

THE VALUE OF A GLOBAL BRAND: IS PERCEPTION REALITY?*

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Abstract

A Global Brand is a firm that leverages its own brand to sell a large array of products in many markets (e.g. Nestlé), compared to another firm, possibly global as well, that prefers to sell under many, sometimes local, smaller brands (e.g. Unilever). This paper analyzes the operating, financial, and market performance of firms included in Interbrand's 100 Global Brands during the period 2001-2008. The market valuation of intangibles—in particular of brands—has been extensively studied in the literature. These intangibles (brand, intellectual property, employee satisfaction) are inherently valuable. However, only certain firms in an industry implement a Global Brand strategy, so our hypothesis is that any advantage of such strategy has to be eliminated in equilibrium. Our results confirm that Global Brands do not earn significantly higher stock returns. They have larger marketing and R&D expenses. However, their EBIT margins are overall higher, suggesting that global brand firms are priced higher because of their better acceptance among consumers. Additionally, Global Brands sell more per unit of capital (asset turnover), thus resulting in significantly higher return on operating assets. Global Brands take on less debt than other firms because they base their performance on a highly valuable, yet intangible asset, and we indeed confirm that the market-to-book ratio of GB is significantly higher. However, we also show that GB do not display significant risk-adjusted excess returns. The benefit of GB lies on them being low-beta stocks, safe havens in periods of market volatility when diversification is most needed.

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1. Introduction

This paper analyzes a company's decision to develop a global branding strategy. A global brand (GB) is not just a global company. The issue of whether companies should go global, and the benefits of doing so, has been widely studied. However, firms which decide to be global brands leverage on their brand strength to expand and grow, invest to build the brand, and compete using the brand name as a powerful intangible asset. The list of the 100 largest global brands in the world includes many of the most successful companies of the last years, like Merck & Co. and Nestlé. However, there are other similar firms, like Roche and Unilever, who were as successful, but decided not to play—or have not been successful at playing—the *global brand* game.

Our paper has therefore two major objectives. First, we study the determinants of the decision to execute a Global Brand strategy (GBS). Second, we analyze the market response to either strategy, trying to identify whether a global brand company is more valuable than a comparable, global but non-global-brand firm.

Global brands are widely popular. Billions of consumers buy and consume them every day. One explanation for their well-spread appreciation, according to many international marketing scholars, is that in today's interconnected world with its emerging global consumer culture, the GB creates consumer perceptions of brand superiority (Shocker, *et al*, 1994; Kapferer, 1997; Keller, 1994; Özsomer and Altaras, 2008); and better prestige making people more likely to purchase (Steenkamp, Batra, and Alden, 2003). A GB enjoys higher esteem than local brands (Johansson and Ronkainen, 2005), being marketed around the world gives “an aura of excellence” (Holt, Quelch, and Taylor, 2004). Although recent insights put a nuance on the overall perceived strength of the Global Brand by highlighting that not for all consumer

segments in a developed country it is equally strong (Dimofte et al., 2010; Dimofte et al., 2008), Global Brands are still seen as the “awe” inspiring company in its superior perceived consumer value in emerging and developed economies (Holt, et al., 2004; Batra et al., 2000), because they inspire trust and progress for people in those countries. Global Brands “satisfy a universal” overwhelming desire for dependable, world standard modernity in all things, at aggressively low prices,” (Quelch and Jocz, 2009). Global Brands all bring with them social capital: consumption of GB appears to promote diversity and tolerance of foreign cultures and people and can help glue people together through shared experiences. (Quelch and Jocz, 2009).

All this doesn't make competing against Global Brands easy: “[local] brand builders look with envy upon those that appear to have created global brands—brands whose positioning, advertising strategy, personality, look, and feel are in most respects the same from one country to another” (Aaker and Joachimstahler, 1999).

While marketing scholars continue to investigate the antecedents and the dimensions behind the *perceived value* of Global Brands, finance scholars would like to verify whether such a market-based asset, is also accurately priced in the marketplace. The purpose of this paper is thus to check whether the *perceived superior consumer value* also translates into superior financial performance. And if so, how *real* are the sources of this superior market valuation: a better operational performance? A more efficient use of working capital?

Brands come in different sizes: from small, local, and niche-brands, to global and big brands. For some, these brands are reflections of the branding strategy of the multinational companies owning them. With the globalization of markets, various firms began to build, leverage, and extend their brands as they entered new international markets. As a result, their brands gained regional/global awareness, availability, acceptance, and demand and are often found under the same name. These

companies choose to consistently position their brands across markets with a similar personality, look and feel in major markets enabled by centrally coordinated marketing strategies and programs. Corporations following this strategy are Apple and Coca-Cola who have invested heavily in making their major or corporate brand a global brand name.

Although many multinational companies have pruned their brand portfolio in favor of global brands (Schuiling and Kapferer, 2004), not all choose to do so. The remaining firms responded to market globalization by an alternative way to compete internationally. Their strategic response was to recognize the variance in international markets and attach more value to addressing and cultivating these local differences by building a portfolio of local or smaller brands specifically targeting different consumer segments, as the firm internationalizes. Consumer-packaged good companies P&G and Unilever are firms who have typically chosen to follow such a strategy.

There are costs and benefits to be a GB. A global brand strategy allows a company to adopt the same customer face positioning worldwide, allows firms to focus on a single product category and in many cases the company name is the brand name (Quelch, 2007). These factors generate a lot of intangible value for the company. Because of the intangible value associated with the global product or service, GB can then attach a price premium, and will enjoy larger sales volumes. However, branding comes at a cost, and we expect these firms to have larger R&D expenditures and cost of sales. At the same time, the global brand is a risk factor because is not diversifiable, while on the other hand the intangible asset created by the brand is a cushion in case of a negative global shock. All in all, we aim to characterize GB companies with respect to profitability, costs, investments, risk and capital structure.

We construct a sample of firms included in Interbrand's 100 Global Brands in the period 2001-2008. For each of our GB, we select among a large universe of firms, the closest match in terms of industry, size, return on assets, and market-to-book ratio. The matching firms are all global, non-GB firms. Therefore we can isolate the pure effect of the globalism of the brand beyond the international scope of the firm. Additionally, we provide comparisons of our GB with the larger sample of non-global companies.

We find that GB sell more, and that they sell abroad proportionally more than non GB. This result also holds relative to other global companies, and it is consistent with the idea in the literature that global brands are inherently attractive for customers¹. We also find that GB are significantly more profitable, hence they are able to charge higher prices which offset their (significantly) higher cost structure.

Consistent with our initial hypotheses, GB display lower inventory days and lower receivable days, which suggests a stronger bargaining power vis-à-vis distributors. However, we also find that they rely less on supplier financing (measured by day payables) than non-GB. Naturally the fast asset turnover relaxes the pressure that GB need to put on suppliers. Overall, working capital is significantly lower for GB than for non-GBs. Additionally, we do not find any significant difference in terms of investment levels.

Finally, our analysis shows that GB are significantly more equity financed than peers. In the presence of intangible assets, Jensen and Meckling (1976) show that

¹ Global Brands are generally seen as the "awe" inspiring company. "*Brand builders look with envy upon those that appear to have created global brands- brands whose positioning, advertising strategy, personality, look, and feel are in most respects the same from 1 country to another*" (Aaker and Joachimstahler, 199) They inspire trust and progress for people in other countries. "*When a brand is marketed around the world, that fact alone gives it an aura of excellence*" (Holt, Quelch, Taylor, 2004). Global Brands "*satisfy a universal' overwhelming desire for dependable, world standard modernity in all things, at aggressively low prices,*" (Quelch and Kocz, 2009) Global Brands all bring with them social capital: Consumption of Global Brands appears to promote diversity and tolerance of foreign cultures and people and can help glue people together through shared experiences. (Quelch and Kocz, 2009)

managers have an incentive to appropriate free cash flow, and therefore debt is a disciplining device that prevents deviation from shareholder-value maximization. However, our results suggest that the value of the brand is an intangible asset difficult to borrow against.

