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A Stage Model of International Brand Development: The perspectives of manufacturers from two newly industrialized economies–South Korea and Taiwan

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Abstract

A review of the literature has revealed that insufficient attention has been paid to the international branding process. Following in-depth interviews with eight manufacturers from South Korea and Taiwan, a stage model of international brand development is therefore proposed. This model is a composite of three extant literatures, i.e., international branding, the Small Business Growth Stage Model, and the Internationalization Process model. The model highlights four successive and progressive stages underpinning international brand development: Pre-international, Lead Market Carrying Capacity, International Branding and Market Succession, and Local Climax. According to the proposed model, firms begin with the development of a strong brand in home markets, then, utilize OEM brands to expand and become familiar with international markets. A gradual decrease in OEM contracts and more concentration on international branding in the three global lead markets (i.e., the USA, Japan, and the EU) follow. The stage model ends with brand development deploying localization in the Third World countries. The article concludes by providing research implications as well as future research directions.

Keywords: Stage models; International brands; Case studies; Business growth; Newly industrialized economies

1. Introduction

Globalization has become rampant in the last decade, and with it, the academic interest in a firm's internationalization process, originated by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), has seen a resurgence over the last few years (cf. Eriksson, Johanson, Majkgard, & Sharma, 2000). Empirical research conducted by Sullivan and Bauerschmidt (1990), Leonidou and Katsikeas (1996), Eriksson et al. (2000), and Vyas and Souchon (2003) are the resultant studies within this subject matter.

In order to gain a competitive edge during the process of internationalization or globalization, firms have attempted to develop their brands on a global scale (cf. Craig & Douglas, 2000; Tse & Gorn, 1993). The benefits of developing such brands include high quality and prestige perceived by local customers, ease in attracting potential employees and partners overseas, along with cross-border learning and cultural benefits, all of which result in cost efficiencies of marketing strategies and facilitate international market entries (see among others, Aaker & Joachimsthaler, 1999;

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Beerworth, 1998; Craig & Douglas, 2000; Gillespie, Krishna, & Jarvis, 2002; Quelch, 1999; Yu, 2003). These benefits have facilitated firms not only from developed countries (e.g., Nike of the USA, Mitsubishi of Japan, Nokia of Finland) but also from newly industrialized economies (e.g., LG Electronics of South Korea, Giant Manufacturing of Taiwan, and Singapore Airlines of Singapore) utilizing international or global branding in achieving high success in their global business operation.

The above are asserted to provide the impetus for academic research on international brand development, especially the issue of the stages of brand development. Moreover, appreciating international brand development in terms of the key stages on a familiarity and generalization basis helps to simplify and specify the transformation brought to bear during the international brand development process in a sequential and systematic manner. Within such a sequential and systematic process, related local culture contexts and historical implications, such as main common problems, crises, and other dynamic aspects at each stage, should be discussed. The context and history at each individual stage not only minimizes the efforts of firms in data collection, but also enables or enhances the formulation of informed decisions and better judgments for later challenges. Furthermore, appropriate plans for the future can also be achieved when moving from one stage to the next. Based on the foregoing discussion, it was surprising to find that review of the literature revealed insufficient attention paid to the development process of international brands. In view of this gap in the literature, it was decided to propose a Stage Model, which, for the purposes of this study, is termed the "Stage Model of International Brand Development."

In the section that follows, related literature will be reviewed. Research methodology will then be reported, followed by the delineation of the development of the proposed "Stage Model of International Brand Development." Conclusions will be the last section.

2. Literature review

A brief review of "international branding literature", the "Small Business Growth Stage Model," and the "Internationalization Process Model" will be undertaken. The purpose of the provision of a review of international branding literature is to provide the background of the current subject. Besides, the review of the "Small Business Growth Stage Model" and the "Internationalization Process Model" literature is believed to offer a fundamental basis in developing the "Stage Model of International Brand Development." This is because international brand development includes business growth from a small entity into a national-wide brand, and then, a brand across national borders. Therefore, these two models could share some similarity with the subject matter.

2.1. A review of international branding literature

An international brand in the global market is a brand that is available and well-known in many countries; though it may differ from country to country, the versions of the brand share a common goal and a similar identity in some respects (cf. Raman, 2003; Tse & Gorn, 1993). The development of an international brand or international branding, borrowing from internationalization literature (Anderson, Graham, & Lawrence, 1998) and branding perspective (Aaker, 1991; Dictionary of Marketing Terms, 1995), can be defined as "the process of developing a firm's brand equity that appeals to overseas target customers' positive attitudes about the brand." A firm's brand equity refers to its awareness, perceived product quality, brand image, and brand loyalty (Aaker, 1991).

