured the popular interest. Building upon this initial success, Petitjean soon expanded beyond his perfume line to offer a complete range of products, including make-up and skincare products. During the years that followed, Lancôme continued to establish its prestigious reputation throughout the world and internationalized to the United States in the 1950’s, answering a growing need for quality products. However, it is only from 1964, when the brand was acquired by L’Oréal, that it developed into a global brand. This was achieved through sophisticated and careful segmentation strategies in which Lancôme was sold through selected channels of distribution, in France and abroad.

Helena Rubinstein started in Australia in the turn of the century when the personality-centred entrepreneur opened her first beauty salon in Melbourne and expanded her line. Helena Rubinstein was always concerned with internationalizing the brand and with innovation. Her innovations had a very strong impact in the cosmetics industry in the twentieth century. She was the first to sell cosmetics in large department stores through mini beauty institutes; she was the first creator of a waterproof mascara (in 1939); and was also the first to include vitamins in cosmetics (vitamin C, vitamin A and phosphor). In the 1950s Helena Rubinstein was, along with Elizabeth Arden, one of the most popular luxury beauty product suppliers in the United States. However, by the early 1980s the brand was being sold in United States drugstores at very cheap prices and was not receiving much merchandising support. It had a much better position outside the United States, in particular in Europe, Japan and Asia, where it was still consid-

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61 Randall Bruce Monsen, A Century of Perfume: The Perfumes of François Coty (Atlanta, 2001).
63 The different channels of distribution corresponded to distinct economic levels as well as different purchasing habits. Jones et al, ‘L’Oréal and the Globalization of American Beauty’.
64 Lindy Woodhead, War Paint: Madame Helena Rubinstein and Miss Elizabeth Arden. Their Lives, Their Times, Their Rivalry (Chichester, 2004); Kathy Peiss, Hope in a Jar: The Making of America’s Beauty Culture (Kinlough, 1999).
ered up-market. Its various owners throughout the 1980s, such as Colgate Palmolive and Albi International, did not invest in the elitist image of the brand. The acquisition of Helena Rubinstein by L’Oréal in 1987, as part of its strategy to cover all the different segments of the beauty market, transformed the brand into a truly global upmarket brand.\textsuperscript{65} However, it took ten years for the changes in international distribution strategy to become effective.\textsuperscript{66}

**MERGER OF LARGE FIRMS**

The merger between Cadbury and Schweppes is an illustration of the advantages for brands from having owners combining resources. Cadbury was set up as a shop in the centre of Birmingham in 1824, and sold tea, coffee, cocoa, patent hoops and mustard. In 1831 John Cadbury decided to concentrate on the manufacture and marketing of cocoa, so he sold the shop to a relative. The firm became Cadbury Brothers in 1847, and the first major breakthrough came in 1866 when the second generation of Cadbury Brothers introduced an improved cocoa into Britain.\textsuperscript{67} Cadbury built up a large export trade in chocolate and confectionary before 1914, and invested in overseas manufacturing after World War I in the British Empire and the Commonwealth.\textsuperscript{68} In 1919 Cadbury merged with J. S. Fry & Son, a family firm dating back to 1728, which had been the leading company in the industry.\textsuperscript{69} The first directors which were non-family members were appointed in 1943, even though the firm was only floated on the stock market in 1962. By 1960 low product growth and intense competition from rivals compelled the management of Cadbury to diversify into sugar confectionary, cakes and convenience foods. Unable to generate sufficient product diversity internally, Adrian

\textsuperscript{65} In the 1960s only 3 percent of its volume of sales were in foreign markets. In 2000 over 50 percent of its sales were outside Europe. L’Oréal process of transformation of local brands into global brands has two stages which overall take about ten years: the first stage consists of choosing the brands that have the potential to become global. To pass to the next stage the brand has to sell to a critical mass. ‘Comment L’Oréal Mondialise’, Le Figaro – Économie, 29 October. 2001.

\textsuperscript{66} Interview with Mr. Le Grand, Marketing Manager for L’Oréal, Paris, 10 June 2002; ‘Béatrice Dautresme, la potion magique d’Helena Rubinstein’, The Figaro, 2 November 1999.


