Teresa da Silva Lopes and Mark Casson

Entrepreneurship and the Development of Global Brands

Over the course of the twentieth century, entrepreneurs developed a number of successful global brands in consumer-goods industries. However, few independent brands survived the merger waves of the 1980s. To address the question of why so few independent brands survived, this paper examines successful brands in industries that rely principally on advertising for competitive success. Successful consumer-goods brands in several industries and countries are compared in order to highlight innovative strategies pursued by brand managers. The analyzed brands are mainly owned by Europeans, although a few examples of American and Japanese brands are covered as well.

Business historians, economists, and students of management have written extensively about the contribution of entrepreneurs to the growth of firms and the success of brands. Their studies tend to focus on a single entrepreneur, usually the founder of a firm and creator of a single successful product with distinctive characteristics. In this study, we expand the definition of the entrepreneur in order to consider innovative management as a kind of entrepreneurial activity. While Joseph Schumpeter and other scholars have linked the entrepreneur with invention and innovation in technology-based industries, in our analysis we focus on marketing-based industries, where innovation relies on other activities, such as branding, and on marketing knowledge, which

TERESA DA SILVA LOPES is reader in international business history and codirector of the Centre for Globalisation Research at Queen Mary College at the University of London. MARK CASSON is professor of economics and director of the Centre for Institutional Performance at the University of Reading.

We thank Christine Jones from Diageo, Albert Pfiffner, Tanja Aenis, and Lisane Lavanchy from Nestlé; and Sarah Foden from Cadbury Schweppes for their help in giving us access to their company archives. We also thank Paul Duguid and three anonymous referees for their comments on earlier drafts, as well as participants at the Business History Conference in Cleveland and the International Economic History Congress in Helsinki.

Business History Review 81 (Winter 2007): 651–680. © 2007 by The President and Fellows of Harvard College.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

we define as the intelligence and skills required to manage brands and distribution channels.

To understand the trajectory of brands, we examine successful brands in global marketing–based industries and trace their development from the time they were created until the present day, and consider the entrepreneurs and entrepreneurial managers who helped to develop them. Successful brands are defined as those that have become leaders (measured in terms of market share) in their product categories in the relevant markets (domestic or global). Global brands are sold in multiple markets using similar marketing strategies, even if in practice only a small number of markets account for most of the sales. In this study, a brand is understood to have undergone the shift from international to global when its strategy for selling across different markets has become standardized.[1]

We analyze industries in which 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 a high-quality production plant).[2] In such industries, conventional forms of invention (associated with patenting) are minimal, so we must look elsewhere for innovative behavior. Among the relevant industries are food and drink, fashion, and cosmetics. Some examples of global brands are Smirnoff vodka, Carlsberg beer, Perrier water, Lancôme beauty products, Gucci fashion, Nescafé coffee, and KitKat chocolate.[3] Some of these are established brands, going back to the nineteenth century, while others are more recent. Our main finding is that the long-term success of a global brand depends not just on the individual founder's entrepreneurial flair, but also on the subsequent refinement and rejuvenation of the brand by entrepreneurial marketing managers in multiproduct, multinational firms.

Our choice of a group of successful brands in particular industries leads naturally to our reason for deciding which firms to analyze: we selected firms that owned such brands at particular points in time. Some are leading multinationals, while others are small firms. As we will show, frequently the personality-centered entrepreneurs who created the brands are distinct from the organization-centered entrepreneurs

[1] David A. Aaker and Erich Joachimsthaler, "The Lure of Global Branding," *Harvard Business Review* (Nov. 1999): 137–44.

[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] These brands' rankings in the world's top brands are listed by Interbrand in *The 2006 Best Global Brands Report* (2006).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

who, acting in managerial positions, adapted the brands to changing supply-and-demand conditions by refashioning them for success on the global market.

Most of the brands we analyze changed ownership during their lives. Many outlived the firms that first developed them. This is a consequence of the sampling method we used, but it appears to reflect as well a basic feature of the lives of brands in consumer-goods industries. Only a few global brands have been owned by the same firm throughout their lives. Most of the firms we describe are controlled by families, trusts, or a small group of major shareholders. They have been relatively immune to pressures from independent shareholders to maximize short-term payment of dividends. Their headquarters also tend to be located in countries where larger firms can rely on long-term support from banks, rather than being obliged to issue equity to finance expansions, which is the norm in some countries. Carlsberg, headquartered in Denmark, the Asahi Brewery in Japan, and Nestlé in Switzerland are some examples.

Our study goes beyond conventional analysis of the entrepreneur's role in the growth of firms. The cross-industry and cross-country comparison of entrepreneurial activity highlights the contributions of different types of entrepreneurs and distinctive kinds of marketing experts in creating and developing successful global brands. We first analyze the traditional concept of entrepreneur and compare it with the expanded version that we use here. We next track our sample of brands during their lives, classifying cases according to type of trajectory. We then look at the relations among stages in the lives of brands, types of entrepreneurs, and the resources they require. In concluding, we highlight the evolving need for different types of entrepreneurs and resources in the lives of brands and consider how our analysis might apply to other industries.

Traditional versus Expanded Definitions of Entrepreneur

Entrepreneurship and innovation are vital forces in the development of big business, international business, and global competitiveness of economies in general.[4] Yet there is little consensus about what

[4] Alfred Marshall, *Principles of Economics*, 8th ed. (London, 1927/1961), 544; Joseph A. Schumpeter, *The Theory of Economic Development: An Enquiry into Profits, Capital, Credit, Interest, and the Business Cycle* (Cambridge, Mass., 1934); Alfred D. Chandler Jr., *Strategy and Structure* (Cambridge, Mass., 1962), 284, and *Scale and Scope* (Cambridge, Mass., 1990), 597, 830–31; Mark Casson, "Entrepreneurship and the International Business System: Developing the Perspective of Schumpeter and the Austrian School," in *Economics of International Business*, ed. Mark Casson (Cheltenham, 2000), and "Entrepreneurship and Business Culture," in *Entrepreneurship, Networks and Modern Business*, eds. Jonathan Brown and Mary B. Rose (Manchester, 1993); George H. Evans Jr., "A Theory of Entrepreneurship," *Journal of Economic History* 2 (Dec. 1942): 142–46; Youssef Cassis and Ioanna Pepelasis Minoglou, eds., *Entrepreneurship in Theory and History* (New York, 2005).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

entrepreneurial activity and innovation actually entail.[5] Conventional studies define the entrepreneur as "someone who specializes in taking judgmental decisions about the coordination of scarce resources with an economic aim and under conditions of uncertainty."[6] This means that the entrepreneur is not necessarily a capitalist or an inventor, but, rather, is someone who is not afraid of risk and who "gets things done" and has an economic aim.[7] Following the theme of Mark Casson's book, *The Entrepreneur: An Economic Theory* (1982), we use an expanded definition of the entrepreneur. Because traditional and expansive entrepreneurs are attracted to different kinds of enterprises, each requires different resources. Our distinction has much in common with the distinction in the managerial literature between exploratory and exploitative firm behaviors.[8] The traditional entrepreneur is exclusively an explorer, while the expanded entrepreneur will engage in exploitation as well.[9]

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 are rooted in their local environments. The expanded entrepreneur has the capability to extend, rejuvenate, and globalize existing brands by applying a different kind of marketing knowledge. The expanded entrepreneur may work either in a small, independent firm—which grows into a large one—or operate in a large firm from the outset, normally as a marketing director or as the chief executive officer.

The traditional type of entrepreneur flourished in the late-nineteenth and early-twentieth centuries, a period when many modern firms, except for those in the digital economy, were established, whereas the expanded

[5] There are numerous definitions of entrepreneurs, each highlighting a distinct dimension of entrepreneurial behavior. The most prevalent ones focus on the entrepreneur's perception of new economic opportunities and his or her capacity to introduce and implement new ideas in the market. See, for example, the definition proposed by the Organisation for Economic and Co-operation and Development (OECD) in *Fostering Entrepreneurship* (Paris, 1998); Mark Casson et al., *The Oxford Handbook of Entrepreneurship* (Oxford, 2006), ch. 1; William B. Gartner and Nancy M. Carter, "Entrepreneurship Behaviour: Firm Organizing Processes," in *The International Handbook of Entrepreneurship*, eds. Zoltán J. Acs and David B. Audretsch (Dordrecht, 2003), 195–221; Robert F. Herbert and Albert N. Link, "In Search of the Meaning of Entrepreneurship," *Small Business Economics* 1 (Mar. 1989): 39–49.

