TRADEMARKS, TRADE NAMES AND BRANDS AS A MEASURE OF LOCAL, REGIONAL AND GLOBAL COMPETITION

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Abstract

Forming a competitive strategy and attaining a strategic position at both country and firm level are closely related to branding. At the country level institutional fostering of selected products can be made using different strategies for promotion of local and international brands produced in the country. Effectiveness of country's positioning efforts depends on wise selection of brands for promotion and on applying different positioning strategies depending on categories of brands. Magnitude of brand equity of country's products largely affects nation brand value and country's living standards; consequently this factor is important for ensuring rapid development of the country. The paper suggests a novel approach for two-dimensional disaggregation of products into categories depending on the shelf-life period of products and their perishability, and on their geographical distribution. The categories of products represent their shelf-life extending from perishable products to long shelf-life industrial products, and their geographical distribution: domestic, regional and global. Brands are analysed using in the transition markets of the Eastern Europe the two-dimensional framework. It is demonstrated that most of local brands in the region belong to the fast-moving consumer goods (FMCG) category, which is not a high value-adding, thus is not generating substantial sales cash flows. A number of industrial brands is scarce, and marketing decisions in countries of the Eastern Europe for positioning brands of this category are made mostly by foreign investors.

Key words: trademark, trade name, brand, brand equity, local and regional competitiveness, competitive strategy, Eastern Europe, Lithuania.

JEL Code: D23; F1; F2; I31; L11; L66; R1; R11; R12

Introduction

Forming a competitive strategy and attaining a strategic position at both country and firm level are closely related to branding. Value of the national brand incorporates brand equity as an equal component together with infrastructure, efficiency, and economic performance (Brand Finance, 2011). Thus, the in the overall rating of a country the weight of brand equity in Brand Finance's Brand Strength Index makes a significant contribution of 33%.

Effectiveness of country's positioning efforts depends on wise selection of brands for promotion and on applying different positioning strategies depending on categories of brands. Magnitude of brand equity of country's products largely affects nation brand value and country's living standards; consequently this factor is important for ensuring rapid development of the country.

As the purpose of the paper is to analyse branding and positioning, the meaning of 'brand' should be understood more explicitly as 'trademark', 'trade name', and 'brand'. Longman Dictionary of Contemporary English (1987) defines trademark as – "a special name, sign, word, etc., which is marked on a product to show that it is made by a particular producer, and which may legally only be used by that producer". Trade name also brand name are defined as – "a name given by a producer to a particular product, by which it may be recognized from among similar products made by other producers" and brand as - "a class of goods which is the product of a particular company or producer".

In today's world each region or country is facing local, regional, and global economic challenges. In order to ensure competitiveness local manufacturers have to compete for qualified labour. Goods and services are now open to compete in global markets. Analysis of products offered in such markets and their distinguishing into categories could help to provide answers to questions of the classic economic theory: what to produce, and to whom to produce. A two-dimensional categorisation is proposed in this paper. In the first, geographical dimension products are distinguished as local, regional, and global. The second category of products represent their shelf-life extending from perishable products to long shelf-life industrial products.

By making such a two-dimensional categorisation of products and subsequent analysis of brands of products within each category analysis of the present situation will be attempted, which may help in forming a competitive strategy and attaining a strategic position at both country and firm level. At the country level the institutional fostering of selected products and the markets can be made using different strategies for promotion local and international brands produced in the country. Wise selection of brands for institutional promoting, applying different positioning strategies depending on categories of brands should increase effectiveness of country's positioning efforts.

Such promoting could include subsidising, financing of quality and national heritage fostering, information dissemination (organising and financing seminars, conferences, exhibitions), advertising, export guaranteeing, market analysis, financing research and development in the most perspective areas.