International branding with the version of a common goal and a similar identity (i.e., standardization consideration) as a distinct issue emerged in the 1980s since the publication of Levitt's (1983) article, *The Globalization of Markets* (Alashban, Hayes, Zinkhan, & Balazs, 2002; Rosen, Boddewyn, & Louis, 1989). Levitt essentially adopted Buzzell's (1968) argument of the increasing standardization necessity, as well as extended Elinder's (1961) view of the homogeneity of European markets to world markets. Levitt (1983) claimed that there was a sweeping emergence of homogenized tastes across the globe. As a result, firms could take the best advantage of globally standardized products and brands in order to serve the world more economically.

Contrary to Levitt's (1983) standpoint, academics such as Douglas and Wind (1987), Jain (1989), Agrawal (1995), and de Chernatony, Halliburton, and Bernath (1995) argued that inter-country and/or interregional differences in environmental factors such as culture and socioeconomics, as well as market structures and stages of product life cycle (PLC) among markets continued to exist. Therefore, standardization could not just be imposed on all markets (Aaker & Joachimsthaler, 1999). International branding strategies should therefore be also customized to match local needs (Chan, 1990; Douglas & Wind, 1987), i.e., some adaptation may need to be considered in international branding. As indicated in their early work, *Customizing Global Marketing*, Quelch and Hoff (1986) responded to Levitt's work that various local conditions needed to be taken into account as well. Therefore, standardization/adaptation is a matter of degree, and the final success of international branding depends on achieving the right balance between local and global needs (Preston, 1996).

Although global standardization branding strategy seemed irresistible to executives and the current world GDP related to global brands is still remarkably small (Quelch, 2003), two forces are driving its return: the emerging of a new vast market derived from the collapse of communism, and information and communication technological improvement that make organization on a global

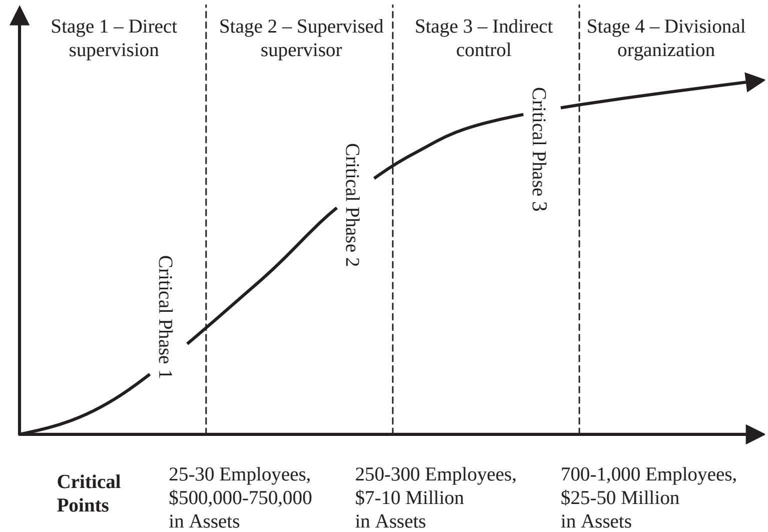

Fig. 1. Steinmetz's (1969) model.

scale truly cost effective for the first time (cf. Mitchell, 2000; Quelch, 2003). In addition, cross-border population mobility and the spread of international retailers, as well as global and regional mass media access have also acted as enablers of the global branding (Douglas, 2001; Mitchell, 2000; Motameni & Shahrokhi, 1998; Quelch, 1999; Wright, 2002). Global brands are increasingly recognized by and attractive to buyers worldwide (Gillespie et al., 2002) and most companies in most industries have would-be global players and have begun/appeared to believe they have everything to create global brands (Aaker & Joachimsthaler, 1999; Mitchell, 2000). Academics are also increasingly devoting attention to global branding (Francis, Jan, & Walls, 2002).

2.2. The small business growth stage model

The number of stages proposed and the key issues within each stage raised by different "Small Business Growth Stage Models" vary. Steinmetz's (1969) and Churchill and Lewis's (1983) models are two well-quoted models. Those who quote the former include Tuck and Hamilton (1993), Howard and Hine (1997), Floyd and Fenwick (1999), and Hamilton and Lawrence (2001). Those who cite the second model include Dodge and Robbins (1992), Atkins and Lowe (1997), Wasilczuk (2000), and McMahon (2003). Steinmetz's (1969) model, as shown in Fig. 1, divided the growth of small businesses into four sequential and progressive stages ("Direct Supervision," "Supervised Supervisor,"