[6] Mark Casson, *The Entrepreneur: An Economic Theory* (Oxford, 1982).

[7] Joseph A. Schumpeter, "The Creative Response in Economic History," *Journal of Economic History* 7 (Nov. 1947): 149–59.

[8] James G. March, "Exploration and Exploitation in Organizational Learning," *Organization Science* 2 (Feb. 1991): 71–87.

[9] Nathan Rosenberg, *Schumpeter and the Endogeneity of Technology: Some American Perspectives* (London, 2000). In this book, Rosenberg points out that Schumpeter missed the importance of exploitation as a form of innovation that is best done in large organizations.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

type began during the mid-twentieth century as established firms sought out new markets and devised new ways of doing business, and they have continued to expand into the twenty-first century.[10]

The Trajectories of Brands

In this study, we develop the concept of the "life of brands" to explain why and how, in different industries, brands emerge, evolve, and become global, staying "forever young." We trace the lives of brands from their creation up to the present. However, our focus is on the period that begins in the 1980s, when liberalization of markets took place, world trade and foreign direct investment increased, and the waves of global mergers accelerated. During these transformations, only a small number of successful global brands managed to survive the impact of these transformations and to remain independent and unchanged.

The trademark legislation that has been passed with regularity in the major economies throughout the twentieth century has enabled brands or trademarks to become established as legally defensible proprietary names. A brand signals to consumers that the product satisfies basic requirements for consistency and quality ("vertical differentiation") and embodies a combination of characteristics that differentiate it from other brands ("horizontal differentiation").[11] Firms view brands as important mechanisms for communicating with consumers and cultivating their loyalty. They sustain a continuing revenue stream by exploiting consumers' propensity to remain loyal to a brand over the long term, thereby adding value to the firm.[12] Brands also create "personalities" for products or services.[13] These personalities usually combine performance or tangible characteristics of the product with imagery or

[10] J. Panglaykim, "The Entrepreneur and Growth and Development Corporations," *Asian Survey* 19 (July 1979): 707–17.

[11] For alternative definitions of brands, see Kevin Lane Keller, *Strategic Brand Management* (London, 1998), 4; Leslie de Chernatony and Malcolm McDonald, *Creating Powerful Brands* (Oxford, 1998); Leslie de Chernatony and Gil McWilliam, "The Varying Nature of Brands as Assets," *International Journal of Advertising* 8, no. 4 (1989): 339–49, and "Brand Consultants' Perspectives and the Concept of the Brand," *Marketing and Research Today* 25, no.1 (1997): 45–52; Géraldine Michel and Tim Ambler, "Establishing Brand Essence across Borders," *Journal of Brand Management* 6, no. 5 (1999): 333–45; Kevin Lane Keller, "The Brand Report Card," *Harvard Business Review* (Jan.–Feb. 2000): 147–57; Susannah Hart and John Murphy, *Brands: The New Wealth Creators* (London, 1998); David A. Aaker, *Building Strong Brands* (New York, 1996); Peter Doyle, "Building Successful Brands: The Strategic Options," *Journal of Marketing Management* 5, no. 11 (1989): 78.

[12] Patrick Barwise and Thomas Robertson, "Brand Portfolios," *European Management Journal* 10, no. 3 (1992): 277–85.

[13] David A. Aaker, "Dimensions of Brand Personality," *Journal of Marketing Research* 34, no. 3 (1997): 347–56.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

intangible characteristics. In some cases, such as the automotive industry, the performance aspects outweigh other characteristics of the brand's personality.[14] In others, imagery predominates.[15] This is the case of alcoholic-beverage brands, for example, since production technologies tend to be standardized in wines, spirits, and beer.[16] In our account of the evolution of firms and brands in the beauty, bottled-water, chocolate, and fashion industries, where technological innovation does not in itself bestow competitive advantages on a firm or guarantee that its brand will achieve success, we will show the importance of imagery in marketing.

We use the concept of the "life of brands" to illustrate the trajectories of individual brands. In Table 1, we display the paths of the brands analyzed in this study, showing the industry they are from, indicating when they were launched, and listing the various owners and countries of origin down to the present day. Ownership refers either to the personality-centered entrepreneurs who created and developed the brands or to the firms whose organization-centered entrepreneurial managers turned those brands into successes on a global scale.

Table 1 illustrates four critical patterns in the lives of imagery brands, irrespective of their industry. First, very few brands (Carlsberg beer, Nescafé coffee, and Asahi Super Dry beer) have remained successful and become global under the single ownership and management of the entrepreneurs who created them or, in turn, of their descendants. Second, brands may change ownership in multiple ways. They may be traded along with the firms that own them, through mergers and acquisitions. The ownership of brands may also be traded independently of firms or transferred though licensing agreements. Third, ownership

[14] However, car companies are increasingly investing in marketing campaigns that highlight intangible aspects of their products, creating associations of status or lifestyle.

[15] 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 the prestige associated with products from a certain region or country, and with heritage). See 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* 14, no. 5 (1998): 417–43; Stephen King, *Developing New Brands* (Bath, 1973).

[16] For a discussion of technological developments, see, for example: for beer, Terry Gourvish and Richard G. Wilson, *The British Brewing Industry, 1830–1980* (Cambridge, 1994); for wines and spirits, John Cavanaugh and Frederick F. Clairmonte, *Alcoholic Beverages: Dimensions of Corporate Power* (London, 1985); for food, Roy Church and Christine Clark, "Product Development of Branded Packaged Household Goods in Britain, 1870–1914: Colman's, Reckitt's and Lever Brothers," *Enterprise and Society* 2, no.3 (2001): 503–42; for the beauty industry, Geoffrey Jones, "Globalizing the Beauty Business before 1980," Harvard Business School Working Paper H37406-056 (June 2006); and for fashion, Regina Lee Blaszczyk, "Styling Synthetics: DuPont's Marketing of Fabrics and Fashions in Postwar America," *Business History Review* 80 (Autumn 2006): 485–528.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

of modern brands is concentrated in a relatively small number of countries.[17] 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, the United States, France, and Switzerland, or in Japan, where organization-centered entrepreneurs have opportunities to prove their worth and receive recognition for their success. These are also countries where the nature of the educational system (particularly the capability to grant specialized degrees), the relative status of entrepreneurial careers, the regulatory environment, the religious beliefs, and the entrepreneurial culture in general are favorable to developing entrepreneurship.[18]

The fourth pattern has to do with the timing of changes in brand ownership. There was a high turnover in the ownership of brands during the 1980s, when the accelerating globalization of leading economies altered the structure of global consumer-goods industries.[19] The marketing and logistical strategies of the leading firms began to converge as they switched from a regional to a global focus. A small group of large multinational firms with high levels of marketing knowledge began to compete in a number of markets.

A critical goal of the corporate globalization strategy of the alcoholic-beverages industry was the acquisition of existing regional brands considered to have the potential to become global. By acquiring these brands, a firm could rapidly obtain market share in new geographic regions while maintaining tight control over the amount of time and money it invested in expansion.[20] During this period, new opportunities appeared in some emerging markets in Africa, Latin America, and Asia, where rising incomes were stimulating interest in Western lifestyles and brands.

The outcome of all these changes was that ownership of brands in food, drink, and cosmetics became concentrated in a group of multinationals: Bacardi, Diageo, Danone, Louis Vuitton Moët-Hennessy (LVMH), Pinault-Printemps-Redoute, L'Oréal, Procter & Gamble (P&G),

[17] United Nations Conference on Trade and Development (UNCTAD) statistics show that a high proportion of outward foreign direct investment in consumer-goods industries is concentrated in a limited number of countries. *World Investment Report* (New York, 2002).

[18] For a review of the literature on how the different determinants affect entrepreneurship, see Geoffrey Jones and Jonathan Zeitlin, eds., *Oxford Handbook of Business History* (Oxford, 2007). See also Casson, "Entrepreneurship and Business Culture."

[19] See, for instance, coverage of the case of alcoholic beverages by Teresa da Silva Lopes, *Global Brands* (New York, 2007).

