Global Marketing

Contemporary theory, practice and cases

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Chapter 10

Developing Global Products and Brands
Learning objectives

After reading this chapter you should be able to:

• Define global products and services.

• Understand what is meant by “international product life cycle.”

• Discuss the standardization versus adaptation alternative.

• Describe product features and perception in a global context.

• Discuss why many differences in product attributes are found in emerging markets.

• Explain the key approaches to branding decisions in global markets.

• Identify and discuss the main international product strategies.
Product Management in Foreign Markets

• The way a product is marketed is dependent on the environment that it is in.

• Variables to consider while in foreign markets
  • Differences in product use and expected benefits
  • Product and brand perception
  • Preferences in style, color, and design

• Adaptations are not enough to be successful abroad: the company has to develop a completely different marketing approach.
Starbucks’ Marketing Strategy in China

• China is now Starbucks’ second largest market
  • First targeted largest Chinese cities and are now expanding to second-tier cities.

• Starbucks’ strategy includes changing China’s preference of tea to coffee
  • To do this, Starbucks targets the young professional class who are open to Western culture.
  • Fill stores with educational brochures, have frequent tasting sessions.

• Starbucks has also adopted to Asian preferences
  • Added more seating, offers traditional Chinese cakes during mid-autumn festival.
  • Developed fruity drinks for consumers that do not prefer coffee’s bitter taste.
Reevaluating Marketing Strategies

Strategy must take into account the product’s distinctive characteristics and how the characteristics of people and competitive forces affect how a product is perceived.

• A product must be treated in relation to its classification based on the category it belongs to (industrial vs. consumer, durable vs. non-durable, convenience / preference / shopping / specialty, etc.)

• Significant differences in competition can force the need for a product to be modified
  • Product adaptation is required to get closer to the market when local competitors are very strong

• Consumer characteristics and behavior can change how the product is used over time.
Product Life Cycle (PLC)
International Differences within PLC

The PLC can significantly vary across different countries. We can find differences in:

- The shape of the PLC curve
- The product phase in the life cycle

In relation to the shape of the PLC curve, there are three differences in the diffusion process of innovation among various countries:

- The starting point
- The take-off point
- The rate at which acceptance occurs

The life cycle phase that the product goes through can also be different in a given country.

- Managing the PLC across different countries can guarantee to the company the maintenance of a constant level of profits.
PLCs Across Different Countries for a Specific Product
PLC Cultural Differences

• In Western countries, disposable diapers are a commodity (maturity stage)

• In China, diapers were only introduced a few years ago (growth stage)

• Many Chinese mothers still use open pants called kaidangku
Different Perspectives of PLC

• The PLC can be related to the **whole product category** or a **specific brand**

• A good indicator for the potential of a product in a low-saturation level market is the existence of **wide disparities in the demand for a product or brand from one market to the next**.

• Examples: Ready Meals, Nivea
  • Ready Meals has reached the maturity phase in Europe but continues to grow in other markets
  • Nivea occupies the mature phase of the PLC in Western Europe and the introductory or growth phase in emerging markets.
Illy Coffee in Different Markets

• The potential difference in the product or brand life cycle requires differentiation in the company’s marketing choices.
Standardization vs. Adaptation Dilemma

The choice between standardization and adaptation of marketing strategies is responsible for the company’s chances to successfully enter a market.

- There are five alternatives to the dilemma:
  - The domestic product is exported abroad without modifications (standardization)
  - The domestic product is exported abroad with some adaptations
  - A global standardized product is created to target a transnational segment
  - A global standardized product is created to target a transnational segment across different foreign markets, but some adaptations are required
  - A new product is created to target a foreign market

- The dilemma has to take into consideration the relationship among market, industry, and company factors.

- To evaluate the ideal combination of standardization and adaptation, we have to take into consideration when standardization is favorable and when adaptation is favorable.
Factors to Consider (1)

- **Environmental Factors**
  - Physical characteristics of the country, socioeconomic and demographic differences, religion, political aspects, language, and culture can influence marketing decisions.
    - E.g. Nutella

- **Cost Reduction**
  - A standardized international marketing program strategy favors cost reduction because of economies of scale in R&D, production, marketing, and managerial and organizational processes.