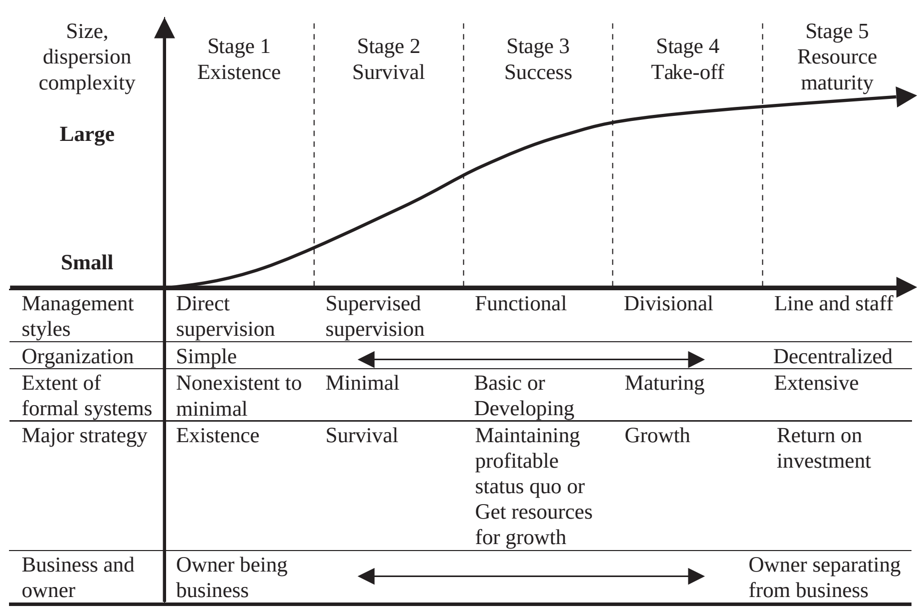

Fig. 2. Churchill and Lewis' (1983) model.

"Indirect Control," and "Divisional Organization"), as well as three critical phases between stages. According to the author, a small business, if successful, was inescapably committed to going through the three critical phases of growth. Common problems might arise throughout the phases in their development. The failure in going through these phases might lead to the demise of the business and might result in the company going into liquidation, or being merged with another company.

As for Churchill and Lewis' (1983) model, the authors divided the business growth into five stages: "Existence," "Survival," "Success," "Take-off," and "Resource Maturity" (see Fig. 2). Each stage was described by five management factors: managerial styles, organizational structures, extent of formal systems, major strategic goals, and the owner's involvement in the business. These factors, which were weighted differently from stage to stage as the business grows and develops, were prominent in ultimately determining success or failure. The provision of these factors and their importance within each stage offers a clear picture of changing management demands.

2.3. The internationalization process model

The study of the "Internationalization Process Model" can be traced back to as early as 1975 when Johanson and Wiedersheim-Paul brought out their most well-known work, *The Internationalization of the Firm*. Psychic distance, the dominant concept of their research, was regarded the factor that propelled a firm to proceed with its internationalization process from no regular export activity to final local production/manufacturing. Following this initial work, the process of internationalization has been variously described and categorized (e.g., Cavusgil, 1980; Chang & Grub, 1992). A more recent work related to this subject matter and having raised academics' interest (see among others, Back & Seaker, 2004; Kuivalainen, Sundqvist, Puumalainen, & Cadogan, 2004) is Anderson et al.'s (1998) study. In their study, five subsequent and progressive levels of internationalization were identified: "Aspirational," "Procedural," 'Behavioral," "Interactional," and "Conceptual" (see Table 1). The investigation was conducted using a small group of firms, and based on the investigation, characteristics and learning implications within each individual stage were highlighted. An important finding was that learning was considered to underpin the development of the knowledge and capabilities required for a successful, international operation.

3. Research methodology

The operationalization of the "Stage Model of International Brand Development", by adopting the concepts identified in the literature section, was based on an exploratory study on firms from two newly industrialized economies, namely, South Korea and Taiwan. The selection of these two research settings was owing to the nature of manufacturing of their local industries. The choice of focusing on the manufacturing sector, instead of generalizing to all aspects of industries, was due to a matter of variance consideration and a lack of qualified participants within other sectors. The successful stories from these two research settings (countries that have gone from having very few internationally recognized firms to prominent presence with a surge of brand recognition within a very short period

Table 1
Anderson et al.'s (1998) five-stage model of internationalization

Level of internationalization	Characterization	Learning implications
Aspirational	the desire to internationalize	understanding of the decision process
	the aim of such aspirations	reflective learning from previous experiences
	the instigators of such moves	
	the motives/driving forces associated with the moves	review of dominant logic
Procedural	the application/implementation of the decision	knowing "the rules of the game"
		"technical" knowledge and skill
	tactical action orientation	legislation/market knowledge required
	organizational/structural changes	programmed learning
		Adaptive learning
Behavioral	reacting and functioning in accordance with cross-frontier requirements	cultural appreciation and empathy
	awareness of new conditions	generative learning
	sensitivity to environmental demands	revision of dominant logic
International	acting in close partnership with other associates	mutual cooperation and development
	creating, building, and maintaining effective and meaningful relationships with new ad existing stake-holders	"social/business" relationships, knowledge, and skills
	business/organizational alignment	coordination mechanisms
		management of diversity/convergence
Conceptual	formation of "international mindset" from experience, observations, etc.	individual and organizational changes in perspective: attitudes, beliefs, feelings, judgment, opinions, outlooks, views, sentiments, ways of thinking
	constant re-evaluation of thinking and operation	multiple logics