[20] This route of expansion has both advantages and disadvantages. On the one hand, firms may acquire large portfolios of complementary brands. On the other hand, problems of brand rationalization may arise when brands are acquired that compete with brands in firms' existing portfolios.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Table 1
The Life of Brands

Industry/ Brand	*Date of Origin*	*Ownership*	*Country*
		Alcoholic Beverages	
Smirnoff	1864	Vladimir Smirnoff	Russia
	1933	Kunnett	U.S.
	1939	Heublein	U.S.
	1987	Grand Metropolitan	U.K.
	1997	Diageo	U.K.
Arthur Bells	1825	Thomas Sandeman	U.K./Scotland
	1985	Guinness	U.K.
	1997	Diageo	U.K.
Carlsberg	1847	Carlsberg	Denmark
Bombay Sapphire	1987	Grand Metropolitan	U.K.
	1997	Bacardi	Bermuda
Corona	1925	Modelo	Mexico
	1998	Modelo–50% investment by Anheuser Busch	Mexico/U.S.
Asahi Super Dry	1987	Asahi Brewery	Japan
		Bottled Water	
Perrier	1888	Louis Perrier	France
	1903	Sir John Harmsworth	U.K.
	1947	Gustave Leven	France
	1990	Exor	France
	1992	Nestlé	Switzerland
Evian	1789	Marquis de Lessert	France
	1829	Société Anonyme des Eaux Minérales d'Evian-les-Bains	France
	1971	BSN	France
	1973	Danone (merger: BSN/ Gervais Danone)	France
		Fashion	
Dior	1946	Christian Dior and Marcel Boussac	France
	1972	Sold trademark for fragrances and cosmetics to Moët Hennessy	France
	1978	Agache-Willot	France
	1984	Financière Agache (Bernard Arnault)	France
	1988	LVMH— Financière Agache	France
Gucci	1881/1921	Guccio Gucci	Italy
	1987	50% Gucci Family, 50% InvestCorp	Italy/Bahrain
	1993	100% InvestCorp	Bahrain
	1996	Fully publicly quoted	—
	1999	Pinault-Printemps-Redoute	France

(continued)

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Table 1 (continued)

Industry/ Brand	Date of Origin	Ownership	Country
		Fragrances and Upscale Cosmetics	
Lâncome	1935	Lâncome	France
	1965	L'Oréal	France
Helena Rubinstein	1902	Helena Rubinstein	Australia
	1979	Colgate	U.S.
	1980	Albi Enterprises	U.S.
	1984	Palac (51%) + L'Oréal (49%)	U.S./France
	1987	L'Oréal (100%)	France
Hugo Boss	1923	Hugo Boss	Germany
	1994	Procter & Gamble–Licensing agreement	U.S.
Calvin Klein	1968	Barry Schawtz and Calvin Klein	U.S.
	1989	Unilever–licensing agreement	U.K./Netherlands
	1995	Coty Inc.–licensing agreement	U.S.
		Coffee	
Nescafé	1938	Nestlé	Switzerland
Starbucks	1971	Starbucks (Bowker and Baldwin)	U.S.
	1987	Il Giornale (Howard Schultz)	U.S.
		Chocolate	
KitKat	1935	Rowntree	U.K.
	1969	Rowntree merger with Mackintosh	U.K.
	1988	Nestlé	Switzerland
Cadbury	1824	Cadbury	U.K.
	1919	Merger of Cadbury and J. S. Fry and Son	U.K.
	1969	Cadbury merger with Schweppes	U.K.

Sources: Various companies' archives, histories, newspaper articles, annual reports and accounts.

Unilever, and Nestlé. This small circle of firms owns many of the world's most valuable brands.[21]

Strategies for Global Success: Single-Firm Brands

Some brands become globally successful while remaining under the management of the personality-centered entrepreneurs who created them (often the founders of firms) or their descendants. Other brands only become successful when they change ownership and are managed by organization-centered entrepreneurs, rather than by those who created them.

[21] Johnson & Johnson and Colgate-Palmolive are also listed in this group of multinationals. Interbrand, *Best Global Brands 2006: A Ranking by Brand by Value* (2006).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Brands Created and Retained by Small High-Growth Firms. Examples of brands that 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 how they developed. Carlsberg achieved international success soon after it was created, while Gucci did not manage to do so until several years after its creation. However, neither one became a global brand until after its original entrepreneur had died.

Carlsberg beer was produced for the first time in 1847 after Jacob Christian Jacobsen created a new lager beer that was stronger and of better quality than its competitors in Denmark.[22] The early success of the brand Carlsberg is associated not only with its 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 had become one of the most global beer brands. Currently, around 95 percent of Carlsberg sales are generated outside the home market.[23] After World War II, the firm started intense marketing campaigns to sell more beer abroad.[24] Between 1958 and 1972, exports tripled, and Carlsberg established breweries in Europe and Asia. In 1969 Carlsberg merged with its major Danish competitor, Tuborg.[25] The company launched several slogans, one of which was "Carlsberg—Probably the best lager in the world," in the 1970s.[26] The company's ads still emphasize the international prestige of the brand and continue Jacobsen's tradition of stressing the firm's heritage and the product's high quality.[27]

The fashion brand Gucci also became successful while its creator was alive, although not until later in his life. The House of Gucci was

[22] One of those competitors was Jacobsen's son, Carl Jacobsen, who established a production unit in an annex of the J. C. Jacobsen plant in 1871, producing a beer branded as Ny Carlsberg. Carl's use of a similar brand name 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 Philanthropist* (Copenhagen, 1991), 216–17.

[23] In 2005 Carlsberg sold 3.4 million hectoliters of beer in Denmark out of a total of 68.9 million hectoliters sold. Carlsberg, *Annual Report and Accounts*, 2005.

[24] Glamann, *Jacobsen of Carlsberg*. For instance, Carlsberg had around 42 percent to 44 percent of the Danish market in the 1920s.

[25] In 1968 it made its first investment in a foreign market by setting up brewing operations in Malawi, and in 1969 it created its first licensing agreement in Cyprus. An important step in its internationalization strategy was a joint venture launched with Grand Metropolitan in 1974 to sell Carlsberg in the United Kingdom, during a period when tastes were changing to lighter beers in that market. United Breweries Ltd., *Annual Reports and Accounts*, 1969–70, 1970–71, 1975–76.

[26] This slogan was launched in the United Kingdom in 1975 using a voiceover by Orson Wells. United Breweries, *Annual Report and Accounts*, 1975–76.

[27] Interview with Bjarre Maurer, Carlsberg Communications, Copenhagen 18 May 2001; United Breweries, *Annual Reports and Accounts*, 1969–70; Carlsberg, *Annual Report and Accounts*, 2005.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

founded as a saddlery shop in Florence in 1881, but Guccio Gucci did not start producing luxury luggage until the 1920s, when he learned that his clients were gradually replacing equine transportation with horseless carriages and that luggage was beginning to function as a symbol of affluence and taste. In the 1950s, Gucci diversified into other luxury items, such as ties, shoes, and handbags equipped with bamboo handles. After his death in 1953, 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.[28] During the 1980s, after the brand had been undermined by family disagreements and over-licensing, it was sold to InvestCorp in Bahrain, which failed to improve its global image. In the 1990s, under new ownership, Gucci was restored to its place at the center of chic accessories. In the late 1990s, responding to the threat of acquisition by Bernard Arnauld, owner of LVMH, the managers sold the firm to another French multinational, Pinault-Printemps-Redoute, which invested heavily in promoting Gucci's global image.[29]

Brands Created by Large Multibrand Firms. Carlsberg and Gucci both exemplify brands that were created by small firms that retained ownership of a single brand and eventually delegated control of the brand to professional teams. The controlling family successfully made the transition from personality-centered to organization-centered entrepreneurs over several generations (although the Gucci family finally sold out its shares). Other brands, however, were created by large firms that already controlled one or more existing brands. In such cases, it was the organization-centered entrepreneurs running these firms who adapted their organizations in order to foster "intrapreneurship," thereby enhancing their capabilities to create 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 capital required to rejuvenate and globalize, and may even manage to apply what it has learned to the management of other products.

It might be expected, however, that brands created by teams of managers led by organization-centered entrepreneurs are not as radically innovative as those created by successful smaller firms, and the evidence supports this supposition. The newly created brands often resemble existing brands possessed by the firm, and may, for certain purposes, be seen as natural extensions of them. The case of Asahi Super

[28] Paola Trimarco, *Gucci: Business in Fashion* (London, 2001); Gerard McKnight, *Gucci: A House Divided* (New York, 1987); Sara G. Forden, *The House of Gucci: A Sensational Story of Murder, Madness, Glamour, and Greed* (New York, 2001).

[29] "Don't Mix Your Designers," *Economist*, 14 Jan. 1999; "Cockfight," *Economist*, 25 Mar. 1999; "Premium Blend," *Economist*, 22 Oct. 2004.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Dry, discussed below, illustrates this outcome. In contrast, Nescafé and KitKat were radical innovations that bore little relation to their creators' existing brand portfolios.