We argue that—based on the costs and benefits above—in equilibrium some firms choose to be GB and some do not. Therefore the second objective of the study is to assess the market value impact of such decision. We find that the value of GB is significantly higher than non-GB, as measured by Market-to-Book ratios and Price-Earnings ratios. That is, both the brand and the *globalism* of the brand are valuable intangible assets,² which are not recognized in the company's accounting books.

However, our econometric work also shows that GB do not earn significantly higher returns than non-GB during the sample period. Both in time-series and Fama-MacBeth cross-sectional regressions, our results fail to reject the null hypothesis that the GB is a systematic risk factor that is rewarded by the market.

Our paper contributes to the literature in several fronts. It is part of the growing finance literature on the relationship between intangibles –like corporate reputation- and stock market valuation (Filbeck et al., 1997; Preece and Filbeck 1999; Filbeck and Preece 2003)³. Recently, Edmans (2010) finds that a value-weighted portfolio of the 100 *Best Companies to Work for in America* earns an abnormal annual return of 3.5% over the period 1984-2009. Edmans (2010) concludes that employee satisfaction and market valuation are complements, not substitutes. Similarly, Hong and Kacperczyk (2009) show that firms producing alcohol, tobacco, and gaming show higher expected returns. Therefore violating social norms is associated with a

² Interbrand estimates the value of the Coca-Cola brand (the most valuable global brand) to be \$70 billion, for a total entity value of \$160 billion.

³ Filbeck, Gorman, and Preece (1997) study the stock market effect of belonging to America's most admired companies. Filbeck and Preece (2003) analyze the market reaction to the inclusion of a firm on Fortune's Best 100 Companies to work for in America. Similarly, Preece and Filbeck (1999) study the Best Companies for Working Mothers.

significant risk premium. We show that whenever an intangible asset ("global branding") is incorporated as an inherent part of a company's strategy, in equilibrium market forces and competition eliminate any stock market effect.

Our paper is also in the intersection between Marketing and Finance⁴. Unlike employee satisfaction (which is endogenous) and sin stocks (which is inherent to the nature of the firm), global branding is a proactive strategy which requires firms to alter their operating and financial strategies. Therefore we shed some light on the differences between two Marketing strategies: global branding, and local branding by global companies.

Finally, our paper is part of the bigger literature on globalization strategies. The strategic directions of firms to compete in global industries are commonly presented on a spectrum ranging from local responsiveness to global integration (Prahalad, and Doz, 1987; Yip, et al. 2001; Luo, 2001). It is important to find the balance between meeting local demands, and capitalizing on worldwide capabilities and resources where activities are coordinated across countries in an attempt to build efficient operations networks and take maximum advantage of similarities across countries. In this study, we concentrate the front-end side of global integration strategies, visible for all consumers globally: The global branding strategy (GBS). As opposed to the locally-responsive "house-of-brands" strategy with a portfolio of local and small brands (e.g., Olins, 1989; Roa et al., 2004), the GBS is in essence a firm's strategy to build and leverage one of its major brand's equity globally. Thus, we see the GBS as a treatment effect that companies can choose to pursue or not pursue. Villalonga (2004) is closest to our paper: she shows that there is no significant market

⁴ The number of empirical studies on the Marketing-Finance Interface is growing rapidly – in the last 6 volumes of Journal of Marketing alone: Krasnikov, Mishra & Orozco, 2009; Tipton, Bharadwaj & Robertson, , 2009; Tuli & Bharadwaj, 2009; Chen, Ganesan & Liu 2009; Luo & Bhattacharya, 2009; Rego, Billett, & Morgan, 2009; Mizik & Jacobson, 2009; Luo, 2008; Luo & Homburg, 2008; Luo, 2007; McAlister, Srinivasan & Kim 2007; Fornell, Morgeson III & Krishnan 2006; Luo & Donthu 2006; Gruca & Rego 2005; Anderson, Fornell, Mazvancheryl, 2004; Rao, Agarwal & Dahlhoff, 2004.

valuation effect of diversifying firms relative to single-segment companies. This is again consistent with diversification strategies being chosen in equilibrium.

Our paper unfolds as follow. In section 2, we introduce a theoretical model of the drivers of the value of Global Branding Strategy. In section 3 we provide a background history of Global Brands and the Interbrand list. In section 4 we present our data and describe our sample and specify the variables for our regressions. In section 5, we report the empirical results from our regression analyses. The paper closes with its implications for both marketing and financial managers seeking to benefit from a Global Branding Strategy.

2. LITERATURE REVIEW

Following Quelch (2007) we define a GB as a (i) Global company; (ii) With the same or similar positioning worldwide; (iii) That focuses on a single product category; (iv) Where the company name is the brand name; (v) And socially responsible. This is thus different from a multinational corporation, which, in the terms of Levitt (1983) operates in a number of countries, and adjusts its products and practices in each, at high relative costs. The global brand corporation operates with resolute constancy –at a lower cost—as if the entire world were a single entity; it sells the same things in the same way everywhere. Therefore, a multinational company’s strategy is typically based on a house of brands, while a global company’s strategy is designed around the globalism of the brand.

The empirical literature on GB comes primarily from the marketing literature; Going systematically through the well-established marketing and strategy journals (Journal of Marketing, Journal of International Marketing, Harvard Business Review, Journal of International Business Studies, Journal of Consumer Psychology), we identified six studies dealing specifically with empirically testing the consumer

perceived value of GB. They are listed in Table 1. Holt, Quelch and Taylor (2004) use qualitative and quantitative data from a wide geographic setting to assess how consumers perceive global brands. Using data from Interbrand's 2002 Global Brand scorecard, the researchers asked consumers to choose among three competing brands in six different product categories. The authors found that the global brands were identified with quality signal, global myth, and social responsibility. These three factors explained 60% of the variance in brand preferences amongst global consumers.

Majority of the studies collect empirical evidence for the belief in the "Global Brand Effect", or consumer appeal (Hassan and Katsanis, 1994; Özsomer, and Simonin, 2004). Global brands are believed to generate a fivefold but related advantage in their competition for consumer preference. In both domestic and international markets, they engender more positive affect (Alden, Steenkamp, and Batra, 1999); suggest higher quality (Steenkamp, Batra, and Alden, 2003); enjoy greater esteem (Johansson, and Ronkainen, 2005); evoke appealing global myths (Holt, Quelch, and Taylor, 2004), and generally have an advantage over local brands (Holt, Quelch, and Taylor, 2004).

In determining whether the strength of the Global Brand is more than a *perceived value*, as a *real* financial value driver, we build on the insights recently generated by the growing literature stream on the marketing-finance interface (Srivastava, Shervani, and Fahey, 1998; Gupta, and Zeithaml, 2006) which reconciles the insights from the marketing literature with the finance literature. Arguing from the marketing perspective, strong brands create customer equity: more name awareness, higher quality perceptions, higher customer satisfaction, loyalty, positive WOM, customer lifetime value (cf. Keller, 1993; Aaker, 1991), which secure larger and less variable cash flow: "satisfied customers can be viewed as economic assets that yield

future cash flows” (Fornell, 2002: p. 41). Strong brands accelerate cash flow growth (Gruca & Rego, 2005; Krasnikov, et al., 2009) and reduce cash flow variability (Gruca & Rego, 2005; Krasnikov, et al., 2009). Roa, Agarwal, and Dahlhoff (2004) found in a sample of 113 US firms, following a corporate branding strategy is associated with significantly higher shareholder value (measured by Tobin’s q) than the “House of Brands” strategy or a mix of both branding strategies.