Table 2
The profiles of the eight interviewed firms

	Location	Establishment	Major products	Workforce[a]	Sales[b]
Samsung Electronics	S. Korea	1969	electronic appliance	88.4[c]	54.3[c]
LG Electronics	S. Korea	1958	electronic appliance	64.0[c]	16.9[c]
Daewoo Motors	S. Korea	1937	motors	n.a.	n.a.
Hyundai Motor	S. Korea	1967	motors	51.5[c]	39.0[c]
Kia Motors	S. Korea	1944	motors	29.9[d]	10.7[c]
Hynix Semiconductor	S. Korea	1983	semiconductor	13.0[d]	3.9[c]
Giant Manufacturing	Taiwan	1972	bikes	4.5[d]	0.45[d]
Trend Micro	Taiwan	1988	antivirus software	1.9[c]	0.45[c]

Source: modified from Hoover's Company Records (http://www.hoovers.com).
[a] Thousands.
[b] US dollars in billions.
[c] In the year of 2003.
[d] In the year of 2002.

of time) certainly delivers assertive evidence for the entire spectrum of international brand development required for the research.

Following the above, the research conducted secondary data collection (such as annual reports and brochures) on a number of well-known manufacturers from the above two research settings in order to get acquainted with these firms and further verify their qualification. Then, contacts with their representatives or Public Relation (PR) departments in Taiwan were made and eight firms with interview willingness were finally chosen as the research sample. These firms were Samsung Electronics, LG Electronics, Daewoo Motors, Hyundai Motor, Kia Motors, and Hynix Semiconductor from South Korea and Giant Manufacturing and Trend Micro from Taiwan. Their profiles are shown in Table 2. The sample size of eight firms was in line with exploratory qualitative research (Eisenhardt, 1989).

In-depth interviews with top management or PR managers from their Taiwanese branches or representatives of these eight firms, a consideration due to the location of the research center, were arranged and proceeded at their premises between March and June in 2002. Foot-in-the-door technique supplemented the data collection efforts. During the interviews, discussion was allowed to develop naturally with the interviewer ensuring that the stages in the international brand development model were covered (McCracken, 1998). Notes were taken supported by audio tape recording. The interviews lasted between 1 h and 1.5 h. Some interviews were re-arranged and re-conducted again in case of further information requirement.

The data were in the form of protocols and means-end maps for the individual respondents. By using inductive reasoning approach (see Kirk & Miller, 1986; Wolcott, 1990), patterns of responses and observed similarities across individual responses formed the Stage Model of Interna-