An entrepreneurial chief executive officer of a large firm may authorize his marketing department to conduct research for the purpose of identifying emerging, as yet unfilled, product niches. The newly discovered niches can then be filled either by the extension of an existing brand (as occurred in the case of Asahi Super Dry), or by the creation of a new brand, or by forging a compromise between the two (as occurred in the case of Nescafé, described below). The firm may also hire new managers and consultants in order to boost temporarily the creative resources at the firm's disposal (as happened in the case of KitKat). A 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, which was launched in 1987 by Asahi Brewery as an extension of Asahi Draft beer, was based on a revolutionary innovation that was product based (its ingredients and production process were new). In the late 1980s, the Japanese beer industry was experiencing 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 tastes, modern drinkers were eager to try new types of beer.[30] This period was also a difficult one 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 for *koku-kire* (rich and crisp taste) with the slogan "rich in taste and yet also sharp and refreshing." The result was that sales levels not only surpassed those of the other brands owned by the firm but also propelled Asahi Brewery to the first place in sales among Japan's top beer brand in 2002.[31]

Nescafé soluble coffee exemplifies another global brand that was launched by a team of managers in a large multibrand multinational.[32]

[30] Asahi Brewery, *Annual Report and Accounts*, 1988; Tim Craig, "The Japanese Beer Wars: Initiating and Responding to Hyper-Competition in New Product Development," *Organization Science* 7, no. 3 (1996): 302–21.

[31] Kirin, *Annual Report and Accounts*, 1966; "Asahi Pushes Kirin out of Pole Position," *Financial Times* (21 Feb. 2002); "Japan's Beer Wars," *Economist*, 26 Feb. 1998.

[32] Henri Nestlé started producing infant formula in 1843 in Switzerland. He tried to sell to doctors, pharmacists, and hospitals, but mothers first started using his formula after there was evidence that it had saved a premature baby. In 1905 Nestlé merged with the Anglo-Swiss Condensed Milk Company and throughout the 1920s and 1930s continued acquiring other companies. After World War II, Nestlé diversified first by creating an alliance with the chocolate producer Vevey, and subsequently by merging with this firm. In 1947 the firm

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Beginning in the late nineteenth century with the development of modern consumer society, entrepreneurs made several attempts to produce a soluble coffee in response to the demand for troop supplies during the First World War. However, the products that were generated failed to match the aroma of coffee arising from freshly roasted beans, were not durable, were too expensive, and did not dissolve satisfactorily in liquid.[33]

Nescafé was created by the Swiss company Nestlé in 1938.[34] The new brand resulted from a combination of motivations within the firm and external opportunities. Nestlé was entering a phase of economic crisis as a result of its heavy investment in two major market segments—mothers and babies.[35] The company's management felt it was time to find a product that would appeal to men.[36] Nestlé had had investments in the Brazilian market since the 1920s. In the early 1930s, the board of directors of the Banque Française et Italienne pour l'Amérique, which wanted to make use of the bank's excess Brazilian stocks, turned to Nestlé's management for help in fostering coffee consumption.[37] Nestlé's laboratories appointed two chemists, Arnold Bakke and Max Morgenthaler, to oversee research designed to produce a dry-coffee extract that could be prepared instantly. After investing four years in the project with no success, Nestlé abandoned the project. However, Morgenthaler continued the experiments independently and came up with a workable formula for instant coffee in 1936. Once Nestlé's directors were shown his findings, they decided to go ahead with the product.[38] As soon as it was launched in 1938, Nescafé instant coffee quickly became popular.[39]

---

merged with Maggi (a large Swiss multinational famous for its sauces and soups). This merger opened Nestlé's business to world markets. See Jean Heer, *Nestlé: One Hundred Twenty Five Years* (Vevey, 1991); Roger Priouret, "Comment la Suisse acquit une industrie alimentaire de dimension mondiale," *Le Figaro*, 6 Sept. 1966; "Global Confederation Where the Whip Is Seldom Cracked—Nestlé Alimentana S.A.," *Financial Times*, 16 July 1969.

[33] Albert Pfiffner, "A Real Winner One Day: The Development of Nescafé in the 1930s," in *Genuss und Nüchternheit: Geschichte des Kaffees in der Schweiz vom 18*, ed. Roman Rossfeld (Baden, 2002).

[34] "Rapport au Conseil d'Administration, Séance du 10 Juin 1928 à Cham," Nestlé Historical Archive.

[35] Heer, *Nestlé*.

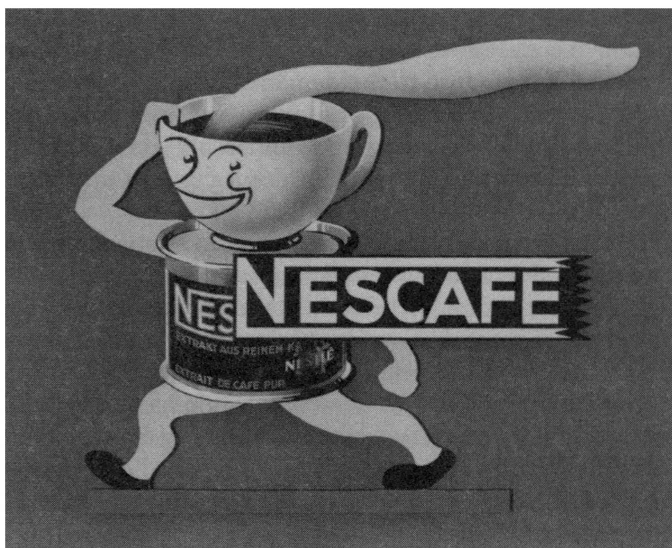
[36] Letter from E. Muller (vice president of Nestlé) to J. W. Gwynn (managing director of N.M.P. Ltd.), 15 Apr. 1937; Nestlé Historical Archive.

[37] Letter from E. Muller to H. Kuhlmann, Rio de Janeiro, 18 Mar. 1937, SG 11 541, Nestlé Historical Archive.

[38] M. Morgenthaler, "La Naissance du Nescafé," *Bulletin Nestlé* no. 2 (1944); "Cinquante ans de Nescafé!" *Nestlé Gazette* (Apr. 1988).

[39] "Rapport au Conseil d'Administration, Séance du 10 Juin 1938 à Cham," Nestlé Archive; "Roasters Turn to Soluble Coffee Business: Roasters Caught in Prize Squeeze Find Solubles a Possible Solution," *Tea and Coffee Trade* (Mar. 1953); "Soluble Coffee: What Caused Phenomenal Sales Increases?" *Tea and Coffee Trade* (May 1953).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press



A 1939 advertisement for Nestlé. (From the Nestlé Historical Archives, Vevey, Switzerland. Permission granted by Nestlé SA.)

KitKat is another good example of a brand launched by a firm that was going through a difficult period but overcame its internal problems by hiring new managers and bringing in consultants.[40] The aim was to create a line that did not directly compete with Cadbury chocolate.[41] KitKat was created by Rowntree in 1935 and was initially branded "Chocolate Crisp" before being renamed in 1937.[42] During the 1930s, Rowntree was facing the prospect of bankruptcy, so the firm hired new professional managers, one of whom was George Harris, a member of the Rowntree family by marriage. Emulating the successful strategy of the American company that had launched Mars in the British market in 1932, Harris created new brands for niche markets. Aided by the new technique of market research and the flair of the J. Walter Thompson advertising agency, Rowntree introduced an array of winning confectionary products, one of which was KitKat, and created new alliances

[40] "Chairman's Reports on York to General Board, 1933–1935," R/B/2/2, Rowntree Archive, Borthwick Library.

[41] "Notes by WW on the Achievement of the Business in 1932 in sales and profits, and the factors contributing," R/B4/WW/1, Rowntree Archive.