In the paper brands of transition countries of the Eastern Europe are analysed based on two categories of products depending on their shelf-life. It will be demonstrated that most of local brands in the region belong to the FMCG category, which is not a high value-adding, thus is not generating substantial sales cash flows. A number of industrial brands is scarce, and marketing decisions in countries of the Eastern Europe for positioning brands of this category are made mostly by foreign investors

1 Importance of brands in strategic position of a country or a firm

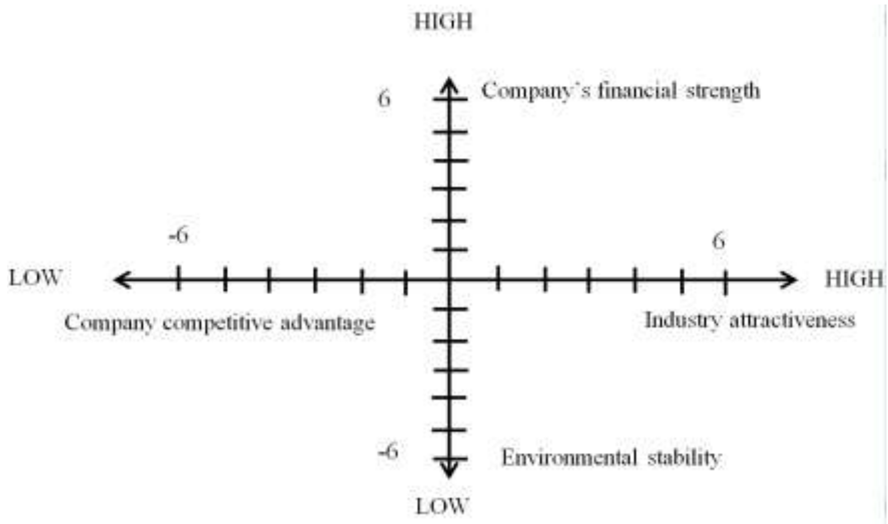
Forming a competitive strategy and attaining a strategic position at both country and firm level are closely related to branding and positioning. Value of the national brand incorporates brand equity as an equal component together with infrastructure and efficiency and economic performance (Brand Finance, 2011). Thus, the in the overall rating of a country the weight of brand equity in Brand Finance's Brand Strength Index makes significant 33% per cent.

On the other hand, at the firm's level its competitive position is highly effected by its branding, which makes a significant contribution to the state of the firm's competitive position. For example, in the popular framework of analysing firm's competitive position proposed by Barnett & Wilstead (1988), and later developed by Rowe *et al*. (1994) and Wheelen & Hunger (2002), namely the SPACE matrix approach, branding is listed together with other three criteria within a dimension of four in the hierarchy of the assessment framework, which comprises four dimensions based on which a firm is being analysed for the purpose of creating the most appropriate strategy. The dimensions are as follows: Financial Strength; Competitive Advantage; Industry Strength; and Environmental Stability (Fig. 1). The framework also exposes relative position of a firm in the market in terms of is competitive advantage. Brand strength is incorporated into the Competitive Advantage dimension.

In Table 1 relative weights of the four sub-criteria in the dimension of Company competitive advantage are provided.

It can be immediately observed that 'brand and image' criterion contribute a considerable share of about 30% to the competitive advantage position of the firm. In forming strategy of branding- related activity experts estimated weights 0.142 and 0.129 of Porter's

Fig. 1: SPACE diagram of firm's strategic position evaluation



Source: Rowe *et al.* (1994)

Tab. 1: Criteria and weights in the company competitive advantage dimension

Rank	Criteria	Weights
1.	Product Quality	0.473
2.	Brand and Image	0.2978
3.	Market share	0.1425
4.	Product Life Cycles	0.0867

Source: Gurbuz (2013)