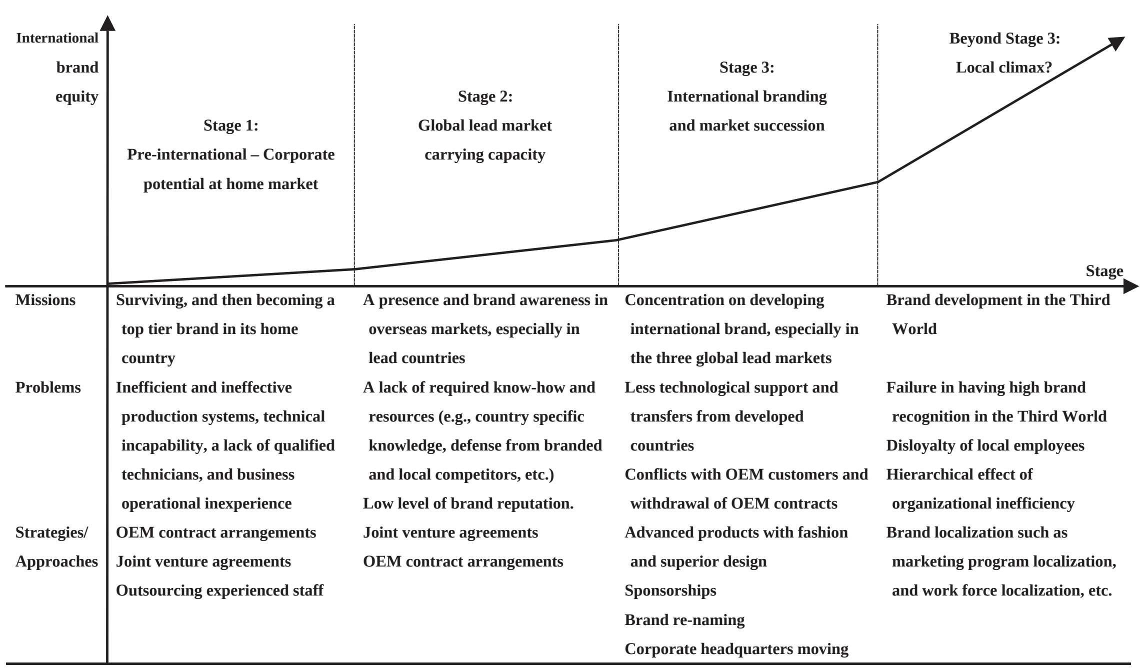

Fig. 3. The proposed Stage Model of International Brand Development and Key issues at each stage.

tional Brand Development. Key issues at individual stages of the proposed model are placed in Fig. 3.

4. The proposed stage model of international brand development

4.1. Stage 1: pre-international—corporate potential at home

4.1.1. Missions

International Brand Development begins with the establishment of a presence, and then a nationwide brand at home. According to Edvardsson, Edvinsson, and Nystrom (1993), the local condition on the domestic market, with regard to resources and market conditions, are important for the outcome of the internationalization process. In addition, as indicated by Quelch (1999), global brands are always strong at home. Therefore, at Stage 1, the firm would consider survival as the highest priority before becoming a top tier brand in its home country. Even though parts of its revenue may be subsidized by exports either under its own brand or foreign customers' Original Equipment Manufacturing (OEM) brands later at this stage, the firm still concentrates on its own brand development in the home market.

4.1.2. Problems

With expanding its brand name at home, a number of problems, such as inefficient and ineffective production systems, technical incapability, lack of qualified technicians, and business operational inexperiences would emerge during this stage. LG Electronics, Samsung Electronics, Daewoo Motors, Giant Manufacturing, and Trend Micro all claimed to have experienced these problems during their early stages of development. These problems result in the production/offering of low-end, poor quality products/services and sometimes with the consequent loss in investments, all of which deter the development of the firm's brand equity at home.

4.1.3. Strategies/approaches

A number of approaches are utilized to cope with the above problems, including OEM contract arrangements, joint venture agreements, and outsourcing experienced staff. The former two are common approaches for firms entering foreign markets (Mecum & Goldstein, 2000; Park, Gowan, & Hwang, 2002). Based on the interviews, it appears that in order to gain experience in business operations and thereby nurturing some budding competitive advantages to consolidate their positions in domestic markets, South Korean firms cooperated with firms from developed countries that utilized these two approaches to get involved in the South Korean market. A large number of Taiwanese manufacturers, to the best of the authors' knowledge, also employ OEM contract arrangements to promote their corporate abilities at home. As for outsourcing experienced staff, this is especially utilized by the Taiwanese firms interviewed in this research to enhance their business capabilities.

In terms of OEM contract arrangements, the 1970s saw the trend of OEM contract arrangements in the "Asian Four Tigers" (Taiwan, Singapore, Hong Kong, and South Korea). Firms form those countries were authorized by firms from developed countries who suffered high production cost at home to produce their required specification. In doing so, firms in the "Asian Tigers" economy gained access to advanced production and technological skills, which consequently led to the enhancement of their product quality. A good example is Hyundai Motor, which used to assemble motors for Ford Motor (from the USA) and Mitsubishi Motors (from Japan) in South Korea. Another example is Giant Manufacturing who produced bicycles for their American and Japanese OEM customers.

With regard to joint venture agreements, the main difference from the above is how business operational skills have been acquired through the relationship. Take Daewoo Motors for instance. Daewoo Motors worked with General Motors (GM) in the 1970s to acquire not only technological capabilities, but also business operational experiences. As the joint venture thrives, its parent companies will also share in the booming prosperity. Nevertheless, due to the fact that the ventures are backed by the individual interest of each site, the agreements could inherit managerial inconsistency between the two sites (Sulzer, 2001). Furthermore, dissimilarities in cultures and managerial concepts could further damage the relationship between the two. The venture formed by Daewoo Motors and GM fell through when Daewoo Motors began to share managerial responsibility with GM. The same drawback for the use of joint ventures can be found at the other stages.

Regarding outsourcing experienced staff, firms will recruit the appropriate qualified personnel from abroad or from other sectors with required skills (e.g., technical skills, the knowledge of international businesses processes, etc.). A case in point is Giant Manufacturing and Trend Micro who recruited experienced and qualified engineers to develop and improve their product quality. The use of such outsourcing resulted from concerns of controlling business entities.