To the best of our knowledge, the only study investigating the relationship between brand value and firm performance is Yeung and Ramasamy (2008). Using Interbrand data from 2000-2005, they examined the link between 50 US top companies brand value and their relationship with firm performance variables. They find evidence that brand values are associated with firm value but not really a good predictor of a change in firm value. Thus brand value supports stock performance only in the short term. They also find that a link between brand values and profitability ratios suggesting that strongly branded companies are more profitable. The work by Yeung and Ramasamy (2008) presents two limitations. First, they are only test the relationship between brand globalism and profitability. Second, they focus only on U.S. companies.

2.1. Theoretical Framework on Financial Value of Global Brands

The starting point for our theoretical framework is the Integration-Responsiveness (IR) framework developed by Prahalad and Doz (1987). The IR framework can give insight into the value of the global branding strategy because it illustrates two salient imperatives which simultaneously confront a multinational business – and hence its branding strategy – when it competes internationally (Roth and Morrison, 1991). A firm with a global branding strategy, to secure competitive advantages vis-à-vis the firms with domestic or local brand, must exploit “market imperfections” that are

derived through multi-country capacities. However, given that the international business is operating in multiple country locations, it must also be responsive to the demands imposed by governmental or market forces in each location. The essence of an international branding strategy is framed by the management of these two imperatives: meeting local demands and capitalizing on worldwide competitive advantages. The framework we develop has the objective to explain the value of a global branding strategy as opposed to a non-global branding strategy. We are interested whether the superior value of corporate branding spills over to international markets on the global scale.

Table 2 shows the cost/benefit analysis of following a Global Branding Strategy and the consequences it can have on financial performance measures.

[Insert Table 2 about here]

Benefits of the Global Branding Strategy. Global brands are widely available across international markets and enjoy high levels of recognition across the world (Dimofte, Johansson, and Ronkainen, 2008;).

As we have noted earlier, there is generally a belief in the consumer perceived “Global Brand Effect”, or consumer appeal (Hassan and Katsanis, 1994; Özsomer, and Simonin, 2004; Alden, Steenkamp, and Batra, 1999), suggest higher quality (Steenkamp, Batra, and Alden, 2003); enjoy greater esteem (Johansson, and Ronkainen, 2005); evoke appealing global myths (Holt, Quelch, and Taylor, 2004), and generally have an advantage over local brands (Holt, Quelch, and Taylor, 2004), and even a fivefold but related advantage in their competition for consumer preference. The relative ease to influence consumer behaviour is more rapidly leveraged by a firm if it chooses to follow a GBS because only few time-consuming local modifications must be made in entering new international markets (Neff, 1999;

Özsomer, and Altaras, 2008). Especially, moving into less developed economies, where consumers associate global brands with an aspiration towards the lifestyles of more advanced economies (Alden, Steenkamp, and Batra, 1999) is relatively straightforward. We therefore expect that the global branding strategy results in higher domestic and foreign sales.

The stronger consumer demand usually translates in a higher price premium people are willing to pay. As a consequence, derived demand from customers or resellers will also be higher, with the result that the firm with a GBS has a better negotiation position which secures the higher profit margin, and ask customer to pay sooner, and supplier to be paid later (cf. Iglesias et al., 2007). Furthermore the increased consumer demand will also lower the need for carrying inventory. We hypothesize that the stronger negotiation position will also be reflected in lower number of inventories, lower days for accounts receivable, and more days for accounts payable.

On the supply-side, if firms follow a GBS, the coordination across countries helps them to develop efficient marketing and branding operations. Globalization and the standardization in branding can yield economies of scale and scope in R&D, manufacturing, and marketing (Yip, 1995).

A GBS influences systematic and unsystematic risks. Systemic risk is expected to be lower for firms with a Global Brand strategy because a stronger brand serves as a “cushion” against market risks (Rego et al., 2009). Following Rego et al., (2009) argument for strong brands, there are three primary reasons why firms with a strong GB should have lower risk: first, brands enable rapid product/service identification and reduce the consumer search costs: GB facilitate repeat-purchasing behavior. Second, because GB are perceived as higher quality, they are associated with lower price sensitivity (Ailawadi, Neslin, and Lehman, 2003; Allenby and Rossi,

1991). Third, among investors, firms with a strong GB are also better-known (have higher levels of awareness) and what is known about them should be more positive (have stronger positive quality associations); this corporate reputation effect, which signals lower risk to debt holders and equity holders. There is some support for such direct signalling phenomenon, with several studies reporting that investors prefer to hold stocks from well-known companies (McAlister, Srinivasan, and Kim, 2007; Singh, Faircloth, and Nejadmalayeri, 2005). Similarly, unsystematic risk is lower because GB cannot eliminate their specific brand risk.

Costs of the Global Branding Strategy. GBS has also its drawbacks. In the first place, on the demand side, the implementation of the global branding strategy restrains the extent to which a firm can adapt the offering to the local market conditions. This may impact the sales potential of the firm. On the supply side, the marketing expenses of a global brand can be higher because it may need to spend more on promotion to compensate for the lack of local adaptation. R&D expenses for a GBS are expected to be higher because global brands are often in the spotlight and are suspected to take innovation leadership. Milberg Winkler (2010), on the other hand, find that GB lead buyer-led global value chains and are more likely to work at arm's-length with suppliers. This finding suggest that GB have supplier contracts of shorter duration and more favourable to the suppliers.

As for the negative effects on risk, the firm pursuing a GBS does not have a portfolio of brands available which constraints the firm's ability to hedge – its unsystematic or firm-idiosyncratic risk is therefore higher. It thereby is more vulnerable to consumer demand uncertainty.

3. INTERBRAND RANKINGS

The first Businessweek/ Interbrand “100 Top Brands” list was published on August 6, 2001. Businessweek chose Interbrand’s because the company “*values brands the same way analysts value other assets: on the basis on how much they are likely to earn going forward.*” (Businessweek, 60). Since 2001, Businessweek and Interbrand have been publishing the list “100 Top Brands”.

Interbrand’s rankings examine the top “Global Brands”. Interbrand is only interested in examining brands that are “truly global” and have “*successfully transcended geographic and cultural differences.*” (Interbrand, 10, 2010). To make it to the list, a brand must have the following traits: first, more than 20% of the revenues must come from outside the home country; second, the brand must have a presence on at least 3 of the 5 major continents and must have a presence in emerging and growing markets, and third, the brand must have a public profile and awareness. Beyond these 3 Global Brand criteria, the brand must have a positive economic profit and there must be publicly available data.

We are particularly interested in examining Interbrand’s study because Interbrand is concerned with measuring “*the ongoing investment and management of the brand as a business asset*” (Interbrand, 11, 2010). In doing so, Interbrand looks at three aspects of the brand: financial performance, role of the brand, and brand strength. The financial performance measures the organization’s return to its investors. “Role of Brand” measures the proportion of a consumer’s purchase that is attributable to the brand. “Brand Strength” is the ability of the brand to generate future earnings. This is based on 10 criteria that are benchmarked against all brands in the industry.

During the time period of 2001-2008, there have been 147 different brands that have appeared on the Businessweek/Interbrand list. Of these, 90 brands have been

on the list for more than 5 times, and 63 of the brands have appeared on the list in all years. Companies like Apple, American Express, BP, Gap, Ikea, Nestle, and Oracle represent a few of the brands that have been on list more than 5 years.

Interbrand is interested in the brand as a business asset, and not on whether the brand is perceived as global. This coincides with marketing studies (?) where the brand is a revenue driver for the corporation and it is an asset that a company must maximize. Consequently being a Global Brand would be a desirable end-state for all companies. This would suggest that there should be major differences between those companies that choose the Global Brand Strategy and those that do not.

4. Data and Methodology

4.1. Data sources

We gather accounting and stock price information from Datastream for an initial sample of 6,814 stocks from 44 different countries. These data span the period 2000-2008, for which we have information on Interbrand rankings. Additionally, we obtain data for the period 1998-1999 to include in the final analysis some lagged variables. Our firms are all publicly listed and survive the entire sample period. However, not all of the variables that are required in the paper are available for all these firms.