Cadbury merged his company with Schweppes in 1969. This merger allowed the combined firm to achieve economies in distribution and product development.70

**Brands sold as pieces of intellectual property**

The gin Bombay Sapphire is an example of a brand that was sold by the firm that owned it, and which continued to trade independently of the firm that had acquired the brand. The brand was launched in 1987 by International Distillers and Vintners (IDV) which became a subsidiary of Grand Metropolitan, who used attractive ingredients, innovative design (blue bottle) and a new recipe (more spicy and more lemon than competitor brands such as Gordon) to capture the market share.71 The brand changed ownership, not because its new owners failed to exploit it successfully, but because the firm that owned it merged with another firm. This merger between two leading British multinationals in alcoholic beverages – Guinness and Grant Metropolitan – formed Diageo, whose dominance of the market led to anti-trust concerns in the US. To avoid a confrontation with the US Federal Trade Commission, Diageo’s management decided to sell Bombay.72 The brand was sold to Bacardi in 1998, the year after the merger.73

This sale mainly involved the intellectual property represented by the name of the brand, although some stocks and the recipe were traded too. Bacardi retained the essential components of the brand: the distinctive bottle, the recipe and the ingredients. However, major changes were introduced elsewhere – to speed up the distribution process, and to enhance the premium image through heavy advertising and higher prices.74 Following its acqui-

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71 Interview with Chris Searle, Brand Manager at Bacardi and former brand manager at International Distillers and Vintners, London, 22 January 2004.


73 The two brands were acquired by Bacardi for £1.15 billion (US$1.9 billion) in 1998.

sition, the global sales of Bombay grew from 0.5 million bottles in 1998 to 1.4 million bottles in 2004.\textsuperscript{75} By moving to a smaller multinational the brand became relatively more important in the firm’s overall portfolio, and so received more attention by the top management of the firm.

**TRANSFER THROUGH LICENSING AGREEMENTS**

The fragrances Calvin Klein, Hugo Boss and Dior exemplify the transfer of control of a brand through a licensing agreement, which gives one firm the rights to produce and distribute a product originated by another, for a given number of years and in a given set of countries.

Calvin Klein is known for its designer jeans, and for its wholesome all-American look. Over the years Calvin Klein diversified into other related business such as underwear, fragrances, swimwear, home décor and cosmetics. It entered the fragrances market with the launch of fragrances for men: Obsession in 1981 and Eternity in 1988. This was a period when the perfume industry caught on to the ideal of the sensitive, successful 1980s man, and decided that they were ready for their own fragrances. In 1989 Unilever signed a licensing agreement to produce Calvin Klein fragrances under the Calvin Klein brand. Even though this business appeared to present international growth opportunities, in 2005 Unilever disposed of these licenses, as part of its strategy to withdraw from premium cosmetics (Elizabeth Arden had been sold in 2001). While under the ownership of Unilever the brand became global. The license was acquired by Coty Inc, a large US cosmetics family firm, which became the world’s largest manufacturer of mass-market fragrances.\textsuperscript{76}

Hugo Boss has been a globally successful brand name in men’s apparel since 1923. In the light of the general trend towards greater use of fragrances by men, Hugo Boss entered into a licensing agreement with the American consumer products giant Procter & Gamble in 1993 for the production of fragrances with the Hugo Boss brand name. This was the first investment of Procter & Gamble in the fragrances business, and with that investment they were able to achieve global leadership in men’s fragrances.\textsuperscript{77}

\textsuperscript{75} Impact International - Database.
\textsuperscript{76} Geoffrey Jones, Renewing Unilever: Transformation and Tradition (Oxford, 2005).
The perfume Dior provides a similar story. Dior is a brand created after World War II which became very fashionable soon after it was launched, symbolising luxury rather than comfort. During the 1970s the brand suffered some erosion when the firm started licensing its trademark Dior for the production of other items, such as household products, towels and sheets and fragrances. Parfums Christian Dior was sold to Moët & Chandon in 1971 (after the company made a preliminary acquisition of shares in 1968). 1971 was also the year Moët & Chandon merged with Hennessy. From 1984, when Bernard Arnauld became senior manager of the fashion and retail company Financière Agache, he terminated all the licences of Dior that were harmful to its image, and in the process purchased Louis Vuitton Moët-Hennessy which had the Dior fragrances and cosmetics business. Under the ownership of this global multinational in luxury products the brand became more avant garde.