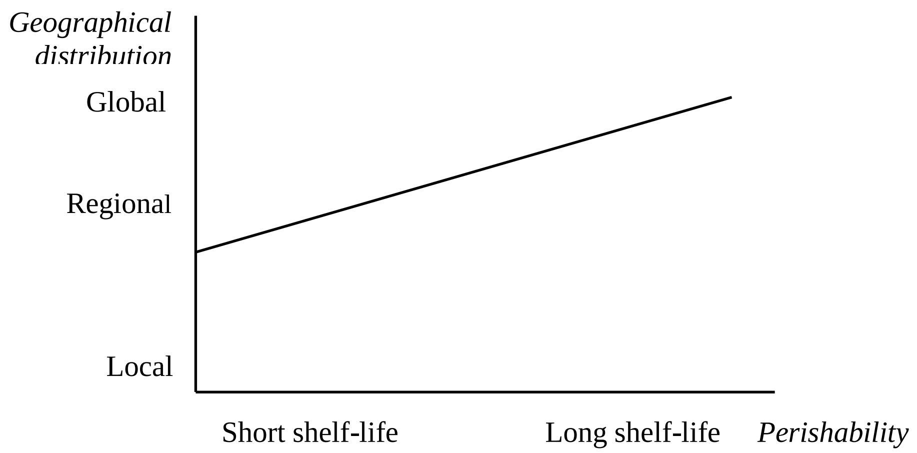
criteria of Product and Promotion respectively, making in total 27.1% (Ginevicius, Podvezko, Ginevicius, 2013). In evaluation of the strategic potential of an enterprise weight of the criterion "Ability to ensure the competitiveness of enterprise products (services)" allowing an enterprise to take the leading position in the present and potential markets makes a considerable 0.124 (Ginevicius *et al.*, 2012). On the other hand, marketing activities are important in terms of dynamic perspective of firm's competitiveness. Building strong brands, and identifying target markets are named among the most important criteria for with respective weights 0.16 and 0.14 , making in total 30% (Zolfani, Zavadskas, Turskis, 2013).

Brands of goods and services contribute not only a considerable part to the competitive advantage position of a firm and nation, but also serve as a prominent representation tool of a nation. Brands could be named as a tip of the iceberg of competitiveness of nations. National programs should consider production, promotion, and positioning of specific goods and services that produce effect of increase of indices of development and prosperity of the country and its population. Inter-relationship of national institutional environment in the process of creating a firm's innovation strategy in an environment of the transition economy of Lithuania was studied by Stankevice, Jucevicius (2013).

2. Two-dimensional disaggregation of goods

The authors suggest the two-dimensional categorisation of products (Fig. 2). In the first, geographical dimension, products are distinguished to three categories: local, regional, and global. Positioning strategies for goods in such categories are different not only in terms of geographical expansion and making presence at such regions available, but also in terms of cultural differences.

Fig. 2: Trend of geographical distribution of brands



Source: created by the authors

The second dimension of such categorisation is made using criterion of perishability taking wide range of goods and services. At one extreme are found such vital goods as food produced for local markets, and public utility services rendered locally. In this case primarily the local market is essential for producers. At another extreme such goods are found, which not as vital for the consumers. In the latter case attractiveness of the local market is measured only in terms of the number of consumers in the market, which form a percentage of total consumers throughout the global market.

Which are the causes of such an unequal distribution of brands? Global processes in the contemporary world witness inequality of geographical distribution of capital. The process of accumulation of capital has started from 15-17 centuries in currently industrial countries. Initially it was dominated by the theory of mercantilism, which later was overshadowed with theories of Smith and Ricardo, which then followed by contemporary theories of competitiveness by Porter and Krugman.

Inequality of distribution of capital resulted in the ability of countries to create goods with high added value, which is usually requiring high levels of capital. Internal consumption of such goods raises requirements of local consumers for quality of goods. Their expectations from brands are shaped to high standards and their interest in consumption of brands increase. In such countries cash flows from sales are thus generated more successfully. In top 100 list of Best Global Brands 32 brands are found in technologic categories, such as Automotive, Electronics and Technology (Interbrand, 2014). All such brands belong to developed countries.

3 Positioning limitations in Eastern European Countries: Case of Lithuania

Statistics is confirming the above conclusions. Only a small portion of top European Union 100 companies of Central and Eastern Europe, namely 19 brands are industrial (Deloitte, 2013). From the list we can observe that major part of their brands is adopted from or heavily supported by parent foreign investors: Škoda, Volkswagen Slovakia, Audi Hungaria, Automobile Dacia Romania, GE Infrastructure Hungary, KIA Motors Slovakia, Samsung Electronics Slovakia and Magyar, FIAT Poland, Volkswagen Poland, etc. Remaining companies of this region belong to either Energy or Resources sectors, or are natural monopolies operating in Consumer business and Transportation sectors. In the Baltic States the number of companies producing industrial brands within the list by authors estimations is even smaller as share of companies of such countries make up only 3.6% in the total (which is 18 of 500). Consequently, the rate of industrial brands with the longer shelf-life is even smaller. We can conclude therefrom that industrial brands usually are originated in developed countries. Such brands have global distribution, and this supports the idea for the trend depicted on Fig. 2: in the case of the Eastern Europe the right-hand side of the trend depicted on Fig. 2 is observed.