With respect to the Global Brand companies, data is collected for the corresponding parent company (Nestlé for Nescafe, Mattel for Barbie, etc). We in any case control in the empirical tests for whether there is identity between the parent company and the global brand, or not. Some of the global brands are privately held (Ferrari, Ikea, Giorgio Armani, Levi Strauss, Prada and Rolex). For some other global brands we cannot obtain accounting information from Datastream (L'Oreal, the parent company of Lancôme, for example). Finally, some global brands share the same parent company, and are therefore treated as a single firm: Bacardi, Guinness and

Johnnie Walker (Diageo); Louis Vuitton and Moët&Chandon (LVMH); Gucci and Puma (PPR); Nestlé and Nescafé; Gillette and Pampers (Procter and Gamble); Toyota and Lexus; KFC and Pizza Hut (Yum! Brands).

Finally, we exclude Merrill Lynch from the sample because it was acquired in 2008 by Bank of America. In any case, for the financial firms in our sample (American Express) some of the relevant variables in the empirical analysis are not available (i.e. days receivables), and they are naturally out of the final analysis.

Out of the 147 companies that make it to the Global Brand list at least one year during the sample period, we obtain data for 120 companies.

4.2. Matching Procedure

We match each of the 120 global brand companies with one other firm from the total sample, based on Industry, Size (Total Assets), Return on Assets, and Market-to-Book ratio. We do not match by country, as it would seem natural, for two reasons: first of all the Global Brands are also global companies, so their country of incorporation is not a very defining characteristic; additionally, Global Brands are usually unique in their country and industry (e.g. Nestlé).

We identify 1,492 companies in the initial sample with information on the four variables above, on top of 120 of the 120 global brands. We first match by industry and then identify the firm with the closest distance to the Global Brand in terms of Book Value of Assets, Return on Assets, and Market-to-Book Ratio.

Our procedure yields a sample of 41 pairs of firms, each pair consisting on one global brand and one non-global brand. Rather than choosing the closest matching firm for all GB, we set a minimum distance criterion for a firm to make it to the matching sample, hence the lower number of pairs (41) than GB (120). We for instance eliminate matching companies that turn out to be half the size of the

corresponding GB. Additionally, in some cases we cannot find a matching firm that is in the same industry as the corresponding GB.

In most cases, the non-global brands are at the same time global companies: e.g. Ericsson (for Nokia) and Unilever (for Nestlé). Some of the matching firms belong to the same country as the global brand, despite this not being a requirement (Pioneer for Panasonic, for example). Such subsample represents 17 countries and 23 industries.

In addition to the matching sample, we also analyze a larger sample that includes all GB and any company in the whole sample with data available. We are able to obtain stock price and accounting information for a total sample of 1,297 non-global-brand firms and 66 global brands. Such final dataset is a balanced panel which spans 108 industries and 44 countries.

The econometric analysis is performed both for the whole sample, as well as for the restricted sample of 41 pairs (82 firms). In the former case, we also include those Global Brands for which a matching firm could not be identified.⁵

5. Results

5.1. Financial and Operating Characteristics of Global Brands

5.1.1. Univariate Results

In Table 3 we provide descriptive statistics of GB companies compared with the overall sample. For each variable, we display average and median values, as well as

⁵ Results are not sensitive to this strategy, as the qualitative nature of our finding remains also in the restricted sample of 84 firms.

tests for differences based on parametric (averages) and non-parametric (median) tests of significance.

[Insert Table 3 about here]

Relative non-GB companies, GB firms sell more, both at home and abroad, and foreign sales represent 52% of total assets for GB, and 31% for non-GB, on average (the difference is significant at the one-percent level). GB are not significantly more profitable, at least in terms of EBITDA margin. While these results suggest a similar cost structure, Table 4 also shows that, relative to global, non-global-brand companies, GB display lower costs of sales (53% vs. 63% on average, significantly different at the one-percent level), they display higher marketing and administrative costs (30% vs. 27%, also significant at the one-percent level). Median R&D expenses are also significantly higher for GB, both relative to the large comparable sample (at least in median), and to the sample of global, non-global-brand companies.

[Insert Table 4 about here]

Regarding financial strategy, we find that GB pay significantly more dividends and are more leveraged than non-GB (dividend per share is \$0.76 per year, vs. 0.59 for non-GB; leverage ratio is 22% for GB, and 26% for non-GB). However, they pay less dividends (on average, but not in median), and are less leveraged than their matching peers. This is consistent with larger companies having more debt capacity and paying more dividends than industry competitors, but such effect disappears when we compare GB to firms of similar size. GB also invest more than non-GB, but less than matching firms. These results highlight the intangibility of GB' assets, which requires them to invest less, but also limits their ability to pay dividends and take on debt.

Probably as a result of the similarity in leverage ratios, GB do not appear to have larger betas (although the difference in medians with matching firms is

significantly different at the five-percent level). However, PE ratios are larger in median, relative to both subsamples. This result suggests that GB are perceived by the market as higher-growth companies, again consistent with the higher profitability and market to book ratios.

With regards to working capital management, it is interesting to compare GB to matching companies. In median, GB have a better cash cycle (68 days vs. 77 days, significantly different at the 10-percent level). This effect is due mainly to lower inventory and account receivable days, despite longer day payables outstanding. Relative to other non-global firms, the differences are much larger.

5.1.2. Cross-sectional regressions. Operational Performance measures

Tables 5 and 6 show the result of cross-sectional regressions of accounting and financial variables, on an Interbrand indicator (Y/N), and several controls. We control for firm size, year-fixed effects, and country-fixed effects. We additionally control for specific pair effects in the matching sample, and for industry-fixed effects when we use the whole sample (These coefficients are not displayed). The endogenous variables in both tables are: asset turnover (TAT), the ratio of fixed assets to total assets (FXTA), the ratio of non-fixed assets to total assets (NFXTA), costs of goods sold to sales (COGS), Selling and Administrative Expenses to Sales, EBIT margin (EBM), Return on Equity (ROE), the ratio of R&D expenses to sales, Investments measured as the change in total assets from year to year, and the ratio of total debt to total assets (LEV). All variables are expressed in logs.

[Insert Table 5 about here]

[Insert Table 6 about here]

Tables 5 and 6 show that GB display better return on equity (ROE) than comparable companies. GB have a higher EBIT margin and a higher asset turnover.⁶ For GB, asset turnover is 32% higher, and EBIT margin is 19% higher than for non-GB. Relative to Table 3, these differences are now significant because we control for other important determinants of profitability such as country and industry. GB also report a larger fraction of Fixed Assets, and a larger fraction of Non-Fixed Assets.⁷ The larger profitability of GB is at odds with the significantly higher ratio of SG&A to sales, a result that is consistent with GB spending more in supporting the value of the brand. However, GB display lower COGS than comparable firms, and higher R&D expenses. Overall, these findings suggest that GB adjust pricing to the higher cost structure to sustain higher margins relative to non-GB.

The higher ROE for GB results even taking into account that, both in the matching sample (Table 5) and in the overall sample (Table 6), we find that GB have significantly lower leverage ratios. This is consistent with the hypothesis that, despite the larger fraction of fixed assets, GB prefer equity financing because their more important asset (the brand) is intangible. Finally, we do not find differences in investment ratios.

As GB display significantly higher ROOA ratios (EBITDA margin times Asset Turnover), the larger operating profitability does result in higher Return on Equity even though they rely more on equity financing. GB build intangible assets which allow them to become more profitable, but which at the same time hinder their ability to lower their financing cost by raising more debt. The combined effect should be reflected in the market valuation of equity, which we explore in Section 5.2.

⁶ ROE = EBIT Margin x Asset Turnover x Assets-to-Equity Ratio

⁷ Note that in our definition of Non-Fixed assets we do not include intangible assets.