Through OEM contracts, joint venture agreements, and outsourcing experienced staff, a firm improves its product quality and service offerings. This leads to an increase in consumer satisfaction and helps create or enhance the perceived quality, image, and trustworthiness of the firm's products/services as it markets its own brand-name products at home. Eventually, the firm will enjoy comparable consumer brand loyalty and substantial market share at home. On the other hand, the firm will also begin to benefit from its progressive product quality experienced by foreign OEM customers and its corporate reputation will be thus initiated in the OEM markets internationally.

4.2. Stage 2: global lead market carrying capacity

4.2.1. Missions

At this stage, the mission is to have a presence abroad, especially in the three lead markets of the globe (i.e., the USA, Japan, and the European Union [EU]), and then, if possible, to expand and simultaneously to gain brand awareness advantage there. The initiation of international operations is incremental, starting with casual exports or overseas involvement requested by foreign partners or customers at the first stage (Driscoll, 1995). Nevertheless, at this stage, following the success in the domestic market at Stage 1, firms would desire to profitably utilize their competitive edge in overseas markets (Gurau, 2002). High overseas involvement, such as a substantial increase in foreign sales, thus, becomes viable, and developing brand-name awareness in overseas markets, especially in the three global lead markets, turns out to be both "image-able" and possible.

4.2.2. Problems

A lack of required know-how, resources, etc. deters initial and quick overseas expansion and brand development. These include sufficient country-specific knowledge, having good relationships with local communities, and a defense from branded products and local competitors, etc. Giant Manufacturing suffered a decade of losses in the USA due to inappropriate marketing strategies. Another problem frequently experienced at this stage is related to the process of entering the international market place. In addition, as low-end product and low price strategy is deployed, the firm will be positioned with a low level of brand image (also see discussion below).

4.2.3. Strategies/approaches

Joint venture agreements and OEM contracts, the two entry strategies at Stage 1, will also be adopted for entering overseas markets, and if possible, further developing its own brand-name awareness. At this time, the above two approaches for consolidation in the home market at Stage 1 are replaced by the strategies targeted for overseas expansion around the globe, namely, in the three global lead markets as mentioned above. The selection of these developed regions is due to a greater possibility of accessing the essential complementary resources there (Fontes & Coombs, 1997; Gurau, 2002).

The use of joint venture agreements with indigenous firms (e.g., local agents or distributors) helps firms to market their low-end products under their own brand names at a competitive price in host countries. This allows the venture to attenuate local political, economic, social, and cultural risks and speed up the learning process (Anand & Delios, 1997; Brouthers & Brouthers, 2001; Gatignon & Anderson, 1988; Kim & Hwang, 1992). South Korean firms such as LG Electronics and Daewoo Motors all cooperated with local well-known firms when entering host countries. The Taiwanese company, Trend Micro, marketed its products through consignees while in the early periods of this stage. Nevertheless, owing to different managerial concepts, it suffered conflicts with the consignees late at this stage, an inevitable problem associated with this approach.

The use of OEM contracts grows to a peak during this stage. The goals of its use are largely for sales volume maximization (the primary task of this stage) and the resultant achievement from production economies of scale is to obtain world market share under OEM brands. With these goals, low-end product and competitive pricing strategies may be necessary. Hyundai Motor was successful in maximizing total sales revenues at low prices and entering the world motor market in the 1990s. In addition to the above, OEM contracts help the firm to enter foreign markets with minimum effort while simultaneously acquiring more advanced technologies. In order to decrease entry barriers, LG Electronics took OEM orders to penetrate the US market during its early periods of internationalization. Giant Manufacturing and Trend Micro also took this approach for initial internationalization.

International branding is the resultant outcome late at this stage, although it may not be a major concern earlier at this stage. Due to a lack of capabilities and resources, Kia Motors never considered brand management in overseas markets at this time. The launch of low-end, low-quality products under its own brand name, even if with competitive pricing, further jeopardizes a firm's brand reputation. Although later at this stage, when product quality has improved, firms still fail to enjoy a better brand image and have to market their products at lower prices. The case of Giant Manufacturing in the US market illustrates this situation. The improvement of product quality comes from joint venture agreements such as technological alliances and OEM order taking. South Korean semiconductor producers used to cooperatively establish strategic alliances in the R&D of semiconductor memory. Now, South Korea is one of the leading R&D centers in the semiconductor memory sector. In spite of the drawbacks associated with international brand development, such as low brand reputation abroad, as the products are sold under its own brand name in the three global lead markets, the firm starts to benefit from their brand-name awareness overseas, a dimension of international brand equity (Aaker, 1991). Besides, the increase of the market share under OEM brands as well as the enhancement of product quality late at this stage helps promote its corporate reputation in the international OEM markets.