- **Global Image**
  - A strategy when a company communicates one message that is recognizable all over the world in order to strengthen the company’s corporate image.
    - E.g. Nike, Coca Cola

- **Easier Planning and Control**
  - A company with a standardized approach can benefit the company with greater control over the development and implementation of strategies and marketing mix policies more easily than a company with an adaptation strategy.

- **Diffusion of Innovation**
  - The possibility to obtain a quick return on investment with standardization favors the spread of product innovations
Factors to Consider (2)

- **Motivation of Local Managers**
  - Opting for adaptation can create stronger staff commitment

- **Benefits for local consumers**
  - Adapted products are more attractive to consumers and more competitive in foreign markets
    - E.g. Gibson

- **Legal issues and differences in technical standards**
  - A standardized product strategy cannot be adopted when individual country requirements are different in terms of technology, standards, and approval procedures.
    - E.g. Video game industry

- **Costs of distribution, coordination and personal clients’ services**
  - Standardization obtained with centralized production, operating on a global scale, involves production cost reduction

The target market must be analyzed in order to find the right balance between standardization and adaption
Product Use & Perception

Product use in a foreign market considers:
- The use \textit{function}
- The use \textit{situation}
- The use \textit{conditions}
- The \textit{product utilization level}

The \textit{culture and environment} of the consumer can greatly influence consumer needs, and consequently \textit{product perception} and \textit{expectations}
- Standardization is prevalent with industrial goods that satisfy homogenous needs
- Consumer goods require adaptation in many cases
  - E.g. Heineken
- Differences in the evaluation of product characteristics depend on the \textit{way in which the product is perceived across cultures}
  - E.g. Passenger transport modes
One of the main issues defining the international product offer is to determine which product attributes can be standardized and which have to be adapted.

Attributes to be analyzed:

- Regulations and standards
- Physical characteristics
- Style and design, color, and product quality
- Packaging
- Branding
- Country of origin
- Service attributes

A company must take into consideration not only differences between countries but also diversities within a specific country itself.
Regulations & Standards

The **process of standards harmonization** will reduce the need to modify the product characteristics, thus favoring economies of scale in the production process.

- Country laws and standards for various products strongly influence company policies
  - The increasing number of local standards is often the result of the reduction of tariff barriers
- Companies wanting to enter a market in a given country must fulfill specific requirements concerning **quality, safety, size, and ingredients composition**.
- European Union countries are interested in international harmonization of product standards to encourage **internal trade** through the elimination of technical barriers, increase market access, and **promote** and **disseminate technologies**.
- The definition of **different standards** is often also linked to **competitive targets**
  - E.g. Soft at Home
Physical Characteristics

Mandatory adaptations are often less frequent in comparison to physical adaptations that are required to meet differences in consumer behavior and national marketing environments.

• E.g. Japanese soft drink company Ito En, United Arab Emirates dairy market

Adaptation of physical characteristics is not an exception even with products that are already considered global and that are commercialized all over the world.

• E.g. Nestlé
Style and Design, Color and Product Quality

**Design** allows the creation of a link between technological and market innovation

- The challenge for the company is **how to successfully adapt a product to local needs and technology requirements while at the same time minimizing developmental costs.**
  - Design differences are often necessary in order to reduce the product’s final price
    - E.g. iPhone 5c
  - **Color** is another key element, which may be interpreted differently by consumers in various countries
  - The same product **quality** can be considered high in one country, medium or low in another one
    - E.g. Italian goods being sold in France

**National culture** influences the evaluation of **service quality**

- E.g. Czech Republic and Slovenian hotels
Packaging

Packaging is central to both how products are used, how they communicate benefits to consumers, how they are able to create a sensory appeal.

• There are **four** elements to packaging analysis:
  • Labeling
  • Packaging style and design
  • Packaging dimensions
  • Functional characteristics

• Different product usage in different cultures can influence packaging
  • E.g. Hershey Chocolate

• Other factors to consider: education level, transportation and channel length
Branding

The role of branding is affected by the increasing awareness of the centrality of brands in the global context.