5.1.3. Cross-sectional regressions. Working Capital Management

Our previous results show that GB have different financial and operating strategies, which result in higher profitability. With respect to the operating performance, a GB displays lower costs of sales, but higher selling and administrative expenses. With respect to the financial strategy, GB pay more dividends and use less leverage, which is consistent with the higher value that the market assign to the intangible global brand.

We test in this section the hypothesis that, because of the strength of the brand, GB do increase their reliance on supplier financing, have more negotiating power with customers, and overall display a better working capital management. Table 7 reports regressions similar to the ones in Tables 5 and 6, where the endogenous variables are Receivable Days, Inventory Days, and Payable Days, all in logs. We additionally estimate regressions of Working Capital Days (=Receivable Days + Inventory Days – Payable Days) on the usual controls.

[Insert Table 7 about here]

Consistent with faster sales turnover, inventory and receivable days are significantly lower for GB, both relative to industry competitors and matching firms. Specifically, inventory days are 37% lower, and receivable days are 17% lower, than other global, non-GB (both significant at the five-percent level). This result is consistent⁸ with vertically-integrated supply chains in global firms as suggested by Milberg Winkler (2010). Indeed, when we use the matching sample, we find however that GB receive less supplier financing (5.3% lower, significant at the five-percent level) relative to matching firms, but longer days payable outstanding (the coefficient is significant at

⁸ It is also possible that, due to the intangibility of the brand, suppliers perceive GB as more risky (which is consistent with our findings in the previous section). It is also possible that suppliers for GB are more specific and therefore have more negotiating power vis-à-vis their customer. Finally, it can be consistent with GB having a preference for equity financing over both debt and trade credit.

the five-percent level). Iglesias et al (2007) have shown that when a manufacturer is relatively more dependent on the retailer, it gives longer credit periods. The reverse is true too: the lesser a brand is dependent on a customer, the shorter its credit periods. Our results are entirely consistent with this idea, and we additionally find that GB are able to exert more pressure on suppliers, relative to other global, non-global-brand firms, resulting in a lower requirement for working capital, and more supplier financing. This compensates for the lower financial leverage that GB display, as shown in the previous section.

5.2. Market Valuation of Global Brands

In this section we analyze the valuation impact of a GBS. If global branding is seen as a winning strategy, then the market should reward it and shareholders should be willing to pay more for GB. Alternatively, if a GBS is seen as a trade-off between costs and benefits, then in equilibrium firms implement it so the margin there are no additional market gains. Moreover, as shown in Section 2.1.2, GB display larger ROE, but lower leverage, so the question remains whether they generate more risk-adjusted value for the shareholders.

We shed light on this question in cross-sectional regressions where the dependent variables are Price-Earnings Ratio, Market-to-Book Ratio, and Price-to-EBITDA Ratio. We additionally study the differences in dividends and beta. In comparison to the Price-Earnings Ratio, the Market-to-Book Ratio takes into account the effect of financial leverage; similarly, the Price-to-EBITDA ratio is more representative of the market valuation of earnings coming from the firm's core business.

In the cross-sectional regressions, we control for firm size, year- and country-fixed effects. Whenever we use the subsample of matching pairs, we additionally estimate a pair-dummy coefficient. Results are reported in Table 7.

[Insert Table 8 about here]

Market risk. GB display a significant lower beta than matching firms and industry competitors (such differences are significant at the five-percent level). We interpret this result as an indication of the value of the global brand as a cushion against market shocks. Additionally, lower betas are a consequence of the reduced financial risk which results from lower leverage. Lower betas also indicate that, contrary to our initial hypothesis, the global brand is not more exposed to global shocks, especially relative to other global firms.

Price-earnings ratios. Because price-earnings ratios (PER and Price/EBITDA) are negatively related to risk, we should expect, in line with the previous result, that these ratios are larger for GB. We confirm this to be the case relative to industry competitors. However GB do not have larger price multiples than matching firms, which is the result of the impact of lower leverage on these multiples.

Market-to-Book ratios. GB are more valuable than matching firms and other industry competitors (significant at the five-percent level). Market-to-Book ratios are larger for GB relative to matching firms and industry competitors by 44%. These findings confirm the added value that the market assigns to a GB strategy.

Dividends. We find that, after controlling for size, year, industry, and country, GB pay more dividends than industry competitors, but do not have different payout policy than matching firms. This is in line with the univariate results in Table 3.

In summary, we find in this session that the GB is a valuable intangible asset. Becoming a global brand is costly, as it requires more costly capital (equity), higher marketing and R&D expenses. But the GBS also yields benefits, namely a lower

working capital requirement which derives from the stronger ability to negotiate with customers and suppliers; and lower market risk because the brand acts as a cushion against global market shocks. The most important asset of a GB is therefore not in its books.

5.3. Global Brands and Stock Returns

In this section we test whether GB display a different risk profile, and therefore whether GB are rewarded with higher or lower returns. As Section 1 discusses, GB are seen as a cushion against global shock, yet at the same time they are more exposed to systemic risks.

5.3.1. Time-series Results

We estimate time-series regressions of monthly stock returns on a GB indicator, and on the usual controls: market risk premium, HML, SMB and Momentum factors. SMB is the monthly return of a portfolio that is long on small stocks and short on large stocks. HML is the monthly return of a portfolio that is long on high book-to-market stocks and short on low book-to-market stocks. The Momentum factor is the monthly return of a portfolio that is long on past one-year return winners and short on past one-year return losers. Factor data are obtained from Ken French's website. Note that these are constructed using a sample of U.S. stocks only, which we think applies properly to our sample of mostly large, global companies.

[Insert Table 9 about here]

Table 9 reports the cross-sectional regressions estimated both for the whole sample, and for the subsample of matching pairs. The coefficient of the GB dummy, is therefore the GB-specific alpha, and it is not statistically significant in any

specification.

In the time series, the coefficient of the market risk premium is either not significant (whole sample) or significantly positive (matching sample). This result is at odds with our result in Section 2 that GB display significantly lower betas. However note that the positive coefficient in this section is reflective of the time-series behaviour of firm-specific betas.

When we use the matching sample we find that, despite firms showing a significant alpha of less than one basis point on average, the performance of GB vs. global, non-GB is not significantly different.

5.3.2. Cross-sectional Results

In Table 10 we show the results of Fama-MacBeth cross-sectional regressions of monthly stock returns on lagged market capitalization, lagged market-to-book ratios, lagged returns, and lagged turnover, similar to the specification in Hong and Kacperczyk (2009). In addition, we interact these variables with a GB indicator. We find insignificant alphas for GB, once we control for size and liquidity.

[Insert Table 10 about here]

The stock market performance of GB is more sensitive to liquidity (turnover) than for controlling firms; they tend to be more mean-reversing, and returns respond more to changes in market-to-book ratios. However, the global brand does not appear to be a significantly priced risk factor.

6. CONCLUSION

The value of intangible assets has been studied in the literature from several lenses. In most cases, intangible assets (admiration by consumers or employees, or the negative

perception of an undesirable business) are not proactive choices by companies. Therefore, firms cannot adapt so as to either eliminate their costs (“Sin Stocks”) or to attract competitors trying to capture any value gap (“Most Admired Companies”).

Our paper looks instead into an intangible asset that is derived from a voluntarily chosen strategy: a global brand strategy. We hypothesize that, if some firms decide to be global brands, while other companies choose to operate globally, but with a portfolio of non-global, possibly local brands, both must be equilibrium strategies, so that the market eliminates any potential value advantage of one or the other.

We analyze the operating, financial, and market performance of firms included in Interbrand’s 100 Global Brands in the period 2000-2008, and compare them to a matching sample of mostly global, non-GB firms. Some of our results are in line with our hypothesis that a GBS is costly. We indeed find that GB display larger costs of sales and marketing expenses, although they do not invest significantly more, nor they spend more in R&D. However, EBIT margins are overall higher, suggesting that GB are priced higher because of their better acceptance among consumers. Additionally, GB sell more per unit of capital (asset turnover), thus resulting in significantly higher return on operating assets.