4.3. Stage 3: international branding and market succession

4.3.1. Missions

At this stage, the firm starts to focus on developing its own brand name in the international market place, especially in the three global lead markets, which is a resultant concern of the market familiarity experienced at

Stage 2. The necessity and confidence of international branding are initiated by the following. The adoption of cost leadership and the use of mass production lead to higher revenues with resultant low profit-margin consequence. Secondly, the long periods of time a firm is active in the three global lead markets brings about market familiarity. Thirdly, the withdrawal of OEM contracts by main OEM customers (also see below) forces the firm to initiate the concept of sharing risk with other business models. Giant Manufacturing started taking its international branding seriously after a major US OEM customer suddenly pulled out of its contract. Finally, constant use of OEM contracts and technology alliances results in upgrading the firm's product quality and technological capability as a second (sometime top) tier level. For instance, the American GM started purchasing new generation car engines from the South Korean company Hyundai Motor, a reversal of earlier transactions.

4.3.2. Problems

The upgrade of the current position leads to a decrease of technological support and transfers from developed countries, which brings about enormous R&D expenses (Kobrin, 1997). For example, Japanese firms have provided less and less technological know-how to Samsung Electronics recently. Besides, the prospective development and acceleration of one's international brand name will sometimes deter its brand potential in the OEM markets. Giant Manufacturing suffered conflicts with its OEM customers under such a circumstance. OEM customers may thus threaten reducing or withdrawing OEM contracts. Yet, firms should take the threats seriously and politically and take gradual steps decrease the use of OEM brands in their overall business operation to avoid a sharp decrease in total revenues. LG Electronics took OEM orders to maintain its net profit before its own brand name became well-known in international markets. Kia Motors still takes Ford's OEM orders to support their international brand promotion so far.

4.3.3. Strategies/approaches

Four main approaches are put forward for developing international brands. First of all, the launch of advanced products with fashion design, although coming with a slightly higher price tag, delivers an increase in perceived product quality to customers. For example, LG Electronics launched a high-end digital refrigerator equipped with a built-in 15.1 in. LCD screen with audio and video functions. Nevertheless, a common mistake that confuses customers about brand equity is the over-deployment of broad product extension and brand extension strategies. Advances in high-tech industries has allowed South Korean firms to manufacture up-to-date, high-end products; yet, these firms still produce traditionally low-end products marked at low prices simultaneously, an approach that makes customers fail to perceive or to distinguish the values of their brands. Another more active approach for international branding is through sponsorships of global activities to increase worldwide brand awareness, brand association, and brand image/recognition (cf. Cornwell & Maignan 1998; Gwinner & Eaton 1999; Speed & Thompson 2000). Kia Motors, for example, sponsored the 1998 World Cup Soccer in France and the 2001 International Olympic Fair in Seoul. LG, Hyundai, and Samsung sponsored the 2002 FIFA World Cup in South Korea and Japan. According to our research, thus far, this approach is seldom utilized by Taiwanese firms. The other branding approaches are to rename the brand to reassert brand image or to move corporate headquarters to developed countries to benefit from the Country of Origin (COO) image of these advanced countries (cf. Quelch, 1999). In view of their long standing low brand image, firms such as LG and Hynix decided to step further to rename their brands. Trend Micro re-designed its logo and then changed its corporate brand name in Japan in 1995. Eventually it moved its corporate headquarters to Japan, although its business activities are still mainly operated in Taiwan.

Two other business operational issues related to future brand development at this stage include market succession and production location. Market succession refers to the market spreading to developing countries such as China, India, and other Southeast Asian countries. Local subsidiaries are deployed as the main entry strategy to market their brand-name products for this wave. However, since local subsidiaries still fail to reach the break-even point in terms of sales and market share, their activities are mainly supported by the corporate headquarters' internal resources accumulated at Stage 2 (c.f. Bradley, 1995). As time progresses, in addition to support from the corporate headquarters, in an attempt to propose more appropriate strategies, local subsidiaries will gradually share greater decision-making power, which, to some extent cuts down the corporate headquarters' power base (Scott & Bruce, 1987). All the firms interviewed claimed to have followed this trend. On the other hand, due to circumstances such as fast expansion, investment mistakes, high debt–capital ratio, etc., firms may declare bankruptcy. A case in point at this stage based on the foregoing discussion is evidenced in the rational when Daewoo Motors and Kia Motors were merged with GM and Hyundai Motor, respectively, during this stage. In the same vein, Trend Micro suffered financial problems at this stage, owing to the financial problems of its foreign counterpart, the Japanese company Softbank.

As for production location, earlier at this stage, exports take up a large portion of international sales. As the sales increase later, the firm starts to utilize an overseas production strategy (Johanson & Wiedersheim-Paul, 1975). The selection of an overseas production location is based on two considerations, either distance to markets or production costs. It was at this stage that Giant Manufacturing started to search for a low production cost country for its products.