[42] The brand KitKat was first registered by Rowntree in 1911 and subsequently renewed in different periods (1925, 1939, 1953, 1967). "Register relating to applications for the Registration of Trademarks," R/DP/F/19, Rowntree Archive.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

with competitors in foreign markets.[43] By the outbreak of World War II, Rowntree had undergone a marketing revolution and had recouped much of the ground it had earlier lost to rivals.[44] Rowntree began to extend its international reach after 1945, not only through exports but also through foreign direct investment in markets such as Australia, Canada, South Africa, and Ireland.[45] By the early 1950s, the firm had grown to a size that required the formation of separate product divisions, each with a different marketing manager (confectionary, grocery, and chocolate) and guided by marketing-strategy committees.[46] However, Rowntree failed to diversify successfully in the 1960s, a decade during which the confectionary market stagnated and international competition intensified. In 1969, Rowntree merged with Mackintosh, another confectioner that produced brands like Rolo and Quality Street.[47] As occurred in the merger between Cadbury and Schweppes, this newly amalgamated firm anticipated melding two strongly marketing-oriented companies in confectionary and grocery and obtaining economies in marketing, distribution, and production planning.[48] Rowntree-Macintosh was acquired by Nestlé in 1988 in a hostile takeover. Despite its respectable financial performance and its innovative record, Rowntree's stock-market performance was perceived as inadequate, and the general view was that the company could have done better over the past twenty years.[49] The high price Nestlé paid for Rowntree's shares reflected the company's powerful brands and their potential to expand profitably into world markets. The acquisition by a leading multinational in chocolate paved the way for the brand KitKat to become global.[50]

The "Big-Firm Umbrella." A small firm that lacks large-firm capabilities to develop the brand it has created may find it more convenient

[43] Correspondence regarding Rowntree-Nestlé USA negotiations, "Letter from C. W. Gilderdale to L. Owen and J. D. Watson," 14 July 1934, Rowntree Archive.

[44] Other brands launched in this period were Aero, Smarties, and Black Magic chocolates. Robert Fitzgerald, *Rowntree and the Marketing Revolution, 1862–1969* (Cambridge, 1995).

[45] "File with Information about Overseas and Exports Division," R/DH/SC/16, Rowntree Archive.

[46] Letter from 1952 regarding the retirement of G. J. Harris, R/B3/LO/1, Rowntree Archive.

[47] Letter from Donald Barron (chairman of Rowntree) to the shareholders of Mackintosh announcing the merger (22 May 1969), R/BJ/BJB/4, Rowntree Archive; "Rowntree and Company and John Mackintosh and Sons Limited—Press Release," 2 Apr. 1969, R/B2/5, Rowntree Archive.

[48] "Rowntree and Company and John Mackintosh and Sons Limited—Press Release," 2 Apr. 1969, Rowntree Archive; D. Thomas, "How Rowntree Matched Macintosh," *Management Today* (Sept. 1970): 102–56; T. A. B. Corley, "Best Practice Marketing Food and Health Drinks in Britain, 1930–70," in *Adding Value: Brands and Marketing in Food and Drink*, eds. Geoffrey Jones and Nicholas J. Morgan (London, 1994).

[49] "The Nestlé Takeover of Rowntree," *Inquiry into Corporate Takeovers in the United Kingdom* (Edinburgh, 1991).

[50] Heer, *Nestlé*, 449–57; "Nestlé Offers £2.1 Billion for Rowntree," *Herald Tribune*, 27 Apr. 1988.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

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. In return for interest payments and a share of the profits, the large firm gives the small one access to its international marketing and distribution network. An example of this strategy is the Mexican beer brand Corona, produced since 1925 by Modelo, which began to experience rapid international growth in the 1980s, when it formed alliances with the American brewer Anheuser Busch. In 1998, the multinational acquired a 50 percent nonvoting stake in Corona's Grupo Modelo, which owned the leading beer brand in Mexico. Thus, aided by Anheusher Busch, which distributes the brand in most of the states, Corona became the foremost imported beer brand in the United States.[51]

Strategies for Global Success: Multifirm Brands

The brands listed in Table 1 tend to change ownership in two main ways: by merger and acquisition or by contract. Brand ownership has changed most commonly through mergers and acquisitions. When the shift occurs through acquisitions, one firm obtains control over the net assets and operations of another, whereas mergers enable the shareholders to pool their assets and jointly to control them.[52] The food, drink, and cosmetics industries have resorted more often to acquisitions than to mergers. Contractual arrangements may involve either the sale or the licensing of the brand.

Acquisitions by Organization-Centered Entrepreneurs. Starbucks coffee, Perrier water, Evian water, Lâncome, and Helena Rubinstein are examples of brands that only achieved global success after changing ownership and subsequently being managed by entrepreneurs who acquired them from their creators (or successors of their creators).

Starbucks is a relatively young coffee brand, which was created in 1971 by three entrepreneurs, Gordon Bowker, Zev Siegel, and Jerry Baldwin, who began selling it as a high-quality beverage 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 prepackaged food in favor of more natural, higher-quality products. In 1981 Schultz contacted the Seattle company to inquire about the possibility of transforming it into a high-quality national business and recreating the Italian café-bar culture in the American

[51] Anheuser Busch, *Annual Report and Accounts*, 2005; "Modelo Sharpens Overseas Focus and it Rides Bumpy Road in the U.S.," *Impact*, 15 Nov. 2005.

[52] *International Accounting Standards* (Rochester, 1996).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

market. Starbucks' management hired Schultz, but he left in 1983 to start his own coffee chain, which he called Il Giornale. In 1987, Starbucks came up for sale, and Schultz bought it and began to internationalize the brand. His grasp of changing social trends led him to promote the idea of selling premium coffee in a relaxed, informal retail environment. The success of this powerful brand was a key factor in the creation of a mass market for specialty coffee.[53]

In 1898, Louis 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 Hygiéniques de Vergèze. In 1903, using English capital, the firm initially sold Perrier in England and across 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, by merging with and acquiring other water springs and advertising on a mass scale, revolutionized the bottled-water business and caught up with his main competitors, Evian and Vittel.[54]

In the mid-1970s, Leven took the brand to the United States, ignoring the advice of several consulting firms that proclaimed 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 campaigns in the American market against soft drinks with added sugar were strong incentives for this investment decision. Perrier's immediate success created a substantial market in the United States for bottled water.[55] The marketing of Perrier positioned it as a status drink for the fashionable and affluent.[56]

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 water firms that held dominant positions in other foreign markets. For instance, in 1980 Perrier group acquired several American bottled-water firms, each with a strong regional presence, such as Poland Spring Corp. and Calistoga Mineral Water Co., in order to reduce the costs of shipping

[53] 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. Koehn, *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell* (Cambridge, Mass., 2001).

[54] Douglas A Simmons, *Schweppes: The First Two Hundred Years* (Ascott, 1983); Gilles de Bure, *Perrier by Perrier* (Barcelona, 2001); "Chantée par Valéry," *L'Éxpress*, 28 June 1965; "De l'eau minérale au conditionnement: Le groupe Perrier a realisé sa proper verrerie à Vergèze," *Les Echos*, 15 May 1974.

[55] "Perrier: Soif d'OPE," *Le Figaro: Économie*, 6 Mar. 1989.

[56] Business Trend Analysis, "The Bottled Water Market," 1986.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

water over great distances. Leven also continued to invest heavily in marketing, creating advertisements such as "De l'eau qui fait Pschitt" (the water that fizzes).[57] In 1992 Perrier was acquired by Nestlé after Leven retired, and the brand began to lose ground.[58] During the nineties, Nestlé turned Perrier into a 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 the company acquired Powwow, one of the leading players in the home and office water-delivery business in Europe, and also Clear Water, a bottled-water home- and-office-delivery company located in Russia.

Evian bottled water is another example of a brand that was developed after a 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 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; its source was 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 a medical prescription. Not until the 1960s in France, the mid-1970s in other countries, did bottled water undergo the surge in popularity that carried the brand to international fame.[59] By 1969, Evian was suffering from a depressed equity market in France, and its sales were hampered by the price controls imposed on mineral waters. Eventually it was acquired by BSN (Boussois-Soucho-Neuvesel), whose management had extensive marketing capabilities.[60] At the time, this firm produced glass bottles, industrial containers, flagons, and table glassware. However, BSN managers recognized that the company was losing its competitive edge in the glass-bottle industry, and so they decided to diversify into the contents of their containers, such as water and beer. In 1973 BSN merged with Danone, which started to develop the water business globally.[61]

[57] "Competition Stiffens for Perrier," *Herald Tribune*, 1 Nov. 1988.

[58] The European Commission ruled that the company should dispose of Volvic. 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.

[59] "Le Français est Buveur d'Eau," *L'Express*, 31 Mar. 1960; "Le Revanche des Buveurs d'Eau," *Le Nouvel Observateur*, 23 Nov. 1989.

[60] "Les Sociétés d'Eaux Minerals et la Bourse," *Les Echos*, 21 May 1969; "La Bataille de l'Eau Minérale," *Journal des Finances*, 7 Apr. 1989.