The better operating performance results in higher market-to-book ratios because the most important asset of a GB is not in its books. We show in the paper that GB take on less debt than other firms because they base their performance on a highly valuable, yet intangible asset. While the lower leverage dilutes shareholders’ returns, the resulting market valuation is larger for GB.

However, we do not find that GB earn significantly higher, risk-adjusted stock returns. Both in time-series analyses and cross-sectional regressions we cannot reject the null hypothesis that the alpha for GB is significantly different from zero. Our findings confirm the hypothesis that a GBS is an equilibrium strategy which is played

by some firms and not by others until the market benefits of either one are equalized. We conclude that a GBS is a successful but costly strategy that does not bring additional benefits in equilibrium. The question then remains of why some firms proactively decide to become global brands. Our current work is working on two possible explanations: a GB is an acquisition device which allows firms to expand using the brand to bring in synergies. Therefore acquisitions by GB create more value. Additionally, the GB is an intangible cushion against market shocks. It is therefore possible that GB are desirable safe havens in bad times. Investors, although they do not particularly favour GB on average, prefer to invest in GB during recessions.

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TABLE 1

EMPIRICAL RESEARCH ON THE CONSUMER PERCEIVED VALUE OF GBS

Nr	Study	Research Objective	Dataset	Geography					Product categories	IV	DV	Key Findings
				Countries	USA	Japan	Europe	Other				
1	Steenkamp and De Jong (2010, JM)	To study consumer Attitudes toward Global Products (AGP) and Attitude towards Local Products (ALP)	13,000 consumers from 28 countries	28	Y	Y	20	6	No specific product category: AGP / ALP is measured in relation with entertainment, furnishing, clothing, food, lifestyle, and brands	Country, socio-demographics, general values, consumer values, national-cultural values	* AGP/ALP	* Nine different consumer segments are identified: from Low/Medium/High AGP in combination with Low/Medium/High LGP.
2	Dimofte, Johansson, and Bagozzi (2010, JIM)	To evaluate the effect of Brand Globality on consumer perceptions in three different ethnic segments in the USA.	1248 US consumers from the three main ethnic groups: Caucasians (792), African Americans (279), Hispanics (177)	1	Y	-	-	-	Consumers did not evaluate specific brands; instead they evaluated the higher-order Global Brand construct	Perceptions GB; Attitude GB	* Brand Globality	* Brand Globality, despite not being considered very important, is a relevant attribute -- across three ethnic groups.
2	Dimofte, Johansson, and Ronkainen (2008, JIM)	To investigate the cognitive and affective reactions to Global Brands	719 US consumers, covering age groups of 18 to 45 years old; of who 67 Antiglobalists (<10%), and 334 Proglobalists (47%)	1	Y	-	-	-	Consumers did not evaluate specific brands; instead they evaluated the higher-order Global Brand construct	Perceptions GB; Attitude GB	* Brand Globality	* The association of Brand Globality with higher quality is weaker than in previous studies; * The link between Brand Globality and favorable perception is predominantly affective, less cognitive.
3	Johansson, and Ronkainen (2005, JBM)	To test the links between brand globality and esteem	Consumer perceptions on 749 brands in 8 countries	8	Y	Y		France, Germany, UK, Spain, Italy, Sweden	727 brands of which 13 (global) brands are represented in all eight countries; 416 brand are local-domestic	* Brand strength; * Perceived Brand Quality; * Familiarity; * Global Range	* Brand Esteem	* A brand's globality is associated with a net benefit in terms of higher Esteem.
4	Holt, Quelch, and Taylor (2004, HBR)	To identify the dimensions of Global Brands, and to find consumer segments across countries based on the way they evaluate Global Brands	1,800 consumers from 12 countries rating three brands in a category.	12	Y	Y		France, Poland, UK	16 Global Brands from the Interbrand's Top 100, plus 2 extra brands. Three brands per category (cola-drinks, athletic wear, cell phones, cars, gasoline, consumer packaged goods)	Perceptions GB on three dimensions: Quality, Global Myth, and social responsibility.	* Brand preference	* Consumers expect the globalness of a brand to signal quality; * Global brands make us feel like citizens of the world; * People expect more from Global brands in terms of Social Responsibility.
5	Steenkamp, Batra, and Alden (2001, JIBS)	To explore three paths of influence of Perceived Brand Globalness (PBG) on the likelihood of brand purchase.	247 US consumers and 370 Korean consumers	2	Y	-	-	Korea	USA: cola drinks, facial cream, color TV sets, wristwatches. Korea: cola, toothpaste, color TV sets, refrigerator.	* Perceived Brand Globalness; * Brand Local Icon Value;	* Perceived Brand Quality; * Brand Prestige; * Brand Purchase Likelihood	* Perceived Brand Globalness is positively related to perceived brand quality and prestige and, through them to purchase likelihood.
6	Batra, Ramaswamy, Alden, Steenkamp, and Ramachander (2000, JCP)	To test whether, among consumers in developing countries, global brands (from the West) are preferred over local brands.	508 Indian consumers (living in Mumbai or Delhi)	1	-	-	-	India	Four brands per category (laundry detergents, wristwatches, soft drinks, light bulbs, toothpaste, washing machines, tea, and TV sets).	* Perceived brand local/non-local origin (3 items); * Brand quality (1 item); * Brand image (2 items)	* Brand Attitude	* The more a brand seen as non-local, the more positive are the attitudes towards that brand.

TABLE 2

HYPOTHESES ON DRIVERS OF FINANCIAL VALUE OF GBS

<i>Global Brand Strategy (GBS)</i>			
	(+)	(-)	Hypothesis
<i>Demand Side</i>			
Sales			Total Asset Turnover
- Domestic Sales	Global brand appeal		DS / Total Assets
- Foreign sales (FS)	Strong presence across international markets	Lower local adaptation	FS / Total Assets
Profit margin	Price premium with regards to consumers; Higher bargaining power with customers and suppliers	Higher cost structure	EBITDA margin COGS
Relationship with customers	More negotiation power with distributors		Inventories days lower Receivable days lower
Relationship with suppliers	More negotiation power with suppliers; more pressure due to lack of uncertainty	Vertically-integrated supply chains that are more favourable to the supplier	Accounts payable days
<i>Supply Side</i>			
R&D	Ability to leverage More ideas	Winning product already	RD/Sales
<i>Financial Management</i>			
Systematic risk	Brand is exposed to global shocks	Brand is the cushion	Beta
Unsystematic risk	Cannot hedge	More diversified geographically	FF-model residual
Investments	Less, because they squeeze suppliers, distributes	Growth needs, The number 1.	Growth in TA (%) ?
Payout	More dividends because of lower risk, and invest less	Less dividends because of higher risk, and invest more	Payout ratio
Leverage (Debt / Total)	More debt capability	Brand is Intangible assets	D / (D + mcap)

Table 3: Descriptive Statistics with T-test and Wilcox: 41 Global Brands and 41 Pairs

Table reports the means and medians for both the Global Brand sample and their pairs. P-values represent the results of the two sided test of means (Welch) and medians (Wilcox). EBITDA MARGIN is the ratio of ebitda divided by sales. R&D/SALES is the ratio of research and development expenditure to sales. INVESTMENT is the change in total assets from time t-1 to time t . LEVERAGE is the ratio of total debt to enterprise value. DAYS PAYABLE OUTSTANDING is calculated as (wc03040) divided by cost of goods sold times 360. DAYS is receivable days plus inventory days minus days payable outstanding. The sample period is 2000 to 2008.

