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American companies have a new image problem

Donald Trump is hurting brands from Coca-Cola to Jack Daniel's

For decades America's soft power put the wind in the sails of its companies as they ventured abroad. When the Berlin Wall fell, Coca-Cola sent lorries emblazoned with its logo into East Berlin to hand out free drinks. Sales soared as consumers in the former communist state chugged enthusiastically on the sugary icon of American capitalism.

Peddling Americana abroad, however, is getting trickier. Last month Carlsberg, a Danish brewer that bottles Coca-Cola in its home country, noted that consumers there were boycotting the fizzy drink, opting for local alternatives instead. Coca-Cola can thank Donald Trump, who has exasperated Danes—and many others—with his talk of territorial expansion and his trade war. How worried should America Inc be about its new image problem?

Mr Trump's damage to America's reputation is clear to see. In a survey across 100 countries carried out last month by Nira Data, a research firm, for the Alliance of Democracies, a Danish non-profit, the share of respondents with an unfavourable view of America exceeded those with a favourable opinion by five percentage points, a sharp deterioration from previous years, and enough to place America behind China in global esteem (see chart).

The president's actions are already weighing on American companies' sales abroad. The backlash has been strongest in Canada, whose citizens have railed against the suggestion that their country should become America's 51st state, and Denmark, thanks to Mr Trump's threats to pinch Greenland. Last month 61% of Canadians told YouGov, a pollster, that they were boycotting American products. Earlier this year Ontario and Quebec, Canada's two largest provinces, pulled American-made alcohol from the shelves of government-run liquor stores. Kraft Heinz, an American food giant, has been reminding Canadians that much of what it sells in the country is made there from local ingredients. In Denmark, the country's largest retailer, Sailing Group, has been labelling European-owned brands in its shops to make it easier to avoid American products.

The souring towards American brands has been on display elsewhere in Europe, too. Tesla, Elon Musk's carmaker, is the most prominent example: new registrations of its vehicles in Europe fell by more than 40% year on year in the first quarter. But it is not the only one at risk. In a survey conducted in March, the European Central Bank asked consumers how likely they would be to substitute away from American goods in a hypothetical scenario in which the country imposed a blanket tariff that the EU then matched, where 100 indicated a strong willingness to switch. The median answer was 80. Tellingly, Europeans were more likely to cite preference, rather than price, as their main reason for switching.

All this will worry American firms, which make more than $8trn in foreign sales each year. Not all will be equally harmed, though. Morning Consult, another pollster, has examined the correlation between consumers' views of America and their opinion of the country's brands. The relationship is strongest for technology companies, carmakers and food-and-beverage firms, and weakest for hospitality companies, logistics providers and health-care firms. Foreign consumers are more likely to forgo a bag of Cheetos in protest than they are a cancer treatment from Pfizer. A lack of alternatives may also make it harder for them to abandon services such as Google or Instagram. Even so, many American firms will have to grapple with the fact that their nationality may no longer be an asset—but a liability.

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