On the other hand, paying attention to the share of industrial brands in the excerpt of top Lithuanian 2012 local brands (see Table 2) reveals that a single enterprise AB "Grigiškės" owns a brand "Gritė", which is industrial. As the brand represents lavatory paper, paper towels, and napkins, it belongs to the category of fast-moving consumer goods (FMCG) along with other brands. Other 21 brands represent exclusively food industry, which brands again belong to the FMCG category of a short shelf-life.

We can conclude therefrom that in the case of Lithuania the left-hand side of the trend depicted on Fig. 2 is observed.

Tab. 2: Best Lithuanian brands 2012

No.	Brand	Producer	No.	Brand	Producer
1	Alita	Alita Group	12	Nematekas	Nematekas
2	Biovela	Biovela Group	13	Rokiškio	Rokiškio sūris
3	Dvaro	Pieno žvaigždės	14	Rokiškio naminė/-is	Rokiškio sūris
4	Gardėsis	Fazer Group	15	Pergalė	Vilniaus pergalė
5	Grite	Grigiškės	16	Stumbras	Stumbras
6	Gudobelė	Gudobelė	17	Švyturys	Švyturys-Utenos alus
7	Kalnapilis	Royal Unibrew	18	Taryblnė/-ės/-is	Samsonas
8	Klaipėdos duona	Klaipėdos duona	19	Tauras	Royal Unibrew
9	Klaipėdos mėsinė	Klaipėdos mėsinė	20	Utenos	Švyturys-Utenos alus
10	Krekenavos	Krekenavos agrofirma	21	Visiems	Rokiškio sūris
11	Lithuanian vodka	Stumbras	22	Žemaitijos	Žemaitijos pienas

Source: Verslo žinios (2013)

Consequently, major local Lithuanian brands are characterised by:

- small added value;
- short shelf-life with the exception of alcoholic beverages;
- can be sold mostly in local markets using two-sided platforms;

- cash flow generated by such brands is incomparably lower than from international industrial ones.

Lithuania is lacking its international strong brands, which results in scarcity of high value-adding goods. Only few exceptions could be named: lasers, computer software, some biotechnology appliances. Moreover, in most cases capital of companies with a high export potential belongs to foreign investors.

Conclusion

National policy of economic growth implies institutional efforts of promotion of local brands produced in the country (e.g. organising international exhibitions; establishment of integrated science, studies and business centres, etc.). At the country level the institutional fostering of selected products and markets can be made using different strategies for promotion local and international brands produced in the country. Effectiveness of country's positioning efforts depends on wise selection of brands for promotion and on applying such positioning strategies for promoting most perspective categories of brands: subsidising, financing of quality and national heritage fostering, information dissemination (organising and financing seminars, conferences, exhibitions), advertising, export guaranteeing, market analysis, financing research and development in the most areas. In addition, magnitude of brand equity of country's products largely affects nation brand value and country's living standards; consequently this factor is important for ensuring rapid development of the country.

For analysing the current state of local brands available in the paper two-dimensional disaggregation of brands is proposed. Applying the two-dimensional framework of analysis of geographical dimension and perishability dimension to the case of Lithuania helped to identify current categories of strongest local and international brands for promotion in Eastern European countries. Such brands are currently belonging to the FMCG category overwhelming majority of which are food industry related. This means that promotion of technological brands, which form basis of technological progress of nations and determine economic growth, is beyond influence of local governments and mostly depends on foreign investors. Eastern European countries are currently acting as subordinates of developed countries and can promote and position their local technological brands only under aegis of international investors usually of a developed country origin.

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