Variable	Mean Non Global Brands	Mean Global Brands	P-value	Median Non Global Brands	Median Global Brands	P-value
<u>Balance Sheet Variables</u>						
Investment	9.6	11.4	.295	6.2	7.2	.042
Total Asset Turnover	.798	.916	.000	.730	.910	.000
Foreign Sales/Total Assets	30.39	52.56	.000	24.82	46.01	.000
Non Foreign Sales /Total Assets	49.47	39.09	.000	39.99	33.71	.028
<u>Profit and Loss Variables</u>						
Cost of Goods Sold/Sales	54.45	50.79	.001	58.31	51.43	.005
SGA /Sales	31.98	31.42	.647	30.44	31.06	.329
R&D / Sales	6.74	6.24	.379	2.69	5.07	.063
Ebitda Margin	20.18	21.85	.126	18.42	20.49	.235
Return on Equity	14.04	16.78	.519	15.41	18.92	.000
<u>Working Capital</u>						
Receivable Days	73.87	57.01	.000	61	55	.000
Inventory Days	82.74	92.55	.135	77	64	.033
Days Payable Outstanding	65.81	64.18	.619	48.51	55.65	.003
Cash Cycle (Days)	89.92	85.38	.527	85	61.66	.000
<u>Market Variables</u>						
Leverage	19.43	19.67	.879	15.06	11.60	.097
Beta	.946	.969	.653	.814	.860	.404
Price/ Earnings	23.36	26.57	.672	17.10	19.84	.000
Market to Book	1.95	2.77	.000	1.762	2.096	.104
Dividends Per Share	.585	.758	.002	.240	.600	.000
Price to Ebitda	6.87	11.74	.171	8.171	9.524	.000

Table 4: Descriptive Stats with T-test and Wilcox: 57 Global Brands and 343 Industrial Competitors

Table reports the means and medians for both the Global Brand sample and their pairs. P-values represent the results of the two sided test of means (Welch) and medians (Wilcox). EBITDA MARGIN is the ratio of ebitda divided by sales. R&D/SALES is the ratio of research and development expenditure to sales. INVESTMENT is the change in total assets from time t-1 to time t . LEVERAGE is the ratio of total debt to enterprise value. DAYS PAYABLE OUTSTANDING is calculated as (wc03040) divided by cost of goods sold times 360. DAYS is receivable days plus inventory days minus days payable outstanding. The sample period is 2000 to 2008.

Variable	Mean Non Global Brands	Mean Global Brands	P-value	Median Non Global Brands	Median Global Brands	P-value
<u>Balance Sheet Variables</u>						
Investment	13.97	11.19	.016	8.79	7.18	.120
Total Asset Turnover	.959	.93	.216	.890	.920	.494
Foreign Sales/Total Assets	30.44	54.07	.000	20.56	48.59	.000
Non Foreign Sales /Total Assets	65.53	38.94	.000	47.89	33.76	.000
<u>Profit and Loss Variables</u>						
Cost of Goods Sold/Sales	63.20	53.12	.000	64.81	54.75	.000
SGA /Sales	27.24	30.09	.000	25.33	29.74	.000
R&D / Sales	4.07	5.46	.000	.327	3.64	.000
Ebitda Margin	22.92	20.96	.651	15.78	18.78	.000
Return on Equity	16.34	19.48	.390	13.56	18.92	.000
<u>Working Capital</u>						
Receivable Days	68.99	62.42	.008	59	56	.103
Inventory Days	85.15	89.62	.335	67	65	.700
Days Payable Outstanding	60.05	62.34	.178	48.05	55.22	.000
Cash Cycle (Days)	90.79	89.34	.784	76.57	68.22	.071
<u>Market Variables</u>						
Leverage	26.44	22.15	.001	20.50	13.13	.000
Beta	.943	.964	.498	.770	.860	.049
Price/ Earnings	56.09	26.94	.473	15.83	19.17	.000
Market to Book	1.83	2.60	.000	1.39	2.02	.000
Dividends Per Share	1.10	.716	.070	.151	.550	.000
Price to Ebitda	64.76	11.63	.020	7.17	9.14	.000

Table 5: Interbrand Dummy: Operational Performance Regressions

Equation: Dependent Variable = $\alpha_0 + \alpha_1 * \text{Interbrand Dummy} + \alpha_{it} * \text{Controls} + \varepsilon_{it}$

This table reports the estimates of the annual time-series cross-sectional firm-level regression. All standard errors are corrected for heteroskedasticity and correlation across panels and years. Table reports regression coefficients and standard errors. INTERBRAND equals 1 if a firm is listed as Interbrand global brand and 0 if not. SIZE is the logarithm of the firm's assets. Log TAT is the log of total asset turnover. Log FXTA is the logarithm of foreign sales/total assets. Log NFXTA is the logarithm of non-foreign sales to total assets. Log COGS is the logarithm of cost of good sold to sales. Log SGAS is the logarithm of selling and general administration to sales. Log EBM is the logarithm of ebitda margin. Log ROE is the logarithm of return to equity. LOG RD/Sales is the logarithm of research and development of sales. Log INVEST is the logarithm of investment. Log LEV is the logarithm of leverage.

<i>Sample : Global Brands and Pairs</i>										
Years: 2000-2008										
Variable	Log TAT	Log FXTA	Log NFXTA	Log COGS	Log SGAS	Log EBM	Log ROE	Log RD/SALES	Log INVEST	Log LEV
Interbrand	0.358*** (0.031)	0.706*** (0.049)	0.333*** (0.027)	-0.061*** (0.019)	0.044* (0.013)	0.204*** (0.057)	0.119* (0.066)	0.046*** (0.016)	0.020 (0.115)	-0.642*** (0.038)
Size	-.0215*** (0.016)	-0.282*** (0.028)	-0.231*** (0.012)	.004 (0.011)	-0.123*** (0.010)	0.005 (0.039)	0.002 (0.040)	-0.035** (0.016)	0.112 (0.085)	0.261** (0.031)
Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pairs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GB	41	41	41	38	38	41	41	38	41	41
Pairs	41	41	41	38	38	41	41	38	41	41

*** 1 % significance, ** 5% significance, * 10 % significance

Table 6: Interbrand dummy: Operational Performance Regressions

$$\text{Equation: Dependent Variable} = \alpha_0 + \alpha_1 * \text{Interbrand Dummy} + \alpha_{it} * \text{Controls} + \varepsilon_{it}$$

This table reports the estimates of the annual time-series cross-sectional firm-level regression. All standard errors are corrected for heteroskedasticity and correlation across panels and years. Table reports regression coefficients and standard errors. INTERBRAND equals 1 if a firm is listed as Interbrand global brand and 0 if not. SIZE is the logarithm of the firm's assets. Log TAT is the log of total asset turnover. Log FXTA is the logarithm of foreign sales/total assets. Log NFXTA is the logarithm of non-foreign sales to total assets. Log COGS is the logarithm of cost of good sold to sales. Log SGAS is the logarithm of selling and general administration to sales. Log EBM is the logarithm of ebitda margin. Log ROE is the logarithm of return to equity. LOG RD/Sales is the logarithm of research and development of sales. Log INVEST is the logarithm of investment. Log LEV is the logarithm of leverage.

<i>Sample : Global Brands and Industry Competitors</i>										
Years: 2000-2008										
Variable	Log TAT	Log FXTA	Log NFXTA	Log COGS	Log SGAS	Log EBM	Log ROE	Log RD/Sales	Log Invest	Log LEV
Interbrand	0.199*** (0.007)	0.501*** (0.029)	0.043*** (0.012)	-0.171*** (0.012)	0.096*** (0.010)	0.046*** (0.012)	-0.023 (0.023)	0.049*** (0.009)	0.011 (0.032)	-0.653*** (0.070)
Size	-.097*** (0.004)	0.174*** (0.009)	-0.186*** (0.003)	.007 (0.004)	-0.015*** (0.006)	0.010* (0.005)	0.009*** (0.003)	0.064*** (0.004)	-0.004 (0.013)	0.248** (0.025)
Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pairs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GB	57	57	57	54	54	57	57	54	57	57
Competitors	343	343	343	310	310	343	343	310	343	343

*** 1 % significance, ** 5% significance, * 10 % significance

Table 7: Interbrand dummy: Accounting Performance Regressions

$$\text{Equation: Dependent Variable} = \alpha_0 + \alpha_1 * \text{Interbrand Dummy} + \alpha_{it} * \text{Controls} + \varepsilon_{it}$$

This table reports the estimates of the annual time-series cross-sectional firm-level regression. All standard errors are corrected for heteroskedasticity and correlation across panels and years. Table reports regression coefficients and standard errors. INTERBRAND equals 1 if a firm is listed as Interbrand global brand and 0 if not. SIZE is the logarithm of the firm's assets. Log REC DAYS is the log of receivable days. Log INV DAYS is the logarithm of inventory days. Log DPO is the logarithm of days payable outstanding. Log DAYS is the logarithm of days. The sample period is 2000 to 2008.