[61] In 1970, as part of its diversification strategy into the production of the contents of bottles, BSN also acquired two breweries: Kronenbourg and the European Breweries Company. Business Trend Analysis, "The Bottled Water Market," 1986; Bankers Trust, "Bottled Water: Pan European—Food Producers," 1999.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Since then, Evian's management has invested in globalizing the brand and has adopted innovative approaches to bottling water. The company was 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 during periods of stagnant consumption.[62] Currently Evian is the number-one selling brand of noncarbonated bottled water in the world.[63]

Lancôme cosmetics is another example of a brand that became globally successful only after it changed ownership. The brand was created in 1935 by French entrepreneur Arman Petitjean, who had studied with François Coty, the "father of twentieth century luxury perfumes."[64] He launched his first five fragrances in 1935 at the Universal Exhibition in Brussels, where they immediately captured popular interest. Building upon this initial success, Petitjean soon expanded beyond his perfume line to offer a complete range of products, including makeup and skin-care products. During the years that followed, Lancôme's prestige spread throughout the world, and its products began to be sold in the United States in the 1950s, answering a growing desire for quality cosmetics. However, not until 1964, when the brand was acquired by L'Oréal, did it become global.[65] This achievement was the result of sophisticated, careful strategies that entailed selling Lancôme through selected channels of distribution in France and abroad.[66]

The personality-centered entrepreneur Helena Rubinstein opened her first beauty salon in Melbourne, Australia, at the beginning of the twentieth century and then went on to expand her line. Rubinstein was determined to internationalize her brand, and her innovations had a strong impact on the cosmetics industry in the twentieth century. She was the first to sell cosmetics in large department stores; she created the first waterproof mascara (in 1939); and she was also the first to add vitamins to cosmetics (vitamin C, vitamin A, and phosphorus). In the 1950s Helena Rubinstein, along with Elizabeth Arden, was among

[62] "Eaux Minerals: La Crise du Pétrole Grignote les Profits et les Consommateurs Contestent l'Utilité des Produits Nouveaux," *Les Echos*, 6 Sept. 1974; "Evian: La bouteille compactable pour faire la différence," *La Tribune*, 1 Feb. 1995.

[63] KeyNote, "Bottled Water: Market Assessment," 2005.

[64] Randall Bruce Monsen, *A Century of Perfume: The Perfumes of François Coty* (Atlanta, 2001).

[65] Hubert Bonin, Carole Pailhé, and Nadine Polakowski, "The French Touch: International Beauty and Health Care at L'Oréal (since 1907)," in *Transnational Companies*, eds. Hubert Bonin et al. (Paris, 2001); François Dalle, *L'Aventure L'Oréal* (Paris, 2001); Geoffrey Jones et al., "L'Oréal and the Globalization of American Beauty," Harvard Business School Case 805-086 (Boston, 2005).

[66] The different channels of distribution corresponded both to distinct economic levels and to different purchasing habits. Jones et al., "L'Oréal and the Globalization of American Beauty."

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

the most popular suppliers of luxury beauty products in the United States.[67] However, by the early 1980s, the brand was being sold cheaply in U.S. drugstores and was receiving little merchandising support.[68] Its position was much better outside the United States, particularly in Europe, Japan, and Asia, where it was still considered an upscale brand. Throughout the 1980s, its various owners, such as Colgate Palmolive and Albi International, did not invest in maintaining the elite image of the brand. L'Oréal acquired Helena Rubinstein in 1987 as part of a strategy to cover all segments of the beauty market, and transformed it into a truly global luxury brand.[69] However, it took ten years for the changes in international distribution strategy to become effective.[70]

Merger of Large Firms. The merger of Cadbury and Schweppes illustrates the advantages to owners of combining resources. Cadbury began in 1824 as a shop in the center of Birmingham selling products such as tea, coffee, cocoa, and mustard. In 1831 John Cadbury decided to concentrate on manufacturing and marketing cocoa, so he sold the shop to a relative and launched the firm that became Cadbury Brothers in 1847. The company's first major breakthrough came in 1866, when the second generation of Cadbury Brothers introduced an improved cocoa in Britain.[71] Cadbury built up a large export trade in chocolate and confectionary before 1914; after World War I it invested in overseas manufacturing in the British Empire and the Commonwealth.[72] In 1919 Cadbury merged with J. S. Fry & Son, a family firm that dated back to 1728 and was the leading company in the industry.[73] The first directors who were not family members were appointed in 1943; the firm was not floated on the stock market until 1962. By 1960, low product growth and intense competition from rivals compelled the Cadbury management to diversify into sugar confectionary, cakes, and convenience foods. Unable

[67] Helena Rubinstein, *My Life for Beauty* (New York, 1966); Patrick O'Higgins, *Madame: An Intimate Biography of Helena Rubinstein* (New York, 1971).

[68] 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).

[69] In the 1960s, only 3 percent of its volume of sales was in foreign markets. In 2000 over 50 percent of its sales occurred outside Europe. L'Oréal's transformation of local brands into global brands had two stages that took about ten years overall: during the first stage, brands were chosen that had the potential to become global. To progress to the next stage, the brand had to sell to a critical mass. "Comment L'Oréal Mondialise," *Le Figaro: Économie*, 29 Oct. 2001.

[70] Interview with Jean-Claude Le Grand, Marketing Manager for L'Oréal, Paris, 10 June 2002; "Béatrice Dautresme: La potion magique d'Helena Rubinstein," *Le Figaro*, 2 Nov. 1999.

[71] "Introducing Cadbury Schweppes, 1969," Cadbury Archive; J. A. Williams, *The Firm of Cadbury, 1831–1931* (London, 1931), 5–40.

[72] Geoffrey Jones, "Multinational Chocolate: Cadbury Overseas, 1918–1939," *Business History* 26, no.1 (1984): 59–76.

[73] "Talk Given by Sir Egbert Cadbury" (South Africa, 1965), Cadbury Archive; Williams, *The Firm of Cadbury*.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

A 1952 Cadbury advertisement. (From the Cadbury Archives, University of Birmingham, England. Permission granted by Cadbury Schweppes plc.)

to generate sufficient product diversity internally, Adrian Cadbury merged his company with Schweppes in 1969, a move that allowed the combined firms to achieve economies in distribution and product development.[74]

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 but continued to trade independently of the new owner. Bombay Sapphire was launched in 1987 by International Distillers and Vintners (IDV), which became a subsidiary of Grand Metropolitan. In trying to capture market share, Grand Metropolitan came up with an innovative design (a blue bottle) and a new recipe that contained added ingredients, such as large doses of spice and lemon, making it more attractive than competitor brands, such as Gordon.[75] The brand changed ownership when Grand Metropolitan merged with Guinness, another leading British alcoholic-beverage multinational, to become Diageo, whose dominance of the market raised antitrust concerns in the United States. To

[74] "Schweppes Plus Cadbury," *Times*, 30 Jan. 1969; Derek F. Channon, *The Strategy and Structure of British Enterprise* (London, 1973); Corley, "Best Practice Marketing of Food and Health Drinks in Britain, 1930–70"; G. Foster, "The Cadbury Schweppes Mix," *Management Today* (Apr. 1970): 64–73.

[75] Interview with Chris Searle, Global Marketing Manager for Bombay-Bacardi and former brand manager at International Distillers and Vintners, London, 22 Jan. 2004.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

avoid a confrontation with the U.S. Federal Trade Commission, Diageo's management decided to sell Bombay.[76] The brand was bought by Bacardi in 1998, the year after the merger of Grand Metropolitan and Guinness.[77]

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, the company introduced major changes elsewhere, speeding up the distribution process and enhancing the premium image by advertising heavily and charging higher prices.[78] The global sales of Bombay grew from 0.5 million bottles in 1998 to 1.4 million bottles in 2004.[79] The move to a smaller multinational resulted in the brand's becoming a relatively important item in the firm's portfolio, and as a result it was given more attention by top management than it had received from Bombay.

Transfer through Licensing Agreements. The fragrances Calvin Klein, Hugo Boss, and Dior exemplify the partial transfer of control of a brand through a licensing agreement, giving one firm the rights to produce and distribute a product originated by another for a certain number of years in a specified set of countries.