**Rejuvenation**

It was noted at the outset that large firms acquire brands from small firms because they have the organisational skills and financial resources to rejuvenate brands on a regular basis. If rejuvenation were simply a matter of ‘tweaking’ the brand image to appeal to a new generation of consumers then it is quite possible that a small family firm would have sufficient resources for this purpose – if the brand were profitable then the rejuvenation could be funded out of retained profits. It would only be if the ageing founder, or his successors, had lost touch with recent social trends that were influencing their consumers that they might need to relinquish control of the brand in order that it could be rejuvenated.

In practice, however, there is often more to rejuvenation than this. Rejuvenation of the brand may require the development of a global image rather than a local or national image. Increased mobility of consumers, and their demand for a product that is always

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available wherever they happen to be, may require a global image to be supported by a global marketing and distribution system.

The traditional market for a brand may stagnate without disappearing altogether. At the same time, the traditional product may not be acceptable to a newly emerging market for the brand. If the firm cannot afford to ignore either of these markets then it will need two variants of the same brand. The brand therefore needs to be extended to create an additional product adapted to the requirements of the new market.

Global marketing and distribution channels incur substantial fixed costs and need to handle a large volume of product – much more than any single product line may supply. This provides an additional cost-based motive for brand extension – namely the need to develop a comprehensive range of products sold through similar types of retail outlets whose total volume will keep a global marketing and distribution centre fully utilised.

Smirnoff, the world’s top spirits in terms of sales, is an illustration of a brand which has successfully rejuvenated through globalisation and line extension. In 1992, when the sales of Smirnoff were maturing in the British market, Grand Metropolitan launched a line extension called Smirnoff Mule. It was a ready-to-drink beverage that reconstituted a cocktail prepared in the 1940s by bartenders in the United States, who mixed the vodka brand with imported ginger ale and lime. This cocktail was called “Moscow Mule” and greatly contributed to the establishment of Smirnoff as a vodka brand on the West Coast of the United States. The idea belonged to the managing director of Heublein’s, who thought that he could teach Americans to use vodka in mixed drinks. Moscow Mule eventually became a very

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80 Smirnoff was created in 1864 in Russia, which was drunk by the royal family. In 1933 a former US supplier of the brand, bought the American rights to produce it. In 1939 Heublein a US firm, which in the mid-1980s was the leading multinational in the world, bough the brand. In 1987 Heublein was in financial difficulty and was starting not to be able to invest in the brand, and Grand Metropolitan, which had the right to distribute Smirnoff in Europe and saw its potential to become a global brand. This led to the acquisition of Heublein In 1997, after Grand Metropolitan merged with Guinness to form Diageo the brand came to the hands of the world’s largest multinational. Smirnoff is now part of a limited number of global priority brands, from which Diageo derives most of its economic profit from several countries. Lopes, Global Brands.

81 Moscow Mule was first created in 1941, ‘Moscow Mule File’, Heublein Archive, Diageo.
popular beverage in bars all over the United States. The launch in 1992 of Smirnoff Mule in the United Kingdom as a ready to drink beverage was aimed at responding to the problems that cocktails raised by taking preparation time at the bar and by varying in quality according to the capacities of the bartender. This frequently led consumers to drink beer instead. However, Smirnoff Mule was unsuccessful. It did not have a sufficient appeal to the target market, and the bottle, which was too sophisticated, did not correspond to the content of the beverage. This was in fact International Distiller and Vintners’ second unsuccessful attempt to enter the ready-to-drink market. It had previously launched Saint Leger, a California Wine Cooler, an alternative to wine and beer. The product failed because the company had not transferred the knowledge from its wine and spirits business to the beer market, and had not done sufficient consumer research.82