- A company must take into account:
  - Brand strategy
  - Brand name and logo selection

In some cases, the brand value of a company is greater than its revenue

- Companies with a strong brand value can exploit this advantage through global branding
  - A global branding approach allows the possibility to standardize other marketing activities, such as communication, because of the brand’s uniqueness
  - When using a global branding strategy, it can be difficult for a company to guarantee uniform product quality

Market leadership is obtained through the development of a portfolio of products characterized by both global and local brands
## AB-InBev Example

<table>
<thead>
<tr>
<th>Region</th>
<th>Market position</th>
<th>Global brands</th>
<th>International brands</th>
<th>Local brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>USA</td>
<td>Budweiser, Stella Artois</td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Bass, Brahma, Bud Light, Busch, Michelob, Natural light</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>Budweiser, Corona, Stella Artois</td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Alexander Keith's, Bass, Bud Light, Kokanee, Labatt, Lucky, Lakeport, Oland</td>
</tr>
<tr>
<td>Europe</td>
<td>Belgium</td>
<td>Budweiser, Stella Artois</td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Belle-Vue, Jupiler, Vieux Temps</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td></td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Diebels, Franziskaner, Haake-Beck, Hasseröder, Löwenbräu, Spaten, Gilde</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>Budweiser, Corona, Stella Artois</td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Bass, Boddingtons, Brahma, Whitbread, Mackeson</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td>Budweiser, Stella Artois</td>
<td>Beck's, Hoegaarden, Leffe</td>
<td>Bagbier, Brahma, Klinskye, Löwenbräu, Sibirskaya Korona, T, Tolstjak</td>
</tr>
</tbody>
</table>

Types of Brands

- Manufacturer’s own brand
  - Occurs when a brand is owned by a producer of a product or service
    - E.g. Dove, San Pellegrino, Bulgari

- Private brand
  - The brand owner is the retailer
    - E.g. H&M, Zara, Amazon.com

- Co-branding or ingredient branding
  - The established brand names of two different companies are used on the same product
    - E.g. Martini Gold

- Licensed brand
  - Occurs when a company uses a brand name offered by the brand owner for an agreed fee or royalty
    - E.g. Benetton and Sisley
Brand Name and Logo Selection

Brand name and logo selection are part of the communication strategy created for target clientele.

Choices to consider in reference to brand name and logo:

• Entering the market with the original brand name
  • E.g. fashion labels

• Opting for a translated brand
  • E.g. Coca-Cola

• Using a completely different brand name
  • Used by multinationals that enter a foreign market by acquiring local brands
    • E.g. Unilever
Louis Vuitton in the United States
**Hearthbrand ice creams in Unilever:**  
*a unique logo for different brand names*

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algida</td>
<td>Serbia, Greece, Italy, Poland, Slovak Republic, Turkey, Hungary, Czech Republic, Romania</td>
</tr>
<tr>
<td>Bresler</td>
<td>Chile, Bolivia</td>
</tr>
<tr>
<td>Eskimo</td>
<td>Croatia, Austria, Slovenia</td>
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<tr>
<td>Frigo</td>
<td>Spain</td>
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<tr>
<td>Frisko</td>
<td>Denmark</td>
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<tr>
<td>GB Glace</td>
<td>Finland e Sweden</td>
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<tr>
<td>Good Humor</td>
<td>United States</td>
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<tr>
<td>Holanda</td>
<td>Mexico</td>
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<tr>
<td>Kibon</td>
<td>Brazil</td>
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<tr>
<td>Kwality Wall’s</td>
<td>India, China</td>
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<tr>
<td>Langnese</td>
<td>Germany</td>
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<tr>
<td>Pierrot Lusso</td>
<td>Switzerland</td>
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<tr>
<td>Miko</td>
<td>France</td>
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<tr>
<td>Ola</td>
<td>Belgium, South Africa, Netherlands</td>
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<tr>
<td>Olá</td>
<td>Portugal</td>
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<tr>
<td>Pinguino</td>
<td>Ecuador, Colombia</td>
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<tr>
<td>Selecta</td>
<td>Philippines</td>
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<tr>
<td>Streets</td>
<td>Australia, New Zealand</td>
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<tr>
<td>Tio Rico</td>
<td>Venezuela</td>
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<tr>
<td>Walls</td>
<td>Ireland, UK</td>
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</tbody>
</table>
Country of Origin and Place Branding

Country of origin represents the **extension of the perception of a specific country to its products or brands**

**Place branding**: a nation is like a brand whose winning characteristics can be communicated with the aim to build a strong national image and reputation.