Calvin Klein is known for its designer jeans and its wholesome all-American look. Over the years, Calvin Klein diversified into related businesses, such as underwear, fragrances, swimwear, home décor, and cosmetics. It entered the fragrance market with the launch of fragrances for men: Obsession in 1981 and Eternity in 1988. During this period, the perfume industry was catching on to the image of the sensitive, successful 1980s man, and it responded by offering men 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 (it had sold Elizabeth Arden in 2001). Under the ownership of Unilever, the brand became global. The license was then acquired by Coty Inc., a large U.S. cosmetics family firm, which became the world's largest manufacturer of mass-market fragrances.[80]

Hugo Boss has been a globally successful brand name in men's apparel since 1923. In the wake of the increase in men's willingness to

[76] Interview with Jack Keenan, former CEO of Diageo, London, 31 Oct. 2003.

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

[78] Interview with Chris Searle, global marketing manager for Bombay Sapphire, Bacardi, London, 22 Jan. 2004.

[79] M. Shaken Communications, Inc., *Impact International: Databank* (New York, 2006).

[80] Geoffrey Jones, *Renewing Unilever: Transformation and Tradition* (Oxford, 2005).

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

wear fragrances, Hugo Boss entered into a licensing agreement with the American consumer-products giant Procter & Gamble in 1993, which entitled P&G to produce fragrances with the Hugo Boss brand name. This was P&G's first investment in the fragrance business, and the move propelled the company toward global leadership in men's fragrances.[81]

The perfume Dior provides a similar story. Dior is a brand created after World War II that became very fashionable soon after it was launched, symbolizing luxury rather than comfort. During the 1970s, the brand was diminished by the firm's decision to license its Dior trademark 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). Moët & Chandon also merged with Hennessy in 1971.[82] In 1984, when Bernard Arnauld became senior manager of the fashion and retail company Financière Agache, he terminated all the licenses of Dior that were harming its image and 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 regained some of its original cachet. [83]

Rejuvenation

We noted at the outset that large firms with the organizational skills and financial resources to rejuvenate brands on a regular basis acquire brands from small firms. Were rejuvenation simply a matter of "tweaking" the brand image to appeal to a new generation of consumers, a small family firm might have enough resources to carry out such a task. If the brand was already profitable, its rejuvenation could be funded out of retained profits. Only when the aging founder, or his or her successors, loses touch with ongoing social trends that influence customers might the firm be forced to relinquish control of the brand so that it can be rejuvenated.

In practice, however, there is often more to rejuvenation than simply transferring a brand to another owner. Rejuvenation of the brand may require the development of a global image. As consumers become increasingly mobile while insisting on instant availability of the products

[81] Davis Dyer, Frederick Dalzell, and Rowena Olegario, *Rising Tide: Lessons from 165 years of Brand Building at Procter & Gamble* (Cambridge, Mass., 2004); "Alan Lafley: Procter & Gamble veut grandir dans les cosmétiques et les parfums," *Les Echos*, 8 Jan. 2003.

[82] "JPMW/IS," Sept. 1984, and "The New Group—Moët Hennessy," 1971, both at Moët Hennessy Archives, Epernay; Moët Hennessy, *Annual Report and Accounts*, 1970–71.

[83] "LVMH Drinks to New Shareholders," *Financial Times*, 11 July 1988; "France's Old Managerial Order Is Changing—A Disputed Touch of Class," *Financial Times*, 7 Aug. 1988; Moët Hennessy, *Annual Report and Accounts*, 1989.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

they want wherever they are, the ability to meet these demands requires the support of a global marketing and distribution system.

The traditional market for a brand may stagnate while not altogether disappearing, or else the traditional product may be unacceptable to an emerging market for the brand. If the firm cannot afford to ignore either market, it will have to extend the brand by creating an additional product that meets the requirements of the new market.

Global marketing and distribution channels incur substantial fixed costs and must handle a large volume of goods, more than any single product line may supply. This adds another cost-based motive for brand extension—namely, the need to develop a comprehensive range of products to be sold through similar types of retail outlets whose total volume will keep a global marketing and distribution center fully utilized.

Smirnoff, the world's top-selling spirits, is an example of a brand that has been successfully rejuvenated through globalization and line extension.[84] In 1992, when 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 U.S. bartenders, who mixed the vodka brand with imported ginger ale and lime. This cocktail, called "Moscow Mule," went a long way toward establishing Smirnoff as a vodka brand on the West Coast of the United States.[85] The idea was hatched by the managing director of Heublein's, who thought he could teach Americans to use vodka in mixed drinks. Moscow Mule eventually became popular 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 a response to two problems: the time it took to prepare cocktails at the bar and their inconsistent quality, which varied according to the skill of the bartender. These variables often caused consumers to fall back on drinking beer, as its quality was at least consistent. However, Smirnoff Mule was unsuccessful. It did not appeal to the target market, and the bottle design did not correspond to the content of the beverage. This was, in fact, International Distiller and Vintners' second unsuccessful

[84] Smirnoff was created in 1864 in Russia and was drunk by the royal family. In 1933 a former U.S. supplier of the brand bought the American rights to produce it. In 1939 Heublein, a U.S. firm that had become the leading multinational in the world by the mid-1980s, bought the brand. In 1987 Heublein was in financial difficulty and was less and less able to invest in the brand. Grand Metropolitan, which had the right to distribute Smirnoff in Europe, saw its potential to become a global brand. After Grand Metropolitan merged with Guinness to form Diageo, it acquired Heublein in 1997. Thus it came into 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 in several countries. Lopes, *Global Brands.*

[85] Moscow Mule was first created in 1941; "Moscow Mule File," Smirnoff Archive, Diageo, Menstrie, U.K.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

attempt to enter the ready-to-drink market. The company had previously launched Saint Leger, a California wine cooler conceived as an alternative to wine and beer. The product failed because the company had not transferred the knowledge it had gained from its wine and spirits business to the beer market, nor had it done enough consumer research.[86]

These unsuccessful ventures were nonetheless useful learning experiences for the subsequent launch in 2002 of Smirnoff Ice, which became very successful. The Smirnoff Ice promotion relied on different imagery than had been used to push Smirnoff Mule: it was both less sophisticated and tied more closely to the spirits brand. Smirnoff Ice succeeded to such a degree that it regenerated consumer interest in the core brand.[87]

Entrepreneurship and Resources

Since most successful global brands change ownership several times over the course of their existence, it is important to understand why this occurs and what is gained by these transitions. Usually the existing owner lacks the resources to take the next step in the life of the brand, which would entail either globalizing it or creating new lines or brand extensions. Recognition of a lack of capacity to exploit the brand to its full potential may lead to its sale (either on its own or along with the firm that owns it). The owner may lack either tangible resources (such as physical assets or capital) or intangible resources (such as knowledge, which, in the case of imagery brands, tends to be marketing knowledge). Often a combination of these motivations leads to changes in ownership.[88]

Marketing Knowledge. The entrepreneur can be a catalyst in the growth of marketing-based firms. The characteristics of entrepreneurs involved in the creation of brands tend to be similar, regardless of whether they own the firm or are employees of a multibrand firm. A comparison of the characteristics of two entrepreneurs, the creators of Carlsberg and Nescafé, clearly reveals their similarities. However, over time, the type of management and marketing knowledge they require changes substantially. In the initial stages of brands, the entrepreneur-founders of firms, or their family members, tend to have a pragmatic

[86] Interview with Chris Nadin, former marketing manager at Grand Metropolitan, London, 10 Dec. 2003.

[87] Barwise and Robertson, "Brand Portfolios," 278; David A. Aaker and Kevin Lane Keller, "Consumer Evaluations of Brand Extensions," *Journal of Marketing* 54 (Jan. 1990): 27–41.

[88] David J. Storey, "Firm Performance and Size: Explanations from Small Firm Sectors," *Small Business* 1, no. 3 (1989): 175–80.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

and path-dependent kind of knowledge that has been accumulated over time. This kind of knowledge is nontransferable, complex, dynamic, rich in intangible resources, and usually tacit. Its transmission, which is a source of competitive advantage, requires minimal, barely formalized expression and is expressed in the individual's reactions to situations.[89] This kind of knowledge often becomes routinized, with the result that once employees have learned and adjusted to established procedures they resist learning new ones.

The knowledge that is nontransferable and is accumulated over time, however, is distinct from the routines and procedures that embody the entrepreneur's perception of business problems and strategic solutions. This type of knowledge resides in the minds of particular individuals (such as marketing managers or the firm's chief executive officer) and is not as easily shared with other people in the organization. Routines and procedures allow the company to monitor and cope with short-term volatility, while knowledge represents a strategic response to long-term challenges.