These unsuccessful ventures were, nonetheless, very useful as learning experiences for the subsequent launch in 2002 of Smirnoff Ice, which turned out to be very successful. Smirnoff Ice’s imagery was very different from that of Smirnoff Mule, being much less sophisticated and more connected with the spirits brand. The success of Smirnoff Ice was such that it regenerated consumer interest in the core brand.83

ENTREPRENEURSHIP AND RESOURCES

As illustrated previously, in most cases global successful brands change ownership several times during their lives. It is important to understand why, and what they acquire with these moves. Usually, the existing owner lacks the resources to take the next step in the life of the brand, to globalize it, or to create new line or brand extensions. It is the recognition of this lack of capacity to exploit the brand to its full potential that may lead to its sale (on its own or to together with the firm that owns it). The owner may lack tangible resources (such as physical assets or capital), or intangible resources (such as knowledge, which in the case of imagery brands, tends to

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82 Interview with Chris Nadin, former Marketing Manager at Grand Metropolitan, London, 10 December 2003.
be marketing knowledge). Often it is a combination of these motivations that leads to changes in ownership.\(^\text{84}\)

**MARKETING KNOWLEDGE**

The role of entrepreneur can be crucial in the process of growth of marketing based firms. For the creation of brands, the characteristics of the entrepreneurs tend to be similar, irrespective of the fact that they may own the firm or be hired employers in a multi-brand firm. This is evident if we compare for example the characteristics of, the entrepreneur who created Carlsberg with the entrepreneur who created Nescafé. However, over time, the type of management and marketing knowledge they require in order to be nurtured and to develop, changes substantially. At initial stages in the life of brands, the entrepreneurs-founders of firms or their family members tend to have a particular kind of knowledge which is of a pragmatic and path dependent nature, accumulated over time. This kind of knowledge is ‘sticky’, as it is unusually complex, dynamic and rich in intangible resources, in particular tacit knowledge, which is embedded in its original entrepreneur-founder. Its transmission, which is a source of competitive advantage, can hardly be expressed or formalized, appearing and developing through the interaction between the individual and the situation, becoming context specific.\(^\text{85}\) Sticky knowledge has elements of ‘lock-in’ created by the entrepreneur. Once employees have got used to and learned the routines and procedures, they are resistant to new procedures to deal with a particular set of issues.

The sticky knowledge accumulated over time, is however, distinct from routines and procedures. While the latter embody the perception of the business problems and strategic solutions of the entrepreneur, sticky knowledge resides in the minds of particular individuals (such as marketing managers or the CEO of the firm), and is not as easily shared with other people in the


\(^{85}\) Explicit knowledge (articulated or codified) is that which can be transferred by way of a systematized language or code, and there is no need to link it to a very specific context for it to be meaningful. M. Polany, The Tacit Dimension (London, 1966); I. Nonaka and H. Takeuchi, The Knowledge-Creating Company (New York, 1995); I. Nonaka and N. Konno, ‘The Concept of ‘Ba’: Building a Foundation for Knowledge Creation’, California Management Review, 40 (1998): 40-54.
organization. Routines and procedures monitor and cope with short-term volatility, while knowledge represents a strategic response to long-term challenges.

The cases previously analysed also show that hired managers, on the other hand, tend to have a different kind of knowledge compared to that possessed by family members, tends to be smooth. Smooth marketing knowledge is of a broad application, and can be obtained in the short-term through hiring of professional managers with entrepreneurial capabilities. This kind of knowledge contrasts with sticky knowledge in the sense that it is usually associated with the entrepreneurial activity of hired managers, who come into the firms and are supposed to act as ‘change agents’ by challenging old procedures followed within firms. Old sticky knowledge which was once the reason why a particular brand was successful may have become obsolete and therefore new entrepreneurial skills have to be created. These characteristics of marketing knowledge of having the capacity to be sticky or smooth, are not concerned with the character of the knowledge per se, but instead with the nature of the practices in which the knowledge is used.