<i>Sample Global Brands and Pairs</i>				
Variable	Log Rec Days	Log Inv Days	Log DPO	Log Days
Interbrand	-0.219*** (0.036)	-0.108** (0.048)	-0.053** (0.028)	-0.056 (0.117)
Size	0.014 (0.018)	0.148*** (0.020)	0.075*** (0.019)	0.016 (0.048)
Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes
Pairs	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes
GB	38	38	38	38
Pair	38	37	38	37

*** 1 % significance, ** 5% significance, * 1 % significance

<i>Sample : Global Brands and Industry Competitors</i>				
Variable	Log Rec Days	Log Inv Days	Log DPO	Log Days
Interbrand	-0.173*** (0.016)	-0.368*** (0.028)	0.034** (0.017)	-0.063*** (0.009)
Size	0.059 (0.005)***	0.099*** (0.007)	0.076*** (0.007)	0.007** (0.003)
Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes
GB	54	53	54	53
Competitors	309	303	309	303

*** 1 % significance, ** 5% significance, * 1 % significance

Table 8: Interbrand Dummy: Market Performance Regressions

Equation: Dependent Variable = $\alpha_0 + \alpha_1 * \text{Interbrand Dummy} + \alpha_{it} * \text{Controls} + \varepsilon_{it}$

This table reports the estimates of the annual time-series cross-sectional firm-level regression. All standard errors are corrected for heteroskedasticity and correlation across panels and years. Table reports regression coefficients and standard errors. INTERBRAND equals 1 if a firm is listed as Interbrand global brand and 0 if not. SIZE is the logarithm of the firm's assets. Log BETA is the log of beta. Log P/E is the logarithm of price to earnings. Log MK/BK is the logarithm of market to book. Log P/EBITDA is the logarithm of price to ebitda. Log DPS is the logarithm of dividends per share. The sample period is 2000 to 20008.

<i>Sample : Global Brands and Pairs</i>					
Variable	Log Beta	Log P/E	Log MK/BK	Log P/EBITDA	Log DPS
Interbrand	-0.123*** (0.040)	0.114 (0.093)	.444*** (0.024)	0.160 (0.103)	-0.002 (0.012)
Size	0.007 (0.028)	-0.040 (0.047)	-0.160*** (0.018)	-0.013 (0.044)	0.027** (0.011)
Controls	Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes	Yes
Pairs	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes
GB	41	41	41	41	41
Pairs	41	41	41	41	41

*** 1 % significance, ** 5% significance, * 1 % significance

<i>Sample : Global Brands and Industry Competitors</i>					
Variable	Log Beta	Log P/E	Log MK/BK	Log P/EBITDA	Log DPS
Interbrand	-0.121*** (0.018)	0.048*** (0.015)	.440*** (0.024)	0.008 (0.012)	0.044*** (0.005)
Size	0.013** (0.006)	-0.010*** (0.003)	-.072*** (0.005)	0.004 (0.005)	0.035*** (0.003)
Controls	Controls	Controls	Controls	Controls	Controls
Size	Yes	Yes	Yes	Yes	Yes
Years	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes
GB	57	57	57	57	57
Competitors	343	340	343	343	343

*** 1 % significance, ** 5% significance, * 1 % significance

Table 9
Time-Series Return Regression

	Whole Sample				Matching Pairs			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Global Brands (Y/N)	-0.0129 (-0.42)	-0.0129 (-0.42)	-0.0129 (-0.42)	-0.0129 (-0.42)	-0.00169 (-0.70)	-0.00169 (-0.70)	-0.00169 (-0.69)	-0.00169 (-0.69)
Market Risk Premium	0.232* (2.40)	0.205* (2.34)	0.109 (1.28)	0.123 (1.51)	0.125*** (4.22)	0.176*** (6.54)	0.0515 (1.95)	0.0692** (2.74)
Size Factor	0.252* (2.26)	0.274** (2.58)	0.0530 (0.56)		0.370*** (11.17)	0.324*** (10.35)	0.0659* (2.36)	
Book to Market Factor	0.576*** (4.70)	0.577*** (4.71)			0.641*** (17.35)	0.638*** (17.26)		
Momentum Factor	0.0451 (0.65)				- 0.0874*** (-4.19)			
Constant	-0.0104 (-0.87)	-0.0100 (-0.84)	0.00662 (0.58)	0.00680 (0.60)	- 0.00937** (-2.66)	- 0.0100** (-2.85)	0.00788* (2.30)	0.00812* (2.37)
Year-Fixed Effects	YES	YES	YES	YES	YES	YES	YES	YES
Pair-Fixed Effects	NO	NO	NO	NO	YES	YES	YES	YES
Observations	618,719	618,719	618,719	618,719	8,640	8,640	8,640	8,640

t statistics in parentheses

* p<0.05, ** p<0.01, *** p<0.001

Table 10
Fama MacBeth Cross-Sectional Regressions

	Whole Sample				Matching Pairs			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Global Brand x Alpha	-0.101 (-0.95)	0.00487 (0.35)	-0.00153 (-0.11)	-0.00743 (-0.55)	0.0256 (1.59)	0.0133 (0.85)	0.00327 (0.21)	-0.00389 (-0.24)
Lagged Market Capitalization, in Logs	-0.0195 (-1.43)	-0.00436*** (-6.19)	-0.00432*** (-6.22)	-0.00436*** (-6.29)	-0.00295* (-2.47)	-0.00251* (-2.10)	-0.00262* (-2.18)	-0.00254* (-2.09)
Lagged Market-to-Book Ratio, in Logs		-0.00847*** (-5.41)	-0.00858*** (-6.05)	-0.00861*** (-6.08)		-0.00380 (-1.38)	-0.00280 (-1.05)	-0.00181 (-0.67)
Lagged Return			0.00988 (0.82)	0.00984 (0.82)			-0.0580* (-2.13)	-0.0560* (-2.08)
Turnover by Volume				0.00129* (2.03)				-0.00179 (-0.17)
Global Brand x Lagged Market Capitalization (logs)	0.0142 (1.04)	0.000276 (0.21)	0.000597 (0.47)	0.000967 (0.77)	-0.00213 (-1.43)	-0.00114 (-0.83)	-0.000390 (-0.28)	-0.0000236 (-0.02)
Global Brand x Lagged Market-to-Book Ratio (logs)		0.00345 (1.70)	0.00502* (2.61)	0.00450* (2.34)		0.00149 (0.48)	0.00273 (0.92)	0.00127 (0.43)
Global Brand x Lagged Return			-0.0754*** (-3.62)	-0.0823*** (-3.94)			-0.0459 (-1.58)	-0.0551 (-1.90)
Global Brand x Turnover by Volume				0.0224** (2.82)				0.0319* (2.51)
Alpha	0.162 (1.53)	0.0499*** (7.44)	0.0490*** (7.49)	0.0491*** (7.50)	0.0351** (2.67)	0.0349* (2.53)	0.0343* (2.45)	0.0332* (2.49)
Observations	611,428	571,349	569,883	566,650	8,470	8,327	8,327	8,327

t statistics in parentheses

* p<0.05, ** p<0.01, *** p<0.001