- An method based on **six dimensions** that is applied to **measure brand value of a place** is the Anholt-GfK Nation Brands IndexSM (NBI)
  - Exports
  - Governance
  - Culture and Heritage
  - People
  - Tourism
  - Investment and Immigration
- Other factors that must be considered are ethnocentricity and animosity toward countries
Hybrid Country-of-Origin

Figure 10.8 – An example of hybrid Country-of-Origin

Adapted from CIA – The World Fact Book: Regional and World Maps (2014)
Gucci Example

Gucci has Italy as a country of manufacturing and country of brand, France as the country of origin of the company, and a product-country of origin fit that can be Italy or France.
Service Attributes

Services can include installation, after-sales services, warranties, repair and maintenance, spare parts, returns, and instruction manuals.

- The guarantee of an after-sale service can reduce potential customer reticence toward a foreign product.
  - E.g. Fiat

- In countries lacking a consumer culture, warranty standardization is not always possible

Client companies prefer a standardized post-sale assistance and warranty policy

- if the client company has different subsidiaries, they would end up using the same product but they would benefit from different types of warranties and post-sale services depending on the location.

- if the product is purchased by a subsidiary in a country and then moves to another subsidiary abroad, the lack of service standardization risks to make the product assistance service confusing and difficult.
Product Strategies in International Markets

The most critical decisions are those relative to the product and its communication.

- A company has five strategic alternatives:
  - Strategy 1: Product–Communication Extension (Dual Extension)
  - Strategy 2: Product Extension–Communication Adaptation
  - Strategy 3: Product Adaptation–Communication Extension
  - Strategy 4: Product–Communication Adaptation (Dual Adaptation)
  - Strategy 5: Product Invention

- Dual extension: when a company is selling the same product with the same communication strategy across different countries

- Product extension–communication adaptation: used when faced with consumers who perceive a product’s value differently, or who are using it for a different purpose and are looking for different benefits to satisfy different needs
  - E.g. De’Longhi
Product Strategies in International Markets

- Product adaptation—communication extension: targets a market that can be similar in the communication approach but needs product adaptation to meet the needs of the local context.
  - E.g. McDonald’s

- Product and communication adaptation: a mandatory choice for companies that need to enter markets that are totally different
  - E.g. Whirlpool in India

- Product invention: linked to satisfying existing needs with products accessibly priced to mass markets
  - E.g. Colgate-Palmolive
Management Orientation

Management orientation (ethnocentric or globally oriented) is an aspect that can make the difference in the choice between standardization or adaptation.

• For example, the Chinese company Lenovo is a global/local company with no fixed headquarters.
  • “We don’t go anywhere with the idea that we are a Chinese company, but more that we are a global company”- Lenovo’s director of global media relations

With a global culture, managers are aware of the cost advantages of standardization, but are also open to adaptation and understanding the local needs.

Uniqueness of a product due to the country of origin is good, but failure to adapt certain differences can lead to failure.
Discussion questions

1. How can you define a global product or service? Discuss and give some examples of local products and global products.

2. List and briefly describe the main product features. Considering a product that is representative of your country and is marketed abroad, define the stage of the product life cycle in your country and in other countries and discuss the standardization/adaptation alternative. Which features are standardized? Which are adapted?

3. What are the most important branding decisions managers have to take in international markets?

4. How can a company manage a negative country-of-origin perception? What are the opportunities associated with a positive country of origin? Discuss some examples of negative and positive countries of origin in your country.

5. What are the advantages and disadvantages of different product expansion strategies?