The process of acquisition of new knowledge within the firm occurs in various ways – by training, monitoring, and critical analysis of the mentor who changes the knowledge. This is for example, what happened to Mr. Gucci the founder and his son who succeeded him. Another alternative is to hire professional managers to manage different areas of the firm and making sure they all share information and are open and consultative to each other’s views. This is the case of KitKat, launched soon after the appointment of a new manager. While it is relatively easy to hire professional skills (managers with professional accreditation and mastery of marketing techniques), it is more difficult to hire entrepreneurs capable of making difficult judgements and with the ability to value brands with potential to be rejuvenated and transformed into successful brands on a global scale.

In small firms entrepreneurs have the availability to manage both short-term and long-term volatility. As firms grow there will often be a succession of short-term crises which can prevent the entrepreneur from thinking about the long-term. Because short-term volatility is recurrent, however, it is possible to develop routines and procedures. The skills needed are just those that good
professionals have, and professionals move between firms. The entrepreneur CEO, with the confidence of the shareholders can now become more specialized and concentrate on long-term trends. Because of that he is good at valuing brands and looking at its potential future earnings.

As mentioned by Schumpeter, ‘mechanisms of economic change in capitalist society pivot on entrepreneurial activity’. To a great extent, this is due to the fact that, the qualities of those who make decisions are partly determined by, and partly determine, the social environment within which business takes place. Similarly, the way the value of marketing knowledge changes with the transformations in the environment and firms are only able to succeed by adapting, keeping the routines and procedures that are still relevant and discarding those that are not.

Before becoming globally successful, the brands analysed in this study, were able to survive by constantly making small adaptations which allowed them to keep their basic routines and procedures. More radical changes in the environment such as increases in competition and liberalization of markets (characterized by different preferences and distinct cultures), made it necessary for entrepreneurs to increase their levels of flexibility and to adapt by acquiring new forms of marketing knowledge (sticky and smooth), in order to rejuvenate their brands, and change their routines and procedures.

THE LIFE OF BRANDS AND MARKETING KNOWLEDGE

Several researchers in marketing, international business and strategy, have analysed and linked the stages in the life of products and industries, to the strategies firms follow at a particular moment in time. However, these studies do not address the particular issue of how to rejuvenate brands at different stages in their lives, and which entrepreneurs and firms should own these brands at different times and distinct places.

86 Schumpeter, The Creative Response.
87 This view contrasts with that of Schumpeter, who considers that it is the entrepreneur that initiates economic change, and consumers are educated by him if necessary, taught to want new things. J.A. Schumpeter, ‘The Theory of Economic Development’, An Enquiry into Profits, Capital, Credit, Interest and the Business Cycle. (Cambridge, Mass., 1934): 65-94.
The evidence provided in previous sections shows that there is an apparent relationship between entrepreneurship, the life of firms and the life of brands. At early stages in the life of a brand, it requires marketing knowledge, which is essentially sticky, of a pragmatic nature, relying essentially on the ideas of the entrepreneur who created it. At that stage the brand is essentially local, having internationalized to a few markets that are culturally and geographically close. Over time, in its natural growth process and as a result of homogenisation of consumer tastes and liberalisation of markets, the brand needs to become global, being sold in multiple markets around the world. This requires acquiring additional marketing knowledge. This means having a team of professional managers to investigate the particular requirements of different markets. In some cases the family will hire teams of managers in others it makes sense to sell out to companies that already have those trams of managers.

In early stages of its life it is possible for brand to remain successful if the firm hires more staff who are taught about the routines and procedures created by the entrepreneur. For the brand to become global, it is important that the firm acquires smooth marketing knowledge. This often implies hiring professional marketing managers with entrepreneurial skills, external consultants, or forming alliances with large multinationals where the firm is able to learn or use its skills in the international management of its successful brands. If that is not possible, the firm might sell the brand to another firm, with those resources. Often firms with smooth marketing knowledge find they have excess resources (in the form of marketing knowledge) which can be applied in the management of wider portfolios of different brands. In these circumstances they tend to search for new brands with potential to become global, to add to their portfolios.