4.4. Beyond stage 3: local climax?

4.4.1. Missions

Having enjoyed brand reputation in the three global lead markets, at this stage, the firm turns its focus to brand development in the Third World, including developing and under-developed countries. Gradually successful international branding leads to being a member at the top tier in the respective industries. Only half of the interviewed cases, namely, Samsung Electronics and LG Electronics of South Korea, and Giant Manufacturing and Trend Micro of Taiwan, are believed to be on such a list. In spite of awareness around the globe and a better reputation in the three global lead markets, the firm's image is still relatively new within the Third World (due to their lower ranked COO image), and thus, they fail to enjoy a high brand image in these markets. The mission of this stage is therefore to conquer the low brand image problem in the Third World.

4.4.2. Problems

As mentioned above, a major problem is low brand image/reputation in the Third World. Other problems associated with firms entering Third World markets are "disloyalty of local employees" and "hierarchical effect of organizational inefficiency." These issues are related to the use of localization, the major strategy to be utilized at this stage (also see below).

4.4.3. Strategies/approaches

Localization is the major strategy to cope with low brand image/reputation in the Third World. Localization takes the form of local activity sponsorship, local advertisements, the use of local press conferences, and selling shares to the local population.

The use of a native workforce is also one form of localization, and is part of the process during this stage. As the local operation reaches a break-even point at this stage, the subsidiary gains more autonomy and becomes more independent. This accelerates the use of a native workforce, with only a limited number of top management assigned from home. However, disloyalty among local employees needs to be taken into account as the number of native employees expands sharply (Steinmetz, 1969). LG Electronics complained that its local workforce had passive work attitude that resulted from disloyalty. To this end, Trend Micro suffered branding problems as a result of attitude of its local employees.

Another issue related to localization that deserves to be addressed is local production. Production centers will be expanded or re-allocated quickly and close to the global markets. LG Electronics, for example, established production centers in China, India, and Indonesia. About 60% of its local production in these countries is sold in local markets, with the rest being marketed in other neighboring countries. Nevertheless, the use of local production, instead of exporting from home, results in the shrinking of home production. In addition, as the corporate headquarters grows enormous, hierarchical organizational inefficiency can occur. Hence, the needs for downsizing the scale of the corporate headquarters while the case of simultaneously increasing its performance and lowering the operational cost become necessary (Steinmetz, 1969). The program entitled "3×3 strategy" helped LG Electronics to downsize its scale, with Giant Manufacturing following a similar track as well.

5. Conclusion

The prevalence of globalization and its resultant high performance urged the development of brand equity on a global scale. Insufficient academic attention reflects the need for research on such a subject matter. A stage model of international brand development has therefore been proposed through case studies on South Korean and Taiwanese experiences. Managerial issues such as the variations and challenges faced by firms from these two areas within the four stages are highlighted and discussed. The provisions of this model and their related issues offer a diagnostic tool in analyzing a firm's present position and in the further formulation of feasible strategies for what will be required as the firm progresses into the next stage of their international brand development. It is worth acknowledging that it is possible that not all firms may proceed through all stages.

A number of valuable implications can be drawn from the proposed model. The mission that the firm establishes at each stage should be based on its own capabilities. In addition, having a poor COO image could result in poorly perceived product quality, even though high-end, high-quality products are produced. Moreover, the use of OEM contracts can provide financial support for the firm in international market expansion during its early days. Nevertheless, conflicts may occur with OEM customers as the firm attempts to over-emphasize its own-brand products in the international marketplaces. Therefore, after gaining production economies of scale, a gradual reduction of OEM contracts and more concentration on international branding are necessary during the later stage of international branding. In addition to the above, outsourcing from other industries, instead of using OEM, joint venture or outsourcing from abroad is possible and simple. Secondly, the firm can expand its overseas business operation in the three global lead markets to enjoy technological knowledge, economy of scale, etc., and then, use the competitive edge gained from the three global lead markets to expand the business to other parts of the world. Thirdly, at the last stage of this model, the corporate headquarters at home will start to shrink, although overall global revenue is increasing.

Although the study has made a number of contributions, further research is needed to address limitations and to aid the progress of the proposed model. An inadequate number of firms with successful international brand development experience within the research environment led to the use/selection of large manufacturers. Nevertheless, having a diverse selection of firms with differences in size, industry, and location (either in undeveloped, developing or developed countries) is necessary to merit further investigation. This will provide a generalization of the proposed model, as well as a better understanding of its limitations. An early study by the authors on two service firms, namely, Singapore Airlines of Singapore and Watson's of Hong Kong, has echoed the above assertion of possible existence of variance across industries. The results of the study indicated that variance across industries could influence the construction of the stage model of international brand development. Future research could also validate the proposed model through empirical quantitative research, and if sufficient cases are identified, to enhance the generalization of the proposed model. Longitudinal research and studies on the importance of individual issues within all stages would be helpful in refining the proposed model.

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