The cases we have analyzed reveal that the kind of knowledge displayed by hired managers differs from the knowledge possessed by family members. Managers with entrepreneurial capabilities can be hired for the short term, and their expertise tends to be broadly applicable. They are usually hired to act as "change agents" and are instructed to challenge old procedures. Old, nontransferable knowledge that produced the success of a particular brand may have become obsolete, requiring the formation of new entrepreneurial skills. The characteristics of such managers do not reflect the character of their marketing knowledge per se; they have to do with the nature of the practices in which the knowledge is used.

The process of transmitting new knowledge within the firm occurs in various ways: by training, by monitoring, and through critical analysis of the mentor who changes the knowledge. This is what happened to Mr. Gucci, the founder of his own firm, and to his son, who succeeded him. Another alternative is hiring professionals to manage different areas of the firm, making sure that they share information and consult with each other in order to learn their colleagues' views. Such a process occurred when KitKat was launched soon after the appointment of a new manager. While it is relatively easy to find people with professional

[89] Explicit knowledge (articulated or codified) can be transferred by way of a systematized language or code, and there is no need to link it to a specific context for it to be meaningful. Michael Polany, *The Tacit Dimension* (London, 1966); Ikujiro Nonaka and Hirotaka Takeuchi, *The Knowledge-Creating Company* (New York, 1995); Ikujiro Nonaka and Noboru Konno, "The Concept of 'Ba': Building a Foundation for Knowledge Creation," *California Management Review* 40 (Spring 1998): 40–54.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

skills (managers with professional accreditation and mastery of marketing techniques), it is more difficult to find entrepreneurs capable of making difficult judgments and selecting brands with the potential to be rejuvenated and transformed into successful global brands.

In small firms, entrepreneurs are able to manage both short-term and long-term volatility. As firms grow, a succession of immediate crises often erupts that can prevent the entrepreneur from thinking about the long term. Because short-term volatility is recurrent, however, routines and procedures can be devised to meet it. The skills for doing so are acquired by good professionals, and professionals move between firms. Having gained the confidence of the shareholders, the entrepreneur CEO can become more specialized and concentrate on long-term trends. He or she now has the space in which to develop expertise in valuing brands and calculating potential future earnings.

As Schumpeter stated, "Mechanisms of economic change in capitalist society pivot on entrepreneurial activity."[90] The reason for this is that the qualities of decision-makers are partly determined by, and partly determine, the social environment within which business takes place. Similarly, the value of marketing knowledge changes with transformations in the environment, and firms are only able to succeed by adapting, keeping routines and procedures that are still relevant and discarding those that are not.

Before they became globally successful, the brands we have analyzed here survived as a result of continual small adjustments, enabling entrepreneurs to preserve their basic routines and procedures. More radical changes in the environment, such as increased competition and liberalized markets (characterized by different preferences and distinct cultures), forced the entrepreneurs to become more flexible and to acquire new forms of marketing knowledge in order to rejuvenate their brands and change their routines and procedures.[91]

The Life of Brands and Marketing Knowledge. Several researchers in marketing, international business, and strategy have linked the stages in the life of products and industries to the strategies followed by firms at particular times.[92] However, these studies do not address how to rejuvenate brands at different stages in their lives, nor do they examine which entrepreneurs and firms should own these brands at different times and in particular locations.

[90] Schumpeter, "The Creative Response."

[91] This view contrasts with that of Schumpeter, who considers the entrepreneur to be the one who initiates economic change and thinks that consumers are taught to want new things. Schumpeter, *The Theory of Economic Development*, 65–94.

[92] See for example Raymon Vernon, "International Investment and International Trade in Product Cycle," *Quarterly Journal of Economics* 80 (May 1966): 190–207.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

The evidence we have provided shows an apparent relationship among entrepreneurship, the life of firms, and the life of brands. Early stages in the life of a brand require marketing knowledge, which is essentially nontransferable, pragmatic, and dependent on the ideas of the entrepreneur who created it. At this stage, the brand is essentially local, although it might have been adopted in countries that are culturally and geographically close. Over time, as a result of its natural path of growth, the increasingly homogenized makeup of its consumers, and the liberalization of its markets, the brand will have to be sold in multiple markets around the world. This step requires gathering more marketing knowledge and assembling 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 more sense to sell out to companies that already have such managers.

In its early stages, a brand may remain successful if the firm hires more staff who are taught the routines and procedures created by the entrepreneur. For the brand to become global, the firm must acquire a more expansive type of marketing knowledge, often by hiring professional marketing managers with entrepreneurial skills, bringing in external consultants, or forming alliances with multinationals. These strategies enable the firm to use its skills for the international management of its successful brands. If that is not possible, the firm might sell the brand to another firm with the necessary resources. Often firms with this type of marketing knowledge find they can extend it to different brands. In these circumstances, they will probably search for new brands with the potential to become global to add to their portfolios.

Conclusion

In this study, we have looked at the role of entrepreneurship in the growth and survival of global brands in food and drink and in the cosmetics and fashion industries. Drawing on an expanded concept of the entrepreneur, we have considered the self-made entrepreneur (who has a strong will to succeed) and the hired organization manager (who possesses above-average leadership qualities, who is not afraid of challenges, and who has an inner drive to compete and win). Our cross-industry and cross-country comparisons highlighted several salient trends, some of which can be attributed to the life of brands and others to the development of the modern economy.

One noticeable trend is that successful global brands usually originate in developed countries, where the institutional environment tends to be more benign (in terms of legislation, consumption, infrastructures, and capital); another is that most successful brands are old, often dating

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

back to the eighteenth and nineteenth centuries, as it takes a long time to build their personalities and it is easier to create brand and line extensions than to start from scratch. Few brands have remained under the same ownership throughout their lives, particularly since the 1980s. The liberalization of markets led to new waves of mergers and acquisitions and to global economies. Many brands are now under the ownership of a small group of multinationals in consumer goods. The ownership of these brands and of the firms that created them tends to change with repeated mergers and acquisitions. However, a few brands were traded as pieces of intellectual property. Licensing agreements are also common (for the production and distribution of a different product that uses the same brand name as another or for selling the same product in a different geographic market) for fixed periods of time. These agreements are often linked to strategies of brand extensions.

We have shown that once a brand has been successfully created and built up by the original entrepreneurs who had the ideas and the willingness to take risks, it is more likely to continue to flourish when it is turned over to professional managers with entrepreneurial skills (and marketing knowledge that has a broader application).

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 who can give advice on how to rejuvenate brands (in which case, the brand may remain under the same ownership throughout its life). Alternatively, and most frequently, in order to remain successful and expand, ownership of the brand might have to change. Ensuring its acceptance in a range of countries as the brand grows requires the application of a considerable amount of information. Neither a single individual nor a small firm based in one country can accomplish this alone. Large organizations are better able to create the environment that allows teams of professional managers to behave entrepreneurially. These managers are often employed by an entrepreneurial individual who understands what they can contribute. While the entrepreneur may be qualified in marketing, he or she understands the advantages of delegating the task to other professionals.

Rejuvenation and globalization require different skills. At these stages, entrepreneurs manifest exploitative behavior, such as the ability, first, to recognize trends in the global economy and, then, to apply this recognition to best advantage in the appropriate sector when promoting the brand. The skills of explorative entrepreneurs are more important during stages when the development of the product is associated with a particular brand that becomes successful later on.

To remain "forever young," imagery brands (in food and drink, cosmetics and fashion) do not necessarily have to be owned by large

https://doi.org/10.2307/25097419 Published online by Cambridge University Press

Chandlerian managerial firms, at least initially. The situation differs in the case of performance brands, where factors such as technological innovation must be taken into consideration.

Our findings may be applied to other industries, such as many in consumer goods whose leaders are also multibrand firms, whereas high-tech manufacturing industries often consist of single-brand firms. Consumer goods and services in industries that do not embody advanced manufacturing technologies, such as the hotel industry, generally provide an opportunity to separate brand ownership from firm ownership, thereby allowing separate trade. When it comes to high-tech, single-brand firms, however, the ideas we have presented require some modification, as it is not so easy to separate the brand from the firm when the brand must be kept up to date. Where advanced technology is required to sustain the quality of the brand on which its reputation is based, it is difficult to separate the brand and the firm, because the acquiring firm would have to have the appropriate advanced technology and skills required to continue to keep the technology current. Although this stricture does not prevent brands from being traded, it does severely limit the range of potential buyers.

https://doi.org/10.2307/25097419 Published online by Cambridge University Press