**Conclusion**

This study has looked at the role of entrepreneurship in the growth and survival of global brands in food and drink and also the cosmetics and fashion industries. Drawing on an extended or stretched concept of the entrepreneur, it has taken into consideration the self-made man (with strong will to succeed) and also the hired organization manager (with above average leadership qualities, who is not afraid of challenges and who possesses an inner
drive to compete and win). The cross-industry and cross-country comparison, highlighted several main trends, some of which are due to the life of brands, and others to the development of the modern economy.

One is that successful global brands tend to originate from developed countries, where the institutional environment tends to be more benign (in terms of legislation, consumption, infrastructures, capital etc); another is that most successful brands are old, often dating back to the eighteenth and nineteenth centuries, as it takes a long time to build successful personalities for brands and it is easier to create brand and line extensions. An important trend is that few brands have remained under the same ownership throughout their lives, in particular from the 1980s. The liberalisation of markets led to new waves of mergers and acquisitions, and the globalisation of economies. A large number of brands are now under the ownership of a small group of multinationals in consumer goods. They tend to change ownership through mergers and acquisitions together with the firms that created them. However, there are a few cases of brands that were traded as pieces of intellectual property. Licensing agreements are also common (for the production and distribution of a different product using the same brand name, or the same product in a different geographic market) during fixed periods of time. They often appear linked to strategies of brand extensions.

This paper has also shown that the original entrepreneurs who have the ideas and are willing to take risks, their descendants and teams of managers with sticky knowledge, are better at creating and building successful brands. Professional managers with entrepreneurial skills (and smooth marketing knowledge), are better at acquiring and managing those successful brands and making them global as part of larger portfolios.

The evolution of brands from local to global may take place within a single firm, if the firm for instance hires new managers with entrepreneurial skills, or consultants to give advice on how to rejuvenate brands (in which case the brand can remain under the same ownership throughout its life). Alternatively, and most frequently, in order to remain successful and grow the brand might have to change ownership. Often, as the brand grows, in order to ensure that it is accepted in a wide range of different countries a large
amount of information needs to be brought to bear. A single individual from a particular background, cannot do it by himself, neither can a small firm, rooted in a particular country. For that reason the successful local brand tends to change ownership to become owned by large organisations which create the environment for teams of professional managers to behave in entrepreneurial ways similar to those of the original founders, owners of smaller firms. These managers tend to be employed by an entrepreneurial individual who understands the contribution they can make. These entrepreneurs may themselves be qualified in marketing but understand the advantages of delegation to other professionals.

Rejuvenation and globalisation requires different skills – at these stages entrepreneurs follow exploitative behaviour by recognising the trends in the global economy and relating those trends with the relevant sector where they operate. Explorative type entrepreneurs are more important in stages when the development of the product is associated with a particular brand which later on becomes successful.

In conclusion, this paper has argued that in order to grow and remain successful brands need the right combination of tangible (such as physical assets) or intangible (such as sticky and smooth marketing knowledge) resources throughout their lives. At early stages in the life of brands sticky marketing knowledge and explorative behaviour determines the early success of the brand. At later stages, smooth marketing knowledge and exploitative behaviour becomes crucial.

To stay ‘forever young’ in the eyes of consumers therefore means that imagery brands (in food and drink, cosmetics and fashion) do not necessarily have to be owned by large managerial firms – Chandlerian type. It depends on the stage of the life of brands and the life of firms. The situation obviously changes as we move from imagery brands to performance brands, where other factors such as technological innovation should also be taken into consideration.

The findings in this study may well be applied to other industries where leaders are also multi-brand firms. This is true in many consumer goods industries, whereas a lot of high tech manufacturing industries have essentially single brand firms. Consumer goods and consumer services in industries such as, the hotel industry, which do not embody advanced manufacturing technologies in general provide an opportunity to separate the ownership of the brands with the ownership of the firm, therefore allowing separate
trade. The ideas presented in this paper may also apply to high tech single brand firms but with some modification. The separability of the brand and the firm is not so easy when the technology capabilities of the firm involve keeping the brand up to date. Where advanced technology is required in order to sustain the quality on which the reputation of the brand is based it is difficult to separate the brand and the firm because the acquiring firm would need to have the skills required to have the advanced technology and skills required to technology up to date. This does not prohibit the possibility of trading brands but severely restricts the range of companies you can sell to.